

**LEBANESE AMERICAN UNIVERSITY**

**POST 2006 LEBANON & DISCONTENT VIA PARIS III :  
AN ANALYTICAL PERSPECTIVE OF FOREIGN AID AS A  
TOOL FOR FOREIGN POLICY**

By

MAYA EL-TABCHY

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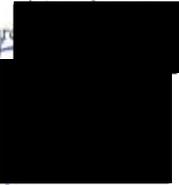
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**POST 2006 LEBANON & DISCONTENT VIA PARIS III :  
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POLICY**

**MAYA EL-TABCHY**

**ABSTRACT**

Lebanon has been a landmark for regional power plays and a key entity for the international community's geopolitical influence within the Middle East. Above all else, Lebanon's openness to Western influence and policy reforms have set it apart from the rest of the Arab world. And yet, fifty years of ongoing turmoil and conflict have led the Lebanese government to continuously reach out to the international community for foreign aid within the sectors of reconstruction, humanitarian relief and social development.

With the events of the July 2006 war and incapacity to uphold itself on the reconstructive front, a call for international aid was set forth and with it, the implementation of Paris III, an inside into the domestic governance of Lebanon and control of the Middle East. All major powers pledged grants and/or loans to the Lebanese government; however, for most key stakeholders, these pledges would introduce and justify their own political and economic agendas. For the US, financial allocations to the sector of security was given as well as to the UNIFEL; the EU's focus was more on the economic side where trade regulations were reformed; International Financial Institutions had finally a major influence on financial institutions, domestic market functions and basic policy making, and a few Arab States had even bigger reason to be of importance to the Lebanese government where full consideration on matter of domestic and regional policy decisions now have them as key players.

Between the West, the Arabs and the Financial Institutions, Lebanon's entire social, economic and political institutions have become hostage of international and regional foreign policy strategies.

Keywords: Western Influence, Foreign Aid, Paris III, Domestic Governance, Stakeholders

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## GLOSSARY OF TERMS

<i>AFD</i>	Agence Française de Développement
<i>EU</i>	European Union
<i>GCC</i>	Gulf Cooperation Council
<i>IFIs</i>	International Financial Institutions
<i>IMF</i>	International Monetary Fund
<i>MoF</i>	Ministry of Finance
<i>NERP</i>	National Emergency & Reconstruction Program
<i>WTO</i>	World Trade Organization

## **Introduction**

In a region that is in constant struggle with international as well as regional powers, the Middle East has found itself in a political and economic slump. What with the furious growth of globalization and the interdependence of states along non-state actors, the Middle East is a rising controversy of political transformations. The focus of the paper will be diverted specifically towards Lebanon, as a state within the Middle East torn between domestic political clashes, regional influences and international motivations.

To really understand the current political motivations of Lebanon's various sects, as well as government policies and/or failure in implementing any real political reforms, an analysis of its current political status must be examined. There is no need for analytical focus on the characterizations of Lebanon in trying to understand what it is that makes it a weak state. Certain elements need be mentioned such as Lebanon's fragile government, its sectarian inner division as well as its existence in a region that is crawling with strong powers that happen to have rooted interests in Lebanese territory. From Syria to Iran, Israel and Egypt, Lebanon has been a playground for inner conflicts. Such foreign policies have left the country weakened to its core to the extent that it has not been able to survive on its own. It has, it does and it will continuously demand the intervention of foreign actors to help develop its inner structure.

Lebanon's domestic policies have been shaped according to regional actors rather than to its own interests. Furthermore, it is important to note that as a weak state – a state that is incapable of maintain domestic governance in different sectors, be it social, political and/or

economic – Lebanon does not have the capacities to strengthen and/or reform its domestic structure. It has relied mainly on foreign aid to help manifest its transformations. Moreover, with the economy of this region becoming politicized rather than globalized, governance finds itself in a somewhat staggering position: it is given importance only to specific economically politicized issues, rather than given authority to tamper its norms in all aspects of the nations' economies. Needless to say, regional powers have as a consequence exhausted the sectarian attributes that are the bases of the Lebanese government. It is only fair to mention that the various political parties have depended on their respective regional affiliations rather than on mutual inner cooperation: each party has done what little reforms or advantages they were able to implement to their own respective followers rather than to the Lebanese society in general. Here, it is simpler to say that party interests have been a priority surpassing national interest and therein lays the Lebanese tragedy.

Lebanon is therefore no exception to international enforced implementation and can even be classified as one of the states that have witnessed major political transformation as a consequence of intervention. Indeed, it is safe to say that, Lebanon's governance is shaped by international intervention through the uncontested form that is, foreign aid; an international convention, that is Paris III, has altered and forcefully requested variations within Lebanon's political economy. From emergency reconstruction programs, taxes, small enterprises, Lebanon Electricity, Mobile systems to many others, such a reform program has undoubtedly influenced and altered many aspects of Lebanon's governance.

*The focus of my research is to view – from an analytical perspective – foreign aid as an invasive tool for foreign policy, specifically in the case of Paris III and Lebanon's main political, economic & social reforms.*

In order to do so, my research will be divided into various parts in trying to identify the relationship between foreign aid and Lebanon's reformed governance. Focus will be conveyed towards four main entities, the United States, the European Union, the Arab States and finally International Financial Institutions. Seeing as the Paris III Conference is a newly introduced topic in studies on foreign aid and the implementations in Lebanon, sources and references mainly rely on the Paris III convention's periodic reports, comparing main politically related economic transformations within Lebanon.

Before introducing the division of assessments and chronology of the paper, it is important to stress that as a research focusing on foreign aid and more so on foreign policy, the focus is to award domestic, regional and international economic, social and political policies, some kind of foreign policy understanding. Basically, as previously mentioned, foreign aid in Lebanon and especially Paris III is a new topic on the scene and has yet to draw its conclusions and impacts on the region. However, foreign policy is a study that is based on variables, conditions and motivations and as a result the paper is aimed at interpreting motivations that could lead to proposed outcomes. The study is based on previous experiences, interpretations of countries' foreign policies and regional needs, as well as a comparative analysis between each region's area of focus. Therefore, foreign aid is analyzed via motivations and probable outcomes rather than scientific facts and proved conclusions.

The complex relation mainly begins with the July 2006 war: Lebanon is fending off a war between Hezbollah and Israel is results in the collapse of the Lebanese infrastructure. Herein come the major players: foreign aid to the rescue, Lebanon is given financial aid from major powers including of course the United States, European Union and major oil producing states within the international system such as Saudi Arabia and Qatar. Under the Paris III convention,

Lebanon is granted what amounts to billions worth of aid and assistance, deepening its ever-growing debt rate. However, an important factor needs mentioning: Lebanon can make use of these aids only under specific conditions that the Paris III convention has undertaken to implement: from economic reforms to political alterations, Lebanon finds itself changing its state structure via the enforced governance reached by international intervention. Although around 40 states were involved in Paris III granting Lebanon financial assistance, nevertheless a few will be thoroughly analyzed as they are key players respectively in the international system and the region.

To do so, the analysis of Foreign Aid in the case of Lebanon will begin with the European Union, a main helping hand for the Lebanese government that has assisted Lebanon in its post 2006 recovery period and has had for a long period of time very close and developed import/export relations with the state; the United States, next in line, has strong political and security-related needs in the region. Beyond the individual assessments of aid, the research will promote aid as foreign policy by drawing a comparison between the western states and the regional players in the areas of focus for aid and reform within Lebanon's domestic sectors. By doing so, the aim is to highlight each actor's interest through the sectors they that they allocate their resources to.

A final analysis will be oriented towards Institutions: these actors are also crucial to understanding the dichotomy of the Paris III conference: international institutions and organizations have given Lebanon the majority of grants and loans; it is interesting to analyze why civil society holds such an impending impact on a weak state such as that of Lebanon. They are definitely pushing for hands on approach in trying to shape the Middle East by promoting decentralization, privatization and institutional reforms. These agencies, under the cover of

globalization and specifically the global economy, are influencing domestic as well as foreign policies. Lebanon has been affected by this implementation of interests and, as clearly articulated by the Lebanese opposition, it finds itself in the midst of regional and international interferences, ones that undoubtedly linger actively under political motivations and economic empowerments.

# Chapter 1

## Theoretical Perspectives

Before going into the details of the stakeholders involved in the pre and post Paris III alterations, my research has to give clear definitions of main concepts. I base my analysis on theories of governance, foreign aid and foreign policy: without a thorough explanation of these key words, ambiguous inferences can be made, leading to a deformed thesis and political approach. Therefore, a quick understanding of each concept and more importantly the link between each and every needs to be inserted before any in dept analysis can actually take place;

### 1.1 Governance & the Case of a Weak State

In studying political motivations, economic developments and international interventions in the case of Lebanon, there is a great need to emphasize the current status of Lebanon within the sphere of the international system and in relation to other states. Seeing as this is research focuses on analyzing foreign aid motivations in the hopes of exposing a web of foreign policy intentions and political hegemonial power plays, I will begin by qualifying Lebanon as weak state, explaining the weight of such a nature on the development of its own governance and even further, why governance is at the heart of my study.

An article in the Washington Quarterly gives an explanatory definition of weak states, highlighting the many variables that exist and render different levels of weakness. Accordingly,

“State strength is relative and can be measured by the state’s ability and willingness to provide the fundamental political goods associated with statehood:

physical security, legitimate political institutions, economic management, and social welfare. Many countries have critical gaps in one or more of these four areas of governance. In effect, they possess legal but not actual sovereignty. In the security realm, they struggle to maintain a monopoly on the use of force, control borders and territory, ensure public order, and provide safety from crime. In the political sphere, they lack legitimate governing institutions that provide effective administration, ensure checks on power, protect basic rights and freedoms, hold leaders accountable, deliver impartial justice, and permit broad citizen participation. In the economic arena, they strain to carry out basic macroeconomic and fiscal policies or establish a legal and regulatory climate conducive to entrepreneurship, private enterprise, open trade, natural resource management, foreign investment, and economic growth. Finally, in the social domain, they fail to meet the basic needs of their populations by making even minimal investments in health, education, and other social services.” (Patrick 29)

In the case of Lebanon, the government is not explicitly sovereign, many public sectors are lacking and the crisis years have kept it from establishing control over its territory as well as enforcing a regulatory climate. Chapter 2 of my research allows for a geopolitical and historical perspective of Lebanon’s governance and legitimacy throughout the civil war and up the 2006 July war, demonstrating that weak states, their fragile and underdeveloped institutions weigh on their own capacity to engage in reforms, domestic and international policy making, hence impeding their governance.

Herein comes the importance of state governance, which cannot be separated from a state’s own self-governing mechanism. Indeed, governance is a concept that entails “the means by which a nation channels corporate power for the good of society so that wealth is created equally and distributed fairly within a national economy.” (Judge, Douglas and Kutan 765) Governance helps shape the political and economic reforms needed in order to maintain a stable

and/or developed society and institutions. It entails the level of legitimacy that a government has by adopting new or reformed measures that raise the standards of the state. To further expand on the concept of governance, it is also meant “the various collective modes of regulating social matters. There is wide agreement that governance is supposed to achieve certain standards in the areas of political authority and rule making, security as well as welfare and environment.” (Risse and Lehmkuhl 8) In trying to draw a comparative study between Developing countries’ local governance and that of developed countries, *Local governance reform in a global perspective* offers a genuine definition of state governance or, local governance as is referred in the book. Accordingly,

“Good governance is defined as an effective democratic form of government relying on broad public engagement (participation), accountability (control of power) & transparency (rationality). There are numerous definitions of governance but originally, the debate highlights a new form of political inclusion. Within the framing of the Washington Consensus, the World Bank developed a slightly different orientation in its good governance strategy. [it] defined governance as the manner in which power is exercised in the management of the country’s economic & social resources for development [...] good governance is predictable, open & enlightened policy making; a bureaucracy imbued with the professional ethos; an executive arm of government accountable for its actions; a strong civil society participating in public affairs; and all behaving under the rule of law [...] it focuses mainly on political stability, rule of law, corruption & regulatory quality. [It] describes governance as the traditions & institutions by which authority in the country is exercised.”(Kersting, Caulfield, Nickson, Olowu and Wollman 15)

While we have established the defining concept behind governance, we have also identified that it cannot exist as an independent and forceful entity in the case of a weak state without going

through a set of reforms. However, we can also highlight that there are prerequisites and specific reform implementations that should exist depending on each state, its situation and its needs. As such, *Local governance reform in a global perspective* entices crucial questions in discovering the main goals of the reform processes through which we can claim that, with the ever-growing impact of globalization, state governance can and is, at many times, shaped via various elements such as, foreign states, multinational corporations, transnational actors and/or foreign aid. For the purpose of this study, the focus will maintain foreign aid as the sole influential entity within the governance of Lebanon, keeping in mind that,

“Local governance reforms are now truly global strategies that affect both developed & developing countries. In some cases, the reform discourse in developing countries is framed by developments in developed countries. Because of its dependency on foreign aid & donor conditionality the developing world has often been more amenable to accept donor driven governance strategies.”  
(Kersting, Caulfield, Nickson, Olowu and Wollman 10)

Undeniably, Lebanon’s stature within the international system does not only depend on its qualifying status as a weak state but even more so on its actual development reforms, their origins as well as implementation processes. What is the purpose of idealizing or giving claim to governance reforms in areas of civil institutions, reconstruction, economic markets and political policies when all of the fore mentioned have not allowed full participation, transparency and legitimacy? In trying to offer various interpretations of governance and global governance in the age of globalization, Chhotray and Stoker claim that, “States – particularly the great powers of the United States and the European Union – still dominate international regulatory regimes so much so that the goals and policies of these regimes are driven by the domestic interests of the great powers [...] governance is driven by power and not the search for consensus among all

state and non state players.”(Chhotray and Stoker 82) Indeed, there is no doubt that when governance is lacking and foreign aid programs are implemented to establish reforms that are politically conditioned to serve the interests of foreign power plays rather than domestic needs and demands, than it is characterized as an invasive meddling of foreign policy rather than an assortment of developed institutions and changes. For further comprehension of the nature of such a conflicting political phenomenon, a definition of foreign aid needs clarifying as well as its undeniable linkage to what is the function of foreign policy.

## **1.2 Foreign Aid**

To better understand the relation between foreign aid and the invasive nature that characterizes it in my research, a clear defining concept of the former must be stated. First and foremost, in a non-politicized retrospect, foreign aid is a collaboration of developed states’ efforts in trying to help developing states after a crisis or conflict and/or to establish a set of reformed institutions and programs. It is a combination of financial grants and loans in the hopes of improving some aspects of the economic or social structures of a given state. However the dichotomy presented via foreign aid is not its pure nature but rather how it is manipulated to benefit the interests of actors; and, as we have come to realize, all international relations are based on interests and specific objectives.

The question is not how do these developed states give up so much of their resources but rather why. According to John D. Montgomery, “foreign aid is a political force abroad and a political issue at home, irrespective of its successes and failures, its purposes and its achievements, its origins and its operations, its giving and its receiving, all involve conflicts of

ideology and power [...] international politics lie at the heart of foreign aid and, indeed, are the very reason for its existence.”(Montgomery 3, 4) Therefore, when discussing foreign aid, it is almost impossible to deny the political motivations behind its approach as well as, the political objectives behind its reform implementation and thus, when claiming economic and/or social reforms, foreign aid is really targeting a reform of political institutions. It is also important to highlight the difference between foreign aid and foreign investment: foreign investment is characterized as a commercial loan with a specific interest rate when borrowed from a bank; moreover, unlike foreign aid, the former is a neutral decision.

In discussing various aspects of foreign aid implementations, one main characterization that eludes in the basic function of aid granting is the conditionality strategy, a recurrent concept since the end of the cold war and the major communist bloc. Conditionality involves the donor states granting aid under an umbrella of conditioned policies and reforms, wherein the resources needed are obtained if and only if the foreign requirements are met, making it of course “problematic for a range of reasons: [the most prominent how] it interferes substantially with the sovereignty of the recipient country.” (Neumayer 13) Indeed,

“In the 1990s, aid donors have increasingly made official development assistance (ODA) conditional on political & administrative reform in the recipient countries. The stated objectives for this second generation conditionality have been to promote democratic reform, human rights & administrative accountability. The first generation conditionality, related to structural adjustment programmes initiated & driven by the IMF/World Bank, in addition to administrative reform & budget balance, had market liberalization as main objective. The main distinction between the two is that while the first generation aimed at reform of the economic policy of the recipient country, the second aimed, above all, at political reform involving both systemic & substantive aspects.” (Stokke 1)

What makes conditionality increasingly interesting when analyzing foreign aid strategies is looking at the most common factors which influence the granting process of the donor countries. In *The Pattern of Aid Giving*, studies are conducted that try to draw comparative analysis of main donor countries in order to understand how their choices are made and, as a matter of fact, the end-results showed that,

“The hard aspects of donor interests are often statistically significant determinants at the level stage: colonial experience, economic interests in the form of exports & military-strategic interests. The like-minded donors are not entirely free of such influence. In comparison, the rather soft aspects of donor interests hardly matter at all [such as] political similarity or only for a few donors [such as] religious similarity.” (Neumayer 96)

The former mentioned analytical result clearly stipulates that donor countries base their aid allocation on two main state characteristics: military-strategic interests and economic interests. That automatically entails that, donors aim their resources for the purpose of self-gain and interests wherein, an intervention in the domestic policies of the others is only possible through the granting of conditional aid, especially seeing as, “now [they] are requesting applicants for aid to formulate plans of national effort into which their aid is to fit. They praise and promise to pamper those who make a conscientious effort to improve their planning process.” (Feis 139)

Donor states do not see the need in allocating grants to those with similar political and religious characteristics – seeing as there is no need to implement reforms in the domestic and foreign policies of such states due to their parallel politics – they rather save conditional donations to states that they, under normal circumstances, cannot reform or penetrate.

### **1.3 & Foreign Policy: A Complex Relation**

In establishing what is foreign aid and its close linkage to foreign policy, I must first submit a plausible definition of the latter wherein, it entails the relations of one state with another, one state and a region, that of states within the international community. It is not only political affiliations; foreign Policy depends on economic, social and cultural gains as well as compromises. It entails communication, beliefs and actions taken with or against another state; whereas domestic policy usually stems from a central and main authority as well as variable, Foreign Policy takes into consideration a wide range of variables and conditions. Besides the government itself, public opinion, the international community, the region, the multi-powers, international organizations and different interest groups, objectives, events and strategies of a state also make for influential elements. Sure enough, According to Morgenthau, the international system and theories of state relations are,

“Like all politics, a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate aim. Statesmen and people may ultimately seek freedom, security, prosperity or power itself. They may define their goals in terms of a religious, philosophic, economic or social ideal. They may hope that this ideal will materialize through its own inner force, through divine intervention, or through the natural development of human affairs. But whenever they strive to realize their goal by means of international politics, they do so by striving for power;” (Morgenthau 13)

And when discussing policymaking in an era that is governed by globalization, foreign policy and international interests, Nye and Donahue stress that this power-play and loss of complete sovereignty is,

“A lesson learned emphatically, of course, whenever countries experience deep economic crises and are forced to turn to international financial institutions for assistance. Under such circumstances, developing country governments are in weak bargaining positions as international institutions set conditions for macroeconomic management, state reform, public and private sector roles, investment priorities and institutional structures;” (Nye and Donahue 193)

As such, For the purpose of this research, concentration is placed on foreign policy power play through the influence of conditioned aid as it is a part of the international system as well as state relations; by relating a realist perspective to the notion of foreign aid in the sense that aid is granted upon specific conditions that, as previously mentioned, benefit the interests of foreign actors, than, clearly, it is necessary to state that, in this context, foreign aid is a tool for foreign policy, that becomes an engine for power, interests and security. *Governance, Theory and Practice* offers a representation of conditional aid, in an attempt at exposing the political and economic motivations behind donors wherein,

“Governance is undoubtedly the most flamboyant of concepts. For it allows donors to address matters broader than the government, to include various types of institutions from the official state apparatus to market institutions, to institutions from civil society or voluntary sector, and all without explicitly talking about politics. Nearly every active international development organization in the world today sports its own definition of good governance. These definitions are described as being policy-oriented [...] this is also the result of increasing pressures from Western bilateral donors to address aspects of governance concerning the form of political regime and not limit itself merely to the capacity of governments to design, formulate and implement policies and discharge functions.” (Chhotray and Stoker 103)

In discussing the promotion of governance through conditioned aid, *Governance Theory and Practice* asserts certain revelations; on a multitude of occasions, governance as implemented by

donor actors is seen as a political tool and a selective one at best where, democratization for example through governance is “the most contested [and] this is perhaps because they, more than anything, reveal the fallacy of the apolitical stance adopted by the international donor community under the cover of governance, while dealing with matters that are explicitly political,”(Chhotray and Stoker 100) especially since after the collapse of communist regimes, there was an increase in Western interests in the notion of governance as, “new international circumstances after 1990 meant that the west could attach explicit political and institutional conditions to aid without fear of losing its third world allies or clients to communism.” (Chhotray and Stoker 99) What many have failed to realize is that the last two decades have and currently are witnessing an increase in direct intervention in the internal affairs of states. While organizations praise the notion of self-determination, full territorial sovereignty and policy-making capabilities, the truth takes on a completely different perspective: economic power does not allow developing states the possibility of political transformations or economic developments when it does not suit the interests of major blocs where, in application,

“For the donor governments, development assistance has been – and still is – an instrument to pursue foreign policy objectives. The stated ones relate to economic, social, cultural and political development with an emphasis on poverty alleviation and sustainable development in recipient Third World countries. However, for most donor governments the objectives have been less altruistic and related to the pursuance of more selfish interests.” (Stokke 2)

The research has also revealed another important aspect when discussing foreign aid: there is a discrepancy of implementation between different regions, or blocs. Whereas the West for example, as will be shown in sections to come, implements a hands on conditioned aid, the Arab states on the other hand take a more hands off approach where their funds are allocated to

projects rather than sectors and instead of conditionnement, they implement more of a reimbursement strategy. Nevertheless, that does not demean their individualistic pursuits through foreign aid. Quite the contrary, Part III of the research will demonstrate the difference in approach between the two major blocs and the reasons for such diverse strategies.

In discussing foreign aid, contribution plans, development programs, reconstruction programs, institutional reforms and civil reforms are a part of what can be referred to as conditioned aid. Instead of implementing aggressive foreign policies and invasive strategies, major blocs and international organizations have discovered a whole new game-plan of political scheming for the management of direct intervention in the political and economic governance of weaker states, a process which – for Lebanon – saw a first opening with the end of the Civil War.

## Chapter 2

### Lebanon in Context

#### 2.1 1975 Civil War and the Beginning of Foreign Aid

##### 1975 – 1990: From Wars to the Taif

There is no denying that Lebanon has been a main location for regional interferences throughout the decades. From its own fifteen year long civil strife to Syrian occupation, Palestinian insurgencies and Israeli attacks, Lebanon is left to fend off and rebuild with insufficient economic capacities and unstable political policies. Its balance of power is continuously shifting between regional powers, neighboring borders, inner political confrontations and international demands.

Crisis would ravage Lebanese territory, leading to a devastating civil war that would create deep rooted political transformations to the sectarian regimes of the country. Muslims, Christians & Druze, it seemed all were charged with the destruction of the other. What generated so much tension and interest during the war was the constant international and regional interventions that led to an expanded fifteen years of political abnormalities, economic ruins and human loss highlighting where, according to “Krayem’s paper on the Lebanese Civil War and the Taif Agreement”,

“The Lebanese conflict had always been linked in significant ways to the Arab-Israeli conflict. The various Lebanese factions had, repeatedly, attempted to exploit their associations with one or another of the conflicting regional parties to promote their own internal interests. Such associations complicated and prolonged

the civil war. Indeed, the polarization among the Lebanese and their efforts to defend or promote their Interests invited and facilitated external intervention.”

Although it is important to note the role that local Lebanese factions played in allowing for such an extensive domestic infiltration, it is even greatly needed to note that such infiltration was only possible as a consequence of a weak political economy whether in implementation or in theory. According to a paper series of eight studies of post-war reconstruction countries commissioned by TIRI – a London-based international NGO – and funded by the Norwegian Ministry for Foreign Affairs, the Foundation Open Society Institute and the Canadian International Development Agency:

“One can present many arguments for the breakdown of the Lebanese state and the eruption of violence in 1975. In this context, the Lebanese conflict could be seen as the war of others on Lebanese soil. Lebanon became the battleground between the two superpowers at that time (USA and USSR). Lebanon also became the place where Arab rivalries could be settled. More importantly, Lebanon became the place where the Arab-Israeli conflict could be contained and managed especially with the presence of Palestinian refugees and the Palestinian Liberation Organization.” (Gebara 8)

What with all the violence & political discomforts, the various Lebanese factions were in constant rivalry. However, forcefully implemented by external actors, namely Saudi Arabia, Syria and the United States, the Taif Agreement came into play: it maintained a restoration and peace-building for a new Lebanese confederation, rearranging power structures and political leverages. It advocated for a new found peace where warlords were granted amnesty, militias were preserved and a new government founded on warlords leadership.

The aspect of the Taif that is of interest to this research is not its content but more importantly, the main supporters and of course, the reasons behind their support. Again Krayem's paper on the Civil War and the Taif argues that The United States for one,

“Was interested in curtailing the crisis in Lebanon so as not to derail the Arab-Israeli peace process. After the development of the Gulf crisis in 1990, the U.S. had the added concern of containing Iraq and gaining Syrian support for the Gulf war coalition. The end of the Cold War and the breakup of the Soviet Union strengthened American influence in the region and allowed it to pursue its policy objectives with fewer global obstacles. The U.S. supported the Taif negotiations and lent its support both in Arab circles and vis-à-vis Syria toward the successful completion of those talks.”

Undoubtedly, the United States played a key role in reconstructing the newly found Lebanese government; its economic and political motivations were a core behind the Taif Implementation. In an article on the *Taif Accord and Lebanon's Struggle to Regain Sovereignty*, external actors are maintained as problematic to any possibility for Lebanon's domestic reconstruction and development, stating that,

“While the Lebanese crisis has an internal dimension – the fractious nature of the Lebanese political system – the external dimensions of the crisis are the most important and the most pressing; foreign militaries have occupied Lebanon and foreign nations have interfered in Lebanese internal political affairs. It is critical to Lebanon's future political stability that foreign nations refrain from intervention in Lebanon's domestic affairs.” (Saseen 59)

Syria and Saudi Arabia had similar agendas; for the Kingdom, the political motivations were indirect with, “the National Assembly increase[ing] the power of the Sunni prime minister by decreasing the power of the Maronite president. Apart from the relatively inconsequential act

of extending the term of the speaker of the Parliament, a Shia, the assembly failed to address the needs of the Shia or the Druze;" (Saseen 68) whereas, the Taif Agreement allowed for Syrian control over Lebanese territory as well as policy-making. Indeed Saseen's 1990 article claims that,

"Syrian troops, with troops from other Arab countries, entered the Lebanese conflict under the guise of a peacekeeping force. The Syrian troops have remained in Lebanon; Syria's President Assad ultimately seeks hegemony over Lebanon. The Syrian government does not acknowledge the sovereignty of Lebanon. By May 1976, Syria had become more active in Lebanese affairs, with about 40,000 Syrian-controlled troops stationed in Lebanon. On June 1, 1976, Syria invaded Lebanon, ostensibly to end the civil war and restore peace, but actually to crush the Palestinians." (Saseen 63)

International relations offer a wide spectrum of possible scenarios as well as policy analysis; in the case of Syria, political motivations were a bridging necessity for its power struggle in the Middle East where, "Generally, the Taif Accord [did] not substantiate Lebanon's sovereignty because it tends to perpetuate the Syrian presence indefinitely. Although the agreement provides for the redeployment of Syrian forces to the Bekaa Valley, no provision exist[ed] for the eventual withdrawal of Syrian forces from all of Lebanon;" (Saseen 69) Lebanon was a leverage point that Syria was unwilling to forego, the United States' political ambitions went hand in hand and Saudi Arabia had finally enforced indirect political manipulation.

## 2.2 From Taif, to Reconstruction Programs & Unexpected Outcomes

### 1990 – 2004: Political Reconstructions and Economic Developments?

Although a new power-sharing agreement was at play through the Taif, the political and economic repercussions were a reality and reconstruction plans were in demand. Various schemes, from 1990 to 2004, were implemented in trying to rebuild Lebanon and developing the different sectors that had been damaged during the wars. In 1991, the National Emergency Reconstruction Program (NERP) was a three year plan to try and develop Lebanon's infrastructure that, "was presented during a donors' meeting convened by the World Bank that took place in Paris in December 1991. However, little progress was made and no financial resources were secured for this program. The funds that were received from the World Bank and the European Union were spent on the damage assessment reports." (Gebara 12)

Soon after, with Rafik Hariri's rise to power and his new membership to the government as Prime Minister, Horizon 2000 became the new motivational reconstructive program for Lebanon's infrastructure and institutions with,

"A thirteen-year plan from 1995 to 2007, where more than \$11 billion would be spent on public and social infrastructure. The CDR anticipated in 1992 that Horizon 2000 would cost around \$11.7 billion. The CDR expected three main sources to finance this project. The first and most significant source was believed to be budget surpluses that were expected to cover around 47 percent of the cost. The second source was borrowing from domestic and international markets while the third source was grants from Arab countries, foreign countries and international organizations." (Gebara 13)

Nevertheless, soon after, the Lebanese government had to change its game plan: it was obvious that the expectations that they had placed on the domestic market were greatly misrepresented;

the government had to turn its focus on borrowing in order to maintain any of the aspirations that Horizon 2000 had offered in the beginning.

Although the market had been witnessing an increase, it was not enough to manage the sums that this reconstructive program was in need of and, “the Lebanese government started to rely more and more on international borrowing, hoping to save on interest rate payments. As a result of this borrowing spree, public debt rose from \$2 billion in 1992 to \$15 billion in 1998 and to \$38 billion in 2004.” (Gebara 14)

Eventually, an international conference came at play, further inducing regional as well as international actors to actively become involved in the development of Lebanon’s political and economic domains. Paris II was exactly that: on November 2002, concerned states convened to manage a new reconstructive program that would lead Lebanon out of its slump and into a functioning state where,

“In order for the program to reach its goals, the international community was asked to help with the debt situation. A total of \$4.3 billion in financial aid was pledged by the conference donors—Malaysia, Oman, United Arab Emirates, Kuwait, Saudi Arabia Qatar and France—and, in a measure expected to engender around \$4 billion in interest free credit, the program put forth by the Lebanese government stipulates that banks would forgo all interest that amounts to ten percent of their deposit base. Moreover, many countries and institutions provided financial support for the reconstruction program of the Lebanese government in the form of grants and soft loans.” (Gebara 14)

**TABLE 1: Source Amount**

Abu Dhabi Fund for Development	\$ 25 million
Arab Fund for Economic and Social Development	\$ 330 million
Belgium	\$ 1.7 million
European Union	\$ 77.8 million
European Investment Bank	\$ 412 million
France	\$ 217 million
Germany	\$ 74 million
International Bank for Reconstruction and Development	\$ 486 million
Islamic Development Bank	\$ 92 million
International Fund for Agricultural	\$ 20 million
Italy	\$ 339 million
Japan	\$ 186 million
Kuwait Fund for Arab Economic Development	\$ 220 million
Kuwait	\$ 43 million
Mediterranean Environmental Technical Assistance	\$ 37 million
OPEC	\$ 20 million
Oman	\$ 15 million
Qatar	\$ 1 million
Saudi Arabia	\$ 130 million
United Nations	\$ 29 million
Guaranteed Bank Loans	\$ 148 million

Source: Lebanese Transparency Association (Gebara 15)

The Paris II stakeholders are a crucial element to the analysis of Lebanon's Pre 2006 foreign aid investments as they offer a general overview of the key players in policy and program implementations as well as a retrospect to the change in state intervention before and after the July war. One main focus is the lack of specific organizations, institutions and states that are not present for the Paris II convention and yet play a major role in that of Paris III, an aspect of the analysis which will be discussed in details and in depth within the following chapters. For the current sake of better understanding the role of foreign aid in the reconstruction of Lebanon, it is important to note new changes or newly joined systems of developments; for that reason, a

mentioning of foreign companies and their respective involvement in the convention is necessary for the rationale behind this research. Accordingly, when discussing Paris II and the Solidere project,

“Many donor countries used their grants as leverage to ensure that their companies received contracts in the reconstruction program. The Italian government for example, a major contributor to Horizon 2000, had a clause in its agreements with the Lebanese government stating that financing would be limited to contracts awarded to Italian firms. In 1992, the Lebanese parliament approved a financial protocol with the Italian government that stated that the Italian firms would always be favored as long as the bids were competitive. One can make similar arguments for French and Saudi financing.” (Gebara 16)

In the case of the Paris II convention, financing was supposedly a step towards the development of the Lebanese economy as well as infrastructure; its main objective was to satisfy the fiscal demands needed to help improve institutional conditions & allow for a new market generation and investments. However, as is always the case, political and economic motivations undoubtedly go hand in hand. In the case of the Italian, French and Saudi financing, the economic and the political are completely merged: at the time of convention, the Saudi government had a crucial need to exist as key player in Lebanese policy making and with the implementation of the Taif and new Troika system – refers to an association of three individuals or entities (political or military) of equal weight united for the purposes of leadership – their hands-on intervention came easily specially through foreign aid: “the late Prime Minister Hariri became the sole decision-maker on matters related to the economy and most importantly the reconstruction process, whereas the Speaker of Parliament was in charge of the reconstruction and relief program for the South of Lebanon and the President of the Republic, Elias Hrawi, had special interests in the oil and gas sector.” (Gebara 17) There is no need to highlight the close

linkage that exists between Rafik Hariri and Saudi Arabia and hence, the power play that can be easily extracted from the contribution of \$130 million that Saudi placed. Besides its presence as an established regional power due to its status as a rentier state, nevertheless, its financial allocation was a surplus to that of the Arab Fund, the Kuwaiti fund, the Abu Dhabi fund and others. Saudi Arabia had pressing needs to become even further actively implicated in the process of Lebanon's reconstruction and it had the finance as well as the key player to allow its full enclosure.

“The Lebanese system always needed to secure sources of income which could be used as fuel to keep the engine of this static confessional system rolling and avoid polarization. This income which is not extracted from domestic surplus is most of the time either unearned or generated from unproductive processes through lobbying, bribing or as a reward for ownership, and is referred to as rents. In the case of Lebanon, rents are usually in the form of remittances, transfers, loans, grants, as well as corruption,” (Gebara 22)

And as a consequence, prior to 2006, Lebanon was fully emerged in external implications & interests that led to a mismanaged economic growth and failed political institutions. According to the Paris II request for international support,

“Delays in policy actions to address the evolving debt issue during the 1990s, because of political or institutional constraints, or adverse external circumstances, undoubtedly have contributed to the situation that the country finds itself in today. Nevertheless, much of its origin goes back to the particular circumstances that Lebanon faced as it sought to reconstruct after 15 years of war and civil strife, with continued occasional external hostilities throughout the 1990s.” (Beyond Reconstruction 3)

To say the least, Paris II's development failure led to an overgrown international dependency, increased foreign debt and external institutions with international interests rather than domestic

motivations. Now, with new motivations and new pressures, the Lebanese government is caught in a policy making routine: again, foreign support would be presented as the only possibility for increasing market capacities and Lebanese infrastructure.

## **2.3 2004 & Onwards: Political & Economic Strife**

### *1559 Resolution, Hariri Assassination & International Interests*

Just as the unexpected outcome of Paris II curtailed Lebanon into deeper economic and political strain, in 2004 an article in the Daily Star concerning the IMF and Lebanon's international debt stated that,

“A senior International Monetary Fund official urged Lebanon to reach a national consensus on economic reforms, warning that the public debt has reached alarming levels. Political consensus is needed to address the public debt, George Abed, special adviser to the IMF managing director, told The Daily Star on the sidelines of the final day of a conference on Fiscal Reforms in the Arab Countries and the Near East. But Lebanon failed to meet its commitment to Paris II due to political differences, which caused the debt to soar higher. Hariri said on Tuesday that he intends to call for a Paris III conference in 2005, provided that the political climate becomes more suitable. Some observers said that Hariri is waiting to see whether Syria, the main powerbroker in Lebanon, will renew Lahoud's term for the presidency.”

Economic growth was lacking and political ambitions were at an all time high. Tensions were rising and a new era of political conflicts was brewing amidst domestic political parties and their regional affiliates. However, between public debts, fragile institutions and regressing civil

societies, some aspects were witnessing progress and development. According to a Paris II Meeting Report, by 2005,

“The budget was in balance and the overall fiscal deficit had been nearly eliminated, and the debt to GDP ratio had fallen since 2002 by the equivalent of more than to half of total GDP. Most of the public infrastructure services were operated by the private sector, which owned large parts of them. Government no longer required access to concessional external loans or to the Central Bank, and did not need to absorb the bulk of savings in Lebanon’s financial system, to meet its steadily declining financing needs. Interest rates had fallen sharply and, with the private sector no longer crowded out by public sector borrowing needs and structural reforms to liberalize the economy and support the private sector in place, private investment was booming. International trade and services blossomed in a liberal trade environment, with close ties to the EU, and regional investors had put their confidence in a modern version of the Lebanon they had known in the 1960s and early 1970s. GDP growth was accelerating and per capita incomes were steadily rising, and with Government focusing on its basic functions and essential social programs, sustainable broad based socio-economic progress was being made. There were good prospects that in real terms Lebanon’s per capita income would by about 2010 recover to the pre-war level.” (Postscripts 20)

Lebanon had finally started to set itself on a course of national consensus and domestic development. Its market had become a source of interest to multinationals and international sectors, investments were pouring and tourism was at an all time high. Small local businesses found themselves enjoying an increased income, the middle class was getting richer and possibilities were endless. Indeed,

“At that time, Lebanon’s prospects were looking good. Signs of an excellent tourist season were very strong—flights to Beirut for the summer were over

booked—foreign direct investment was on the rise, large private capital inflows had increased liquidity in the banking sector and helped the central bank build a comfortable international reserves position, and some early signs of a possible “brain drain” reversal were on the horizon.” (International Conference 4)

However, just when it seemed that Lebanese factions had curtailed a somewhat right track in implementing policies and progress strategies, two events took the state by surprise, increasing the depth of all but domestic interests. Indeed, the assassination of Ex Prime Minister Rafik Al Hariri and the 1559 Security Council Resolution allowed for an extensive firsthand experience of the playground of foreign interests that would soon take hold of Lebanon’s policy making governance.

First and foremost the 1559 resolution curtailed a strong imbalance within the Lebanese: it dictated the immediate withdrawal from Lebanese territory of all Syrian troops and found that the Lebanese government should maintain complete sovereignty over its own territory. This long awaited decision would render Lebanese factions sovereign and in control of their domestic policies. Although this had been a grand improvement for the Lebanese government, the reasons behind the Security Council decision were more ambiguous; did the United States really care about Lebanon’s sovereignty? Or was it just trying to implement a form of repercussion on Syria for not coming to aid during the Iraq conflict? Hatoum wrote in an interview with the Daily Star on Shiite leader Sayyed Muhammad Hussein Fadlullah who

“Discussed Security Council Resolution 1559, saying it was mainly issued to pressure Syria into monitoring its borders with Iraq. It goes without saying that the U.S. accused Syria of allowing armed groups to enter Iraq through its borders, and this resolution has been applied to pressure Syria into preventing infiltration by these groups Fadlullah said, adding that the U.S. is not serious about

implementing the demands mentioned in the resolution. "That is what we noticed when the American envoy came to Syria. He focused on the border monitoring issue more than talking about the Syrian withdrawal from Lebanon," Fadlullah said, referring to the recent visit to Syria by William Burns, the U.S. assistant secretary for Near Eastern affairs, following the issuing of the resolution."

Accordingly, in a 2004 Security Council Press Release, the Security Council's Resolution 1559 states the various viewpoints of members who abstained from voting because of the ambiguity of the decision itself where some are expressed below:

"In the present case, there was no evidence of any urgent threat to peace. There had been no complaint from the country whose sovereignty and integrity the draft purported to uphold. On the contrary, the Lebanese representatives had communicated to the Council their opposition to consideration of the resolution. In addition, he said that the resolution addressed the wrong threat. If there was a threat to Lebanon, that was well known and did not arise from Syria. He construed the provisions of operative paragraph 2 as now worded as constituting a reference to those foreign forces which had entered Lebanon uninvited and by the use of force. Also, the resolution went beyond the Council's mandate and authority, as described in Article 24 (2) of the Charter. The resolution, in preambular paragraph 6 and operative paragraph 5 intervened in the internal affairs of Lebanon. Such intervention was unacceptable and contrary to the Charter. That had also set an unfortunate precedent."

There is no doubt that the Security Council resolution was a first step into the propulsion of what would soon be known as Paris III and even more so, a first grand step into an increased international interference. Yes, Syria was no longer present on Lebanese territory but there is no denying that, by removing direct Syrian presence, two things happened: on one hand, Syrian indirect presence would become even more intense and, on another hand, this would allow for the West a more direct and indirect influence in the country. Various cartoons saw light after the

UN Resolution, criticizing the United States' motives; some of the more descriptive are two cartoons found in Al Watan Newspaper:



Al-Watan, March 17 2005 (Oman)

The "West" is standing on the ladder held by the Jew, and is dropping "Lebanon" into "(U.N.) Resolution 1559".



Al-Watan, February 27 2005 (Oman)

"Foreign intervention" is spreading the carpet for "Civil strife"; the tree is Lebanon's symbol.

The 1559 resolution undoubtedly left a crevasse in Lebanese governance which was only to be accentuated with the assassination of Ex Prime Minister Rafik Hariri. That second blow was the highlight of the fragility that is Lebanon. With Rafik Hariri out of the picture, accusations began and factions were suspicious of each other, placing high bets on regional and international affiliates. Another set of Cartoons from the Arab media also held international intervention at the heart of the assassination:



Al-Watan, February 25 2005 (Oman)

On the coffin: "Al-Hariri"; on the right "The beneficiaries", and on the left "The losers - France, Lebanon and Syria".

2005 was the culmination of foreign intervention in domestic and foreign policies; Lebanon was obviously incapable of maintaining a framework of governance & with the country being bombarded with assassinations and a string of blow ups, the government was relying heavily on international support and international interference.

The purpose of this section is to maintain a context for Lebanon's current situation; it explains the reasons that allowed for what I argue to be an invasive intervention and it introduces the first steps towards the establishment of Paris III. It is important to understand that I do not only blame the international community for the lack of positive governance and the extensive existence of international interests; I maintain that Lebanon's weakness and its incapability to form coordinated coalitions are also a main reason in what will become known as Paris III. However, various factors have indeed reinforced international intervention, among which, one of the greatest in value, the July 2006 War.

## 2.4 July 2006, L'Apogée

Indeed, 2006 saw the end and beginning of a new era in Lebanon's ongoing tumultuous power struggles. Hezbollah and Israel are in the midst of a full on war, targeting main infrastructures among others. Heavy damage is seen throughout, raising human death toll to a shocking number. Now the Lebanese government faces a new challenge: while it had spent a good decade trying to enforce reconstruction programs that would allow for some increase in civil society, services and institutions, all efforts have now gone to waste; although their implementation was short of success, they nevertheless offered numerous improvements, in the areas of infrastructure and political institutions. They allowed for direct investment: solidere, one of the more successful examples, allowed for indirect as well as direct foreign investment and capital flow back into Beirut.

However, all of its efforts were about to come to a staggering halt as an unexpected political event came about on the 12<sup>th</sup> of July 2006. What many described as an overreaction from the Israelis, an irrational plot by Hezbollah or a premeditated course of action by Israel, one certainty was that it lead to the downfall of Lebanon's hard-earned developments and social reconstructions. In 2007, Paul Wolfowitz, World Bank President estimated in a report on Lebanon's Paris III Donor Conference the cost of the 2006 conflict:

“On top of the human tragedy — hundreds killed, thousands wounded — the war imposed a great burden on an already fragile economy. About \$2.4 billion in direct damages plus another \$700 to \$800 million in indirect damages [&] Instead of the 6 percent growth that had been projected for 2006, the economy declined by 5 percent. Even worse, the war caused incalculable damage to the fabric of a civil society known for its vibrant energy and enterprising spirit. 120 thousand people lost their jobs, and now face the risk of sliding into poverty. One million people were displaced at the height of the hostilities—one-quarter of the population

of Lebanon. About 200,000 people emigrated during the hostilities, many of them young and highly skilled.”

In a nutshell, Public debt had risen, throwing Lebanon’s reconstruction plans back two decades with,

**TABLE 2: DEBT MATURING IN THE YEARS 2007-2010**

The Total Gross Public Debt expected to reach US\$40.5 billion by the end of 2006—equivalent to 180% of estimated post war 2006 GDP

<b>Debt (as of June 30, 2006) maturing in the years 2007-2010 (US\$ billions)</b>			
	<u>2007-08</u>	<u>2009-10</u>	<u>2007-10</u>
<b>FCD</b>	4.5	5.5	10.0
<b>LC D</b>	11.4	3.4	14.8
<b>TPD</b>	15.9	8.9	24.8

- Foreign Currency Debt
- Local Currency Debt
- Total Public Debt excluding interest

Source: Lebanese Republic, *International Conference for Support to Lebanon, Recovery, Reconstruction & Reform*, 2007, pp. 6

Now the government has to come up with new reconstruction programs and development strategies while placing special focus on human rights and social needs. Just as the post 1975 civil war requested soft loans and grants, the July 2006 war has caused even more severe damage. It altered the economic developments and political institutions that have allowed Lebanon very few years of improvement & some stability. On top of implausible damage to the infrastructure and the domestic markets, Post 2006 Lebanon has to sum its old debts with all of its new ones.

Beyond economic discrepancies, political divide had become even further engraved: the two Lebanese camps were at an all time high in separation and could not for whatever the cause

find a middle ground in any of their political and economic discourses. March 14 was looking for a plausible relation with the West and an establishment of reconstructions with altered and reformed institutions; whereas, March 8 was calling for a separation of westernized implementations and a return to regional and domestic supremacy. Bilal Saab, in an article he wrote in the Foreign Affairs, blames the US for most of the foreign interventions that have taken place within Lebanon's domestic and foreign policies after 2005 stating that,

“The United States is partly to blame for the situation, having made several mistakes itself in Lebanon over the past few years -- most significantly, demonstrating reluctance to intervene promptly and forcefully to prevent Israel from using excessive military force against Lebanon during its summer 2006 conflict with Hezbollah. Not only did Israel's military campaign fail to enhance Israeli security -- a primary American concern -- but it strengthened Hezbollah and undermined the pro-American Lebanese government then led by Fouad Siniora.”

There is no doubt that the intriguing aspect of the 06 war is the highlighting of the fall back of the Lebanese government – just when it was beginning to witness progress in aspects of social, economic and political dimensions – it faced yet another devastating conflict: 1559, the Hariri assassination and the July 2006 War left the state in need of greater financial assistance, deep rooted foreign intervention, and an inescapable call for a new international convention, that of Paris III.

## Chapter 3

### Paris III at Play

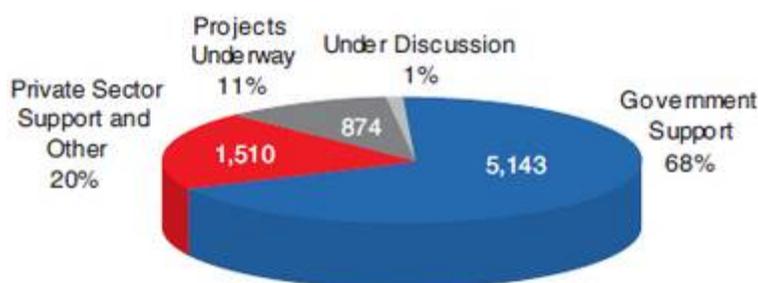
In 2007, an international convention hosted by President Jacques Chirac took place in Beirut; its aim was to convene international and fiscal support for Lebanon's rehabilitation and reconstruction after the major events that had taken place not long ago. The purpose of the convention was to obtain enough grants/loans to be able to shoot Lebanon back to its pre 75 greatness and, surely, "Thirty six countries and seven regional and international institutions participated in the conference. Paris III demonstrated the great support Lebanon has in the international community as approximately \$7.6 billion was pledged by 38 states and institutions. This support represents more than one third of the Lebanese Gross Domestic Product (GDP)." (International Conference 1<sup>st</sup> Progress Report 4)

Although the purpose of my research is to demonstrate the negative connotations of Paris III in its misrepresentation and misconduct of domestic governance, nevertheless, we must not forget that this call for international aid was **also** a rapprochement by the Lebanese government itself: it started with Rafik El Hariri in 2005, before his assassination, where he was calling for speculations on a possible third convention to follow Paris II, and it took shape with Ex Prime Minister Fouad Siniora, who called upon an extensive aid program for sector reforms in the government, fiscal, social and private. Realistically, no intervention and expansion of foreign interests can be 100% possible without a partial consent at the least from the receiving state and, Lebanon did in fact allow for such interference. While many globalists believe that international effort is a step towards global cooperation and a witness of globalization, nevertheless, Paris III was far beyond notions of global responsibility and coordination. While trying to analyze the

various foreign aid strategies put in place by the American Government at different times of conflict or demand, Liska deduces one undeniable fact, that “foreign aid is always an economic instrument of foreign policy;” (Liska 2) and looking at a “summary distribution of pledges” (International Conference 1<sup>st</sup> Progress Report 5) that shows Paris III’s statistical representation in the private sector, government support, projects underway and others still in discussion, the amounts granted/loaned implicitly infer a level of politicization.

**CHART 1:**

**Summary Distribution of Pledges  
(US\$, million)**



Source: Collected data by March 22, 2007

The importance of this data is to show the global amounts pledged and the various main projects they were allocated to; from government support to private support, this ambiguous introduction will be clarified as specific political, economic and social sectors will be looked into later on, where the next step will be to allocate these pledges to their respective sectors in order to identify if and what are the motivations behind the stakeholders involved. However, before any of that is possible, I must first introduce the main actors and explain how and what is the basis of their relation with Lebanon, in order to highlight the stakes involved and the reasons behind such extensive interests in such a weak government.

### **3.1 Paris III and its Stakeholders**

To grasp the concept of this third international convention and call for aid, a thorough depiction of Paris III's main stakeholders is a necessity; no understanding of the dependent relationship existing between Lebanon as a receiving country and the Paris III Donors can be fully apprehended without a characterization of the United States, The European Union, the Arab States and the various Non-state actors involved. In trying to assess their level of involvement, the financial assistance granted and/or loaned, and a comparative study to their engagement in the Paris II aid program, we can orchestrate a schematic analysis of the reasons behind their involvement and the intensity of that in the affairs of Lebanon. An important aspect to uphold is that, of course, any action within the international system is a matter of fact call for personal interests; although I find that to be true, I nevertheless believe that certain actions have deep rooted intentions that go beyond simple and basic economic gains: and I hold that to be true of the current political transformations that have overtaken Lebanon for that matter, Post Paris III where the Lebanese government stated during the conference report that its main goal is to achieve the reforms that are needed to propel the Lebanese back to pre 1975 and 2006 war. Yes the government wants to fulfill its duty towards improved living conditions and institutions. In order to do so, external support is the main component to reaching these objectives and accordingly there is no possible way for Lebanon to accomplish any tasks without the help of the international community stating that "In particular, external support is an integral part of the program and is crucial for the success of the reform efforts" (Recovery, Reconstruction 4-8) implying the desperate need for the European Union, the United States, Arab Nations and international institutions. The "distribution of pledges" shown in the table below gives a first general look at the amounts pledged & by the various stakeholders, including a clear distinction

between states and institutions, as the latter hold a key analytical aspect for the purpose of my research, in the level of involvement that is witnessed during Paris III.

**TABLE 3: Distribution of Pledges**

**Table 1: Distribution of Pledges (US\$, million)**

	<i>Countries</i>	<i>Institutions</i>	<i>Total</i>	<i>In percent</i>
Arab Donors	\$1,462	\$1,250	\$2,712	36%
European Donors	\$1,171	\$1,734	\$2,906	38%
Other international <sup>3</sup>	\$941		\$941	12%
International Financial Institutions (IFIs) <sup>4</sup>		\$1,050	\$1,050	14%
<b>Total</b>	<b>\$3,574</b>	<b>\$4,034</b>	<b>\$7,609</b>	

Source: Collected data by March 22, 2007

*Source: Republic of Lebanon (International Conference 1<sup>st</sup> Progress Report 5)*

This statistical representation of the pledges is only a first introduction to familiarize with the financial allocations; the chapter will now focus on detailed characteristics of the main pledges. Although around 40 states were involved in Paris III, granting Lebanon financial assistance, nevertheless only a handful are crucial and of value to the purpose of my research; the most important key players for the political transformations that have overtaken Lebanon as a consequence of conditioned aid are the European Union, the United States, some Arab states and undoubtedly a group of international financial institutions. A brief explanatory description of their relation with Lebanon will be a first step towards a more comprehensive analysis of the dynamics behind their aid in sections to come.

### ***The European Union***

The EU has been a main player in the region, specifically within the Lebanese government and such a presence goes back to French and English mandates in the region that

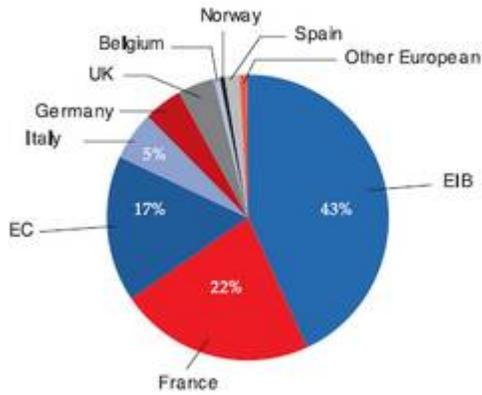
overtook the establishment of national and international policymaking, among others; it has also assisted Lebanon in its post conflict recovery periods. According to a Carnegie based Paper,

“the EU has been the leading donor to Lebanon with the total amounts of funds committed under MEDA I (Mesure d’accompagnement financieres et technique), the main European program to provide financial & technical assistance for implementation of key social and economic reforms, totaling 182 million Euros & 235 million Euros under MEDA II (2000 – 2006). Under the aforementioned European Neighborhood & Partnership Instrument (ENPI), 187 million Euros have been allocated for Lebanon in the period 2007 – 2010. Of this, 22 million Euros are to support political reforms (in the field of democracy, human rights, good governance, security & justice), 86 million Euros are to support social & economic reforms (such as reform of the energy sector, improving social safety nets, improving conditions of Palestinian refugees, facilitating trade & customs reforms, environmental protection, fiscal management & debt reduction, & public finance reforms); & 79 million Euros are to support reconstruction & recovery (economic & social recovery & reconstruction, local development, & demining & clearing unexploded ordnance).” (Asseburg 9)

There is no doubt that European states have asserted their involvement in the state as well as the region. The EU is a crucial player for Lebanese politics, and has been since Colonial rule; it has interests and benefits that need protection no matter the financial costs. One of its main concerns has been the strengthening of Lebanese economic institutions such as trade and fiscal regulations. A graph shows the allocated financial assistance from the EU during the Paris III convention:

## CHART 2:

Distribution of European Donations  
Total \$2,906 million



Source: Collected data by March 22, 2007

Source: (International Conference 1st Progress Report 6)

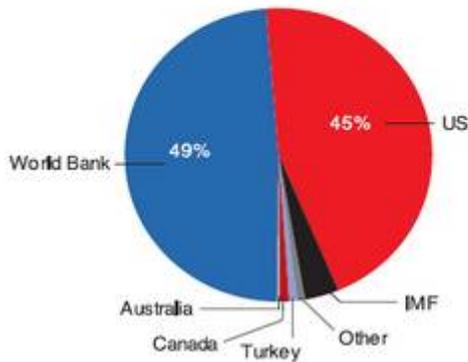
This chapter is only a descriptive overview of the main Paris III stakeholders and in no way establishes a deep level of comparative analysis. The purpose of this section is to introduce the key players and their relationship with the Lebanese state. The donations and sectors allocated to by each of these main actors will be studied in the chapters to come, after allowing the readers a thorough understanding of the most basic interdependence that exists between each player and Lebanon. Therefore, although I have allowed a glimpse at the economic dynamics between the EU and Lebanon, certifying the underlying basis for aid, I have not yet approached the main analysis of the aid in itself as well as the sectors that it was allocated to; such will be done in the sections to come. This numerical look at the European Union and its link with the Lebanese economy allows for a plausible statement that entails the possibility that this combination of foreign states does in fact have grounds for twisting foreign aid into a foreign policy mechanism that would push for a more developed and open trade relation between the two.

### *The United States*

In researching my topic question, the United States was certainly one of the most crucial international actors and key stakeholder in Paris III as its involvement goes beyond economic motivations. To say the least, the United States has had quite a rocky road in dealing with the various Lebanese factions, and the entire region for that matter. US foreign policy is one of expansion and development, democracy and the implementation of democratic institutions and it has for the longest of time tried to infiltrate the Middle East. Its last years within the region have led to the development of two wars – Iraq and Afghanistan – diminishing any hope for US explicit and direct involvement in the Area. However, US aid in Lebanon has been one of great generosity and continuous support; and as an objective bystander, one cannot but question the intentions behind such a collaborative and cooperative form of aid. I maintain that political interests are a far greater motivational concern for the United States and the analysis in later sections will focus on the sectors holding the most interest for this Western power. For the time being, the following graph shows the amounts donated/granted by the US during Paris III:

#### **CHART 3:**

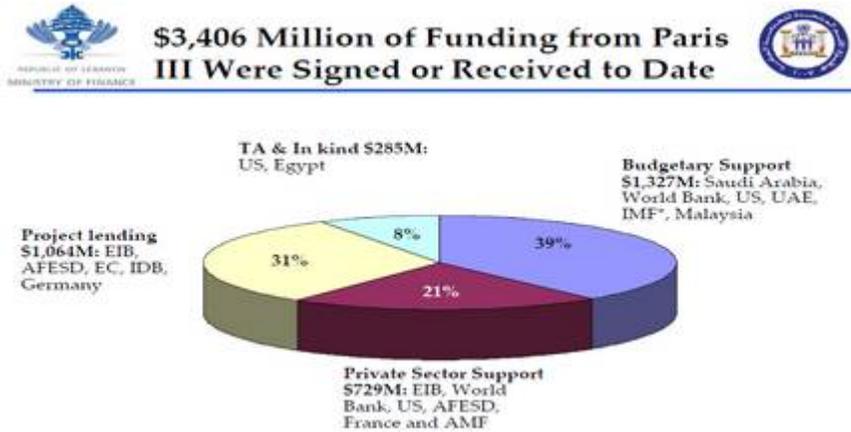
**Distribution of Other & IFIs Donations  
Total \$1,991 million**



Source: (International Conference 1<sup>st</sup> Progress Report 7)

In a progress report highlighting the financial aids signed and/or received by 2007, a more detailed focus on the kind of allocations granted by the United States helps place into perspective the areas of interest when discussing its relation with Lebanon:

**CHART 4: Implementing Paris III**



Source: (Implementing Paris III 4)

In explaining the US' interests in Lebanon, it is necessary to focus on the political implications: the Middle East is a crucial region in its expansion of political stability/instability, its oil rich countries & of course, a source of trade. From foreign investments to multinationals,

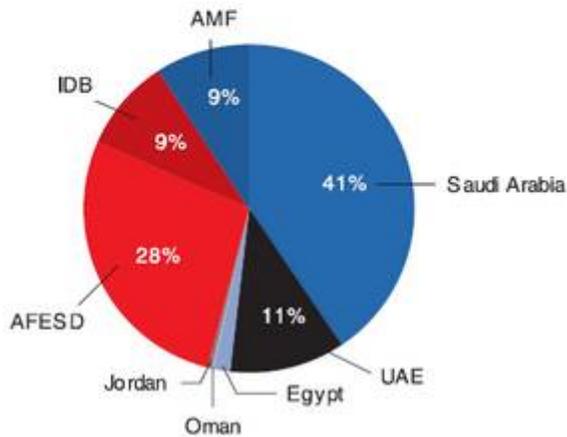
the region is a hob for western economic interests & political affiliations; therein lays American relations with Lebanon – by winning over Lebanese domestic & foreign policy, the US can establish dominance in the area?

### *The Arab States*

If international interest in Lebanon is so intense than it is safe to assume that regional interests would be just as complex. Between Saudi Arabia, Syria, Egypt, the United Arab Emirates, the GCC & Iran Lebanon is at the mercy of regional needs & demands. Of course, with its various political parties in direct collaboration with one or more regional power, Lebanon's domestic reforms are a direct consequence of conditioned aid and a greater plan for political transformation. However, as will be analyzed in the sections to come, the most influential Paris III stakeholders and those necessary to my research question are, Saudi Arabia, Egypt & the UAE. The interesting aspect of Arab donations is in fact whether or not these states implemented a conditional quota on their loans/grants. As previously mentioned, the main difference between Western and regional players is in fact the amount of direct/indirect influence they already have in the domestic arena of Lebanon and, of course, the latter have much more leverage and as a consequence, the analysis of their aid – In comparison to that of the West – will show high discrepancy.

### **CHART 5:**

## Distribution of Arab Donations Total \$2,712 million



Source: (International Conference 1<sup>st</sup> Progress Report 7)

Although, the United Arab Emirates, Jordan, Turkey and Iran are also key actors in the region, they nevertheless did not have a meaningful impact on political, economic or social reforms at the time of Paris III; yes, aids and grants were sent but their objective was not a direct foreign policy action. The UAE and Abu Dhabi for one signed one of the first Agreements of Paris III: the objective of their loan was to help the Lebanese government repay its debt – although it was a conditioned aid in the sense that it had a specific objective, nevertheless, it did not pertain to sectors relating to any domestic political transformations, but rather, “the \$300 million loan has a 20 year maturity and 2.5 percent coupon. The funds will be used for repayment of foreign currency debt.” (International Conference 1<sup>st</sup> Progress Report 7) Although Jordan also implemented an 8 million US dollar loan, its domestic development in Lebanon is one of actual reconstruction rather than political and/or economic motivation: it specified a housing loan.

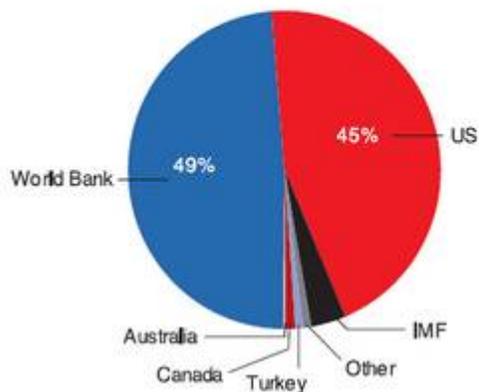
Turkey on the other hand gave 20 million US dollars in aid but did not allocate any specific sector to the money: this lack of conditioning demonstrates a lack of interest in any current direct domestic reform plan; its role in an actual foreign policy power play does not emanate in Paris III. Finally, Syria and Iran – not classified as an Arab state but a major power in the region – they did not even partake in the Paris III conference. That is not to say that they did not send aid to the Lebanese government – more likely to a specific political party; Iran and Syria have a direct influence on Lebanese domestic policy via their coordination with Hezbollah and as a result, they do not need an international conference to actually jump start foreign policy strategies – their political objectives and that of Hezbollah are aligned & as such, Iran and Syria do not rely on conditioned aid. The rest of the regional key players will have to be analyzed from sector conditioning to amounts allocated, in the sections to come.

### ***International Financial Institutions***

One of the main comparative differences between Paris II and Paris III is the impeding role of non state actors in the actual reform strategy of Lebanon. Considering all types of international institutions, Paris III is more of a hob for financial, monetary, international regulations. Indeed, it seems that with this new conference came an empowered and enriched trench of financial institutions that have taken internal reform by storm: between the International Monetary Fund, the World Bank, the Arab Fund for Economic and Social Development, the European Investment Bank, the European Commission, Islamic Development Bank and the Arab Monetary Fund, there is no escape from institutional interference. There is an unprecedented thirst by international non state actors to influence and alternate the course of

policy-making and, with the Paris III convention and call for international aid, institutions and organizations saw an opening to meddle with the Lebanese internal policies.

**Distribution of Other & IFIs Donations**  
Total \$1,991 million



*Distribution of IFIs Donations<sup>1</sup> (International Conference 1<sup>st</sup> Progress Report 7)*

Although this graph has been used in a previous section, its purpose here differs: it highlights the pledges by some International Financial institutions, namely the two most significant, the World Bank and the IMF: Dually noted that the World Bank actually allocated more aid than the United States (49% v/s 45%) and vice versa, the US allocated more than the IMF, exposing the mega status of IFIs as major stakeholders in today's economic and political realms.

This section, as previously stated, offers an introductory view of the relationship between the IFIs and Lebanon, in trying to understand the choice of allocations and of course conditioning inferred. Again, this will be developed and discussed in details in the next section.

### **3.2 Stakeholders' Roles and Motivations**

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<sup>1</sup> Same chart as that of page 53, however the focus here is towards the IMF & the World Bank as IFIs.

“Poorly performing developing countries are linked to humanitarian catastrophes; mass migration; environmental degradation; regional instability; energy insecurity; global pandemics; international crime; the proliferation of weapons of mass destruction (WMD); and, of course, transnational terrorism. Leading thinkers such as Francis Fukuyama have said that, since the end of the Cold War, weak and failing states have arguably become the single-most important problem for international order” (Patrick 7)

### *The United States and the European Union*



An acknowledgement campaign thanking the Foreign – non Arab – states for their Paris III pledges with a quote that grabs our attention: *“Lebanon will remain, Lebanon will remain, Lebanon will remain” (A Diamond’s Eye)*

After 9/11 and an assortment of violent events, superpowers had finally obtained a laissez-passer into a region that refuted all western implications and international power plays; now the United States, European Union and Financial Institutions had the ins into political regimes, institutions and civil societies within the Middle East. Lebanon would not be set aside;

of course the government, the society and our institutions hold key political transformations that could not only affect our domestic policies but even further, utterly impact the region and its powers. For more than political reasons, Lebanon has also a regional weight in the economic and trade realms, be it in its import/export relations, the heightened foreign investment opportunities and its consumer-based markets. For the Paris III key donor states, the grants and loans underlined main political and/or economic motivations. While all the previous sections highlighted the different relations existing between Lebanon and the main states, they nevertheless did not go into the details of the analysis and the exposure of the hidden intentions and motivations. Yes, we know and understand why the EU has interests in the development of Lebanon's trade sector but, did that reform in question alter any other EU/Lebanese relation? We understand the interest of the US in reconstructing Lebanon but, what about the role of Hezbollah during that process? What about the Lebanese security sector? Why is that one of the US' main concerns? These are but a few of the questions we need to look into to really identify the dynamics of conditioned aid in the face of such a globally changing and threatening political world.

The research exposes that claiming a fight against possible terrorist outcomes because of weakened governance within a state is not enough to pledge millions for sector reforms. The US, EU, IFIs and regional states have more focused and specific agendas when entering into financial agreements with a country torn between internal and external pressures and strife. The case at hand, Lebanon undoubtedly has different purposes for each of the previously mentioned stakeholders that vary from trade relations, political manipulation, security infiltration, regional power and financial hegemony.

### 3.2.1 The United States

Let us begin by examining our most prominent foreign aid enforcer, the United States. This is one international player that seems to have a somewhat extensive agenda of sector and regional reforms. First and foremost however, it is of crucial importance to take a look at the overall foreign policy of the US: post 9/11, the US seems to have shifted its relation with the international community; potential threats and the war against terror and the axis of evil have taken hold of most of this hegemony's foreign policies and interactions, especially within the Middle East. Indeed,

“This new strategic orientation has already had policy and institutional consequences, informing recent U.S. defense, intelligence, diplomatic, development, and even trade initiatives. The U.S. government's latest *National Defense Strategy* calls on the U.S. military to strengthen the sovereign capacities of weak states to combat internal threats of terrorism, insurgency, and organized crime. Beyond expanding its training of foreign security forces, the Pentagon is seeking interagency buy-in for a U.S. strategy to address the world's “ungoverned spaces.” The Central Intelligence Agency (CIA), which has identified 50 such zones globally, is devoting new collection assets to long-neglected parts of the world.” (Patrick 28)

Basically, the US has implemented strategy plans that examine some of the more terrorist-oriented states, to try and reform their governance, financial and domestic policy making processes and outcomes. As such, of course, Lebanon would be at the height of the list, seeing as on the one hand it is classified as a weak state due to continuous wars, civil strife and governance weakness. On the other hand there is Hezbollah, a prominent political party that is at the top of the US' terrorist list, whom also threatens Israel, its close ally in the region. Between political instability and conflicting interests, there is no doubt that any strategy that allows infiltration into

the core of Lebanon is a given. However, is that really it: The US is trying to fend off potential disasters and threats to its security? If that were to be the case, if the US was really only interested in threats to its security then why does it choose to handle the threats that seem to be the most distant, the most unlikely and the less direct? In his paper on US Intervention in the Middle East, D'Amato writes:

“Though the U.S. now views Islam as a grave threat to its interests in the Middle East and the U.S. press regularly pumps out racist anti-Islamic stereotypes, Islamic Saudi Arabia remains completely unscathed. Ironically, at one time the U.S. actively promoted Islamic fundamentalism as a counterweight to Arab nationalism;”

Stewart Patrick, in trying to understand this correlation between the actual threats to US security and the states in which the US has claimed infiltration to eliminate such threats, states that,

“Some salient transnational dangers to U.S. and global security come not from states at the bottom quintile of the Governance Matters rankings but from the next tier up, countries such as Colombia, the world's leading producer of cocaine; Saudi Arabia, home to a majority of the September 11 hijackers; Russia, a host of numerous transnational criminal enterprises; and China, the main source both of SARS and avian flu. These states tend to be better run and more capable of delivering political goods;” (Patrick 30)

So how does the US target its foreign policy actions? How does the US decide that it is of greater importance to wage a war in Iraq, rather than to deal with Columbian drug lords, &and Saudi Arabia's imminence to produce international terrorists? How does it decide to pledge loans and grants in such grand numbers to a state that is half way around the world, with no real economic gains to be made and no direct threat? What criteria are used in such foreign policy actions?

In discussing the Middle East and the controversial relations existing with the US, Stewart Patrick again tries to create a link between implemented policy actions and the dynamics behind such implications. This will help better understand if there is an actual strategy function to the whole war on terrorism or whether it is actually a political façade for a list of more extensive US gains and, in relating to the notion of weak states and their imminent profusion of terrorist threats, Patrick claims that,

“The source of radical Islamic terrorism may reside less in state weakness in the Middle East than in the alienation of de-territorialized Muslims in Europe. The “safe havens” of global terrorists are as likely to be the *banlieues* of Paris as the wastes of the Sahara or the slums of Karachi. In other words, weak and failing states can provide useful assets to transnational terrorists, but they may be less central to their operations than widely believed. If there is one failed state today that is important to transnational terrorism, it is probably Iraq. As CIA director Porter Goss testified in early 2005, the U.S.-led invasion and occupation transformed a brutal but secular authoritarian state into a symbol and magnet for the global Jihadi movement.” (Patrick 35)

In other words, a non-terrorist led state was occupied for reasons that do not parallel the fight against terrorism argument where,

“Policymakers and experts have presumed a blanket connection between weak governance and transnational threats and have begun to implement policy responses accordingly. Yet, they have rarely distinguished among categories of weak and failing states or asked whether (and how) certain types of developing countries are associated with particular threats. Too often, it appears that the entire range of Western policies is animated by anecdotal evidence or isolated examples. The risk in this approach is that the United States will squander energy and resources in a diffuse, unfocused effort to attack state weakness wherever it

arises, without appropriate attention to setting priorities and tailoring responses to poor governance and its specific, attendant spillovers.” (Patrick 28)

One certainty is that the most imminent threats are definitely not the most likely to be considered because Lebanon for one, is certainly not a direct one and although Hezbollah is regarded as a prominent terrorist group by the US, nevertheless, it does not make for any political strategy and domestic US led defense to even consider infiltrating Lebanon’s domestic and foreign policies in order to eliminate Hezbollah, because,

“Not all terrorism that occurs in weak and failing states is transnational. Much is self-contained action by insurgents motivated by local political grievances, such as the Revolutionary Armed Forces of Colombia (FARC), or national liberation struggles, such as the Liberation Tigers of Tamil Eelam (LTTE) in Sri Lanka. It is thus only tangentially related to the “global war on terrorism,” which, as defined by the Bush administration, focuses on terrorists with global reach, particularly those motivated by an extreme Salafist strand of Wahhabi Islam.” (Patrick 35)

So then, what are the motivations behind this US led international aid convention? What is the strategy behind its specific sector conditions? Three main linkages must be drawn and discussed: US/Israel relation, US/Russia relation and US/Middle East relation.

There are grounds that must be covered in analyzing what and where the US has pledged its aid. By understanding the dynamics of its relation with that of the region, its quest for security reform, budget and private sector allocations, the US foreign policy strategy becomes a clear distinction between international political strategy, regional political strategy and domestic political strategy. In other words, what has the US got to gain at international, regional and domestic levels by advocating millions to specifically security reforms?

Let us begin by exposing the US's position within the international system; yes it is a hegemon, one which faces competition on all fronts, from political to economic, social and cultural. However, as we are well aware, it seems that politics and economics undoubtedly have the upper hand. Although the US is an international super power, it nevertheless is not necessarily capable of implementing such power in all regions of the international community, case in hand the Middle East. Moreover, this inaptitude seems to only be intensified with a current political and military competitor, Russia. Although there is no longer a heightened hatred of democracy v/s communism (of course in the case of ex USSR), nevertheless, both powers still challenge one another on a specific front: regional hegemony and military support. In the case of the Middle East, Russia seems to have done a much better job at infiltrating influence and leverage in the area through of course a seemingly support of Iran, Iraq and Syria;

“For years, Russia's role in the Middle East was viewed primarily through its relations with Iran, Iraq, and, more recently, Syria. In 2006, however, a nearly forgotten dimension of Russia's Middle East policy came to the fore with a new escalation of the Arab-Israeli conflict, this time in Lebanon. Russia has long played an extraneous role in the Quartet on the Middle East, the grouping composed of the United Nations, the European Union, the United States, and Russia. A more proactive Russia has now emerged, however, pursuing policies which, at times, are significantly different than those of the United States.”  
(Stepanova 1)

Indeed, the US has undergone a different approach: it has expanded a sense of colonial hatred by launching two independent wars in Afghanistan and Iraq, therefore, the only real leverage it has is through Security Council resolutions in the area, of course also through Israel and a certain understanding with very few pro-Western political parties in the region. Whereas, for Russia,

“[It] currently attempts to make use of its relations with Hizballah sponsors Syria and Iran to induce them to moderate their policies in the Middle East. Russia provides communication channels with both countries, particularly in crisis situations. Russia has also expressed its readiness to launch an investigation into Israeli claims of alleged transfers of Soviet- and Russian-made weapons to Hizballah via third-party nations [...] Russia views Hizballah as a key representative of the Lebanese Shia community, with the capability to undermine any conflict resolution efforts if it is left out of the stabilization process.”  
(Stepanova 3)

So, if the US can't be a crucial and necessary player in the region through alliances and political maneuvers then conditioned aid is the only plausible strategy to get the upper hand as a hegemon within the area.

Moving beyond the notion of international hegemonial recognition and of course military and political competition the US faces yet another challenge, an economic one. Oil is a resource that has been causing clashes and conflicts, and one that is abundant in the Middle East; According to D'Amato's article on US Intervention in the region,

“Despite new discoveries of oil reserves in Central Asia, the Middle East still has two-thirds of the world's proven oil reserves, and its oil is still the cheapest to pump and produce. As Lawrence Korb's statement about Kuwait and carrots makes clear, nothing that takes place in the Middle East today can be understood without first understanding the strategic and economic importance of black gold.”

Although the US has a functional arrangement with Saudi Arabia, among other oil rich rentier states, nevertheless, oil is bound to become a scarce resource and as a highly self-preserving state looking to remain a hegemon, the US is looking at opportunities to become independent from oil states and self satisfying in that especially important economic sector. In order to do so, of

course, the Middle East is a perfect candidate: Iran, Iraq, Saudi Arabia, Qatar, The Emirates, all are prominent oil rich countries with an abundance of resources and currently, without any international control. If the US were to succeed in only overtaking one of these states, then its economic and political hegemony will surely exceed for years to come any other superpower. China will no longer hold such threatening economic power, Russia's humanitarian and political leverage in the Middle East will seem minute and self-sufficiency will gain the US government extra points with its neighboring countries.

Now that both these perspectives have been exposed, there is one more angle to the propulsion of Paris III, one that entails a much more specific and less global goal: Israel. One undeniable truth is the important of the Jewish lobby with American politics and as a result, interdependence between Israel and the US. Seeing as neither are 'liked' by the Arab states and Iran, their presence in the Middle East is a constant confrontation. Beyond the US and its fiascos, Israel seems far from having a graceful existence. Forgetting Jihadist movements and Islamic extremism, there is a far more basic focus: Palestine and of course Lebanon. Two main political parties, Hamas on the one hand and Hezbollah on the other, are in continuous conflict with Israel. As a result, Israel and hence the US cannot fully expand political and economic expansion within the region. Whereas, Russia's success in the region is emphasized through its belief that,

“Neither Hizballah nor Hamas is listed by Russia as a terrorist organization, most likely because Russia's list only includes groups that directly threaten Russia's security. Russia does ban radical Middle Eastern groups known to mount or support terrorist activity against Russia and to have strong transnational jihadi connections (such as Ansar al-Islam and Jund al-Sham). However, Russia seeks to politically engage broader grassroots movements that are not just militant but

involved in political, religious, social, humanitarian, and other nonviolent action.”  
 (Stepanova 4)

For Israel on the other hand, & hence the US, only one possible political strategy can induce their power with the Arab states, & of course that strategy is the weakening of its two most prominent challenges: Hamas & Hezbollah. Now, with July 2006, Israel & the international community have understood the power Hezbollah has & they have understood that an active, face to face confrontation with Nasrallah and his followers is not a viable option to eliminating them as a threat, or, weakening them in the least; hence, an internal infiltration that will allow a more indirect weakening process comes to light; of course that is through conditioned aid. The United States, through Paris III, sees an opening to altering the security sector: in the Paris III progress report, of sectoral allocation wherein, donors have expressed interests in pledging their loans/grants in specific sectors, varying from water sanitation, to power, security, social and also transportation “Donors interested in security include the United States, Germany, and Denmark.” (International Conference 1<sup>st</sup> Progress Report 11) In its detailed division of grants and loans, the US is one of the few countries to have specified sectoral allocations, especially seeing as this is the first progress report, just a few months after the establishment of the Paris III conference and call for aid;

**TABLE 4:** Total amounts pledged

Country	Total	Projects Under-way	Private Sector Support	UN System/ UNIFIL/ NGOs	To BDL	Grant to Government		Loan to Government		Under Review	Sector
						Budgetary Support	Project financing	Budgetary Support	Project financing		

United States	\$890		\$120	\$185		\$586					Security
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*(Numbers in US million dollars)*

*Source: Lebanese Republic, International Conference for Support to Lebanon – Paris III, First Progress Report, January 2007, pp 11*

It definitely did not take the US long to figure out where a big proportion of its aid would be the most needed. According to a signing agreement document with the World Bank, a section for TA and In-Kind contributions states that the US signed a 270 million dollar support to the armed and security forces. (Implementing Paris III 9) Evidently, this would allow for the conducting of a subset of political reforms discussed by Sharp in his paper on US Foreign Assistance in the Middle East, where

“U.S. military aid is used to train and equip the Lebanese Armed Forces (LAF) and the Internal Security Forces (ISF). In annual foreign operations legislation, Congress has sought to ensure that the State Department establish vetting procedures to determine eligibility to participate in U.S. training and assistance programs in order to ensure that U.S. aid does not benefit Hezbollah fighters.”

The ultimate goal has always been to disarm and weaken Hezbollah, a major Lebanese political party that has great influence both on domestic and regional grounds and D’Amato states that, “to this day, the U.S. spends billions annually to maintain a large military presence in the region. It provides billions in military hardware to client states, in particular to Egypt, Saudi Arabia, and Israel--which the U.S. carefully maintains as the region's most formidable military power.”

Aware of such objectives,

“The Hizballah-Aoun alliance and its sympathizers have couched their opposition to Paris III in terms of criticism of foreign influence in Lebanon and government corruption. During his January 22 speech televised on al-Manar, Nasrallah said Hizballah supported Paris III and any international help without political conditions but the conditions of Paris III are not clear [...] Aoun has also focused on the same message of corruption and foreign influence. His website raised

three primary objections to the conference: (1) there are hidden conditions on the assistance, (2) the aid will be given to Siniora and not to the Lebanese people, (3) grants at the Paris III agreement would be tied to a secret agreement to settle the Sunni Palestinian refugees in Lebanon, a move that threatens to skew the delicate sectarian balance of Lebanon.” (Schenker 1-2)

Between international competitions with a long time threat – Russia, a want for a continuous hegemony by controlling the Middle East and its oil, and an interdependent relation with Israel pushing for control over Lebanese politics, the US finds it has quite the overflowing agenda for reforming the domestic and foreign policies of Lebanon. Its focus jumps from purely political gains to the most expanded economic ones: without a doubt, its concern with the security sector has one objective: creating through its given grants and/or loans a leeway to reform many policy strategies, political policies and regional relations.

One aspect to keep in mind is the first written call for Paris III conference set by the Lebanese Republic on the 25<sup>th</sup> of January 2007: there is great importance set on fiscal reform, social programs, monetary regulations and privatization strategies. However, there is no mention of security reforms, policy alterations or trade reforms – just a few of many conditioned reform requirements set by the donors – in the Lebanese government’s request for foreign aid:

**TABLE 5: Government requirements**

III. The Government's reform program .....	- 7 -
A. Growth-Enhancing Structural Reforms .....	- 9 -
Governance .....	- 9 -
Financial Sector Reform and Debt Management.....	- 10 -
Improving the business environment.....	- 11 -
B. Social Sector Reforms.....	- 13 -
Main elements of the social plan .....	- 14 -
Specific social interventions .....	- 15 -
C. Pension Reform.....	- 16 -
D. Fiscal Adjustment and Structural Reform.....	- 17 -
Expenditure Measures.....	- 17 -
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IV. Medium-Term macroeconomic Framework.....	- 26 -
A. Macroeconomic scenario with domestic adjustment .....	- 26 -
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C. Implementation of the reform program.....	- 28 -

*Source: Lebanese Republic, Jan 2007 (Recovery, Reconstruction 2)*

In comparing between what the Lebanese government believed to be crucial for its post 2006 recovery program v/s what donor states – current case at hand the US – believe to be necessary, it seems there is great discrepancy. The former is focused on economic and fiscal developments to render the social and private programs and markets to higher standards of living conditions, aid programs, higher revenues, extensive business opportunities and investment plans (Recovery, Reconstruction 9); whereas the US conditions are focused on reforming Lebanon's security institutions and political approaches. Even when discussing reforms in Governance, the Lebanese government stresses on the administrative aspect rather than political institutions and policy strategies: transparent and accountable public administration is highlighted over and over through private based audits, citizen-oriented administrations, and improve public agencies and others.

So, why impose conditioned aid? Why call for prerequisites? According to an article published by the Daily Star on US Views of Lebanon, “it has obtained a tranche of cables sent

from the US Embassy in Beirut to the US State Department over a period of several years. They reveal allegations of political duplicity, external meddling in domestic affairs and scathing assessments of both Lebanese and international officials.”

Obviously, when Lebanon’s agenda does not conform to the donors’ then impositions are implemented.

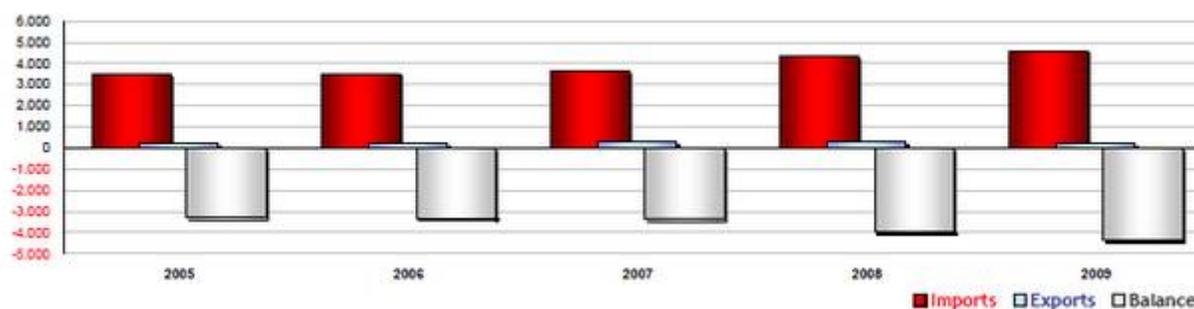
### 3.2.2 The European Union

After having established the US’ essential motivations for its pledges during Paris III, it is of importance to move on to the European Union, another superpower or, a more likely combination of powers that also have twisted foreign aid advances to impact domestic and foreign policy of Lebanon. The likelihood of such development seems to be more on the economic side; just as Paris II saw a conditionnement that would allow Italian multinationals exclusive and primary right to business entrepreneurship, Paris III was not far from economic conditionnement.

In the Paris III 11<sup>th</sup> progress reports, **key 2009 achievements** are highlighted through the various sector reforms: the ministry of economy and trade states that one of the first developments is in fact “*Program 1: to encourage investment where, a Financing Agreement – the Reinforcement of the Private Sector Competitiveness in Lebanon – was signed with the EU to launch Phase II of the SME Support Initiative.*” (International Conference 11<sup>th</sup> Progress Report 16) The EU’s main objective is to facilitate investment, empower open market and reduce all hassles related to trade. The EU has for a long time, maintained and nurtured the development of import/export relations with the Lebanese. One key aspect for understanding the European

Union’s interests in Lebanon – the resources allocated specifically during Paris III – Is a general overview of the trade balance that has been established between the donor state and the receiving one. In a study focusing on *Lebanon and EU’s Bilateral Trade and Trade with the World*, a graphic presentation of imports from the European Union to Lebanon v/s exports from Lebanon to the European Union is offered – from 2005/before Paris III conditioned aid was implemented and until 2009/after Paris III’s mandatory reforms were implemented – revealing the evolution and factual imbalanced relationship.

**TABLE 6:** Lebanon trade with the EU



Source: Eurostat, *Lebanon: EU Bilateral Trade & Trade with the World*, Sep 2010, pp. 4

Economic interests are a primary source for policy making motivations and there is no doubt that, for the European Union, maintaining a developing Lebanon is within its primary interests seeing as Lebanon’s major import partner is the EU, as well as its major trade partner.

**TABLE 7:** Lebanon’s trade with main partners (2009)

The Major Imports Partners				The Major Export Partners				The Major Trade Partners			
Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%
	World (all countries)	12.009,7	100,0%		World (all countries)	2.317,1	100,0%		World (all countries)	14.326,8	100,0%
1	EU27	4.598,9	38,3%	1	Syria	601,5	26,0%	1	EU27	4.831,6	33,7%
2	Syria	1.137,7	9,5%	2	United Arab Emirates	336,1	14,5%	2	Syria	1.739,2	12,1%
3	United States	1.135,9	9,5%	3	EU27	232,7	10,0%	3	United States	1.187,7	8,3%

Eurostat, *Lebanon: EU Bilateral Trade & Trade with the World*, Sep 2010, pp. 6

Beyond the realm of political motivations, the first concern is without a doubt the economic sector of Lebanon. Unlike the US, the EU does not maintain a political strategic infiltration as the most important use of its foreign aid pledges. No, it rather focuses on issues of trade, investments and institutional adjustments.

The Lebanese Ministry of Finance stated – In an article on Loan Agreements between Lebanon and France – the AFD pledged to support Lebanon with an amount rounding up to 500 million Euros that will be used for two purposes, debt reduction and credit for the private sector. Also, the terms of the loan clearly claim that, “the loan agreement makes available €375 million, to be disbursed in three tranches based on the implementation of the reform program.”

In its representation of the Economic Reforms to take place from 2007 to 2011, one area of focus stands out: the Growth Enhancing Structural Reforms that vary from Governance, Business Environment and Capital Market Reform. The Business environment specifically focuses on trade and economic reforms that allow great advantage and facilitation for foreign countries such as the EU:

**TABLE 8:** Improving the business environment

Provide tax incentives to affected enterprises.	2007
Reduce the time it takes to obtain a business license, and the cost of opening and closing a business.	2007
Simplify further the tax procedures and reduce the number of separate taxes and fees while preserving neutral fiscal impact.	2007
Expedite the clearance of imports, including by increasing automation at the port, lowering the contact with customs' officials, and increasing the use of risk assessment in inspection procedures.	2007-2008

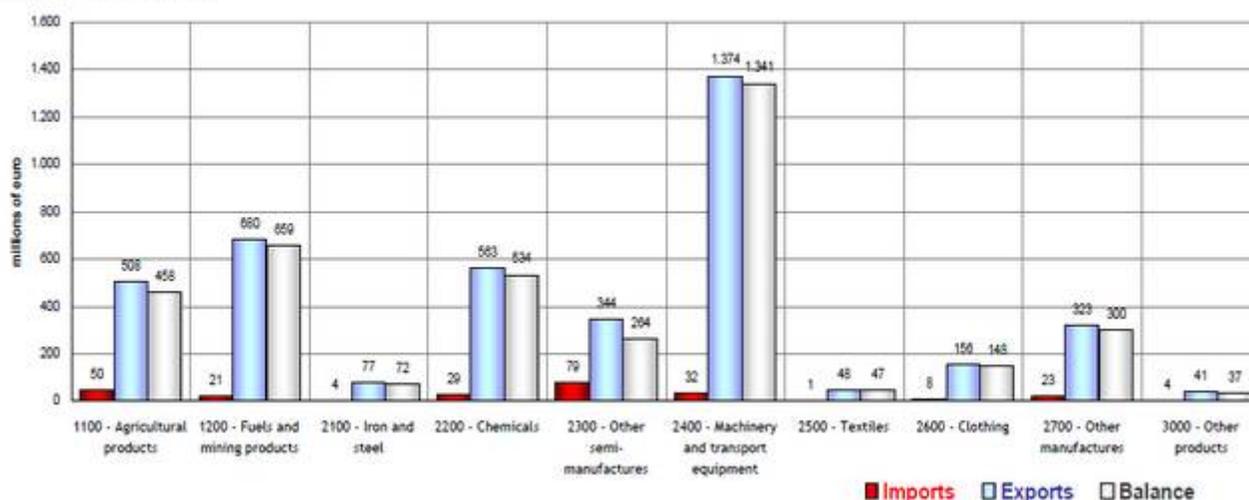
*Source: Republic of Lebanon (International Conference 1<sup>st</sup> Progress Report 24)*

To understand why such reforms would be of genuine help to the EU specifically, a few more statistics and figures need to be placed in perspective. In a paper on the Bilateral Relations of the EU and its Key Trading Partners, the European Commission states that “Total EU-

Lebanon trade amount to approximately €4.4 billion, but it is its third largest market for exports (12.4%), behind Syria (24.9%) and the United Arab Emirates (12.9%).”

**TABLE 9: EU trade with Lebanon in 2009**

**EU Trade with... Lebanon**



Source: Eurostat 10

Although the EU’s main area of concern was Lebanon’s economic realm, nevertheless, it is worth mentioning that a few other EU states felt that their individual pledges would be of greater value in different sectors. Specific cases at hand are Denmark and Germany wherein, their sectoral allocation varied from education, water, humanitarian and Security:

**TABLE 10: Summary of pledges**

Country	Total	Projects Under-way	Private Sector Support	UN System/ UNIFIL/ NGOs	To BDL	Grant to Government		Loan to Government		Under Review	Sector
						Budgetary Support	Project financing	Budgetary Support	Project financing		
Denmark	\$3.5			\$2.5		\$1.0					Security, Humanitarian
Germany	\$134	\$43					\$91				Security, Education, Water

Source: Lebanese Republic (International Conference 1<sup>st</sup> Progress Report 18)

Moreover, there is quite the discrepancy between the amounts pledged by various EU members: France with 650 million, Italy 156 million, Germany 134 million, Spain 52 million, Belgium 26 million, Norway 15 million, Greece 7 million, Sweden 6 million, Denmark 3.5 million, Austria, Cyprus, Finland, Luxembourg and Portugal 1 million each. (International Conference 17-18) There is a 649 million dollars gap between France and the 5 EU members that pledged the least money. Although it tends to be seen as an interdependent entity, nevertheless for the purpose of this research it is necessary to break down the EU, to fully understand the weight of each pledge made to Lebanon post 2006. Looking at Spain, Belgium, Norway, Greece, Sweden, Denmark, Austria, Cyprus, Finland, Luxembourg and Portugal, there is no real foreign policy motivation behind their Paris III pledges. Even though Denmark finds itself placing a sectoral allocation on its 3.5 million dollar pledge, among which is the Security conditionnement, it does not hold any real weight on Lebanon's own governance strategy. Now if on the other hand, France had placed such a sectoral allocation for security, then, this would undoubtedly be seen as a foreign policy strategic interference and of course a domestic political reform by the EU.

Three countries remain: France, Italy and Germany. Moving beyond the notion of the EU as a one entity notion, France is definitely an independent deal maker with an agenda that dates back to when Lebanon was under its mandate. Before any specific interests, France has had a long standing relation with the Lebanese people and the Lebanese government; 'people' because, since the mandate, France has had a responsibility towards the Lebanese as a nation, be it through social structures, education and private sector development.

'Government' because France has also had a very strong presence and representation within the Lebanese government, in its policy making processes, national decisions, regional

relations and international ones. Therefore, regardless of any economic and/or political motivation, there is no doubt that France has a responsibility towards Lebanon. However, that is not to say that it does not pertain to a specific political agenda: France knows and understands that Lebanon is at the core of the region's stability as well as France's own Middle East foreign policy; even further, its direct participation in the Middle East and its capacity to influence political decisions and foreign policies is through its understanding with Lebanon, its support of the Lebanese government..

Italy and Germany are yet to be disclosed: Italy has previously exposed its interests in Lebanon during the Paris II conference wherein, its donations were actually a negotiation to convince the Lebanese government to offer Italian multinationals first hand opportunities within the private sector;<sup>2</sup> and it is rational to imply that through its current donations, its focus is to maintain such an advantage in the Lebanese market, specially as it has been witnessing a growth since 2006. Germany on the other hand is quite the surprise with its 134 million dollars worth of aid allocated to the sectors of security, education and water. However, as an independent entity, it does not hold any real threat to the sovereignty of the Lebanese government, in the sense that it does have a political agenda that would necessarily throw off balance that of Lebanon. Regardless, any amount pledged and set with conditions is an indirect intrusion within Lebanese institutions and politics, specifically when one of the sectors allocated is that of security.

### **3.2.3 The Arab States**

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<sup>2</sup> This has already been explained & documented in Chapter 2 of my research – refer to page 29



An acknowledgement campaign thanking the Arab states for their Paris III pledges with a quote stating: *“By uniting the Arab with the Lebanese people, all damage to Lebanon will be gone; there will be independence, so that the horizon will open to welcome the future” (A Diamond’s Eye)*

Unlike the previous stakeholders, the Arab States’ foreign aid pledges during the Paris III have a much lesser need to incorporate conditions, or to actually incorporate at all. As previously mentioned, many regional powers did not undertake participation in the international conference, among which Iran and Syria.<sup>3</sup> Those who did, such as the UAE, did not place any conditions that would affect the governance of Lebanon in any way.<sup>4</sup> No, the highlighting of the Arab States is

<sup>3</sup> Refer to Chapter 3, Section 1 – Reasons why influential players such as Iran & Syria did not partake in the Paris III conference, of course highlighting their direct relationship with Lebanon, specifically Hezbollah & their direct influence on domestic & foreign policy of Lebanon.

<sup>4</sup> Also refer to Chapter 3, Section 1

crucial to the research as, when compared to the US and the EU, it demonstrates how differently pledges were initiated and implemented because of interests and private political agendas.

**TABLE 11: Sector allocation of pledges**

Country	Total Pledged	Sector	Intended Uses of Funds
Saudi Arabia	\$1,100	Budgetary Support, Other projects	- Budgetary support: \$100 million - Project financing \$1,000 million under discussion
<p>a) Budget support: \$100 million grant received on 11 April 2007. Funds were used to repay \$76 million in Eurobond interest, \$9 million for foreign loans, \$15 million for Treasury bills interest in LL.</p> <p>b) Project financing: \$1,000 million. Possible financing for power sector, cost overruns and indirect budgetary support.</p>			
Egypt	\$44	Power	In-kind grant to rehabilitate the Jieh Power plant for a total of \$14.6 million was committed
Signed agreement with PCM on \$14.6 million as an in-kind grant to rehabilitate the Jiyeh Power plant (execution by Petrojet). Project was completed in Q3 2008.			
United Arab Emirates	\$300		\$300
Budget support: \$300 million. Signed loan agreement. \$300 million received in three tranches each \$100 million on December 24, November 7, and November 29, 2007.			
Turkey	\$20		\$20
In-kind contribution: hospital for trauma and rehabilitation of the physically disabled. On October 27, 2007, in-kind grant was approval by the Council of Ministers. Signed on 3 November 2008.			

Source: Lebanese Republic (International Conference 2<sup>nd</sup> Progress Report 13)

Saudi Arabia and Egypt pledged financial support for the pure function of recovery and infrastructure development. Although they highlight sector and potential intended use of funds, they do so without the insinuation of any foreign or domestic policy power play. They do not approach the topic of security, government institutions, UNIFEL or trade and economic reforms. Unlike the US and many EU members who, “In addition to private sector support, donors have pledged \$346 million to be channeled through multilateral organizations and NGOs. The largest of these are a US contribution of \$185 million to support UNIFIL and \$50 million to support

developmental activities through USAID. The remaining amount includes support from Italy, UK, Spain, Canada, Norway, Sweden, Denmark, Japan, Austria, and Finland.” (International Conference 2<sup>nd</sup> Progress Report 11)

Saudi Arabia and Egypt did not even approach the possibility of channeling aid through any United Nations body or organization; their pledge was a direct liaison between the Lebanese government and themselves as, of course, a direct interdependence exists between them. By interdependence I refer to a regional as well as ethnic one: the Arab States have a regional responsibility to maintain political and economic stability, as well as protect their investments and undoubtedly, Lebanon is a continuous investment for most in the region. Also, beyond the regional interests, there is the notion of ethnic and religious dependence; Saudi Arabia for example has an already established relationship of cooperation with a major Lebanese political party – that of Saad Hariri – former Lebanese Prime Minister as well as leader and main party within the March 14 coalition v/s Iran whom has an established relationship with Hezbollah, noting of course the rivalry between Saudi Arabia and Iran, Sunnis and Shiites. Indeed, Sunni Muslims, Saudi Arabia’s interests and needs are directly channeled through the political party rather than the need for UN organizations and/or projects financing in the area. Similarly, Egypt also has its needs and interests represented in Lebanon. For Turkey on the other hand, their donation is part of a new foreign policy strategy, the strategic depth to assume regional influence in the Middle East as, Turkey perceives Lebanon as an ambassador of threat that would go as far as posing threat to Turkey itself.

Both Egypt and Saudi Arabia do not perceive Paris III as a tool for regional empowerment or representation, but rather they hold a responsibility towards the continuous support of a regional key investment on the one hand, and of course, on the other hand, a

religious dependence that establishes an enforced level of commitment on their part, regardless of the political motivations that follow.

### 3.2.4 International Financial Institutions & Multinationals

Of even greater significance to the Paris III conference is the presence of International Financial Institutions: from the World Bank, International Monetary Fund and the European Commission, European Investment Bank, Islamic Development Bank and the Arab Monetary Fund, “Contributions from institutions represented over 53% of the total pledges,” (International Conference 1<sup>st</sup> Progress Report 5) creating an unprecedented level of participation by such entities. In an article on Poverty Eradication and Gender Justice, Social Watch states that “Collaboration with the World Bank and other financial institutions has increased since the 2006 war as Lebanon became more dependent on international financial prescriptions and less able to defend its national productive sectors.”

**TABLE 12: Detailed division of grants & loans**

Country	Total	Projects Under-way	Private Sector Support	UN System/ UNIFIL/ NGOs	To BDL	Grant to Government		Loan to Government		Under Review	Sector
						Budgetary Support	Project financing	Budgetary Support	Project financing		
European Investment Bank	\$1,248	\$260	\$709						\$280		Power, Water, Ports, Roads
World Bank	\$975		\$275					\$300	\$400		Social, Power
European Commission	\$486	\$139				\$282		\$65			
IMF	\$75				\$75						

Source: *Lebanese Republic* (International Conference 1<sup>st</sup> Progress Report 17)

The IFIs that are of interest to this research hold international weight and influence: the World Bank and the International Monetary Fund will maintain an area of focus for the purpose of the research, keeping in mind that they are, of course, an extension of the US on the one hand and of the EU on the other whereby, the IMF for one, has a system of shareholders that hold majority and, as a result, influence and implement policy strategies that do not necessarily fully coincide with the developing states. Indeed,

The system of quotas and voting power in the IMF has, over the years, created distortions and lacks equity. A group of 24 industrial countries controls 60 percent of the voting power, while more than 85 percent of the membership—159 out of 183 IMF members—together, hold only 40 percent of the votes. The imbalance reflects the fact that, in order to meet the capital requirements of the institution, quotas attempt to reflect the economic and financial importance of members in the world economy.

There is always that feeling that, developing states are not really represented fairly amidst the bulk of the developed countries in such international institutions.

“The question has increasingly arisen in the 1990s whether the institutional arrangements and rules of the game have developed sufficiently to give all countries a fair opportunity to participate effectively in equitable trade and financial organizations. This is not universally accepted: many leaders in developing countries, and in civil society groups, decry the perceived lopsidedness of international financial governance, in the IMF and the World Bank as well as in the WTO, which they see as instruments of the rich countries.”  
(Houtven 1)

And, of course, the IMF is no exception to that belief where, the US, EU and other major stakeholders hold the main power of decision making and strategy implementations. On

discussing the role of the IMF, Leo Van Houtven<sup>5</sup>, President of the Per Jacobsson Foundation states that,

“The IMF is considered undemocratic because the large majority of the membership, the developing and transition countries, who are in practice the borrowers from the IMF, are minority shareholders, while the relatively small group of industrial countries holds 60 percent of the voting power. Also, the industrial countries are seen to be dominant in the oversight of the IMF through the Executive Board, while there is perceived to be inadequate representation of the developing countries. Moreover, It is difficult to grasp how the IMF’s rule of decision making by consensus works and whether it adequately protects the rights of minority shareholders. &, At the political level, there is no effective counterweight to the power of the Group of Seven major industrial countries, and the oversight role of the International Monetary and Financial Committee (or of its predecessor, the Interim Committee) should be more participatory and more effective on systemic issues.” (Houtven 2)

And, in the case of talk for the Paris III conference & the level of IMF involvement and aid strategy, “The [Lebanese] Ministry of Finance held several meetings with representatives from the American Embassy in Beirut in addition to meetings held during the IMF / World Bank meetings on April 14 – 15th in Washington between the Lebanese Minister of Finance and officials from the State and Treasury Departments.” (International Conference 2<sup>nd</sup> Progress Report 7) The US was a crucial player to the reforms, conditions and strategies agreed upon between all three entities.

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<sup>5</sup> 1977 – 1996, Houtven was Secretary of the IMF & in 1987 he got the title of Counselor to the Managing Director

For the World Bank, the total amount pledged was 975 million dollars. Although that is an interesting number in itself, however, a figure of greater value is given; According to Paul Wolfowitz's speech on Lebanon's transition from violence to reconstruction and development,

“[The World Bank has] taken the *unprecedented step of providing grants* from World Bank Group income. \$70 million in grants have been contributed for recovery and reconstruction efforts, and to support reforms in the power sector. An additional \$1 million grant has been made available to improve the Government's ability to manage funds for reconstruction projects transparently and efficiently.”

Not only has the World Bank extended its resources to help Lebanon in its recovery and reconstruction process, but even further, it has offered the Lebanese government a monetary value that exceeds anything it has previously done and/or granted. Paul Wolfowitz goes on highlighting that,

“This package of World Bank Group financial assistance – totaling more than \$1 billion – exceeds our earlier plans, and is part of a comprehensive and extraordinary international effort. That reflects our assessment that the program in front of us merits exceptional support because it addresses boldly the fundamental requirements for a strong recovery that benefits all people of Lebanon.”

The fore mentioned speech introduces key words: *Exceptional support, addresses boldly and fundamental requirements*; considering that Lebanon had not undertaken any major reform implementation during the Paris II conference, speculations give way to the assumption that, although the Paris III conference offers a more explanatory, overall proactive and direct form of reforms, nevertheless, it might not be the most rational of actions to grant the government an

amount of 70 millions, disregarding the total value of actual pledges by the World Bank. However, according to Paul Wolfowitz,

“Based on the implementation of the IMF program and sustained donor support over the life of the program, we expect that the capacity of Lebanon to absorb increased levels of finance will be improved, and accordingly we are prepared to consider increasing our assistance over time. [Also] we are prepared to continue and intensify our efforts in assisting the Government to implement its programs, to build institutional capacity, to improve procurement and financial management to undertake sector reforms.”

There is a sense of external influence being the only possible solution to the continuous Lebanese economic and political imbalance. Paris III – as a conference – set up an image of complete lack of sustainability, civil society, political cooperation and economic entity; However, in trying to explain the relation that is between Lebanon and Russia, an article on *Russia's Middle East Policy* classifies “Lebanon prior to the 2006 war [as] a state recovering from protracted civil war and capitalizing on the end of Israeli and Syrian occupation. Against this backdrop, it appeared to be a relatively bright spot in terms of domestic stabilization, reconciliation, and socioeconomic development.” (Stepanova 2) Lebanon was undoubtedly becoming self-developing in crucial sectors. Today, with the destructions of the July 2006 War, the World Bank’s paper on Lebanon’s transition from violence to reconstruction and development maintains that,

“Lebanon’s need is greater today than ever before—and the international response needs to be greater. We believe our resources—combined with a strong role for the IMF and a robust donor and Lebanese stakeholder response—can serve as an important catalyst to put the country back on the path to strong recovery and sustainability.”

Paris III, its stakeholders and the Siniora government have ruled in favor of complete external control, foreign influence and international policy.

Beyond financial institutions, Multinationals have also gained backdrop on the Lebanese government. They have been incorporated in the reforming of government institutions and domestic policy making: not only have they pledged loans and grants, but, a *public-private partnership* has been created in collaboration with the US and four multinationals; Intel Middle East News Release states that,

“Four of the business leaders, Craig Barrett, Chairman, Intel Corporation; John Chambers, Chairman and CEO, Cisco Systems, Inc.; Yousif Ghafari, Chairman, GHAFARI, Inc.; and Dr. Ray Irani, Chairman, President and CEO, Occidental Petroleum Corporation, formed the U.S.-Lebanon Partnership in September, at the request of United States President George W. Bush. Additionally, Microsoft CEO Steve Ballmer was introduced as a new member of the Lebanon Partnership leadership group today. [...] Today, the Partnership announced initiatives in five key areas critical to creating sustainable economic growth in the region, which include crisis relief and response, information communication technology (ICT) infrastructure, workforce training, job creation/private sector revival and connected government.”

Upon the request of George W. Bush, this partnership was created to develop social reform in post 2006 Lebanon, creating a number of jobs, strengthening the domestic workforce & developing the education system and its facilities.

It seems that the US has finally grasped what it takes to reinstate its expansion strategy: win over the government and the people. By implementing reconstruction and development programs, the US is ensuring that Lebanese citizens are benefitting from the aid, not just the

government. Utilizing the IMF, World Bank and Multinationals to increase aid to Lebanon throughout various sectors, the US and of course the EU have expanded their aid strategy: instead of a direct one handed aid, they can now branch out within the Lebanese government and sectors, through the various organizations, partnerships and institutions: this in itself is a perfect maximization foreign policy strategy.

## **Chapter 4**

### **Paris III, Lebanon & the Middle East**

The purpose of this chapter is to combine all the previous analysis in trying to understand how Paris III has affected Lebanon's domestic governance as well as that of the region as a whole. As previously mentioned and for the purpose of this research, governance insinuates the level of legitimacy and sovereignty that the Lebanese government has in implementing reforms and domestic policies and, at a regional level, the level of self determination that the Arab States

have, in politics, economics as well as social institutions. Of course this chapter is an extension of chapter 3 as both are interdependent: the only way to understand if and how governance is threatened is to understand the interests and political strategies within the area. When discussing the dynamics between the various key donors – the EU, US, Arab states and the IFIs – each demanded a variation of changes within different sectors that pertain the most to their own agendas. The international conference was indeed a playground where reforms that are most crucial to the international interest were implemented.

In discussing the heightened focus of the US on reforming the security sector of the Lebanese government, Stepanova claims that doing so can seriously create a shift in the current balance that is maintained where,

“In a fragmented, multifactional, post-conflict state such as Lebanon, the state has to be relatively weak and decentralized in order to sustain political stability, intercommunal balance, and socioeconomic development, with its functions limited in many ways to those of an arbiter. It cannot be forcibly strengthened and centralized overnight without threatening its domestic functionality, restored with great difficulty after decades of civil war and interventions by regional meddlers. If the international community insists that the security functions of such a state should be radically enhanced, it must be ready to bear the main burden of such efforts.” (Stepanova 2)

The US’ influence on Lebanon goes beyond the implementation of reforms at the beginning of the Paris III conference; today still, its focus on the security sector is a direct consequence of the conference: it allowed the US the ability to intervene, influence and enforce changes within the government and institutions and, as a result, the process is ongoing with programs maintaining

such internal influence. On discussing the Fiscal Year 2011 and the aid allocated by the US, Jeremy Sharp claims that,

“For FY2011, the Obama Administration is seeking \$246.3 million in total aid for Lebanon. According to the U.S. State Department, the FY2011 request, among other things, “will build critical institutions, particularly Lebanon’s security services - the Lebanese Armed Forces (LAF) and Internal Security Forces (ISF) - to address border security, counter negative extremist elements, and curb the influence of Syria and Iran.” (Sharp 16)

The US has also pledged millions through UN agencies and to the notion of governance with the likes of its support to the special court for Lebanon; it has overseen aid flow specifically to the UNIFEL, in an attempt to subdue activities in the South of Lebanon where, Hezbollah is most active and present.

**TABLE 13: Contributions to UNIFEL**

Fiscal Year	CIPA Account
FY2007	184.0
FY2008	35.628
FY2009	186.4
FY2010	210.914
FY2011	212.0

*Source (Sharp 17)*

That is not to say that the US' sole purpose was an inside look into Lebanese policy making. There is undoubtedly a greater goal and, as explained in Chapter 3, the US has indeed an objective to attain and one that involves the Middle East as a region. Of course, Paris III was a chance to get in there, hold grip and begin foreign policy strategies.

Although the EU has not thoroughly approached the subject of security allocations in trying to minimize Hezbollah's capacities, thus infringing a major Lebanese political party, nevertheless, it has obtained complete access to the economic front of Lebanon. Not only has it conditioned trade regulation reforms, appeased the government for private sector premiership, and offered millions of aid to reconstruction programs, but the EU has established itself today as a main entity in the implementation of Lebanese policies, on the domestic and regional level. Economics and politics are interdependent, especially in the case of a weak state that has lost control over both institutions. Even more so, in a region that faces imbalance, threat and continuous religious conflict, western powers might have just found the ins into the core of Middle Eastern domestic and foreign policy making. There is no denying that in analyzing Paris III and the economic, security and social reforms that were put in place, humanitarian and reconstruction seem to be the least of concerns for the external players. Focus was not purely but, mainly on notions of trade, armed forces, UNIFEL, ministry transparencies and thus political transparencies. And as promoters of humanitarian relief especially after a conflict with devastating outcomes as that of July 2006, Paris III stakeholders were supposedly aiming for reconstruction and development.

In trying to highlight the discrepancies between what is foreign aid and what is conditioned foreign aid, Cohen's article highlights Vladimir Putin's speech on his perception of the Middle East:

“I do not understand why some of our partners [Europe and the U.S.]...see themselves as cleverer and more civilized and think that they have the right to impose their standards on others. The thing to remember is that standards that are imposed from the outside, including in the Middle East, rather than being a product of a society's natural internal development, lead to tragic consequences, and the best example of this is Iraq.”

In the wake of an abundant military, economic and political presence of western interests in the region, the Middle East seems to have opted contradictory reactions – pro-Western, viewing development and globalization as a positive outcome from Western involvement v/s anti Western, civil and religious clashes because of Western involvement. Just as the US presence in Iraq altered the perception of how many Arab view the West, its funding also of Lebanon through grants and loans in Paris III, has also added to the dilemma of its continuous meddling with the region's balance. In the International Socialist Review D'Amato offers a description on the US' ongoing pertinence in the region is described in trying to highlight the chain reactions that have been witnessed regionally and internationally by Arab groups.

“U.S. imperialism in the Middle East has always been naked and brutal. It is primarily responsible for upholding backward, dictatorial regimes that, without its help, would have been overthrown long ago. Middle East specialist Dilip Hiro spelled it out: It is much simpler to manipulate a few ruling families (and to secure fat orders for arms and ensure that oil prices remain low) than a wide variety of personalities and policies bound to be thrown up by a democratic

system. But such brutality always provokes a reaction--as the new Intifada shows.”

To say the least, this article articulates what external interference has caused in the outcome of today’s Middle East. While foreign states’ interests have always been in appeasing and cooperating with the interests of the ruling and elite classes, a focus on the masses was never granted importance. The West failed to realize that in order to gain approval in a region clustered with religious and political differences, a mobilization of the people was needed rather than that of the governments. Indeed, the West relied too heavily on the fact that many Arab states are ruled by dictators and ruling families, thus disregarding the possibility of any real opposition by the people. The Intifada, Jihadist movements, terrorist actions & Islamic extremism were never thought to be possible outcomes of international interference.

Russia on the other hand, has found a balanced approach to foreign aid, that actually adds to its popularity in the area; its political strategy is covered behind humanitarian aid where,

“Growing humanitarian involvement is a new and promising direction for Russian foreign policy. In many regional contexts beyond Lebanon, it is more advantageous for Russia to be associated with humanitarian convoys than with armed peacekeepers, let alone military involvement. Even though it is too early to call Russia a major humanitarian power, it is becoming an active reconstruction contractor and a major emergency aid facilitator.” (D’Amato 5)

in trying to analyze actual positive outcomes for foreign aid in the implementation of reforms and development in a country as weak and frail as Lebanon, Russia has found a combination that allows it major influence within the area, without any transparent and invasive interference; it pledges grants and loans, implements sector allocations but does not allocate

reforms to in any sectors that would threaten or weaken the government in itself or its independence. Although its foreign aid is in itself a political strategy, nevertheless, its purpose is really a focus on the Humanitarian sector, disregarding the political and economic.

## **Conclusion**

Decades of politics and foreign policy have left scholars continuously wondering on the nature of every action committed domestically, regionally and internationally. A very realist

approach to politics, specifically policy making, has marked us with an incapacity to accept that foreign aid is nothing more than a humanitarian reach out to those in need. Of course, in politics, just as in life, actions have reactions and so on, a cycle that is made up on different trajectories all nevertheless leading to one or another glitch in the interdependence of states.

Within the international community, variables must be taken into consideration as well as countless interests, threats and needs and thus, when trying to analyze a state or a region, different elements are at play. On the one hand, there is a look at the domestic politics of the state in itself, an analysis of its foreign policy comes next; and finally, an analysis of the regional interests of other states in the equation. That is why, in trying to understand the dynamics behind the implementation of the Paris III International Conference, it is of great importance to look at the Middle East as a region as well as a separation of entities. Just as, when discussing the European Union, France, Germany and Italy, although members of a greater union, nevertheless, they as independent entities also hold crucial information to the implementation of what I call foreign policy strategy to infiltrate Lebanon and the Middle East.

The purpose of this research is to approach a somewhat new and upcoming economic topic through a very political eye: foreign aid in itself is an economic function wherein, grants and loans are pledged by external actors, to help the reconstruction, development and reform of a state that is in financial crisis. Lebanon of course fits the description and, from an economic standpoint, the billions that were pledged were a god sent gift to a government that was rapidly facing financial ruin above its political conflict with the July 2006 war. In analyzing the numbers, looking at the figures of aid v/s charts of the amounts of destruction and debt that Lebanon was in, an economist would undoubtedly congratulate the conference on its success in trying to help Lebanon reach its economic grandeur and development.

However, throughout the research and a very extensive political analysis of Paris III, the purpose somewhat differs: simply, politically speaking, Paris III is a cover up of foreign policy maneuvers to influence and infiltrate Lebanon and the Middle East. The major stakeholders involved can take a pick from economic hegemony in the region, to control of the Arab oil reserves, weakening of Hezbollah as a prominent Arab political party, over hand of the Middle East and a subduing of Syria and Iran, simple counter terrorist actions or a clearway path to the rise of Israel, all of which are plausible political interests that the United States, European Union, International Financial Institutions and other Arab states would gladly jump at the chance of reaching and completing. There is no denying the appeal of the Middle East, a region that is yet to be taken over by one or another super power. Although Russia has extensive popularity in the region, as well as influence in matter of international weight, nevertheless, not one power has really full control over the politics, economy or resources of this part of the world. Unexpectedly, the Arabs have maintained to the outmost potential notions of self-determination and territorial, political and economic sovereignty.

Although that is not the case when discussing Lebanon, herein lays the importance of assessing the motivations behind the implementation of Paris III: Lebanon is the external powers' best possibility to actually becoming a part of the Middle East; by extending aid, they are implementing conditions, thus reforming various sectors that would otherwise play the role of barrier to their political policies. Through foreign aid, they already have one foot inside the door and, the conditioning they imposed has allowed great influence within Lebanon's domestic institutions as well as, automatically, its foreign policies.

The most unraveling of the Paris III conference is the level of commitment by Institutions and organizations. They are definitely pushing their political limitations in trying to shape the

Middle East by promoting decentralization, privatization and institutional reforms. These agencies, under the cover of globalization and specifically the global economy, are influencing domestic as well as foreign policies. Lebanon has been affected by this implementation of interests and, as clearly articulated by the Hezbollah – Aoun alliance, it finds itself in the midst of regional and international interferences.

Foreign aid has without a doubt improved the level of Lebanese governance in helping develop privatization and foreign investment, as well as transparency. It has also allowed for reconstruction programs, social development, an expanded economic openness. While many would claim that such an end-result is a purely positive development for Lebanon, they tend to forget that one intervention leaves room for another. In other words, while the strengthening of Lebanon's government and the reform of its institutions will allow it to maintain some level of transparency in governance and development it also allows for international and regional commitment of pressure and intervention. It seems that the cost is greater than the benefits: interferences have caused conflict between parties, doubt and Economic priority rather than people centered reforms. Between the US, EU, Arabs and IFIs, Lebanon has not come a long way since its civil war.

Previously exposed by scholars, Lebanon is a playground for wars that have been fought within, through and across its grounds and politics. Paris III stakeholders have committed to make the utmost of that reality, disregarded humanitarian aid, reconstruction, development and relief; they are far more interested in the political economic reforms of Lebanon and the region, where the Paris III conference has allowed foreign aid to pave the way for an imposed 'New' Middle East.

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