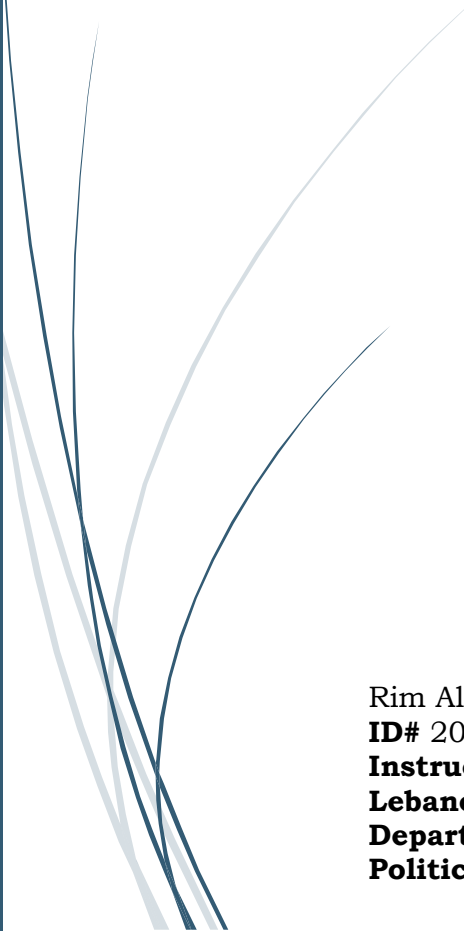




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LEBANON AND THE INTERNATIONAL MONETARY FUND BAILOUT



Rim Albitar
ID# 201805108
Instructor: Professor Imad Salamey
Lebanese American University
Department of Social Sciences
Political Science Senior Study

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ABSTRACT:

Lebanon is today suffering from a complex and unprecedented crisis at various interconnected levels. A combination of an economic, financial, political and health crises together with the deadly blast in August 2020 has caused damage in Beirut. All these disasters together with the outbreak of COVID-19 have led the country towards a socio-economic collapse. However, international organizations such as the “International Monetary Fund” decided to intervene or to contribute by providing recommendations. Such recommendations have focused on transformation and restructuring leading to different reactions among the three most powerful parties (The Free Patriotic Movement, The Future Movement, and Al-Hizb). This paper aims to examine the different conditions that might be set by the IMF in order to provide Lebanon with the loan program and to assess the response of the three parties. A qualitative approach will be used to collect information. The results of this paper will be concluded via the three parties’ perspectives by drawing a comparative study to emphasize the three parties’ benefits and disadvantages based on the IMF’s recommendations. This study theorizes that the ongoing political battle and financial implication are vital to the political dynamic, especially through the attitude and reactions of the three most important parties in Lebanon.

BACKGROUND INFORMATION OF THE ECONOMIC MELTDOWN:

The decades of corruption and mismanagement in Lebanon have contributed to unexpected crises on extraordinary levels. As a result, the Lebanese authorities had to default from the \$1.2bn Eurobond in March 2020, \$700m, and another \$600m that was due in June 2020. After the default at the debt of \$4.4bn, the Lebanese authorities entered negotiations with the IMF in May 2020. However, the negotiations have delayed much of the reforms and amid a row among the government, banks, politicians over the scale of the country’s massive financial losses. Although the IMF has declared willingness to help, the Lebanese government has been dealing with a new layer of challenges, and one of these are the conditions that were set by the IMF in an effort to make the IMF loan package accessible for Lebanon. However, this potential loan program requires Lebanon to engage in far-reaching policy reforms and austerity measures. According to the French Ambassador of Lebanon “The CEDRE money is still on the table, but the ball is in the court of the Lebanese government” (Azhari, 2020). Without any financial support Lebanon will collapse, and the

best manner to receive this fund is to adhere to the conditions defined by the International Monetary Fund.

Nevertheless, there are several features that make the current situation in Lebanon a significant topic to address. First, Lebanon is today facing its worst economic crisis since the civil war that were between 1975-1990. Secondly, Lebanon's debt is one of the largest in the world and is today close to 170% of its GDP. Thirdly, the country's inflation rate has reached 57%, and more than half of the Lebanese people are living under the poverty line. Fourth, the Lebanese currency have lost more than 80% of its value. Finally, the decades of corruption and mismanagement are seen as the root causes of the problems and the crises Lebanon is facing today. Together, all these challenges have made the case of Lebanon a vital issue to examine further.

This paper will be dealing with the question of the views and response to the International Monetary Funds's conditions to Lebanon. More specifically, it will address the following questions: (1) What are the different conditions set by the International Monetary Fund and (2) How are the three most vital parties in Lebanon responding to it?

With the ongoing crises in Lebanon and the government deadlock, it is fundamental to address the role of politicians in the major political parties in the country.

Therefore, the perspectives and views of each of the three vital parties to the conditions of the IMF is at the heart of this paper discussion. This study hypothesizes whether the political parties are collectivists or liberal based on their response to the International Monetary Fund.

REVIEW OF LITERATURE:

The current literature on the Lebanese condition and the International Monetary Fund has highlighted several important factors that have contributed to the topic of the Lebanese government deadlock.

First, a study by the Oxfam (2020) has shed light on the point by clarifying the situation of Lebanon and its long road ahead to stabilize its economy while its battling a triple crisis and recovering from the Beirut Blast. In this study, it is mentioned that the request addressed by the IMF regarding the potential loan program has resulted into popular opposition due to the fear of negative impacts imposed be the IMF strict conditions. In addition, the study mention that the measures imposed by the IMF will have an indisputably disproportionate impact on

the working class and will widen an already inflated wealth gap, leading to debilitating economic and social inequalities.

Furthermore, the study mentions several recommendations that can contribute to a better future for Lebanon and its people. In the same vein a comprehensive study conducted by United Nations World Economic Situation and Prospects (2020) states, “the leading cause of social unrest, as witnessed in Iraq and Lebanon in 2019, is the lack of decent employment opportunities” (p.151). The current Lebanese economic crisis is definitely is definitely persistent in its impact on social and political unrest. Therefore, addressing the crisis via fiscal measure to ease the collapse and providing a new social contract is essential to solve the problems Lebanon has been facing.

Moreover, Dibeh (2020) defines a new form of politics that is necessary by stressing the need for a secular state, which will be part of forming the constitutional and political foundation of the social democratic state. Thus, building this new system of politics will help improve the economic, political, and social conditions in Lebanon. However, the author takes into consideration the Beirut blast and assert that the explosion was a result of the disintegration of the state and its foundations. For instance, Dibeh relates to the Taif agreement which has turned Lebanon into a space of distributional sectarian consensus, conflict and source of rent income for the financial aristocracy with no regard for building functional state institutions could have prevented the incident in the first place. Thus, this Taif agreement is viewed as a mechanism for the Lebanese politicians to control and earn the loyalty and the support from their followers which has put the economic situation of this country at stake.

In addition, a study by the Carnegie Middle East Center highlights that the most politically contentious issues with the International Monetary Fund negotiations is that Lebanon will revolve around the distribution of losses among depositors, and the extent to which state assets should be used to compensate bank losses. It is believed that this International Monetary Fund program is valuable for the country’s future, but it will not succeed without the participation of a government that is willing to act seriously (Bisat et al., 2020).

Moreover, it is questioned if the talks between Lebanon and the International Monetary Fund are kept deadlocked, will the country head towards hell. However, it is affirmed that after more than 16 meetings the negotiations are stalling, and there is no serious commitment from the Lebanese delegation towards reform (Agence France Press, 2020). In addition, it is stated

that while the country is sinking, each party in Lebanon is competing for its own personal interests (Abou Rahal, 2020).

In fact, very few studies have comprehensively examined the depth of this deadlock among the government and political parties in Lebanon, thus there is still considerable uncertainty and debate whether this deadlock is due to the politician's behavior. Although the previous studies have focused on this deadlock and International Monetary Fund's Willingness to help, none has shed light on how the three most vital parties in Lebanon have been responding. As a result, the main objective of this paper is to show how the three most vital parties in Lebanon are responding to the IMF.

METHODOLOGY:

In order to understand the behavior behind each decision made by the three important parties in Lebanon, this paper will consist of a qualitative approach. The study will entail two vital parts led by two sources. First, the secondary sources that consist of the revised literature review which entailed a review of the already published material related to the topic to gather relevant information. On the other hand, the primary sources will be used further to answer and understand the research question of this paper. It will consist mainly of sources such as debates, academic articles, statistics, interviews, statements and speeches by the different political parties. These types of sources, such as statement claimed by the different 3 parties with the International Monetary Fund, will be analyzed.

FINDINGS:

IMF CONDITIONS WITH LEBANON:

As an International organization, International Monetary Fund has the duty to secure financial stability, promote employment, reduce poverty rate, sustain economic growth, enable international trade and work towards a global monetary cooperation. In addition, its member countries are offered macroeconomic policy advice, technical assistance, funds in times of balance of payments needs, and training in order to improve national economic management. Furthermore, International Monetary Fund focuses also on the maintenance of the exchange rate stability and adjust member countries' external imbalances. It provides a short-term loan to countries that are facing short-term balance of payment crises. According

to the French Ambassador in Lebanon, “The CEDRE money is still on the table, but the ball is in the court of the Lebanese government”. Lebanon will collapse without any financial support, and the only way to receive this fund is to adhere to the conditions made by the International Monetary Fund. The structural reforms that are demanded by the International Monetary Fund can be divided into four categories: legislative reform, electoral law, truth and reconciliation, and the Hezbollah status. The legislative reform examines the necessity of eliminating the sectarianism, where there should be a separation between religion and politics. An upper house comparable to the British House of Lords could be established to house sectarian representation and hence allaying the fears for those who are worried about being marginalized. The lower house would focus on the budgetary, fiscal and security matters and its membership would be open for political parties and independents regardless of sectarian affiliation and region. Secondly, the electoral reform is about the demand of a new electoral law before arranging new elections. This law should be based on encouraging independent candidates and new secular parties, which can be of a disadvantage due to the current law. They should be guaranteed representation even if they fail to acquire majority in a particular district.

Thirdly, the truth and reconciliation aim to hold the corrupt officials accountable because most of the foreign currency in the banks went to the Lebanese Central Bank to pay off loans and obligations of the government, which was lost due to the mismanagement and corruption. Punishing the corrupt leaders is challenging because most of them are guilty and if pressured, they will most certainly not assist in implementing any reform measure. To move forward, a truth and reconciliation commission would be an idea, it has been used in countries that went from abusive dictatorial regimes to democracies. In addition, a board of investment is necessary where international experts sit together with financial experts to work on the particular act of thievery. They also work on supervising the bidding process on government contracts to ensure the awarding of contracts and the payment of public funds are assigned transparently. Another reform has to deal with Hezbollah where the international community is viewing this party as the reason behind this chaotic state thus it must be confronted. Its army is ranked as the top military forces in the region, a vast social welfare network and a political arm that along with its allies, currently forms a majority in the Lebanese parliament, where Hezbollah is a state-within-a-state. The main issue is that this party makes decisions and takes action inside and outside Lebanon independently despite the serious impact imposed on the country. Other reforms consist of stabilizing the dollar exchange rate, forming a new cabinet of independent technocrats, and integrating changes and reforms in the

public sector. However, in order to be capable of implementing these reforms. The need of a new competent government is necessary. Nevertheless, although the Lebanese requested assistance from the International Monetary Fund because of its escalating crisis in May 2020, it is obvious that the government will not implement the reforms demanded by the International Monetary Fund.

THE FUTURE MOVEMENT RESPONSE:

The Future Movement is the powerful Sunni bloc in Lebanon that was founded in 2007 by former Prime Minister of Lebanon Rafic Hariri and is today led by his son Saad Hariri. The emerging October revolution's protest movement that began in 2019 and which was requesting transparency and accountability forced Hariri to resign from the government by stating, "This is in response to the will and demand of thousands of Lebanese demanding change". However, this party is an economically liberal and is a full member of the "Liberal International". Its main opponents are the Free Patriotic Movement led by President Michel Aoun and Shia Hezbollah. Despite this, the Future Movement's position and response towards the International Monetary Fund have been clear since the beginning of 2020, with the Prime Minister Hassan Diab's signature where he requested assistance from the International Monetary Fund at the Government Palace in Beirut. It is clear that what Lebanon and the Lebanese are facing today is critical, exceptionally large, and that reform program is necessary to improve the condition in the country.

Together with the Finance Minister Ghazi Wazni, they have both signed the request for aid from the deep financial gap and it would be hard to get out of it without an efficient and impactful help.

Additionally, Saad Hariri have declared that Lebanon must cooperate with the International Monetary Fund and also other International organizations such as the World Bank over its economy, which is in deep crisis and this should be overseen by a new government and not the current caretaker cabinet. Furthermore, he mentioned that it is clear that any step that need to be taken in the Lebanese economic file requires the country to cooperate with the International Monetary Fund, the World Bank and other international institutions. Also, in his speech he asserts that as a part of a caretaker government, an individual cannot implement any agreements with international organizations. The only basis of the solution is to form a new government and to not refloat a government that resigned at the request of the street protests. According to Saad Hariri, the only government operating normally with the confidence of the parliament could enact such an agreement. Although Hariri have made it

obvious that he supports and agree to accept the assistance and the aid from the International Monetary Fund, there are some exceptions. He made it clear that as long as the negotiations and work with the IMF will be based on the interests of Lebanon, and the interests of the Lebanese people together with the interests of the Lebanese pound he will always be willing to cooperate with them. In Hariri's opinion the only possible way to halt the country's financial collapse is via forming a new government, which is unfortunately under progress due to disagreements between Hariri and the Lebanese President Michel Aoun.

In his speech, Hariri affirms that the main priority of any government is to prevent the country from collapsing which is a case Lebanon is recently facing. The only end and solution to this collapse is to receive the International Monetary Fund support and to regain the international community's trust. After many meeting and discussions between Hariri and Aoun, Hariri made it clear to the president that if he is not willing to approve his cabinet line-up, the president must call for early elections. On another note, the International Monetary Fund have made it clear to Lebanon that if a new government is not formed where long stalled reforms are put into practice, Lebanon will not be able to pull itself out of its persisting economic crisis. So far, Hariri have failed to form a government after the government's resignation due to the Beirut Blast that took place on August 4, 2020. This has much to do with President Michel Aoun's refusal to each proposal made by Hariri, which will soon be reaching a 7-month delay this coming month of May 2021.

HEZBOLLAH RESPONSE:

Hezbollah, an armed Islamic Shiite group and a political party based in Lebanon was found in the early 1980's with the support of the Islamic Republic of Iran. This Shia Islamist political party and militant group has been headed by Hassan Nasrallah.

Hezbollah's paramilitary wing is the Jihad Council, and its political wing is Loyalty to the Resistance Bloc Party in the Lebanese parliament. As a result, the entire movement have been considered to be a terrorist organization by many countries including the European Union. However, the movement ideology itself is described as radical and its first objective when established has been to fight the American and Israeli imperialism, including the Israeli occupation of Southern Lebanon. Another objective has been to gather all the Muslims into one "Ummah", where it has also aimed at protecting all Lebanese communities excluding those that collaborated with Israel and to support all national movements. However, the main issue the international community view with Hezbollah is that they do not distinguish

between its political or social activities within Lebanon and its military or Jihad activities against Israel. These activities are connected under a “single leadership”.

Nevertheless, considering the response of Hezbollah in order to receive aid from the International lender, this process has been delayed due to his presence in the government. The powerful movement under the leadership of Hezbollah has warned against the conditions made by the International Monetary Fund and that it would violate the country’s sovereignty or put in place specific policies that will harm the poor in the country. Hezbollah has also added that the conditions should be dealt with “great responsibility and strict caution”. On the other note, according to the Hezbollah Deputy Secretary General Sheik, Naim Qassem, “We will not accept submitting to (imperialist) tools... meaning we do not accept submitting to the International Monetary Fund to manage the crisis” (Reuters, 2020). However, later in March 2020 Hezbollah has changed his position regarding the aid from the IMF but under conditions. In a televised address, Hezbollah’s leader has announced that the movement are willing to accept the funding from the International Monetary Fund but under “reasonable conditions”. By definition, aid under reasonable conditions will be aid that there is no problem within principle according to Hassan Nasrallah. In addition, Nasrallah has warned that he is not willing to let Lebanon fall under anybody’s trusteeship or hand over its financial and economic administration to the outside parties. This statement is related much to that if the International Monetary Fund ever in the future would aid Lebanon, it will also control the Lebanese borders, maritime border, the harbors and the airport. Connecting this aspect to Hezbollah’s position in the country, he and his movement will be certainly affected with their illegal actions. For instance, diesel smuggling has made recently the headlines as Lebanon attempts to crack down on illicit cross-border movements. Hassan Nasrallah has all in all refused the conditions made by the International Monetary Fund and stated, “that would make the country explode”. Considering other countries, the International Monetary Fund has intervened to raise the value-added tax, and to affect the poor community dramatically. Such practices are opposed by Nasrallah especially when more than half of the population of Lebanon has become poor. By taking into consideration similar funding program with other member countries, the Lebanese government will have to end subsidizing fuel and wheat, especially when a portion of it is being smuggled to Syria. Moreover, amid the communication with the IMF, the United States is the largest contributor, the Americans are giving the country a choice: 1) either carry weapons or 2) live in hunger. The position and response Hezbollah are giving to the International Monetary Fund is making the whole situation even more difficult which is leading Lebanon to a point where the situation is bad

for a longer period of time. In other televised speeches, Nasrallah has explained that if the conditions will not breach the Lebanese sovereignty or at least do not contradict the Lebanese law any assistance within logical conditions is possible and there will be no problem with it. It is also clear that as long as these conditions will harm the national interests of Lebanon, the heavily armed Iran-backed Hezbollah will reject letting the International Monetary Fund manage Lebanon's crisis. Hezbollah has declared in several speeches his willingness to engage in the negotiations with the IMF based on its economic recovery plan. Its leadership believes that there is a possibility to support the plan which needs to be discussed and amended, but within this it was declared that the party is unwilling to deliver the country to the International Monetary Fund. Moreover, the International Monetary Fund, which is the largest financial contributor in the United States, do not usually impose political conditions but it will most probably demand absolute state control over airport, the ports, tax revenues and border crossing point as mentioned above. Hezbollah as a party is well-known for not supporting reforms. Its movement that funds activities through illicit finance and corruption will not really appreciate reforms at the ports that collects revenues. However, if the International Monetary Fund ever decide to intervene Hezbollah will decide its position on a case-by-case basis. What is taken into consideration is past experiences, such as in Egypt and Greece where conditions by the International Monetary Fund was most likely to impose painful measures for the countries and today this will also happen if they will intervene in Lebanon. It will also have an impact on Lebanon's populace, especially the lower socio-economic classes to be able to steer the economy toward recovery. Conditions that were made by the IMF from past experiences are likely to contain a mandatory budgetary deficit reduction resulting in an increase in taxes, including hiking the value added tax, cuts to public sector salaries, as well as pensions and welfare funds.

Finally, after October 17 uprising in 2019, Hezbollah has responded with opposition to this movement when it has banned its followers from joining the protestors who has been treated as a threat. The party exchanged between harassment, propaganda, and even violence.

Hezbollah is not willing to see a prosperous Lebanon to emerge, such outcome will create credible competitors to his state-within-a-state and the patronage system through which it attracts many Lebanese Shia. In addition, the movement seeks to avoid total paralysis, realizing that this could precipitate the country economic collapse and widespread instability, which would result in a deadlock or reverse the group's growth.

Thus, Hezbollah continues to walk a political tightrope to preserve stability at all costs, but never at the cost of its own movement and people.

THE FREE PATRIOTIC MOVEMENT RESPONSE:

The Free Patriotic Movement (FPM) is the largest and most popular parliamentary bloc and party in the Christian community of Lebanon. It was established in 1994 by the current President of Lebanon, General Michel Aoun, and is today led by his son-in-law, Gebran Bassil, who is also the Foreign Minister of Lebanon. The FPM has carried the cause of the Lebanese independence, sovereignty, and freedom which was sensitive matters for the Lebanese government under the influence of Syria.

However, considering the current deadlock between the President Michel Aoun and other Lebanese party leaders it has both impacted the country and its people. Looking at the financial aid Lebanon could have received and the Free Patriotic Movement's position and response to the IMF, the movement's MP Alain Aoun has been criticizing the remarks of Hezbollah and stated that "Before rejecting any option, we must at least have an alternative one available". He asserted that when they first determine their needs and the side they can turn to, such as the IMF or any other friendly nation, they can make a decision. Something Aoun agree on with Hezbollah is "Of course, any option must respect our sovereignty and how much our society can handle". The Free Patriotic Movement agrees on that the country is in need for international assistance in order to finance its spending needs in both the private and public sector. However, it is important for them to know whether the requirements are bearable to them as Lebanese or not because they are unwilling to suddenly rise a social problem in addition to the ongoing financial crisis. Senior MP Alain Aoun asserted for both himself and his political party's position that the country is in a need of IMF technical assistance and that it should draw on IMF advice in its decision on whether to pay a forthcoming Eurobond maturity. MP Aoun has been also supportive to the Parliament speaker's speech, Nabih Berri where he mentioned that Lebanon should draw up an economic rescue plan with assistance from the IMF and a decision on whether to pay a Eurobond maturing in March should be taken based on the IMF's advice which is also FPM position. In addition, taking into account that the Free Patriotic Movement is in alliance with Hezbollah means that much of both responses and positions will be similar towards the IMF. Gebran Bassil, the President's son in law has declared that he is supportive to the talks with the International Monetary Fund and is hopeful that they will be capable of pressuring the state into improvements and changes to the better, but that Lebanon was running out of time and that any foreign aid could not come at the price of sovereignty. In an interview with Reuters, Bassil addressed that "The absolute priority is how to keep Lebanon away from anarchy and strife". He considers that this is a risk of an "International game" unfolding to weaken

Lebanon as a country or to specifically weaken a party in Lebanon such as Hezbollah. In addition, he has been referring to what have happened in Syria must be a lesson for everyone, and that it would be a shame to take Lebanon on the path to destruction again. Furthermore, Bassil consider that if Lebanon loses the IMF option, it will lose all its ability of western financing and other possibility of investment and projects such as electricity, infrastructure and any possibility of recovering the banking sector as well as the economy. The consequences of such failure would lead Lebanon to the Venezuelan example. However, referring to the main issue of the International Monetary Fund like Hezbollah, Bassil has voiced his belief that he would begin serious negotiations right away with the IMF on financing a program for Lebanon if the conditions are suitable and they agree. The government together with the parliament will authorize the program, and if it is not appropriate for them, they will forget about it and remove it from the deliberation. In addition, Bassil has stressed the issue of the COVID-19 pandemic where he mention that many states will be seeking help of the IMF and Lebanon should no longer waste more time. For him the rescue plan of Lebanon will either be with or without the IMF which must be decided. On the other hand, taking into consideration the interest of the FPM and specifically for Aoun the only concern for him is Bassil's ascensions to the Baabda palace when the president term ends on October 31 in 2022. What is hard for him to know is that Aoun as a President cannot avoid admitting that his son-in-law can never become Lebanon's next president and that neither Hezbollah will be able to repeat the 2016 experience that brought Aoun to Baabda. But most importantly, what cannot be ignored is that US sanctions are imposed on Bassil under the Magnitsky Corruption Act. In addition, President Aoun is not willing to understand that these sanctions are not only by the Americans but have been led by the consultations between the previous US administration and several other European countries. Moreover, there are no secret that the French officials led by President Emmanuel Macron, are aware of the reasons behind their failed initiative in Lebanon. They are fully aware that the main issue is both the President of Lebanon and his son-in-law Gebran Bassil, and that there is no hope in the near future without overcoming this hurdle. For this reason, the French has made it clear that they have given up on Lebanon and are instead focusing on forming a government as soon as possible. Their aim is to at least stop the country from going into free fall and hitting rock bottom. However, the deputies in the Lebanese Parliament have accused President Michel Aoun of acting more on the interest of his party, rather than acting as a president who is assigned within the constitution.

The hope of forming a new government has been destroyed due to his digression from stubbornness and inflexibility. The MP Anwar Al-Khalil has reminded President Aoun that “the constitution named you as a president, a symbol of national unity and a protector of the constitution”. This position is ignored especially when tension has begun between him and the Prime Minister-designate Saad Hariri. Hariri has several times tried to push him to resign, but the main issue here is that Aoun does not want the return of Hariri as a prime minister without his son-in-law in the government. Another former MP Mustafa Alloush, which is also the Future Movement’s vice president, has declared that the President Michel Aoun’s objective is “to make Bassil afloat again and move the presidency to his son in law. It is not about the rescue of the republic”. Alloush also mentions that the other team, specifically Hezbollah are not interested in the rescue operation. Together the Free Patriotic Movement and Aoun rely on Hezbollah to justify their stubbornness to obstruct the formation of the government, with the aim of making Bassil the President. Considering that Bassil has been subjected to US and personal sanctions that are neither accepted by the Gulf nor internationally and they are trying to impose a de facto government. The ongoing corruption in Lebanon has been for the benefit of the elites while the Lebanese suffer, Gibran Bassil is the forefront of the corruption in Lebanon. He has held several high-level posts in the Lebanese government and by strengthening his position he has appointed friends to positions on purpose and purchasing other forms of influence within Lebanese political circles. Considering that this is President Aoun’s son-in-law and that he is putting the interests of his party and his ally first, the president has repeatedly stated that if Saad Hariri fails to form a government, he should immediately consider resigning from his post. This increasing confrontation between the two parties which until today leaves no room for optimism, and where the International Monetary Fund is beginning to tire of as it is no resolution and no agreement between both sides. Another attempt by Joe Biden’s ambassador to Beirut, Dorothy Shea, has been made when she joined a group of foreign officials who called the country’s two top leaders to put aside their differences in order to at least be able to receive financial aid from the International Monetary Fund. Unfortunately, the situation is until today remaining deadlocked and the outlook for a possible agreement is increasingly pessimistic.

DISCUSSION:

Nevertheless, although the Lebanese politicians requested assistance from the International Monetary Fund because of its escalating crisis in May, it is obvious that the political elite will

not implement the reforms demanded by the International Monetary Fund. Undertaking the requisite reforms will result in the Lebanese politicians' cutting off their own financial lifelines. Every political leader in Lebanon has been controlling various state institutions, their revenue streams, and hiring. The accelerating financial and economic crisis has resulted in the inability to maintain the corrupt system, or the ability to recreate it. However, they are desperate to maintain a stable and whole Lebanon, but so far their response has been based on a business approach. They continue on arguing civil service appointments, pointing out each other's dirty actions, and engaging in desperate search for ways to control the situation. This has delayed the inevitable and made the adjustment all that much more painful for Lebanon and the Lebanese. The road towards implementing new reforms is seen to be a deadlock from the government's side, rather than moving forward. Sincere or not, all of the Lebanese politicians and parties need an IMF deal in the same way that a body needs blood. The explanation of the lack of momentum in negotiations between the government and the IMF can be simply explained where no one in Lebanon ever gives something up without trying to secure something in exchange. There is no doubt that in order for Lebanon to progress with the International Monetary Fund, the members of the political class will have to submit a significant share of their networks of patronage and theft. This aspect will not be adopted unless they maintain their political status in the process. Bassil whose reform is a priority for the IMF and aspires to be the president with his serial denials notwithstanding. Does it make sense for Bassil to offer concessions on the electricity front and not try to secure guarantees of a sort on the presidency? In the same vein, this goes for all other politicians in Lebanon, and for Hezbollah. Will this knot between these politicians be untied? Until today the answers are unknown, the politicians may be so miserable that they will argue until Lebanon is in its grave. But their understanding of the terrible outcome of this may actually contain their worst instincts. It is sad to admit it, but the only possible way out of this situation is that the parties and politicians reach a package deal that defines the conditions of their confirmation of an IMF bailout. It won't be easy, but everyone sees there is no other possibility. Even the Hezbollah Secretary General Hassan Nasrallah's advice to "look east" and embrace Iran, Syria, and China cannot be taken seriously, unless his true aim has been to present an alternative so unpleasant that it would push the politicians to compromise on the maximalist demands and conclude with the IMF. Choosing the International Monetary Fund will have severe social and political consequences. The fact that hundreds of billions of dollars have been wasted due to the spread of political corruption combined with the reality of deep-rooted regional influence over Lebanese decision-making, will make it challenging

for the government to exercise the needed transparency for any rescue plan. The complex structure of the Lebanese political class is built on several levels or strategies. Formed around political clans, political parties that are either sectarian or pseudo-secular, and a fragile bourgeoisie, it is dependent on political and social-sectarian structures. It has so far shown a remarkable ability to reinforce and reproduce itself. As already mentioned, it is obvious that the current ruling elite cannot and will not apply the changes demanded by the international monetary fund. It will use all the means at its disposal to ensure that the reforms are purely formal and do not affect the inner working of the system. Until further notice, the Lebanese political class in its majority has been incapable to comprehend that the conditions of the IMF are bound to be hard and that the IMF is not a charity. These aspects are linked in one way or another to certain policies that Lebanon cannot implement for clear reasons, with Hezbollah as a militant party leader, Michel Aoun as the president and Hassan Diab as the Prime minister. For Hezbollah, the IMF conditions are unacceptable to a party with an Iranian political agenda that has nothing to do with Lebanon's interests. There is no way to reunite the Iranian agenda with the Lebanese one. These are totally dissimilar agendas for one country. For instance, in a speech on May 13 in 2020, Hezbollah's secretary general, Hassan Nasrallah, was steadfast about rejecting an implementation of United Nations forces on the border with Syria. This reform would help the Lebanese government to control smuggling on the borders, which is likely one of the conditions the IMF will ask Lebanon to change. In a country where Hezbollah is defining the policies at all levels and in all arenas, Lebanon's margin of scheme with the IMF is non-existent, at least given the balance of power internally and regionally. The International Monetary Fund is Lebanon's last choice, which is an opinion or perspective shared by a large number of economists. The diagnosis of the country's "disease" has become crystal clear to the international community, as has the road map out of its dysfunctional financial and economic system. However, despite the relative flexibility recently shown by the International Monetary Fund and its willingness to take into consideration the vulnerabilities of states demanding assistance, it apparently will not be willing to cooperate over needed reforms in Lebanon's case if its bailout plan is to be successful. The details of the power game formed by the ruling oligarchy and Hezbollah (a party that has flourished on the ruins of a state of law), and their concealed efforts to obstruct reform so far, leave little influence in the negotiations. Any effort to contest or further hinder conditions enacted by the bailout plan – even if potentially defensible under the inviolable principle of "sovereignty" defended by Hezbollah – will only expose the obstructers as godfathers of Lebanon's corrupt schemes and mismanagement. Thus, it is a threat that

Lebanese politicians need to carefully consider given the overhasty drop in their popularity. With the IMF request to recover what is left of the country's resources, the political class has been pressured to apply reform. Moreover, the political class can no longer use so-called stability as a negotiating mark to secure financial support, without performing any of the reforms required by both the United States and France, which are key members of the IMF. Both countries are concerned with clamping down on Hezbollah and are eager to end their illegal power. The IMF's stamp of agreement for the Lebanese government's plan is also a precondition for unlocking further funding from the European Union and other donors. Lebanon's politicians have been marginalized worldwide. To survive, they must allow Lebanon to recover, and can only do so if they admit that there are no resources to steal. Rather than competing over what is left of their once golden goose, they should put an emphasis to improve the existing government rescue plan and ensure reasonable burden-sharing that only defends Lebanon's most exposed citizens and lays the basis for a sustainable economy. This includes fiscal reform as well as socio-economic policies that consider health and education a universal right for every Lebanese. The road to recovery will be long but the politicians must start now since the country survival depends on their righteous decisions and actions.

CONCLUSION:

All is all, Lebanon is today facing the worst economic crisis since its independence in 1943. Together with a combination of crises, the government has faced several challenges such as the IMF conditions. Until today the Lebanese politicians are under a so called "deadlock" and delaying the unavoidable. The deadlock is caused much because of their challenges with meeting these reforms and because they are still considering their interests and position a priority. Although IMF's technical expertise aims to stabilize the country's both economically and financially, it will have a negative effect on the most vulnerable people which is today over half of the population in Lebanon. These practices have made the situation even more complex and hard to solve from both the government's and the international community side. Without a new government with professional ministers, reasonable and accurate changes cannot be made. Therefore, as long as the Lebanese government has not accepted or adhered to the conditions set by the IMF, Lebanon will continue to drown with its crises. Finally, in such situation, the only assistance the International Monetary Fund can provide is advice or recommendations to the member state according to article IV.

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