

Center for Strategic and International Studies

TRANSCRIPT

Babel: Translating the Middle East  
**“Lebanon’s Freefall”**

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FEATURING

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Jon Alterman: Dr. Sami Atallah is the founding director of The Policy Initiative. Before he founded The Policy Initiative in Beirut in 2021, he worked as the director of the Lebanese Center for Policy Studies from 2011 to 2020. Sami, welcome to Babel.

Sami Atallah: Thank you so much for the invitation.

Jon Alterman: Lebanon has been in a financial crisis for more than three years. How did that happen?

Sami Atallah: This has deep roots—all the way back to the end of the civil war in the 1990s. The political elite who took power after the political settlement—the Taif agreement—planted the seeds of the financial crisis along three levels. The first one is that when they were running the government, they had a public deficit in the budget—which effectively meant that for many years, they were spending way more money than the government was able to collect. Once you have that deficit, you need to borrow to cover it. They also ran a trade deficit, which means that Lebanon was importing way more than it was exporting. That means that you're sending more of your scarce dollars outside the country than you're able to bring into the country. Those two deficits will force any country to attract capital from abroad to cover its debts. The Lebanese government had to do that for many years, and by doing that, they accumulated a lot of debt that became unsustainable to finance. The crisis blew up in the summer of 2019, when the Lebanese lira—which was fixed at 1507 lira to the dollar—broke free from that exchange rate. The revolution that took place in 2019 erupted because Lebanese governments and the ruling political parties failed to resolve the chronic problems we had been seeing since 1997. We saw how this would not bode well for Lebanon, but they were able to kick the can down the road and avoid reforms.

Jon Alterman: Lebanon had elections in May. No party was held accountable. What you might call the independent candidates got about 10 percent of the vote. Voters in Lebanon returned most of the old political parties back to power. Why is that?

Sami Atallah: The system is actually structured in a way that prevents accountability. At the end of the day, an election is just one event whereby people have the chance to hold the politicians accountable. But that's actually theoretical because at the end of the day, the electoral law that's put in place and the gerrymandering that happens shapes the election. I argue that it's actually the political parties that select the electorates, rather than the electorates electing the representative. This is because of the gerrymandering, the way they distribute seats across Lebanon, and the way they impose vote buying on the people. Some people, who are particularly poor, are very happy to sell their votes. We see the clientelism kick in when parties provide services to

people. The ruling parties stop the state from fulfilling its full role, and they replace it by providing their own services—or they take the state’s services and give it to their constituency in the name of their leader and other sectarian discourse. They remove the agency from the voters, and the voter becomes a victim of a system where they’re forced to vote them back in power—willingly or unwillingly. Some have no choice but to vote for the same political parties that got them into trouble and impoverished them.

Jon Alterman: Let me ask about the poverty. Lebanon's poverty rate has more than doubled. More than 80 percent of Lebanese now live in poverty. How does it look and feel to be in a formerly middle-class state, where four out of five people are poor?

Sami Atallah: The whole social fabric of the country has changed. You’re right. We had a 30 percent poverty rate before the crisis. Now you actually walk in the streets of Beirut and Hamra, and you see people asking you for money. You're parking your car, and people come to you asking for money and for help. You walk out of the supermarket, and you see people asking for you to buy them food. This is how miserable the situation has become. This poverty is a result of a criminal act by the ruling elite—I won’t even say mismanagement. I say criminal because the elite not only mismanaged the finances of the country after the collapse, but they pushed the cost of the crisis onto the people and protected the banking sector and the powerful few from bearing any responsibility for all the bad policies that led to people becoming impoverished. The first way people fell into poverty was with the devaluation of the currency. All the people who were making Lebanese pounds fell into poverty. And the elites even took their money in the banks—people’s deposits and their savings. Now, not only don't you have a salary that you can actually live off of—all the money that you have in the bank has actually been taken away from you by the banking sector, which blames the government. But the banking sector and the government are very close to each other, in terms of ownership. Together the government—where “the government” means “the ruling elite controlling the government”—and the banking sector designed policies to protect the banks and to prevent the judiciary from undertaking any lawsuits against the banks. People were completely dispossessed of any money or savings, pushing them into poverty or emigration. We see a lot of people leaving the country to find jobs elsewhere.

Jon Alterman: And we see people holding up banks to get access to their own money.

Sami Atallah: Absolutely—and it’s a fascinating phenomenon because you see people walking into a bank with a weapon not to rob the bank, but to take their money from the bank that stole it. That is very interesting. None of the robbers came to take anyone else’s money. They came to take their own money. This is unheard of—seeing someone walk into a bank with a gun to

get their own money back by force because the bank stole it. For people to do that, they're so desperate. They're not only desperate for the money, but they also feel that the state hasn't done anything to protect them. Had the state come up with a policy to prevent this from happening—or to find an equitable solution to the problem where people feel that they will get their money back in some way, or some form—this wouldn't be happening. That's not the case, so people are taking it into their own hands. That's also a very bad thing because now people are taking action that is not in the public good of finding a common solution to this crisis.

Jon Alterman: So, give me a sense of how this has affected your life. How do you get access to groceries? How do you get access to gasoline? How do you get access to your money in banks? Do you have a to have a large amount of cash in dollars at home to get by?

Sami Atallah: Absolutely, you do. In fact, I cannot go and get fuel for my car unless I literally have a stack of cash to pay. It's impossible. Every time that I want to go to the supermarket, it's the same way. They don't take cards. No one takes cards. Everyone wants cash because there's no belief that the system is actually working. If they take your card, the supermarket is not so sure they're going to get their money from the banks. So, paying is obviously a problem. Obviously, the costs of the goods are much higher now. At one point, there were goods that we couldn't buy anymore because they were not on the shelf. A year ago, we didn't even have power or energy. We're talking about a country that runs on generators, so people were actually in the dark or paying a premium in the black market to get fuel just to get a car or a generator running. This has just been horrible for a country that was living in excess. Since the 1990s, the economy was set up so that we were living beyond our means. We were importing so much, and exporting very little—as if there was no tomorrow. This was the responsibility of the government, and the central bank. They left that happening. They left the traders importing all sorts of goods at cheaper prices. At one point, you could even buy a French cheese at a cheaper price than a Lebanese one, because they made it so. They made the system favor the traders, and the importers, rather than the exporters and the local manufacturers. At one point, the government was issuing treasury bills with interest as high as 37 percent. Could you imagine that? Could you imagine any government issuing treasury bills at 37 percent interest? The buyers of these treasury bills are mostly banks, so they made a huge profit at the expense of the people, because at the end of the day, these bills have to be paid back by taxpayers' money. With all of that, we've seen a series of policies that led to a major redistribution of wealth over the years. Since 2019, there has been another major wave concentrating wealth to the very few, while the people are struggling to pay their bills, to get food on the table, to educate their children, or even to access hospitals.

Jon Alterman: And this has been an acute shift. What I keep struggling with is that everything I know about political science suggests that people should either go to the polls or to the street to change a system that has taken so much from them so quickly, serving so few, at a cost to so many. And in fact, we don't see large scale protests. We don't see electoral behavior that changes the system. From the outside, I just find that puzzling. We remember how the Arab Spring spread throughout the region, not because people had a discrete plan, but because people said, "What we're living with is intolerable." But you're describing a situation that's intolerable, which goes on month after month after month.

Sami Atallah: As you said, in a situation like this, you expect that people would either put the rulers out of office or they would go to the street. Concerning the first, we've already tackled that in one way or another. The system is structured whereby the voters have no agency as a result of all the webs that constrain them—from clientelism to confessionalism. You end up with half of the voters not actually voting. They refuse to vote because there is such a high level of apathy toward the ruling elite. Taking to the streets is interesting here because we did see major revolutions taking place. I would say the ruling elite was actually saved by the pandemic because it actually almost ended these revolutions. But they also use a lot of tactics to stop revolution. They use repression, threats, and violence—whether directly through the state military apparatus or indirectly through political party thugs. As a result of the port explosion, you also had people emigrating, and the people who are emigrating are exiting the system. The ones leaving are the middle class with the skill and the wish to mobilize; they're the ones who organize. They're forced out—literally forced out of the country. That was another factor which undermined the possibility of revolting against the system. So, you end up with a situation where the elections don't really do it—or haven't done it. The street protests provided a window of opportunity, and it shook the whole establishment. They worked so hard to undermine it. People leaving is making it harder to pick it back up.

Jon Alterman: So where does this go? How does this crisis end?

Sami Atallah: This is a crisis that is not ending any time soon. This is a crisis that has been in motion for three years. where we've seen no policies for change or reform—no capital control law, which should have been one of the first things put in place to prevent capital from leaving the country. We see no change to the banking structure. Lebanon's elite have done such a great job avoiding reform. They've kicked the can down the road. They were lucky in many cases. The 2008 financial crisis brought a lot of money into Lebanon, which injected capital into the system and gave them breathing space. But every time we move into a crisis—both before and after that—we're saved by other countries. Lebanese elite will go to Paris and hold a Paris 1 or Paris 2 or Paris 3 conference, where they bring a lot of donors and countries that

commit to pay and contribute to Lebanon's finances. All of that has helped the establishment stay in power. The last one was the CEDRE conference in 2018 that helped the political establishment again. What is different now is that these conferences will no longer take place until reforms happen. Lebanon has a really major problem now because there's no money coming in. No donors are giving money to Lebanon, and the central bank's reserves are dwindling—which means we have maximum maybe a year until the central bank's reserves will be depleted. That would mean that Lebanon could no longer import anything unless we are able to borrow money—most likely from the International Monetary Fund (IMF), because no one is interested in lending to Lebanon. But to borrow from the IMF, we need to do reforms. The elite is refusing to do the reforms, or they're pretending that they're doing the reforms. They just passed a budget, for example. That is one of the requirements of the IMF. They passed it this Monday, in September—nine months into the year. So, they effectively passed a 2022 budget nine months into the year. But now, they can go to the IMF now, say, "Hey, we passed a budget." It's a meaningless budget, by the way. It has no bearing whatsoever on the macroeconomic finances of Lebanon because there's not even a macro economic framework or a vision of how to get out of the mess. So, you can see that's what they will be doing now. They political elite will pretend they are going to do the reforms. They will dilute the reforms to preserve their interest, and they hope they'll get the money from the IMF to be able to survive. Will the IMF buy that? I don't know, but what we see so far is that there's no intention to really undertake any serious reforms to get the country out of the mess they're in. They're just buying time, and I would expect any reforms to be diluted in such a way to keep their own interests intact.

Jon Alterman: It sounds to me like the bigger picture is that you don't think this situation is about to change any time soon. The international community isn't poised to get change. The elites aren't poised to implement change. The public is not poised to demand change, and it sounds like everybody's just hunkering down. Nobody is tired enough to really lash out and say, "This has to end."

Sami Atallah: That's a reasonable way to think about it because, the elite are too busy right now thinking about who's going to become the next president. They haven't even formed a government after the elections. The donors don't seem to be too interested, unless this becomes a threat to them—and I'm thinking of the refugees, but not only Syrian refugees. They're also worried about Lebanese who are risking their lives right now, taking boats in the dark, in the middle of the sea to try to escape to Europe. This is unheard of in Lebanon. That tells you the sad acts of desperation that people are willing to take just to avoid the misery they're facing. How would this play out? Could it snap at some point for a change to happen? It's hard to make a prediction on the outcome because I think there are attempts to push for change by civil society

organizations and by the people who are actually still here. But to be realistic, the prospects are bleak. What we need to do is to push for serious change rather than accept diluted change. I think donors have a major role and responsibility here. There are a lot of cases of corruption, and I think it's important that this is pursued seriously—whether in Lebanon or outside Lebanon. If the judiciary in other countries is opening up cases, I think this is important to actually take them to their final conclusion. There are a lot of these cases that are still emotional. It's important to see how far they go, but we still need to hold our political establishment accountable to the misery they have caused the people. We all have to act, despite the difficulties of doing so. I think we should keep pushing in one way or another to act and to educate and inform and organize locally to be able to cause change from inside Lebanon. Going back to the elections—both parliamentary elections and the election of syndicates and professional organizations—we see new blood. We see change happening under the radar. That change hasn't yet scaled up, but it's important also to take note of and consider it because those are the seeds for change in Lebanon, at the end of the day.

Jon Alterman: One metaphor is that you sort of nurture a seed and you grow it. Another metaphor would be that you have something that catalyzes a change—some element is added, which creates a new mix and new outcomes. If there were going to be a catalyst, what do you think that catalyst might be to force the parties to get out of their entrenched positions and move toward a very different future?

Sami Atallah: It's hard to predict what this catalyst is or could be. However, once (and if) you have an organized, informed society or group of people that are seeking change, they could very well take advantage of a catalyst to push for a change or to put a crack in the wall against reforms. Hence, the question becomes, "if you're unable to get change today, what do you do?" Do you just pack your bag and leave? Or do you actually organize and work, and then, once an opportunity has risen or some sort of a shock happens or an opportunity takes place, you actually leverage that for change. I am not betting on a catalyst coming anytime soon. I don't know if a catalyst will come soon, but I think it's important that if it does, we know what we'll do about it. What should we be pushing for? How do we actually support organizations or even policy makers and decisionmakers who are able to reach power. In that sense, we're not betting on something that may or may not happen. We're working towards that change. And I think this will be augmented by a certain catalyst that takes place that allows for us to push for that change. Until then, we need to continue our pursuit for change and be ready for that moment.

Jon Alterman: Sami Attallah, thank you very much for joining us on Babel.

Sami Atallah: It is a pleasure to be here. Thank you so much, Jon.

