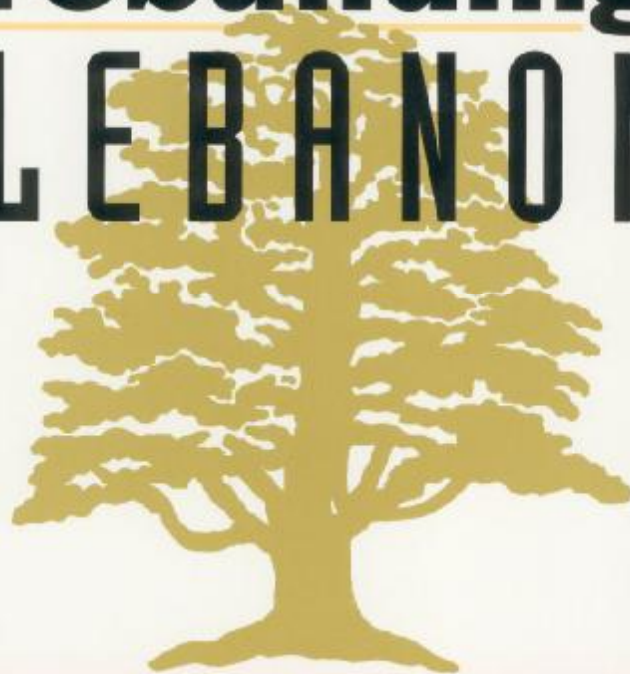


**rebuilding**  
**LEBANON**



**AMINE GEMAYEL**

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# Contents

Introduction 1

## **Part I** Reshaping Political Institutions

**1** A New National Pact 9

**2** Democratic Institutions 16

**3** Sovereignty and Foreign Policy 24

**4** The State 32

## **Part II** Developing a Coherent Economic Policy

**5** Planning 43

**6** Stability 48

**7** Sector-Based Initiatives 53

**8** Modern Infrastructures 63

**9** Social Programs 67

Conclusion 75

## Preface

The publication at this time of a work advocating the reform of Lebanon's political system and economy may seem paradoxical: Lebanon is still occupied by foreign troops and its sovereignty is in doubt. But such a work is urgently needed to turn the thought of the international community toward Lebanon's reconstruction and to give clear direction to the hopes of its citizens, especially its youth.

Soon after the inception of the Lebanese war in 1975, I began to think about plans for the reconstruction of my country: its identity, its institutions, and its economy. When the war was at its height in 1978, I created the House of the Future, a documentation and research center aimed at building a peaceful future based on dialogue. After being elected President of the Republic in 1982, I set to work to create a new country, making renewal and peace my top priorities. At my request the Council for Development and Reconstruction (CDR), a governmental organism created in 1976, undertook research and then worked out plans to finance and set in motion the country's reconstruction. The Lebanese people were eager to participate in the reform, and it received wide-spread international support. I also undertook a series of initiatives in the political, diplomatic, and economic spheres, in order to guarantee Lebanon's influence in the region as well as revitalize its production and service activities.

At the same time I refused to give in to the regional powers that wanted to reduce Lebanon's sovereignty. I gave no sign to Israel that could have been interpreted as abdication in the face of its superior strength. I did not yield to Syria, which master-minded an intermilitia agreement in December 1985 (also known as the "tripartite agreement"), which would have reduced Lebanon to a puppet state. I managed to repeal the Cairo agreement with the PLO (signed on 3 November 1969), which allowed the Palestinians to use Lebanese territory as a launching pad for their attacks on Israel. In addition, I worked for the elimination of the obstacles to the holding of presidential elections as required by the constitution. When my term of office expired before a successor could be elected, I entrusted the interim rule to a government made up of members of the military council, representing our most important communities. Under the terms of the constitution, this government could act collectively while waiting for new elections to be held.

After being released from my official duties I traveled as a private citizen to many foreign capitals, including those in the Arab world, the United States, France, and Great Britain, to hold discussions with experts interested in the future of my country. A committee of experts from various disciplines-economists, political analysts, senior civil servants, and academics-helped me draw up a plan of action for a reconstituted Lebanon. This committee faced many problems. The major difficulty was the lack of official statistics, made worse by the destruction of 1990. To fill this gap we worked up estimates, which were supplemented by interviews with the

population, taking into account their needs, the country's demographic evolution, and the housing situation. On the basis of these estimates we attempted to draw up social infrastructure policies that would provide accurate responses to development criteria. On the subject of political reform, I announced my ideas regarding a new government, headed by a strong President, in a speech delivered in Paris in November 1990. Its favorable reception encouraged me to refine and expand my ideas on political renewal.

The proposals outlined here have one aim only: to guarantee Lebanon's future development in peace and independence. The highest virtue of peace is that it fosters an ever-increasing recognition of and respect for human dignity. Surely the restoration of dignity and freedom would not be too great a reward for Lebanon's years of suffering and servitude. This work therefore, is more than the expression of one man's hope for the future. It reflects the national determination that Lebanon shall be liberated from foreign domination and reestablished as a politically democratic and economically viable state.

My particular thanks go to the Center for International Affairs at Harvard University for providing me with an intellectual home in 1989 while I was developing the ideas in this book and for its constant support during the preparation and publication of this work; to the experts at the World Bank who read the manuscript and made constructive suggestions; and to the many other experts (senior Lebanese civil servants, university professors, lawyers, economists) who contributed to this work in many significant ways.

I dedicate this book to my mother, Geneviève Gemayel.

## **Introduction**

Lebanon's problems can be attributed in part to three factors: its history, its location, and its population. All three help explain Lebanon's Achilles' heel—a deep diversity that would defy national unity and open the country to outside interference.

The State of Greater Lebanon, which was founded under French sponsorship in 1920 with its present boundaries, adopted a democratic constitution and became the Republic of Lebanon in 1926. Its middle position geographically doomed the country to conflict when a series of wars broke out between Israelis and Arabs following the establishment of the state of Israel in Palestine in 1948. Between 1948 and the mid-1970s more than 300,000 Palestinians (civilians and guerrillas) entered Lebanon and settled there, most of them illegally. In 1969, following clashes between the Lebanese army and Palestinian guerrillas, and under pressure from Nasser's Egypt, the Lebanese government signed the Cairo agreement with the Palestine Liberation Organization (PLO), giving it the right to arm and equip its members for attacks against Israel. The Cairo agreement opened the borders of Lebanon to a flood of weapons, and each Lebanese political faction began to form its own militia. In 1973 the Lebanese army clashed again with Palestinian guerrillas. In 1975 civil war broke out as the various Lebanese militias sided with or against the guerrillas. Beginning in the late 1960s Israel made retaliatory attacks against the Palestinians and the Lebanese. In 1978 and again in 1982 launched a full-scale invasion of Lebanon.

Lebanon's position at the crossroads between Arab states to the north and east and Israel to the south and its willingness to harbor Palestinians were not the only factors accounting for conflict. The society of Lebanon itself was composed of many religious communities. Most of them were either Christian or Muslim, but there was also a small Jewish community. Christians and Muslims were divided into at least sixteen different sects; and the various communities, especially the large ones (such as the Maronites, the Sunnis, the Shi'as), contained within them a diversity of political views and movements. Lebanon's internal unity was therefore constantly challenged by its communities, which could also be wooed by like-minded groups in other countries.

### **Lebanon's Plight in 1991**

Lebanon's status at the end of 1991 rested on two agreements: the "national entente" signed in Taif, Saudi Arabia, in October 1989; and the Lebanese-Syrian treaty of "brotherhood, cooperation, and coordination" signed in Damascus in May 1991.

*The Taif agreement:* This agreement was prompted by the need to end the bloody fighting that had begun early in 1989 between the Lebanese army and the Christian militia and that had developed into a full-scale war between the Lebanese and Syrian armies. Lebanese members of Parliament were summoned to Taif in September and

were pressured to sign an agreement proposed by a tripartite Arab committee from Algeria, Morocco, and Saudi Arabia, which had bowed to and adopted Syrian demands. The agreement had four flaws. First, it weakened Lebanon's executive power. The President of the Republic was stripped of his prerogatives, which were given to the Council of Ministers. Second, the Government (Council of Ministers) was given the power to name new members of Parliament to replace those deceased or fill newly created seats. Third, no provision was made for the withdrawal of Syrian troops from Lebanon. The text only referred to their redeployment, two years after the adoption of the constitutional reforms, to the Bekaa Valley or "other areas to be determined by a joint Lebano-Syrian military committee." This was the greatest flaw of the agreement, for if Syria was not to withdraw its forces, how could Israel be made to leave? And fourth, Lebanon was expected to sign treaties with Syria "in every area of policy."

In Beirut popular opposition to the agreement was wide-spread, and I made an appeal to King Fahd of Saudi Arabia to resume talks on certain crucial points of the agreement. Instead, two years later, Syrian troops invaded the regions of Lebanon from which they had originally been barred. Syria had gained prestige in the Middle East and the West by joining the coalition forces organized to oppose Iraq's invasion of Kuwait two months earlier. From that moment on, Syria imposed its own interpretation of the Taif agreement on Lebanon. Under its aegis, the clauses of the agreement were applied without consultation with the tripartite committee, as provided for in the agreement. All the important clauses, including the nomination of parliamentary deputies and the signing of a treaty with Syria, were adopted by the Lebanese Parliament, which had become subservient to Syria.

*The Lebanese-Syrian treaty:* This treaty, signed in Damascus in May 1991, deprived Lebanon of its sovereignty. It is similar to the tripartite agreement that I had refused to sign in Damascus in 1986. Mentioning no deadlines for Syrian withdrawal from Lebanon and leaving no possibility of repeal or revision, it effectively took the Lebanese hostage. The treaty bound together the economies, defense, and diplomatic activity of the two countries by requiring Lebanon to bow to Syria's positions, attitudes, and choices in these areas, which were utterly inimical to Lebanon's national interests. It also called for close cooperation in all the other areas of administrative, social, and cultural life. In addition, it provided for rigid decision-making mechanisms: a mixed Lebanese-Syrian body at the highest state level, with important prerogatives and executive powers. These decisions were to be approved by Lebanon's constitutional bodies, but these bodies, already under the influence of the Syrian government, were not free to make up their own minds.

The Lebanese-Syrian treaty sealed Lebanon's fate: it became a country under tutelage. In a certain sense, the Lebanese-Syrian treaty and the agreements it anticipated were the logical out-come of the Taif agreement. Peace was imposed by force, opposition was silenced, and the government lay entirely under Syrian influence. What had been bought for the Lebanese was calm, not peace. Its price was the loss of liberty. And both Syrian and Israeli troops remained on Lebanese soil.

## **Political and Economic Reconstruction**

Sixteen years of conflict and destruction have taken a heavy toll on Lebanon, causing damage estimated at \$30 billion. These political and military conflicts have shaken the national economy to its foundations, while a crisis of confidence in the government has led to further economic deterioration. GNP has fallen, hyperinflation

has occurred (100 percent in 1990), the public debt has increased, the currency has depreciated sharply, household spending power has been reduced, both capital and personnel have left the country, and foreign aid has been frozen. Yet one bright spot can be seen in this tragic situation, for it offers a unique opportunity to rebuild the country in a coherent manner after foreign troops have been withdrawn and Lebanon's sovereignty has been restored.

As Parts I and II of this work indicate, the reconstruction must take place on two levels, the political and the economic. The economy cannot be revived without a total overhaul of the political system. But a reform of the political system alone would not suffice: economic policy also needs to be reshaped.

*The government:* A renewed and efficient political system will contribute to economic development by engendering confidence, attracting foreign aid, and helping to maintain national unity and stability. Without creating new rules for the political game, without ending the presence of foreign forces and redefining the legitimate authority capable of building a strong state, economic reconstruction will lack intensity and will not be durable. The political participation of the Lebanese people through national and regional representation is vital if Lebanon's economy is to be restored.

For many years the opinion prevailed that giving the Christian community certain political powers would help unite all the religious communities sharing the Lebanese homeland. The war has proved that, on the contrary, religious divisions have aggravated the political situation by encouraging other countries to take sides with the various communities and to interfere in Lebanon's internal affairs. A new political system must be established which is more democratic, more tolerant, and less susceptible to abuse and corruption, but which at the same time respects the different religious groups in Lebanon and guarantees their freedoms. Political institutions must be returned to the people by means of national representation.

Above all, a new national pact must be devised. The new political Will must incorporate the new priorities of a modern, united Lebanon-political independence, sovereignty respected by the other regional powers, the "Arabness" of Lebanon (a founding member of the Arab League), and a national identity and solidarity that will guarantee the peaceful coexistence of all the different communities.

*The economy:* On the economic level, conditions have fluctuated in response to the changing political situation. Although the private sector should retain its importance and the Lebanese spirit of private enterprise should be encouraged, uncontrolled liberalism seems to have run its course. The time has come to reinforce and revitalize the public sector. Planning needs to be undertaken on a large scale on both the national and regional levels. Decentralization is essential in order to involve and motivate the people in the regions that are to benefit from development. When planning is done in close collaboration with the people concerned and their representatives, it can play a valuable role in reducing the frictions among the communities.

*Need for international aid.* Obviously, there is no rapid or miraculous solution for Lebanon's problems. In fact, political and economic reconstruction could not even begin without support from the international community. Because Lebanon has been destroyed largely through outside intervention, other countries may well recognize that international justice would be served by helping to rebuild what has been tragically lost- not only Lebanon's infrastructure and economy but also its democracy. The restoration of Lebanon's sovereign government and prosperous economy can be achieved in no other way.



## **PART 1**

### **Reshaping Political Institutions**

#### **1.**

##### **A New National Pact**

The war that has been devastating Lebanon since 1975 has not only destroyed the country's social, economic, and political structures, but it has challenged and weakened the pact of coexistence reached by the country's different communities. Before a new Lebanon can arise, the people must rebuild the pact which maintains their unity and solidarity and binds them to their culture, their state, and their environment.

##### **The National Pact in Crisis**

Prewar Lebanon consisted of many different communities that had drawn up a pact of coexistence defining community relations and the management of power. The most recent national pact, which dates back to 1943, created the independent and sovereign state of Lebanon, based on the idea of fruitful interaction among the communities and the will for religions to coexist. The Pact of '43-as the National Pact was commonly called-distributed political power among the various Muslim and Christian communities and defined Lebanon's identity. At its inception the Pact of '43 was seen as a transitional phase in the development of Lebanese national life. It defined the constant features of Lebanese political life: an independent Lebanon within internationally recognized borders, territorial sovereignty, and "Arabness." These recognized features of national life were accompanied by rules governing political life, such as the right of all the communities to participate in power and be represented in all public institutions.

The National Pact not only allowed Lebanon to develop politically but also guaranteed a climate of democracy and participation unique in the Arab world. Above all, it allowed an Islamic-Christian dialogue to take place in conditions of mutual respect and tolerance. This dialogue between equal partners was Lebanon's pride because it set the country apart from other nations, not just in the region but in the world. The entente embodied in the pact enabled Lebanon to develop in a way which benefited both its people and its region.

In recent years destabilizing forces have shaken the pact and exposed its fragility. Were these destabilizing elements inherent in the pact itself, or were they the result of outside influences?

At first glance it might seem that the pact itself was the cause of discord. But a more thoughtful examination shows that no form of internal organization could have prevented the violence that accompanied the brutal changes in the Arab environment in June 1967. After the Arab regimes had been defeated by Israel, the Palestinian masses, humiliated by the defeat, rose up with renewed determination. In Lebanon, where their camps were located just outside the towns, neither the police nor the military could maintain central. The organizations operating under the aegis of the Palestinian resistance movement gained more and more power, and they received generous aid from Arab regimes that were pleased to encourage fedayeen activities away from their own borders. As Israel fought back attacks from the Palestinians based in Lebanon, the entire country sank into violence. This war affected not only Lebanon, however, but all the Arab countries inside and outside the region. Even those Arab countries that had crushed and controlled the Palestinians within their own borders supported the Palestinian armed resistance in Lebanon.

It was not clear how far Lebanon could go in its support of the Palestinian cause before its own security and even its existence would be put at risk. The Lebanese were divided on this point. Some thought the Palestinians should be totally supported, while others thought limits should be imposed on Palestinian actions that broke the Cairo agreement signed by the PLO in 1969. The National Pact was non questioned, however. Both Christians and Muslims wanted Lebanon to survive. Even the most fervent supporters of the Palestinian cause believed (mistakenly) that Lebanese sovereignty could be reconciled with the arming and equipping of the Palestinian revolution on Lebanese soil. Moreover, the same people who had defended the Cairo agreement approved its repeal by the Lebanese parliament in 1987. No one spoke of partition, of federation or of union with any other country.

Thus Lebanon became the center of a crisis whose focus was not the National Pact. Nevertheless, it was the weakness of the people's political conscience that allowed the Palestinian question and its related quarrels to take hold. The new political culture had not had time to create a Lebanese citizenry capable of countering antagonism from outside with the solidarity that results from political faith in state values and institutions. Thus, even if the war cannot be blamed on the National Pact itself, one can rightly reproach it for not having been able to prevent the escalating violence.

When their national institutions began to crumble, beginning with the army, the Lebanese could only look to their own communities for security. In the absence of a strong national government the intrusion of foreign forces widened the gulf between members of the same society. Since then it has become very clear that national reconciliation and state restoration must be preceded by two basic accomplishments: renewing the National Pact and instilling a real sense of citizenship.

## **Reformulating the National Pact**

The objective of a new national pact would be to reaffirm the constant features of Lebanon's political life-independence, sovereignty, and Arabness-while at the same time benefiting from the lessons learned during the war.

Political independence was the most important aim of the 1943 pact. By 1991 it had become a political necessity. In 1943 Lebanon's independence was defined in relation to the East (the Arab states) and the West (France). Today its independence must be defended from all sorts of threats, those coming not only from the regional powers but also from the various political ideologies that threaten its integrity.

Second, Lebanese sovereignty must be restored. Two pre-requisites for Lebanon's reconstruction are the inviolability of its borders and the existence of a single authority, the state. In 1926 the members of Lebanon's Constituent Assembly were so concerned about the dangers threatening their territory that they specified the state's geographical boundaries in an article of the Constitution. As the presence of foreign troops in Lebanon has shown, its sovereignty can suffer even if the state committing the encroachment is a friend or an ally.

The third constant feature in the National Pact is the declaration of Lebanon's Arabness. The Arab character of Lebanon was only timidly declared in the Pact of 43, which spoke of its "Arab face." This expression indicated the reticence of some Lebanese to acknowledge the country's totally Arab character. Lebanese Christians who showed such reticence did not doubt their own Arabness; they, in fact, were the main promoters of the renaissance of Arab language and culture, the movement that became known as the Arab "nahda" at the end of the nineteenth century. But they feared that this Arabness might lead to the dissolution of an independent Lebanese character or to the spread of religious fundamentalist movements. The crises following independence, particularly those of 1958 and 1969, showed that Arabness could be used to draw Lebanon into the orbit of one or more of the regional powers.

After fifteen years of conflict the vast majority of Lebanese do not question the country's Arabness. They tend to think that an agreement among all Arabs is the best way to guarantee Lebanon's stability, and that the country can play a major role in improving Arab institutions and putting forward just Arab issues.

The reformulated National Pact should also contain three new provisions: a method of conflict resolution, insistence on the unity of Lebanese territory and institutions, and an affirmation of national sovereignty and solidarity.

First, the new pact should provide for peaceful, negotiated solutions to conflicts that may arise between the citizens of Lebanon. The tragic experiences of the war years have shown that it is no longer enough simply to want to live in common. The inevitable misunderstandings and frictions that punctuate the political life of any nation must be capable of resolution through the existing national institutions. Then the communities can unite in honor and demonstrate their determination to coexist in peace.

The unity of Lebanese territory and institutions must also be written into the new National Pact. New, in 1991, the unity of Lebanon, which has been shattered by foreign occupation and militia action, appears to be worth protecting. The 1943 pact, which opted for the total independence and sovereignty of the country, presupposed unity. But since then that word has taken on new meaning. Unity does not just imply the refusal to give up any territory. It means that no other community can appropriate as its own any part of Lebanese territory, either physically or symbolically. Traditionally it was believed that Lebanon's unity could only be achieved through

centralized public authority. Now the need for development, the demands for a regional administration, and the imperative to bring citizens closer to authority and make them take part in the decision-making process necessitates a review of the centralizing ideology. One result of the war has been to make the regional traits of the Lebanese very clear. Forced out of their homes or areas and obliged to flee to safer places, the people have very vivid memories of their native environment.

The last new concept that must be included in the new National Pact is national solidarity. It is not possible to live in common without solidarity. Only this aspect of national life can give the National Pact a dynamic dimension and consolidate national unity. This vital new dimension arises as much from common values as from participation in socioeconomic development. It touches the very heart of the political culture of citizenship-another concept that must be clearly defined if there is to be an effective renewal of the National Pact.

## **Defining Citizenship**

Although the word for citizen, *muwâtin*, appears in political speeches, official and unofficial, in actuality the Lebanese citizen does not exist. The basic idea of citizenship has not yet taken root in the political system. Why?

First, the idea of national citizenship is virtually excluded by the strength of community feeling. The Lebanese are first and foremost members of their community, not citizens of their state.

Second, the idea of citizenship is constantly challenged by external influences and neighboring ideologies. Whenever a new nationalist or religious wave reaches the Middle East, the Lebanese belief in a national identity is shaken. Arab nationalism (Ba'athist or Nasser-inspired), greater Syrian nationalism, radical Islamic movements, and the various community ideologies have all opposed the idea of being Lebanese.

The national identity of the Lebanese is complex. It is composed of four different elements: community identity, the historical Lebanese identity, membership in the Arab world, and Lebanon's age-old contact with the West. The need today is to enable the common political culture based on the historical Lebanese identity to outweigh the other means of identification. This can be done by setting three objectives: recognition of common values, participation in political institutions, and participation in social and economic development.

The common values that should defend the political system are equality of all individuals before the law; freedom of opinion, belief, and association; and protection of all the other rights contained in the United Nations Universal Declaration of Human Rights. The attachment to an egalitarian ideal and the fight against sectarian politics and regionalism will signify the sharing of identical values by all Lebanese. This is the price of defending the Lebanese political system.

Strengthened by the recognition of their common values, the Lebanese would then be motivated to participate in their own political institutions. In the past the feudal system dominated the political system, and Lebanese citizens showed their attachment not to institutions but to the men who ran them. The feudal masters acted as though they were the state, and the institutions fell into disuse and became politically neutral. Lebanese citizens were strangers to the workings of their own political system. Uninterested in parliamentary or ministerial debates, they left action to their representatives. But there can be no real democracy without participation. The Lebanese must participate at every level of the decision-making process: in the local authorities, the regional units, and the national institutions (the two houses of

Parliament). Here civic education, when added to the school curriculum, would have an important role to play.

Finally, there can be no common political culture without participation in national social and economic development. The war has destroyed Lebanon's infrastructure, reduced its industrial capital, thrown its agriculture into chaos, and weakened its service sector. All the regions of the country have been affected, but some are more capable than others of quickly rebuilding their economy. When the work of reconstruction is begun, all the regions should be enabled to develop at roughly the same rate. Unless the state works to give everyone in every region the same opportunities and conditions for economic development, a feeling of national identity and political and social cohesiveness will not be achieved.

2.

## **Democratic Institutions**

To propose new democratic institutions for Lebanon requires rethinking both the form these institutions should take and the philosophy underlying them. In this process three institutions have been considered: religious sectarianism, the constitution, and regional administrative units.

### **Religious Sectarianism**

Lebanese society is characterized by a pluralism of separate communities. This characteristic is explained by Lebanon's history. Community coexistence prevailed for centuries in the mountains, and it provided the mortar on which contemporary society is based. The coexistence of the communities, the sharing of power among them, and the recognition of the separate status of each community led naturally to a religiously based system. Article 95 of the 1926 constitution consolidated that principle by stipulating that "during a transitional period" the posts of ministers and civil servants would be divided among the different religions. In 1943 the National Pact confirmed this principle, which has characterized Lebanese politics ever since.

A denominational society is not necessarily bad. Whereas dictatorships, coups d'état, and tyrannies predominated in the other countries of the Middle East after independence, the denominational system has allowed Lebanon to progress democratically and to hold free elections based on community representation. People of different origins and religious persuasions have been able to coexist and build a tolerant society in which no one political or religious viewpoint has dominated the others and political power has been equally distributed. It is true, however, that religious sectarianism has facilitated political exploitation. In Lebanon, sectarian interests have replaced state and national interests.

In the Christian communities the sectarian system has been seen as an insurance policy. The division of power by community has protected Christians from the imposition of an inferior legal or social status. For a long time the idea prevailed that the Christians could be made to feel secure by handing them the running of certain institutions. When they themselves advocated secularism and suggested a total separation of religion from the state, the ulemas and Muslim politicians opposed it, insisting instead on the unity of politics and religion in Islam.

The war has shown, however, that religious sectarianism does not work to Lebanon's benefit. When subjected to attack the people split into religious groups, which were then exploited by the aggressors. In time the confessional system itself became an institution that rigidly controlled political and administrative life and was seen as the cause of all the country's problems, economic, social, and cultural. This rigidity led to the development of a religious mentality that superseded allegiance to the state. For example, when the Palestinian presence challenged Lebanese sovereignty, the state was unable to take effective action because of Christian-Muslim opposition.

Denominationalism may have helped build the Lebanese state, but it cannot help it develop. It should be progressively eliminated and institutions be created that are not religiously based. Christians and Muslims will continue to live together in Lebanon, and the dialogue between the two communities must continue as part of Lebanon's destiny. But the impact of religion on politics must be diminished. Guarantees must be provided so that Christian-Islamic harmony will remain the foundation of the Lebanese experience.

Although the solution to this problem requires the elimination of religious sectarianism from politics, any attempt to make a quick change to a secular system would face many obstacles, both psychological and traditional. Even the school of thought that advocates a planned progression to a non-sectarian system risks exacerbating religious sentiment and transforming it into some form of fundamentalism. A better solution would include the following three steps.

First, an open, democratic political system would be established in which the criteria for election of the President of the Republic, the president of the Council of Ministers, the president (speaker) of Parliament, and the deputies would not be religious. Then free elections would enable citizens to make their choices untroubled by community pressures.

Second, the denominational criteria for recruitment to the civil service would be eliminated as soon as possible. It would be wise, however, to maintain a temporary balance at the most senior level.

Third, a Senate representing the regions and local authorities would be created.

The principle underlying this policy is the maintenance of a harmonious balance between the democratic running of the institutions and respect for Lebanon's pluralism. This balance is possible if legal safeguards are put in place to ensure that no one party can impose its views on the others, particularly in relation to electing a President, controlling laws in the Senate, and dividing administrative duties between the state and the regional units.

## **A New Constitution**

Constitutional reform is needed to establish a central power that is strong but that maintains the basic equilibrium of Lebanese society. Under the political system established in 1926 and revised in 1943, the President was obliged to juggle the interests of different communities, and this weakened the executive power.

Freed from the old religious system, the new Lebanese republic would be democratic. Power would be vested in the people, who would choose their representatives in free elections: a President and the members of both houses of Parliament.

*A strong President.* The President, representing the nation in all its political functions, national, regional, and communal, would be endowed with considerable power. His (or her) new stature would avoid both the theoretical omnipotence described in the 1926 constitution and the real impotence required by the Taif agreement. His (or her) term of office of five years would not be immediately renewable. He would be elected by universal suffrage and would need to receive a majority of the vote in at least half of the regional units (the new administrative departments, which will be described later).

This new election process would give the President greater political and psychological importance, in line with the present tendency in stable democracies to reinforce executive power, symbolizing continuity and the permanence of institutions. This tendency should be accompanied by greater political participation by citizens, acting through the decentralized local structures as well as in presidential elections. Besides defining the state's policies, the President would be the state's chief diplomat and the head of the armed forces. He would also guarantee the proper functioning of the state's democratic institutions and would uphold the national consensus underlying them. He would monitor the sharing of power among communities and ensure its fairness.

*Parliament: Senate and Chamber of Deputies.* The two houses of Parliament would serve as a counterweight to presidential.

The upper house, the Senate, would be elected by universal suffrage in the regions, with senators representing different regional units. The Senate would give each motion passed by the lower house a second reading, reflect on issues, and safeguard the political balance. It would consider questions bearing on the future of the country and would pronounce on all questions relating to laws on public freedom, laws modifying personal status, electoral laws, economic planning, international treaties and conventions, and it would declare a state of emergency, general mobilization, and war. The Senate's agreement would be necessary to nominate senior civil servants. Senators would be elected for six years and one third of them would be elected every two years.

The primary responsibility of the lower house, the Chamber of Deputies, would be to carry out the political will of the Lebanese people through legislation. It could give the Government (the Council of Ministers) a vote of confidence, but it could also withdraw that confidence if it did not approve of the Government's policies. In order to weaken the religious mentality and bring forward political majorities, the deputies would be elected from national lists by adjusted proportional representation. The President would have the right-not more than once a year-to dissolve the Chamber of Deputies in cases of conflict.

Changes in the Constitution would require the approval of a two-thirds majority of the Chamber of Deputies and the Senate.

*The Government (Council of Ministers):* The Government, or Council of Ministers, to consist of all the ministers, including the Prime Minister, would act as an intermediary between the two elected chambers. By controlling the internal executive power, it would also complement the role of the President and implement the policies drawn up by the Parliament and the President. By controlling, along with Parliament, the laws to be proposed and by organizing the legislative work, it would help in the preparation of laws adopted by Parliament.

*A constitutional court:* In a democracy based on law, a constitutional court with wide-ranging powers is a necessity. In Lebanon, as in other democracies, this body would ensure that the laws conformed to the Constitution. It would also be an



appeal court for Lebanese citizens and others who requested an interpretation of the Constitution or questioned the just application of existing laws.

*Social and Economic Council:* Finally, a consultative role would be given to the Social and Economic Council, so that the whole strength of the nation could be rallied behind economic development.

## **Regional Units**

If Lebanon is to shake off its Jacobin shackles of centralized, anonymous, bureaucratic management, a massive, innovative program of administrative reform will be necessary. This reform would have two objectives: first, to improve the running of Lebanon's democracy and breathe into it a new spirit of service and efficiency; second, to bring the citizen and the administration into closer contact and encourage citizens to participate actively in the management of life at the local level.

To this end the national territory would be divided into "regional units," the division that seems best adapted to the social structures and human composition of Lebanon. During the war, when the country was split up into small communities, politicians and academics debated whether Lebanon should remain a single state or become a federation. But if the centralized - state model is unproductive - encouraging anonymity and alienation of the citizen from the state - the federal alternative would be difficult to implement in Lebanon in view of the size of the country and the differences that could be engendered between the people if each federal "region" had different advantages.

Regional units hold promise as an interesting halfway point between a federal system and a system of central administration. The regional authorities, which would have wide-ranging powers, would not threaten the unity of either the political institutions or the national territory of Lebanon. Both the principle of administrative decentralization and the principle of political unity would be achieved.

A regional unit would be, first, an administrative unit, the basic element of the country's administration. It would replace the Mohafazats, the counties that are the current administrative units in Lebanon, which are divided into smaller units called Caïmacamats. The regional unit would be smaller than a Mohafazat but larger than a Caïmacamat. There would be fourteen such units, of medium size, formed at the citizen's level, thus avoiding the anonymity of the large Mohafazats.

Second, the regional unit would be the center of social and economic development. While the main lines of planning policy and development would be fixed at the national level, a local planning commission in each regional unit would draft and implement the national directives as they applied to hospitals, schools, leisure centers, sports complexes, infrastructure work, and communication structures. This change would naturally necessitate a change in Lebanon's fiscal policies: a regional tax would have to be imposed on all Lebanese citizens as well as a national tax. The regional tax would be managed by a regional council that would supervise projects in the regions. To make the system fair, a compensation plan would need to be set up to provide state grants as well as subsidies from the wealthiest regional units to the poorer ones.

Finally, a regional unit would be self-managed. It would have an elected council, whose powers would be fixed by legislation. The elected president of the council, who would replace the Mohafez (previously nominated centrally), would manage the local life of the region. The council would make regional planning

decisions and would have relative autonomy over education and issues of law and order.

In regard to national education, the regional units could add optional subjects to the Ministry of Education's core curriculum. These optional subjects would be selected either by the schools themselves or by the regional units' education committees.

As for law and order, each unit would arrange for and finance the maintenance of public law enforcement. The national security forces would be recruited locally, according to the needs of each regional unit. After undergoing training at the national level, these forces would be assigned back to their own regional unit. They would be subject to national legislation governing status and operation. An agreement between the regional units and the state would allow members of the regional security forces to be loaned to other units in national emergencies.

The establishment of regional units would achieve two important purposes. First, it would dampen the excessive feelings of community and cultural identity that have led in the past to friction, hostility, and separatist sentiments. Second, it would forestall the accusation, frequently heard in the past, that the state was deliberately abandoning the development of certain regions. Citizens should be encouraged to pursue their own regional interests. If regional development and local administration are handled by the inhabitants in their own local areas, the resulting policies will respond to the citizens' interests. The regional-unit solution corresponds to the present-day tendency in stable democracies to extend decision-making to regions and even to villages and towns, thus reconciling the administration and its constituents.

**3.**

## **Sovereignty and Foreign Policy**

What should be the foreign policy of an independent, sovereign Lebanon? Obviously it should be to reaffirm and safeguard Lebanon's sovereignty. But this objective faces two major obstacles.

### **Obstacles to Sovereignty**

The first obstacle exists within the country itself. It is the constant temptation for Lebanon's different communities to seek outside help in times of crisis. This tendency on the part of each community to see a foreign nation as its natural protector threatens Lebanon's unity by giving the regional powers an excuse to intervene in its internal affairs. Although Lebanon's communities paid a high price during the war for this policy of forming alliances outside the country, they always justified it in the name of a "higher community interest." The foreign policy of a reconstructed Lebanon should avoid pushing any of its communities into seeking outside support and should work instead toward a national consensus.

The second obstacle to sovereignty is geography. Lebanon is not only a small country but it lies between two conflicting regional powers. Though loyal to its Arab roots, Lebanon alone would be unable to survive a military confrontation with Israel. In the late 1960s the Lebanese were divided as to the amount of support to give to the Palestinian movements operating within their country. In November 1969 the extreme pressure exerted by the Palestinians led to the signing of the Cairo agreement, which undermined Lebanon's sovereignty.

The Arab world, still reeling from the shock of its defeat by Israel in June 1967, gave its support to the Palestinians, and thus a situation developed in southern Lebanon that no other country would have tolerated. Caught between concern for its own security and a desire to aid the Palestinian cause, Lebanon was no longer able to sustain its balanced foreign policy.

Undermined by Palestinian revolutionary movements, which tended to set themselves up as a state within a state, Lebanon was helpless to prevent its neighbors

from intervening in its internal affairs. This marked the beginning of continuous Israeli and Syrian intervention in Lebanese politics.

## **Imperatives of Foreign Policy**

A reasoned, informed foreign policy must preserve the distinctive characteristics of Lebanese society and guarantee the security of its territory. Five policies are imperative if these ends are to be achieved.

*Commitment to sovereignty:* The first necessity is absolute commitment to the goal of sovereignty and independence. No cause, policy, or objective, however noble, should be allowed to take precedence over this goal. To sacrifice sovereignty for dreams of a religious or regional utopia means condemning Lebanon to chaos and the loss of its identity as an independent state. Since 1969 the proclaimed policy intention has been the reestablishment of internal "stability." But the price of this so-called stability has been the abandonment of sovereignty through agreements signed with the Palestinians and Syria: the Cairo agreement of 1969, the tripartite agreement of 1985, and the Taif agreement of 1989. In May 1983 Lebanon also concluded a treaty with Israel, but instead of acting in accordance with the spirit of the agreement, Israel made the withdrawal of its forces conditional on the withdrawal of Syrian troops.

Lebanon's neighbors have cited their own security needs to justify their massive occupation policies and their violation of Lebanese sovereignty. Twice, in 1978 and 1982, Israel used the claim of insecurity as an excuse for invading and occupying southern Lebanon. Since then the Israeli enclave in southern Lebanon has become known as the "security zone." The presence of Syrian troops in Lebanon was also motivated by concern for security. Yet not only has security in Lebanon not improved since the entry of Syria's troops in 1976, but Syria has used its presence there to impose its will on the Lebanese people.

Lebanon's sovereignty and independence must be guaranteed by a regional accord included within the framework of a general Middle East peace settlement. The sovereignty of a restored Lebanon should be guaranteed by all the forces in the region, which must agree not to intervene in its internal affairs.

In addition, Lebanese territory should no longer be used as a base for attacking or threatening any of its neighbors. In the short term, the best way to restore Lebanon's sovereignty would be for all the foreign forces to withdraw under the auspices of the international community. This would pave the way for free elections, the return of sovereignty, and the reform of the political system.

*Arab solidarity:* The second principle on which foreign policy should be based is Arab solidarity. Lebanon is an integral part of the Arab world, sharing its cultures and values, its causes and its destiny. A founding member of the Arab League, promoter of the Arab renaissance, diffuser of Arab culture through its schools, universities, media, and publishing ventures, Lebanon cannot be detached from its geographical and cultural roots.

The war has shown Lebanon's extreme sensitivity to all the movements in the Arab world. If Lebanon were once again to take sides, it would find itself seriously divided, as it was during Nasser's "triumphant" years in the 1950s. In an Arab world subject to permanent tension, Lebanon must resist the temptation to fait in with one or another of the alliances that are regularly made and broken.

The principle of active solidarity with the Arab world would also mean giving loyal support to three important Arab causes: the Palestinians, social and economic development, and scientific and technological cooperation. In order to do this,

Lebanon should always act under the aegis of the Arab League. Nothing should be undertaken that could be interpreted as cooperation with one particular Arab state against other Arab states. This active solidarity with the League would enable Lebanon to play a mediatory and conciliatory role in Arab affairs. It would also allow it to contribute to Arab progress and development.

*Good relations with Syria.* The third principle of Lebanon's foreign policy should be cooperation and neighborly relations with Syria. Although the two countries originally had close trading links and cooperated as neighbors, their political evolution after independence emphasized the differences between them. Lebanon went along the road of democracy-free elections, a multiparty system, and respect for human rights. Syria, after a few years of parliamentary government, went down the road of military coups. Its political regime was built on the army, an all-powerful single party, and efficient intelligence services; its economic policy was dominated by the nationalization of major industries and rigorous state intervention. Even at the end of 1991, although some signs of economic liberalism had appeared, there was still no question of a return to a market economy. On a cultural level the two countries also went in different directions. Lebanon remained very open to the outside world and maintained close ties of cooperation, friendship, and exchange with countries with which it had secular links. It had contacts with all the Arab countries, as well as considerable cooperation with the Western world. Syria, on the other hand, remained a closed system with few Western contacts.

The different directions taken by the two states meant that very quickly the economic and monetary links that had bound them together became strained and then were officially broken. Although each is a full member of the Arab League, Lebanon and Syria do not have direct diplomatic relations. In fact, Syria's official attitude toward Lebanon's independence is ambiguous: voices in Damascus declared that historically Lebanon belonged to Syria. Lebanese efforts to open an embassy in Damascus and to exchange ambassadors resulted only in the opening of a representation office early in the 1960s. Syria did not set up such an office in Beirut.

Relations became even more strained in 1969 when Syria encouraged Palestinian fighters to infiltrate Lebanon during the crisis with the PLO. Arms were also illegally introduced into the country from Syria. In 1973 when hostilities broke out again between the Lebanese army and the PLO's military organization, Syria closed its borders, putting immense pressure on Lebanon. During the 1975 war, Syria sat in judgment on the two sides, sometimes encouraging one faction and sometimes the other. Its army did not enter Lebanon officially until May 1976 but Syrian or pro-Syrian elements had taken part in the war from the beginning.

The Arab League ratified the presence of Syrian contingents in the Arab Deterrent Force (ADF). Syrian troops were the only contingent present. Although in 1982, in Fez, Lebanon asked the Arab League for the withdrawal of Syrian troops, and repeated this request in September 1983 in a letter to the President of the Syrian Republic, Syrian forces remained in Lebanon. They even succeeded, after a period of eclipse between 1982 and 1984 following their defeat by Israel, in returning in force to Lebanon so that by February 1987 the situation resembled that of 1982. Entering the Metn free zone, in October 1990 they attempted to recover the positions they had held in 1978 before being obliged to leave East Beirut, Metn, and Kesrûan.

In December 1985, in an agreement (which never went into effect) between the three main Lebanese militias in Damascus, Syria had made its intentions toward Lebanon clear: it wanted complementary agreements between the two states in all

areas, including the stipulation that the Lebanese army should be trained in Syria. In 1989 at Taif, Syria imposed more demands.

The principle of concluding agreements with Lebanon was firmly established. There was no question of a Syrian withdrawal, although a "redeployment" of its forces was to occur two years after Lebanon adopted constitutional reforms. Syria's domination over its smaller, less powerful neighbor became blatantly apparent in May 1991 when the two countries signed a treaty. The constraints imposed on Lebanon reduced its political autonomy and sovereignty to zero. Syrian intelligence agencies' central over Lebanon was complete. The disparate economies of the two countries were to be coordinated, to Lebanon's disadvantage, and diplomatic "coordination" was required that could jeopardize Lebanon's secular relationships.

Finally, the military alignment with Syria was bound to draw Lebanon into future conflicts. If Lebanese-Syrian relations are to be stable, they must be based on three principles not honored by the existing treaty: the independence and sovereignty of Lebanon, its strategic security, and the preservation of its unique democracy and pluralistic identity.

First, no agreement made under the pretext of friendship, complementarity, or geographic proximity should lead to the loss of Lebanon's independence or to limitations on its sovereignty.

Second, no treaty should be concluded with Syria that calls into question Lebanon's security or regional stability. Any guarantees of strategic security granted to one regional power would open the way for others, including Israel, to make the same demands. For the time being Lebanon should limit military cooperation to that envisaged in the Arab League's treaty of common defense.

Third, nothing should be undertaken on a bilateral level that would alter the unique nature of Lebanese society, its political pluralism, its democratic regime, its respect for law, and its openness to the world. In addition, it is of fundamental importance to organize Lebanese-Syrian economic relations, bilateral cooperation, and coordination around the major problems that are of concern to both countries. The areas of cooperation, and the principles determining them, must be established through negotiation.

Only in this way can Lebanon protect its vital interests and its ties to its friends abroad and also avoid a confrontation with Israel.

*Openness to the world:* The fourth principle of Lebanon's foreign policy must be its openness to the rest of the world. Lebanon is a founding member of both the United Nations and the Arab League. It is one of the nonaligned states and is also a member of the Organization of the Islamic Conference. Because of its citizens' dynamic contacts with people all over the world, because of the major potential of its emigrants, because of its central position and its promise as a model of government, Lebanon must preserve and maximize its openness. Multilateral cooperation, active participation in international institutions, and contact with other cultures are fundamental, and they must be preserved.

*Spreading the message:* The fifth principle of Lebanon's foreign policy consists of spreading its message and making its influence felt. Its message includes two important points: the significance and feasibility of the Christian-Muslim dialogue; and the viability of democracy and political pluralism in an Arab world dominated by authoritarianism. Lebanon's specific mission is to maintain and diffuse this double message. The development of the Christian-Muslim dialogue constitutes Lebanon's contribution to the larger dialogue of all peoples and cultures. Tolerance, respect for individual identity and belief, and the ability of people to live together

despite their differences all depend on the promulgation of this message, which may well carry the Middle East into the next century. If the people of the region are ever to be reconciled, what better foundation can they find for their collective enterprise than that upon which the new Lebanon will be built-mutual respect for one another's rights and differences?

### **Protecting Lebanon's independence**

The pillar of Lebanon's independence and the guarantor of its sovereignty is the national army. The army must also be the expression of national solidarity if it is to be an efficient defense force. The renewal of the National Pact and its honest application would guarantee the solidarity of the army.

One of my first acts as President of the Republic was to create a military service-"service to the flag"-and to restructure the divisions of the army on a national rather than a religious basis. This project should be continued by the current government as it works to bring peace to the country.

Yet the army can only be revitalized if it is given aid as part of the program to restore the country's institutions. It is too fragile to carry alone the heavy burden of bringing peace to Lebanon. But with the aid of international forces the Lebanese army could carry out its work, particularly in the more sensitive regions. And eventually, alongside the traditional military service a system of public service should be put into operation in which young people, including women, would have the opportunity to take part in their country's socioeconomic development.

## 4.

### **The State**

The war that has devastated Lebanon has sapped both the civil service, which is the country's heart as well as its infrastructure, and the judicial system. Both services need to be reexamined and revitalized.

### **The Civil Service**

The civil service, or administration, is at the same time a reflection of national policies and the instrument of those policies. To rebuild the state successfully, it is first necessary to rebuild the administration, which used to be the admiration of Lebanon's neighbors. Lebanese experts, in fact, helped other Arab countries to set up their own national administrations.

It is vital to rethink the form and functions of the civil service in order to adapt it to the new economic realities. This reform should be based on the following five principles: efficiency and modern methods; recognition of the psychological and physical effects of the war; the idea of a state managed by Lebanese for Lebanese; liberalism; and decentralization. Decentralization of public services and deconcentration of public power, including the administration, should prevent political sectarianism. The establishment of regional units would contribute to this administrative decentralization.

The new civil servants would work for either the central administration, the regional units, or the local authorities. The central administration would be answerable to the national government, which would manage the running of the administration, plan the public services on a national scale, train civil servants, and control all the administrative services, including those in the regional units. The administrators of the regional units (civil servants) would manage the decentralized entities, plan services on a regional scale, and maintain the bond between state and citizens. Those in the municipalities would manage the services that relate to everyday life. They would collaborate with other municipalities on long-term projects.

The national government would continue to manage all the existing ministries. The Planning Ministry, which should be reconstituted, would integrate all the autonomous offices that are now part of its successor organization, the Council for Development and Reconstruction (CDR). Experience has shown that this



decentralized system works better than a large autonomous body, such as the CDR, which is too big for easy control.

At the same time, it would be advisable to reinforce and enlarge the prerogatives and immunities of the following audit and control organizations in order to improve the management of public funds and prevent them from being used illegally for political ends or personal gain: the civil service council, the central inspectorate, the disciplinary council, the revenue court, and a new financial public prosecutor's department. In addition, two new organizations should be created to serve the state administration: a national institute of public administration and an employment institute or council.

*The civil service council:* The civil service council would be responsible for the management of the administration and for the recruitment of state agents. It would deal not only with the reorganization and development of the state machinery but with the national, regional, and local administration.

Its main task would be to ensure the smooth running of the central public administration and the regional units. Each civil servant's file would be kept up to date in order to make fair assessments of his or her work, including post, progress, and promotions. It would be helpful to revise the job categories, replacing the five current categories with eight or ten classifications, to create more opportunities and motivate staff.

The civil service council would be required by law to maintain a balance in the public administration by ensuring an equitable distribution of public functions between the different communities. Without this safeguard, certain administrations could be monopolized by the members of one religion.

The civil service council would need to set up a mechanism guaranteeing that all components of Lebanese society participated effectively in the smooth running of the administration. It could issue flexible regulations to encourage the fair but efficient recruitment of local personnel by the regional unit administrations. For this purpose, local offices representing the central administration could be established in the regional units.

*The central inspectorate:* This office, which would work closely with the civil service council and have access to its files, would also need to be strengthened so that it could work quickly and impartially. Its competence would extend to all levels of the administration, central, regional, and local.

*The disciplinary council (administrative tribunal):* Acting on reports from the central inspectorate, the disciplinary council (the administrative public prosecutor) could immediately suspend any officer accused or suspected of a serious fault.

This council and the other control organizations would be answerable to the Court of Appeals.

*The revenue court and a financial public prosecutor's department:* The powers of the revenue court should be increased, and a financial public prosecutor should be appointed. His or her department would operate under the supervision of the public prosecutor at the Appeal Court level. It would work in close collaboration with the central inspectorate and the revenue court, and would be empowered to judge cases of fiscal errors and wrongdoings by civil servants or individuals in cases where a public treasury interest was at stake.

*National Institute of Public Administration (NIPA):* A civil service training institute similar to the magistrate training institute in the Higher Magistrate Council has existed for some time, but it has never been developed. An effective new

institution, the National Institute of Public Administration (NIPA), should be created to train civil servants, magistrates, and diplomats.

NIPA would be a national Lebanese academic institution on the level of a four-year university, which would train civil service candidates. It would bring together in one institution three institutes that already exist or are in the planning stage, those for the civil service, the magistracy, and the Ministry of Foreign Affairs. NIPA would offer two years of general training (for all public agents) and two years of specialized training, depending on the postings and the needs of the state. It would be a high-level training center, capable of serving not only Lebanon but other countries in the region. A NIPA diploma would be equivalent to a university diploma and would state the student's area of specialization: administration, magistracy, or foreign affairs.

*Employment Institute.* Such an institute is also urgently required. In 1961 Maurice Gemayel, former Minister of Planning, talked about the "Think Tank," but political instability prevented the project from materializing. The Employment Institute would answer some of Lebanon's current needs as well as contributing to the development of other countries in the region.

The institute would have two objectives. First, it would reassess periodically the executive needs of the nation and the Middle East in general and encourage public and private schools and universities to adapt to these needs. Second, it would take charge of executives looking for work and would find them posts either in Lebanon or abroad, under the terms of cooperation agreements with friendly countries. To avoid the possibility of a brain drain the institute would keep a close eye on employment markets in Lebanon and throughout the world.

Despite its ups and downs the civil service has played a very positive role in Lebanon's history. It has evolved and has created real administrative traditions. When war broke out and divided the country, the administration remained united. The ministries of Foreign Affairs, Finance, and Justice managed to maintain their unity and to provide such vital services as water, electricity, and telephone communication. The administration was also a counterweight to the separatist movements in the country. Because the civil service managed to survive, it can serve as a basis for national reconstruction. The administrative infrastructure can still be used in the restructuring, even if some new ministries are created and others are divided or dropped.

In 1991 Lebanon had 25,000 contract employees (too many) and 10,000 civil servants (too few). Moreover, contract or daily workers often were not recruited according to the rules. To resolve this problem, contract workers should be given the opportunity to be retrained and then to become civil servants. They ought to be given priority when posts become vacant. The state should also be authorized to transfer staff members as the need arises. Some ministries, such as Education, are overstaffed because of nepotism and patronage, while others are understaffed.

A review of civil servants' salaries must be undertaken as soon as possible, to close the gap between salary levels in the public and private sectors. Because of the monetary fluctuations which Lebanon has undergone, it is important to ensure that civil servants can live reasonably comfortable lives.

It is reasonable to expect a civil servant who has been given special rights and guarantees to behave in an ethical manner. To this end, individuals should be asked to declare their assets on entering the service, and bank secrecy should be lifted in cases of serious doubts about conduct. Such cases could be referred to the disciplinary council or the financial public prosecutor at the request of the central inspectorate.

It is vital to instill the Lebanese civil service with a new sense of pride and to give it all the moral and material support needed for its success and for the recruitment of competent personnel. The state's servant should have the opportunity to do his or her work free from political pressure. If there is a lesson to be learned from the operation of Lebanon's administration since independence, it is that mixing politics with administration is a major obstacle to the evolution of a civic state of mind and to the development of the state.

## **The Judicial System**

Justice is a fundamental constituent of a state based on law. It allows the institutions to function properly and democratically. For this reason it is essential that Lebanon have a modern and efficient judicial system that can meet two principal criteria: high standards and independence. With this goal in mind, a thorough overhaul of Lebanon's judicial system should be governed by two basic principles.

First, justice is a public service. It must deal with all civil, penal, and administrative lawsuits as efficiently and rapidly as possible. It must build up a clear and consistent body of case law that will ensure legal security for all citizens. Second, justice is not like any other public service. A state based on law requires separation of powers and must guarantee the independence of judicial authority. Justice is no ordinary "administration." Concern for its modernization and smooth operation must not be allowed to supersede respect for its independence.

The reform of Lebanon's judicial system must include the following ten imperatives.

*Improve access to the legal processes.* Bringing a lawsuit remains very costly in Lebanon. Access to the legal system, particularly for those in greatest need, could be facilitated by developing a system of legal aid.

*Reinforce the magistrate's status.* In the distant past the magistracy was a vocation carried out by wealthy men who bought their practices and were therefore less respected than other civil servants. This archaic situation was not allowed to continue, and a modern magistracy was developed. Yet there is room for improvement. The magistracy must become a prestigious profession. A modern magistrate should have a special status in Lebanese society. This goal can be achieved through the application of two principles, professionalism and independence.

First, the magistracy must become a legal profession independent of all the other branches of government. An independent commission of professional magistrates should be created to evaluate individual judges for the purpose of recommending appointments and promotions and providing job security. It should also determine their salaries, perquisites, and privileges. Second, the independence of the magistracy must be recognized and respected by all. This moral condition is vital if the magistrates' prestige is to be upgraded.

*Reestablish local courts (small claims courts):* This measure would bring magistrates and citizens into closer contact. Every citizen could have small civil cases resolved simply by putting his or her case in writing to the appropriate magistrate. This would also encourage direct contact between the citizen and the magistrate.

*Improve the system of arbitration, both domestic and international.* The rules of these two kinds of arbitration need to be specified and consideration given to making it legal for magistrates to take part in the arbitration process.

*Lighten the legal workload:* A number of minor cases could be cleared by creating a small claims court.

*Review the workings of the executive bodies at all levels of government.* The system of carrying out court decisions must be reviewed and amended. An analysis of this system in other countries (for example, the French bailiffs) would help in the review process.

*Improve the implementation of legal decisions.* Even after winning a case an individual is not always able to have the favorable decision implemented. The judicial authority should oversee and assist in the effective implementation of decisions taken. This rule would apply to both civil and penal cases.

*Improve the material conditions of the judiciary.* Human resources (auxiliaries, court clerks, secretaries) should be reinforced and the premises and working conditions of the judiciary should be improved. Eventually, the prisons should be modernized.

*Create an administrative chamber for each regional unit.* This chamber, which would be under the authority of the Council of State (which handles claims against the national government) rather than the Appeal Court, would handle claims of individuals against the government of the regional unit.

*Bring the penal code up to date.* Some articles are particularly outdated, but the entire code should be reviewed. Four changes should be made as soon as possible.

First, increase the monetary fines to reinforce the dissuasive nature of sentences. Inflation has made many fines merely token. Second, improve the rights of the defense. This is a fundamental principle whose practical implementation leaves a lot to be desired. Third, prevent procedures from being manipulated by clarifying certain gray areas that could give rise to unlawful practices. And fourth, establish community service "sentences." For those convicted of minor crimes, imprisonment may be too harsh a penalty. It may subject the individual to unhygienic conditions and encourage promiscuity and drug use. Community service sentences (working for the local authority, for example) would give the individual a chance to grow and would help the community at the same time.

## **PART II**

### **Developing a Coherent Economic Policy**

#### **5.**

#### **Planning**

The events which have taken place in Lebanon since the beginning of the civil war have not only eroded the authority of the state, paralyzed the powers of the legislator, and divided and weakened the executive branch of government, but have also seriously affected the country's economy. Only the entrepreneurial spirit of the private sector and the system of free exchange rates have remained intact.

#### **A vital Planning Policy**

The state launched its efforts to put the economy back on its feet in 1977, when it created the CDR, a unique body with wide-ranging powers in both planning and implementation. Those powers were reinforced by law in April 1983. But the development plan, as well as the other reconstruction efforts, suffered from the deteriorating security situation and the disappointing level of outside aid, which forced the state to finance annual public investment programs. The private sector, on the other hand, managed to sustain its driving and major role in the economy, despite its losses. It was largely because of the vigilance and entrepreneurial spirit of the private sector that the economy was saved from total collapse.

At the end of 1991 the economy had three strong points. First, the Central Bank was able to preserve its control over Lebanese banks, keep the Lebanese pound afloat, maintain its reserves of gold and foreign currency, and cover the government's budget deficit by issuing treasury bonds. Second, although industry was affected, it

remained active and showed itself remarkably capable of adapting to the unstable political and security environment. Industry still contributed 25 to 30 percent of GDP. Third, agriculture had begun to make a comeback. Its contribution to GDP was estimated to be about 15 percent.

On the negative side, the tertiary or service sector, though remaining important, had given ground to the production sectors. And obviously tourism, one of the most lucrative sectors of the economy, had been drastically affected by the conflict. By 1991, in fact, it was no longer conceivable that the economic system would be rapidly stabilized. Reconstruction efforts no longer received outside aid, and the following three economic indicators had deteriorated: the public debt and the balance of payments deficit had increased, the Lebanese pound had depreciated, and a breathtaking rise had occurred in the price index.

For four reasons economic planning is vital if Lebanon is to be rebuilt. To begin with, the extent of the country's destruction and the necessity of global aid point to the need for a master plan to clarify objectives, available means, and costs. Second, such a plan would enable foreign sponsors and the Lebanese Diaspora to judge how large an effort rebuilding the country would require. Third, if Lebanon is to rebuild, it must set itself an attainable goal and adhere to it without rigidity but with pragmatism and the necessary resources. Finally, the laissez-faire attitude that prevailed from the 1950s until 1975 is no longer appropriate. The regulatory function of the state should be established, thus enabling the country to avoid both a controlled economy and unbridled capitalism.

The major obstacle to such a planning operation would be the old assumption that it must flow from the top downwards, resulting in both geographical concentration and centralized institutions. Development programs have often benefited some regions and not others. In addition, however, institutional centralization has kept the planning team at work far from the regions in question, and the lack of a regional team has made it impossible to adjust the plan to the changing local landscape.

## **Controlled Planning**

Development planning cannot be a purely intellectual or technical exercise. The errors of 1964 must not be repeated. Not until that year was the first plan, which had been prepared in 1962 by the French economic research organization IRFED, approved by the government after amendment. This two-year delay rendered the data obsolete and forced alterations in the plan. This experience showed that even if economists, engineers, and technicians take the real needs of the economic sectors into consideration, the political authority must be closely involved in the definition of development objectives and in the selection of methods of implementation.

Needless to say, development planning is incomplete unless the plan's recommendations are effectively implemented. Here again the involvement of all parties concerned is paramount. The experiences of the Planning Ministry and then the CDR have shown that it is pointless to implement a plan unless control can be exerted over all the participating ministries and other organizations.

On a technical level, the benefits of development planning are never felt immediately. There is usually an initial period of inertia, particularly when changes are made on the social, political, or economic level. At this point it would require two years to obtain statistics (which have been missing since 1975) that could serve as a reliable basis for a master plan.

## **Decentralized Planning**

Decentralized planning should be organized in such a way as to involve all the beneficiaries. The central planning body should be interministerial rather than confined to one ministry. The role of the CDR must be reviewed and modified so that it becomes a coordinator of the operation and not a substitute for these public bodies. In each ministry a planning department should be created whose role would be to map out the sectoral development plans and interface with the central planning division concerning the revision and definition of sectoral development objectives.

In each region the planning would be done by a Regional Development Council (one for each regional unit), which would include representatives from the public and private sectors who would discuss the regional plans and formulate development propositions during the preparation of a four year plan. Any proposed modification to the regional plans would be submitted to this body for approval. In addition to these councils, sectoral advisory committees would be created to establish development needs for each region. These four year development plans would be submitted to Parliament for approval before being put into action. Thus they would be the political trot not simply of a President or a government but of the entire population.

The first four-year plan needs to be launched as soon as possible. It cannot wait until all the necessary statistics have been collected. To encourage rapid legislative approval the first plan would be subject to review by the legislator every two years. It would address not only the country's physical reconstruction but also the economic, social, and administrative aspects, as well as the establishment of legislation relating to economic activity and the collecting of state receipts. Such laws would be provisional or exceptional, pending the acceptance of the first development plan, accompanied by legislation outlining fixed objectives.

## **A National and Regional Development Plan**

Despite all the efforts to promote development of the rural areas during the 1960s and 1970s, Beirut and its suburbs still attracted an unusual concentration of population and other economic resources. The years of conflict have only reinforced this tendency. The destruction of the infrastructure and the disappearance of international investors have made it impossible to implement a development policy that would redress the balance between the country's poles of development.

Development planning is necessary to ensure equal growth in all regions, particularly those with limited natural resources and high birth rates. In certain areas the agricultural land has been abandoned, water resources are poorly used, the electricity supply is faulty, and economic activity is on the decline. Moreover, birth rates vary greatly from one region to another, with the highest rates in the poorest areas. Would it be better in this case to pursue the development of regions with high birth rates or to encourage their population to migrate to more developed areas? If migration is encouraged, the salaried work-force would have to live around the developed regions in ghettos such as those found in Beirut. Those already living in the large towns (mainly Beirut) would not want to leave for the newer areas because of the rapid profits to be made where they are. Finally, migration would be complicated by the multicomunity structure of Lebanon. To return to their region of origin would

not be easy for many people. Clearly the groupings of rich and poor communities have not sprung up by chance.

Although it would be both difficult and time-consuming to launch a national and regional development plan, the following local projects could be started almost immediately.

First, bring up to date the master plan for the Beirut area (1983-1986).

Second, transfer certain economic activities to the regional capitals to relieve congestion in Beirut. Some industrial activities could move to Zahleh and Tripoli and some commercial activities to Tripoli and Sidon. These transfer projects could establish free zones around Tripoli, Zahleh, and Tyr and could encourage light industry to develop and use the agricultural products of the regions surrounding Zahleh and Sidon. It would also be advisable to enlarge the ports of Tripoli and Sidon and to fit out and equip the fishing ports at Tyr, Sidon, and Jbeil (Byblos), as well as the pleasure ports of Juniyeh and Sarafand.

Third, carry out the integrated development project of pilot villages planned in 1987 but never implemented because of the worsening political situation. This project would select certain villages with high-development potential, chosen as representative of their regions and for regional balance.

Whatever the scenario, the financial constraints would be immense. Without massive outside aid-a Marshall Plan for Lebanon-the necessary planning for reconstruction and development could not be carried out.



## 6.

### **Stability**

A reconstruction and development plan for Lebanon that defined medium- and long-term objectives and the means to reach them (whether by incentive or coercion) would not result in a controlled economy. On the contrary, Lebanese planning would remain flexible. It would encourage the private sector to be dynamic and continue as the driving force of the economy, but the state would regulate the private sector more effectively. The state must define the main lines of economic development, encourage growth without being interventionist, and stimulate the private sector without substituting for it.

The state of Lebanon must set the example in two areas. First, as the symbol of the country's renaissance, it must show itself capable of managing better the national economic variables (inflation, exchange rates, investment, debt) and of delegating various tasks that are not "strategic" or "noble," tasks that the private sector could carry out more efficiently. Second, as the vital cog in the country's economy, it must devote itself to regaining the confidence of the Lebanese population, foreign governments, and foreign investors. To that end, it must stabilize the Lebanese pound.

Stabilizing the Lebanese pound would achieve several objectives at once by continuing to curb inflation, particularly imported inflation; by reducing the cost of interest charges on debt; by contributing to an increase in living standards, particularly among the middle classes; and by encouraging investment, particularly foreign investment, which would be vital to economic growth.

Stabilization of the currency is essential if the general economic policy is to succeed. It would be dependent on two factors. First, a significant reduction of the budget deficit must be achieved in the short term, followed by its cancellation in the long term. Lebanon's internal debt is close to Leb.£1600 billion, and foreign debt is about \$300 million. Debt repayment, even if limited to interest payments only, would thus increase considerably in the coming months and years. Second, a positive balance-of-payments figure must not only be achieved in the near future but must be maintained, as was the case from independence until 1978. Such a goal would require the maintenance of peace and the freedom of commercial exchange, which should be helped by foreign currency transfers from Lebanese working abroad, particularly in the oil-producing countries, and by favorable exports.

The first priority would be to restore confidence in the economy, stimulate growth, and achieve the first objective: the progressive elimination of the budget deficit. How should this be done? The following proposal does not take into account the large sums needed to reconstruct the country, but considers only what would be

necessary for ordinary state running costs: civil service salaries and the various ministerial budgets (education, army, police force, maintenance). It would be possible to balance this budget by using a base of about \$1 billion and adopting a four-point program. First, reestablish normal revenue or resources. Second, create a new fiscal base without overburdening the current system. Third, make cuts in unproductive government spending, with the double objective of reducing costs and setting an example for the population. And fourth, carefully streamline the utilization of government assets within the conditions defined by law.

## **Increase Revenue**

In the past, the state raised two-thirds of its resources from indirect taxation, mainly customs duties and taxes on alcohol and gasoline. Direct taxes, including those deducted from salary and estate taxes, were rarely collected at the appropriate levels.

Four new taxes would make the system fairer. Imports, currently worth between \$1 and \$1.2 billion per year, could generate from \$60 to \$100 million, depending on the rate of taxation. A tax on oil-based products (for example, \$2.50 on twenty liters), could bring in \$150 million per year. A reasonable rate of business tax on turnover (10 to 12 percent) would generate between \$60 and \$80 million a year. Taxes on property and property transactions, including those suspended until the restoration of law and order, could yield considerable income.

A conservative estimate of the revenue generated would be \$100 million from setting these transactions in order, followed by \$100 million in annual income thereafter. But because the implementation of all these measures of taxation would not be sufficient to cover the proposed budget, the management of the public sector would also need to be improved.

## **Improve Public-Sector Management**

To improve overall efficiency and contribute to economic growth, not only better management of the country's assets (gold and foreign currency) would be required but also the transfer of certain governmental activities to the private sector.

*Management of assets.* Lebanon's assets are principally gold and currency reserves held at the Central Bank, to which should be added the real estate and bank shares acquired during the last few years as a result of the ball-out of banks threatened with bankruptcy. The face value of these assets is about \$500 million in a depressed economic climate. This figure could double when circumstances returned to normal. At current gold prices and with a minimum of \$500 million in currency reserves, the country could count on achieving a return on \$4 billion of assets. If the gold were sold, the proceeds could not be spent, but the income generated by investing them would exceed \$400 million per year. This transaction could be either guaranteed or wholly assumed by the World Bank and the international Monetary Fund (IMF). The participation of international organizations is necessary because of the Lebanese government's lack of credibility.

The remainder of the deficit in budget receipts could be covered by progressively liquidating the Central Bank's assets against loans already made. For example, the Central Bank could generate more than \$100 million by relinquishing its majority share in several private banks, corporations, and real estate properties, and an airline company. Restored confidence in the economy would also result in a return of \$7 billion out of the nearly \$30 billion held by the Lebanese abroad, which would

considerably boost state income. And finally, the state's substantial property assets—many of which could be put on the market—could form the basis of Lebanon's property capital stock, and shares could be sold to the public. In any case, an inventory needs to be made of the total assets of the state, and their management should lead to higher returns.

*Privatization.* Certain activities need to be transferred to the private sector. The following three areas are ripe for privatization: electricity production and distribution, water treatment and distribution, and the telephone network. In addition, the Zahrani and Tripoli oil refineries, which are expensive for the state to run, could be privatized.

The main cause of the electricity company's deficit is the high cost of fuel. Many customers are not able to pay their bills. Because the supply is erratic and insufficient for homes, not to mention offices and factories, some residents have installed generators or tapped the neighborhood's electricity supply. The majority of economic concerns would be prepared to pay the relatively high price if their electricity supply were guaranteed. Additionally, the possibility of becoming a shareholder in a newly established distribution company would result in contact between customers and producers. Privatization would also bring in millions of dollars, which would help reduce the state's debt and trim public sector jobs and spending.

The same principles could be applied to the water and telephone companies, which are also vital to the smooth running of the economy.

Selling to the private sector should not involve any deterioration in service or any financial loss, but, on the contrary, should rejuvenate the sector. The projected \$300 to \$400 million generated by these sales would enable state debts to be reduced by up to 25 percent. Moreover, the major part of the money invested would come from abroad, and this would avoid making too large a hole in total savings.

In the privatization operations particular care should be taken in establishing the selling price to buyers. Price evaluation should be entrusted to a High Commission, which would draw on international expertise to set the right price and ensure that the process was correctly implemented, including the billing of new organizations.

One of the most obvious results of these structural changes would be the disappearance of two ministries: the Ministry for Electric and Water Resources and the Post and Telecommunications Ministry. The resulting savings should amount to between 15 and 18 percent of public expenditure.

These privatizations would show the state's willingness to streamline its operations. The state budget would be stabilized and the debt considerably reduced—by as much as \$200 million per year over three years. This policy would also improve the balance of payments and the level of the Lebanese pound. In the long term, however, the evolution of these two indicators would be linked to long-term capital movements, beginning with an initial Iran of \$2 billion from the IMF to reconstruct Lebanon's infrastructures. The aim would be to reimburse the domestic (or internal) public debt at the end of four years of growth and stability by borrowing \$2 billion a year, which would be an acceptable level for the country and should not affect the stability of the currency.

This short-term budgetary policy and the plan for medium-term infrastructure development should allow Lebanon to achieve its 1970 standard of living by 1995. Sadly, this is the reality of the situation.

## 7.

### **Sector-Based Initiatives**

The three pillars of the Lebanese economy are agriculture, industry, and services. Although these sectors are of unequal importance, the role of each is highly significant and should be neither underestimated nor overestimated.

Agriculture, which played a more important role in 1991 than in 1975 as the result of the years of conflict, must be modernized in order to feed the country and at the same time become better oriented toward the outside world without compromising the objective of self-sufficiency. Industry suffered greatly from the conflict, but the dynamism and entrepreneurial know-how of the Lebanese people must find expression in this area as in others. The banking sector was for many years the strongest pillar of the Lebanese economy, contributing to its image as the Switzerland of the Middle East. Unfortunately, unhealthy practices developed, and in 1991 Beirut's financial position risked suffering from a crisis of confidence. In order to perpetuate and stabilize the banking activity a restructuring must take place. The rebuilding of these three pillars must at the same time avoid introducing an excess of either voluntarism or laissez-faire.

#### **Agriculture**

In Lebanon, a mountainous country, the maximum area of arable land is about 310,000 hectares, or 30 percent of the total area. The current arable land consists of about 275,000 hectares, and there is an irrigated area of 87,000 hectares. The latest available figures show that in 1973 agriculture contributed 9 percent of GDP, whereas the service sector's contribution was 68 percent and industry's 20 percent.

Agriculture was not unscathed by the years of conflict. Annual losses in agricultural exports were about Leb. £500 million, according to unofficial statistics of 1988. This paralysis decimated the public institutions concerned with agriculture. The Ministry of Agriculture was practically deserted. The Green Plan - a government project to promote agriculture - had neither the means nor the equipment to carry out its responsibilities. The other offices, such as the Cereal Office and the Fruit Office, were not active. The Institute of Agronomic Research attempted to ensure its survival by carrying out development projects in conjunction with the UN organization FAO.

Besides its structural constraints and the effects of violence, the development of agriculture was limited by other factors that were linked to tradition. These included the division of the land into small pieces, which made many farms incapable

of supporting a rural family; the lack of medium- and long-term credit; the lack of infrastructure for the development of the fishing industry; and the absence of a water master plan that included effective irrigation projects.

There were also many economic constraints. Rural families were getting poorer and were therefore less able to invest in the replacement and modernization of their equipment. Town planning was often done at the expense of land with high agriculture potential. Restrictions were placed on Lebanese agricultural exports by neighboring countries in order to prevent Israeli products from reaching their markets. The packing and wrapping of Lebanese products fell below international standards because of the lack of modern equipment and adequate financial means. And certain regions with high agricultural potential were either abandoned during the conflict (Damour, Khîam) or taken over for the illicit production of drugs.

The revival of the agricultural sector hinges on the implementation of projects held in abeyance and the relaunching of competent organizations. The following five steps should be taken.

Reorganize and modernize the irrigation projects in operation at Quasmieh in the south and also the small irrigation projects in the mountains at Minieh and Akkar.

Establish an export and import policy for agricultural produce that would both satisfy local market needs and further global economic development by reorienting agricultural production toward higher-value products.

Launch the activities of the Credit Union and distribute fruit trees and selected seeds at token prices.

Develop and organize the fishing industry by equipping the coastal ports with modern installations and training fishermen in their use.

Establish an agricultural development plan that would increase the area cultivated, improve quality and marketing, and provide industrial uses for produce.

## **Industry**

The years of conflict had a direct and negative effect on this sector. The census carried out in 1985 showed that 60 percent of industrial capacity had been partially or totally destroyed since 1975, while those establishments that remained had suffered financial problems and loss of production. A large part of the workforce had left the country and been replaced by cheaper, less qualified workers. Production costs had become very high, if not prohibitive. Industries suffered from demands for salary increases resulting from inflation, interrupted production, and electricity cuts due to violence, as well as from illegal taxes imposed by the militias.

As with agricultural produce, some industrial exports to the Arab Gulf states had been barred as a result of the import-export policy practiced by some businesses. Moreover, the proliferation of illegal ports encouraged illegal imports, which compromised the competitiveness of industrial production in a market with an already limited capacity.

On the bright side, the fall in value of the Lebanese pound had breathed new life into production, particularly in food, textiles, electrical equipment, packaging, tanning, and shoes. Industrial exports had increased in even more impressive proportions, and because of the decline in the service sector had come to represent almost two-thirds of total exports as opposed to one-third before the conflict.

The government continued to play the role of catalyst by encouraging industry, which, despite its difficulties, proved to be dynamic and took advantage of the benefits offered by a very developed banking sector. In the late 1980s the CDR

and the industrial and tourist development bank offered credit facilities to industries with low rates of interest, to help them reconstruct their establishments and renew their equipment.

Long-term industrial development depends on a global economic-development plan. To set up a regional industrial-development plan within the overall development plan is vital, in order to establish the size of the industries and the fields covered and to carry on research into new industries based on market needs.

The goal of the regional development plan would be to continue creating the best possible conditions for industrial development and to encourage the private sector to invest in the areas given priority by the industrial plans. The following measures, which adhere to this policy fine, would make the state the regulator of free private initiative.

Restructure and reinforce the industrial development bank so that it could carry out its task of rebuilding and developing the industrial sector. This task must give priority to the reopening of industries which had closed down but were not destroyed, and to modernizing equipment.

Proceed by stages toward setting up the industrial zones described in the town planning and reconversion outline for the metropolitan area of Beirut and in the other existing town plans. The regions should make the installation of new industrial establishments easier by giving them access to medium-and long-term credit.

Draw up an industrial development plan based on the 1987 census, and make analyses of current fiscal, customs, and protection policies, suggesting amendments and new measures.

Emphasize the following positive facts: the Lebanese work-force is cheaper than that of the foreign competition, energy costs are lower, and Lebanon has an excellent geographical position. These strong points should be used to encourage foreign firms to subcontract part of their production to Lebanese companies.

Strengthen the capacity and improve the quality of technical and professional education to train technicians and, later, industrial engineers in order to supplement the local and neighboring markets with a highly qualified workforce. These educational reforms should be established in collaboration with producers, to assess needs and make best use of the "Think Tank" (the Employment Institute).

## **The Banking System**

Until the outbreak of civil war in 1975, Lebanon was one of the leading banking centers in the Middle East. Although the banking system survived the conflict and maintained public confidence, the deterioration of the economy, bank failures, and the need for the Central Bank to give continuous support to the other banks signaled serious problems that required the immediate attention of the state.

Banking crises occur when depositors fear the loss of their deposits, and this can lead to bank runs and even capital flights. The uncertainty may raise real interest rates, create higher transaction costs, and disrupt the payment mechanism. If left unchecked, financial distress tends to generate massive misallocation of resources. To maintain public confidence in the banking system, the government should engage in bank restructuring. It is clear that during the reconstruction of the country a sound, strong banking system will be needed to restructure enterprises and to ensure more efficient delivery of financial services, enhanced capital mobility within the country, and increased integration with international capital markets.

The problems facing the Lebanese banking system may be attributed to one or both of the two types of causes, the micro-economic (bank mismanagement) and the macroeconomic (changes in relative prices, deterioration of the economy, and other external factors).

*Microeconomic causes.* In the face of an impending banking crisis, bankers and policymakers developed "disaster myopia," and many bankers engaged in "cosmetic behavior" by "ever-greening" bad credits, "assetizing" losses, and hiding material risks and losses from both the public and bank supervisors. These problems were aggravated by the non-enforcement of the existing laws and regulations. When banking problems began to surface, the supervisory authority feared to face up to the issues because of high budgetary costs, the sensitivity of the political issues, and bureaucratic wishful thinking that problems would go away. The authorities did not reform or enforce the laws (except in a few exceptional cases), and they even engaged in "regulatory forbearance," allowing ailing banks to breach the laws in the hope that time, an end to the war, or economic recovery would resolve the problems. But such problems do not simply go away; they compound the difficulties of macroeconomic management and worsen the recovery process.

*Macroeconomic causes.* The main financial problems facing the banks were undercapitalization, problem loans, high interest rates, speculation in foreign currencies, the high cost of financial intermediation, lack of management skills, and outright mismanagement. To serve customers (and employees) moving to new areas banks had to open new branches—a costly undertaking. The devaluation of the Lebanese pound also affected the financial condition and performance of the banks adversely. To finance the fiscal deficit in the face of low confidence in the local currency, banks had to offer higher rates on deposits. The emigration of skilled bankers further weakened the decision-making ability of many banks. Some bankers engaged in the illegal practice of lending to insiders (members of the board of directors and bank managers) contrary to Article 152 of the Code of Money and Credit. These problems were exacerbated by lack of enforcement and lack of pertinent regulations. Although the devaluation of the Lebanese pound and the consequent inflation reduced significantly the adverse effects of past losses on bank loans, a large number of existing banks were not viable.

The monetary and supervisory authorities adopted a policy to support ailing banks whereby the Central Bank extended liquidity to problem banks against purchase of real estate sector-based initiatives from shareholders and third parties. Sellers of such real estate had the option of buying it back in two years. This policy had many adverse effects, however, and did not solve the banks' problems.

If the banking system is to be properly restructured, the first step would be for specialists in the field to conduct a diagnostic study of the banking system to measure losses and identify problems and weaknesses. The Central Bank should quickly impose holding actions to prevent banks from further unsound practices. Emphasis should also be placed on providing prudential regulations, enforcement power, clearer bank entry requirements, regulations to prevent insider trading as well as connected lending and ownership concentration, and the clarification of existing rules regarding bank restructuring. The Lebanese supervisory authority should also broaden its role to cover the examination of branches opened abroad to mobilize foreign resources or serve clients, and to cooperate with the banking authority of the host country. The existing banking law must be updated to cope with technological advances in banking and innovations in banking services. Finally, it is obvious that the very best banking laws and regulations are useless if they are not enforced.

Since 1985 the international banking community has moved to set international standards for banks' viability. The Central Bank should adopt the Basle Committee's guidelines concerning capital adequacy requirements, which call for compliance by 1992. This would mean that a distinction would need to be made between primary (or core) capital and secondary capital (which could include revaluation of fixed assets), and a limit (not to exceed 50 percent of total capital) placed on secondary capital. Assets and off-balance-sheet items (contingent liabilities) should be classified into different risk categories with risk coefficients to be set by the supervisory authorities, against which a minimum level of capital should be maintained. Unfortunately, many Lebanese banks would not be able to meet these requirements. The Central Bank would need to identify those banks that were capable of resolving their problems and attaining the objectives with no help or only minimal support, and then set a transition period of two or three years with well-defined, strict objectives. Those banks that were found enviable should be encouraged, by moral suasion or legislation if necessary, either to merge or to be restructured or liquidated.

To encourage banks to increase their liquid capital base (that is, to obtain an injection of fresh capital), they ought to be allowed to hedge against future devaluations of the Lebanese pound. This could be done by permitting them to denominate part of their additional capital in foreign currencies. A cap should be put on the allowable foreign currency component of capital: under no circumstances should it exceed the ratio of liabilities in foreign currencies to total bank liabilities. Further-more, safeguards should be put in place in connection with allowing banks to use the foreign currency component of capital for speculative purposes.

Banks that are not viable should either undergo major restructuring or be liquidated. A new specialized institution, supported by legislation, should be designed and established to handle ailing banks. Since the objective of restructuring would be to bail out, not shareholders, but depositors, and to maintain confidence in the system, the ownership of the bank should be transferred to the new specialized institution. If the cost of restructuring proved to be more than the cost of liquidating and paying depositors, the bank should be liquidated. Then the bank should be restructured and sold to private owners within a short period of time—one to two years at most.

There is no unique or optimal answer to bank restructuring. The resolution of bank failures will depend on the legal, social, and political framework. Furthermore, bank restructuring cannot be dissociated from the restructuring of companies. The banks, as the companies' primary financiers, have a vested interest and a clear role in the restructuring of companies. To the extent that banks resolve problem loans to companies, they reduce their own losses. In this area they have a unique opportunity to develop strong credit and restructuring skills. How much the banks should be involved in company restructuring and how the losses of companies should be distributed in the system are critical questions in the overall issue of restructuring and developing the economy. In addition to their management, marketing, production, and technical skills, banks can generally contribute by injecting stronger financial discipline and helping in the financial restructuring of companies.

Several options that are available in bank restructuring have been used internationally, and there is no reason why they could not be applied to Lebanon. These options have legal, practical, and fiscal implications, and they should be set within a comprehensive economic framework. One of them would be to leave bad assets (nonperforming loans) on the books of a bank, force the bank to rehabilitate bad loans or face write-off, and recapitalize any bank with a shortfall. Another would be to carve out the bad assets from the books of a bank and exchange these for



government bonds. This second option has two variations. First, bad assets could be put into an Asset Resolution Trust and Deposit Insurance Fund, manned by management and recovery specialists, who would recover bad assets, conduct a merge or sale exercise, or liquidate companies or banks. Second, the bad (below the fine) assets could be left with the bank, which would act as agent of the government to recover assets. When assets were realized, the banks would redeem them from the government.

Still another option, which would help viable but highly indebted companies, would be to convert the bank's debt into equity in the companies. In such cases the supervisory authorities should set adequate rules and guidelines for this activity. The government could also buy the bad assets from the banks with a repurchase agreement setting minimum installments over five to ten years. Banks would not be able to distribute dividends until they had repaid the amount of the bad assets in full.

In addition to banks, other types of financial institutions and institutional investors, such as leasing companies, pension funds, and insurance companies, should be developed and regulated. The new financial instruments available in the market would require new regulations in the reporting requirements to the Central Bank, changes in the accounting system, and changes in the measurement of adequate capital.

Finally, to carry out the restructuring exercise and build a sound and sustainable banking system, bankers and supervisors should be trained adequately. Appropriate training programs should be set up locally and internationally, and expatriates with expertise in the field should be attracted back to Lebanon.

## 8.

### **Modern Infrastructures**

Since the beginning of the civil war in 1975 Lebanon's infrastructures have suffered enormous damage. Many public installations, means of transport and communication, and buildings have been utterly destroyed. Those that remain have deteriorated from lack of maintenance. Replacement parts and vital equipment have been difficult to maintain, qualified workers have emigrated, and financial resources have been limited.

At the end of 1991, although it was obvious that reconstruction was necessary, no one had a precise idea what was needed. Reliable statistics were lacking, and the government was awaiting the results of a study undertaken by the American company Bechtel. No master plan existed, even for one sector. Nevertheless, on the question of priorities Lebanese planning experts were agreed that first consideration should be given to three areas: electricity and water supplies; transport and telecommunications; and the rebuilding of Beirut's city center.

### **Electricity and Water**

In the production and distribution of electricity Lebanon suffered from three major handicaps. First, the war had done serious damage to equipment, such as pylons, cables, and substations. Second, illegal usage of electricity had proliferated as a result of the war and insufficient control by the Lebanese electricity company (EDL). Although consumption had increased, the income needed for investment in capacity or production had declined sharply. In 1991 EDL could collect only one-third of its revenue and was close to bankruptcy. Third, existing projects designed to increase capacity had been delayed. Repair work required for the maintenance of current units took at least two years, and the building of new power stations took five years. Yet consumption continued to increase rapidly-by about 15 percent per year.

A medium- to long-term energy program should include the following five steps. Build new units designed to increase the production of the Zouk and Jieh power stations. Modernize the security-and-control equipment of the power lines and the distribution system to improve the quality of service. Establish a long-term investment plan and a consolidated technical training scheme, with foreign aid. Elaborate a plan for medium-term development to meet the country's increasing energy needs. And finally, research the feasibility of privatizing electricity services, including safeguards to central prices.

The water supply also needed improved management in order to meet the needs of farms, industry, and households. The problems again were varied, including wastage, pollution, out-dated equipment, and lack of trained staff. Although national studies of the usage of this precious resource were lacking, it was apparent that better planning was required and that the international legal situation must be considered, particularly in connection with the tributaries of the Litani and Assi rivers.

The planning process should include these five steps. Reorganize the water boards by creating regional offices at regional-unit level. Modernize and develop the distribution network. Combat the different sources of pollution. Return to the use of underground water, which should be regarded as a national resource. And consider the feasibility of privatizing the water treatment and distribution systems, as France and Great Britain have done.

## **Transport and Telecommunications**

Because Lebanon is open to the outside world and reducing regional imbalances is an important part of public policy, transport and telecommunications are priority areas or improvement. Transport contributes to the unity of the country by enabling the easy exchange of people and goods.

Apart from the obvious rebuilding of infrastructures, the following aspects of transport should be given priority in reestablishing an integral network. Develop the road network linking the capital to the residential areas and regional capitals, thus encouraging the emergence of secondary economic centers. Develop the public transport (bus) network, using private companies where possible but with state incentives, such as subsidies and tax advantages, thereby relieving congestion in the town centers and improving the quality of the transport links between Beirut and the regional capitals. Create a program to aid the underprivileged by allowing free movement and establishing a "right to transport." Accelerate the development work at Beirut airport and equip the two airports of Koleyat and Rayak. Build fast lanes between Beirut and the region's other large towns.

Lebanon has always placed immense importance on the telecommunications sector because of the country's central role in the Middle East and its contacts with the outside world. Between 1983 and 1988, despite the difficult security situation, 170,000 new lines were installed. Nevertheless, telephone lines were congested in some areas due to population movements. As for international connections, they were reduced by destruction or the theft of equipment from certain installations (Arbanieh and Jouret-el-Ballout), as well as by the bad condition of the cable connections.

A new telecommunications policy should include four main points. First, diversify and modernize the means of international communication by laying fiber-optic cables to Europe and rebuilding and equipping the land stations. Second, increase internal telephone capacity to 500,000 lines and develop the system in rural areas. Third, modernize the management of the telecommunications system by introducing an electronic billing center and making bank payments by automatic transfer. Fourth, transfer the running of the system to the private sector as soon as possible, conditional on the necessary guarantees to maintain good public service and reasonable prices.

## **Rebuilding Beirut's City Center**

Beirut's city center was totally destroyed during the war. Before that, it was a place of exchange, human contact, cooperation, and conviviality, where Lebanese of all denominations met. Its reconstruction, a gigantic task, is necessary not only for economic development but also to restore Beirut's nerve center and its soul. This reconstruction should be based on two clear principles.

First, a distinction must be made between the responsibilities of the state and of private companies. The rebuilding of the essential infrastructure—roads, metro (or subway), telephones, electricity, water, sewers—would be done by the public sector. Most of this work would be financed by protocols needing state guarantees and the rest by proceeds from land reclaimed from the sea. The private sector, the driving force of the Lebanese economy, would play a fundamental role in the reconstruction effort, which would be financed by the Lebanese banking sector as well as by international sources. Incentives such as tax exemptions and rebates would encourage private participation. Each sector of the economy would undertake the work along lines laid down by the state's master plan. When confidence in the government is restored, millions of dollars will be repatriated for investment in the reconstruction of Beirut.

Second, the city planners must envisage reconstruction of the different areas and souks (marketplaces) that existed before and must be careful to preserve the character that made this urban zone a crossroads of world exchange. The public places that live on in Beirut's memory (mainly mosques and churches) should be preserved or restored. Archaeologists should continue their digs, as indeed the law requires, and their findings should be preserved and protected for the city and the nation.

The rebuilding of Beirut's center should be done within the framework of preserving the city's rich archaeological heritage. It should also avoid a return to the over concentration of economic and administrative activity in Beirut at the expense of other regions. Finally, the rebuilding of Beirut should be a competitive process, involving all the Lebanese, and not an opportunity for a few individuals to exploit its inhabitants, its small property owners, and its future.

## 9.

### **Social Programs**

In the past Lebanon suffered greatly from the lack of solidarity between the different sections of the population. Community barriers, the lack of aid to the underprivileged, and an excess of liberalism and individualism all contributed to the progressive fraying of the country's social fabric. In the reconstructed Lebanon solidarity would need to be developed in the three fundamental areas of housing, health, and education. The new political and economic systems would only be durable if they were based on solid social foundations. The existing mechanism in each of these three sectors would not need to be completely reformed: the necessary changes could be either simple adjustment or, in some cases, new solutions that would not cause radical upheavals. The country should not continue to turn a blind eye-on the pretext of respecting market laws-toward questions which affect the population every day. The Lebanese Citizen has the right to more regard from the state.

The first priority should be given to housing. Only a voluntarist long-term policy with substantial financial means would be able to resolve the huge problems of lack of adequate housing, insanitary conditions, and squatters.

In the health sector the difficulty is not simply lack of equipment or of the means to help the underprivileged. The whole question of health insurance would need to be reconsidered and a more equitable system put in place. Social cover would need to be income-related. That rule would need to be firmly applied-even if it were unpopular in some circles-as a major demonstration of the new Lebanese solidarity.

Finally, the imbalances in the education sector would need to be redressed. Only by improving the quality of public education could the gap be closed between the public and private sectors. In the restructuring of education the regional units could play an important role by introducing more flexibility into courses and by attempting to answer specific needs. The Lebanese universities must continue to train an elite, not only for the country but also for the Arab world and even for the Western world.

### **Housing**

In 1970 there were 485,000 homes in Lebanon, approximately 10 percent of which were second homes. This number adequately met the demand. Town planning in Beirut and other large cities accelerated during the 1970s and improved the standards of buildings and accommodation; but at the same time it caused a rapid increase in the

cost of land and construction materials. The price of land also rose as speculative foreign capital poured into the property market. This pushed rents out of reach for the poorer elements of society and led to the development of slums and squatters. When the government imposed rent controls to protect the lower classes, builders began to put up luxury apartments that were only for sale, not for rent. The result was a saturation of these apartments and a lack of housing for the poorer classes. As a consequence illegal, insanitary housing sprang up around the towns, particularly Beirut.

Faced with this situation, the government created a Housing Ministry. In response to the housing problems it undertook various actions, including loans to families whose homes had been damaged by military action and the establishment of a "back to the village" project to encourage migrating families to return home. The government also adopted a program to construct and repair 21,000 housing units-with the aid of the autonomous Housing Bank-for the benefit of low-income families. But the institutions created did not have the necessary capacity to react quickly to demands or to control or follow up the financing. In addition, because of inflation and the poor health of the economy, these institutions were not able to guarantee the funds necessary for their own operations. This worrying situation was aggravated by the vents of the 1970s and 1980s: the migration of population to safer regions, the appearance of insanitary housing, abuse by the armed militia, and an increase in the number of squatters, who came to occupy almost a third of Beirut's accommodation.

A coherent housing policy, which could only be launched after the restoration of peace, should include the following six steps.

Review the laws relating to loans granted by existing institutions. Make them useful and effective, and grant concessions to low-income families. Increase the maximum allowable loan and review the interest rates.

Give priority to loans intended for the construction of housing outside the large towns, particularly if the borrower were to build on his or her own land; this would ease town congestion.

Give priority to loans for the construction of housing for displaced or homeless families.

Establish a policy of associating private banks with the loans granted by public institutions, to increase overall resources dedicated to housing.

Impose a high tax on property transactions not designed for construction, to freeze land prices and encourage building.

Introduce a rent law that is fair to both tenants and landlords.

## **Health**

Until 1975 the health-sector situation was judged to be generally satisfactory. There were about 10,000 hospital beds, including about 6,200 for general medicine in 131 hospitals, of which 21 were state-owned. There were 3,800 specialist-medicine beds in 13 specialist hospitals. In 1975 there were also 250 dispensaries, 90 in the public sector.

The civil war not only caused deaths; it introduced new illnesses, such as nervous depression and drug dependency, and increased the incidence of heart disease. And of course it resulted in a large increase in the number of handicapped people. It also brought major damage to hospitals, some of which were destroyed. By 1991 the public hospitals were operating at half capacity. Private hospitals had also

suffered major losses, and the cost of hospital stays was out of control. As demand for hospital beds increased, the supply diminished. In addition, the majority of dispensaries badly needed equipment, analysis laboratories, and staff. At best they were open on a part-time basis, and they could offer only a reduced service. Out-of-date medicines could be found for sale. Even the general standard of hygiene in the country had deteriorated.

It is essential to reorganize the health sector and undertake certain badly needed projects. Unfortunately, the most important of these—building and equipping hospitals and dispensaries—would be a medium- to long-term operation. Nevertheless, five main policy lines should be followed in carrying out this work.

First, give priority to assisting those institutions that serve the handicapped.

Second, introduce laws to limit the unplanned growth of the pharmaceutical network, part of which is run by unqualified staff. Bring the pharmaceutical industry under state control by inspecting products for quality and price.

Third, design the regional hospitals to be built in the major urban areas and the regional-unit capitals to give first aid and emergency care before transferring patients to the regional medical centers or the capital.

Fourth, create a comprehensive network of well-equipped dispensaries, with staff, analysis laboratories, and chemists qualified to give first-aid care.

And fifth, restructure medical insurance so that it will cover medical and hospital care. Increase the insurance coverage of all the levels of society.

As a partner in the provision of health care the social security system also needs to be reformed. Many people condemn the system because it runs a permanent deficit; they would like to see the management of social security claims handed over to private service companies. But in view of the chaos produced by the civil war it seems even more important for the state to aid those in need and provide an even-handed health-care system. In 1991, although Lebanon boasted many highly qualified medical professionals, care remained too costly for many citizens to afford.

Instead of penalizing the poor even more by exposing the social security system to competition, the principle that social security should be a public service should be retained. But three reforms need to be made. First, simplify the operation by reducing the size of the bureaucracy and developing a rapid claims service. Second, give the state's various social partners more responsibility for the management of social security. Third, regularize social security finances by halting fraud and funding the system through the national and international reconstruction effort.

## **Education**

Until 1975 Lebanon could be proud of its educational system, which had one of the highest literacy levels in the region and included advanced technical education and four universities. This high standard had its price, however: 65 percent of pupils attended private schools, and there was not only a disparity between regions (because some regional schools were better equipped than others) but also between the different levels of society. Moreover, education was abstract; it was not tuned to the professional requirements of the country. And civic education was entirely lacking.

To deal with the havoc caused by the civil war the CDR undertook a large-scale renovation program for the public schools, financed initially by Arab aid and eventually by the EEC. Between 1983 and 1988, 1,000 public schools were repaired. Plans had also been made to rebuild the schools that had been totally destroyed, but events prevented the CDR from carrying these out. One of the indirect effects of the

war, the population migration, had also affected education by emptying some schools and filling others beyond capacity.

By the end of 1991 the ministries that have to do with education and the Research and Development Center were in a state of paralysis. Teacher-training schools were closing down, and although public education had regained some ground (half of all pupils were being educated in the public sector), this was due to the inability of middle-class families to pay the fees charged by private schools. In both primary and secondary schools there was a lack of accommodation, teaching was intermittent, and there were frequent power cuts. Technical and professional education was also in need of new premises and modern equipment.

As for higher education, only the American University of Beirut had reasonable premises and equipment. The Arab University was short of equipment, the Saint Joseph University was short of money, and the Lebanese University was short of both premises and money. The universities were also subjected to pressures from the militias and thus were affected by the unstable security conditions. In addition, they had to accept students who had not earned the Lebanese Baccalaureate diploma, which had been a requirement for acceptance at a university. Due to the war, these students were not able to go through that weeding-out process but, instead, were awarded an equivalent certification. Qualified teachers were becoming rarer and students less well educated.

Education policy in the new Lebanon must be based on the following principles: freedom, cooperation, openness and unity, training in citizenship, and coordination by the state.

*Freedom.* The reformed educational system must teach respect for liberty, human rights, national solidarity, and the will to live harmoniously under the authority of the state. It should help the Lebanese to grow into free, responsible citizens, open to society and to the rest of the world. The system should not be monopolized by any one type of educational institution.

*Cooperation.* All the parties interested in educational policy should cooperate in the decision-making process: the state, public and private schools, and parents.

*Openness and unity.* An open attitude and unity of outlook should be the goals of a national core curriculum of obligatory subjects, to be complemented by options chosen by the regional education committees with ministry approval.

*Training in citizenship.* National civic education would be taught in required courses in the history and government of Lebanon, whose content would be determined by a commission of professional historians and political scientists.

*Coordination by the state.* The state should play a coordinating role in developing the state system of obligatory education. It should also train and "recycle" teachers and set up a staff of school inspectors. "Recycling" would require periodically retraining teachers to update their knowledge and teaching methods. The application of these principles would call for a seven-step program.

First, formulate concrete recommendations based on the first phase of the education study prepared by the CDR. (This study proposes bringing public school buildings up to standard, completing building and rebuilding work, and recycling teachers.)

Second, establish an education master plan for Lebanon, defining needs in every discipline and realistically reviewing curricula, especially for secondary education. The examination courses in particular need to be reviewed and updated.

Third, cut the financial aid granted to free private schools and instead give aid in training educators.



Fourth, organize a teacher-training and -recycling campaign, to improve the professional level of public school teachers. A cost-of-living allowance that varies according to region should be included in teachers' salaries.

Fifth, create a University High Authority. Its role would be to assess the country's need for specialists in the different sectors and to develop a regional policy for the faculties based on regional development requirements. This Authority could be created from the University Council by redefining the role of the council and providing it with the necessary staff.

Sixth, preserve the principle of freedom of university education in compliance with Lebanese tradition and law.

Seventh, emphasize the training of researchers in the sciences, to encourage the development of technology and technologists. Long term research programs could be planned and implemented through state-university-society cooperation-that is, by the unified efforts of industry, financial groups, educational establishments, and medical institutions.

## **Conclusion**

The international community holds the key to the restoration of Lebanon. The first prerequisite is the freeing of the country from external domination through the withdrawal of foreign troops and the return of Lebanese sovereignty. The second prerequisite is the acknowledgment that because outside intervention has been the main cause of the destruction of Lebanon, the international community must shoulder the responsibility for its reconstruction. What has been done for Kuwait in the name of international law should also be done for Lebanon.

### **International Guarantees of Sovereignty and Democracy**

The first prerequisite, as well as the second, requires action by the international community, which should create an international committee for Lebanon at the UN Security Council. This committee, composed of representatives from the five major powers and the Arab League states, would propose a plan to restore Lebanon to its previous borders and sovereign status. The plan would include three steps: the withdrawal of foreign forces, general elections, and the establishment of a government of national union. These ideas seemed utopian earlier. Today, after the end of the Cold War and the beginning of cooperation between the great powers in resolving conflicts in Cambodia, Namibia, Nicaragua, Angola, and Yugoslavia, they seem attainable.

*Withdrawal of foreign forces.* All the foreign troops occupying Lebanon would withdraw in accordance with a schedule to be established by the international committee. Israel would abandon the "security zone" set up in southern Lebanon in

violation of UN resolutions. Syria would withdraw its troops north of the Bekaa Valley. The committee would also supervise the disarmament of Palestinian and other non-Lebanese organizations as well as the repatriation of other foreign troops.

This withdrawal would be unconditional; no concessions would be made to the regional powers. The national territory would be protected by the Lebanese army with the backing of UN or Arab forces. The army would be in charge of disarming and dismantling the Lebanese militias, and the international forces would patrol the border areas.

*General elections.* The last parliamentary election was held in Lebanon in 1972. General elections, supervised by the international committee, are urgently needed to disclose the true national choices of the Lebanese people. These elections should include Lebanese citizens living abroad. They should guarantee everyone's right to vote free from outside pressures. The newly elected Parliament would debate and adopt reforms to the political system. General elections for Parliament would contribute the legitimacy that state institutions and politicians need.

*Government of the national union.* The new government would have two immediate tasks: to implement the reforms adopted by the newly elected Parliament and to guarantee the inviolability of these reforms and of Lebanon's borders. The government would require the support of the international committee in applying these measures and particularly in entering into dialogue with the other regional powers. In talks aimed at normalizing Lebanon's relationship with Israel, Syria, and the PLO the new Lebanese government would need to depend on the backing of the international community. Its actions must be supported and guaranteed by both the Security Council and the Arab League.

## **International Economic Aid**

It is obvious that at first the new Lebanon would have to depend on financial aid from the international community—perhaps through the equivalent of a Marshall Plan, supported by the Arab states, Europe, the United States, the Lebanese Diaspora, and the concerned international organizations (IMF, World Bank). There is no doubt that Lebanon's economic objectives could be achieved through a policy that allowed market forces to operate. Such a policy would be determined by consensus and would be supported by the main international players. It should have long-term as well as short-term goals. It should avoid past mistakes, make maximum use of available talent, and set Lebanon back on the road to healthy economic growth. This economic growth, coupled with the range of socioeconomic policies just outlined, would contribute to political stability and domestic peace in Lebanon.

## **A Middle East Peace Conference**

Clearly the proposals made here for the rebuilding of Lebanon directly oppose the desire of certain other countries in the region to "take Taif to its logical conclusion." But if the basic principles of international law and morality are to be honored Israel must not remain indefinitely in southern Lebanon, and a solution, however complex, must be found to the Palestinian problem that will not violate Lebanon's legally established borders.

Although Lebanon strongly rejects the view that its peace and reconstruction must await a general Middle East peace settlement, mainly because the urgency of the Lebanese question requires a separate and rapid solution, it does support the need for

the Middle East peace conference to resolve the Arab-Israeli conflict and bring security to the region. The purpose of the conference (a continuation of the historic meeting held in Madrid in December 1991) should be to bring a new era of peace and cooperation to the Middle East through the eventual establishment of a Palestinian state and the recognition of the state of Israel by the Arab world. The Arab-Israeli conflict and the Lebanese question can be resolved in parallel, in a way that can benefit both peace processes. The gradual and sequential withdrawal of Israeli and Syrian military forces from Lebanon, which can be negotiated within the framework of the international peace conference, can help reduce tensions and build confidence among the belligerents. Consequently, both Syria and Israel can be made more secure.

In 1987 the Council of Ministers had drawn up guidelines for Lebanon's participation in such a conference. These included its refusal to discuss or negotiate its borders, which are permanently fixed and internationally recognized; its demand that the Palestinians on Lebanese soil be moved to a homeland of their own; and the demand that Israel withdraw totally and unconditionally from Lebanese territory in accordance with UN Security Council Resolutions 425, 508, and 509. To these original demands should be added the total and unconditional withdrawal of Syrian forces and influence from Lebanon. The withdrawal of non-Lebanese forces can and should be made part of a process of making the Middle East more secure by causing both Israel and Syria to disengage from Lebanon militarily and politically.

Even though Lebanese peace and reconstruction should not be delayed until a general Middle East settlement has been achieved, the permanent security of every country in the region, and particularly that of Lebanon, is indissolubly linked to peace in the region as a whole. Only when a regional settlement has been worked out that guarantees Lebanon's security and sovereignty will the Lebanese people be able to fulfill their destiny and make their greatest contribution to the development and stability of the Middle East.

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