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LEBANON AND THE ARAB UPRISINGS

by
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AN ABSTRACT OF THE PROJECT OF

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The civic uprisings known as the Arab Spring have destabilized an already shaky Middle East and North Africa. Citizens and governments are coping with a period of intense economic and political transition. The Islamic world is facing a historically significant period of transitioning power; shifting ideologies and new systems of government and economy have birthed a violent and unpredictable future. Revolutionaries brought explosive social changes in Libya, Egypt, Syria, Tunisia, Morocco, Saudi Arabia and other adjacent countries. Lebanon, formerly the ‘Pearl of the Middle East’, is caught in the middle of these socio-political and economic changes. It is important to try to measure the effect of these revolutions on the Lebanese economy and whether Lebanon can benefit from it in anyway.

The first chapter will introduce the course of action of this study in achieving its goal in fine point; the second chapter will present a brief overview on the buildup of the Arab uprisings in Tunisia, Libya, Egypt and Syria; the third chapter will illustrate the history of the Lebanese economy in the past 20 years; the fourth part will try to measure the effect of the Arab Uprisings especially the Syrian revolutions on the Lebanese economy and the fifth and final chapter will provide a conclusion on the facts established and analyzed in this mission.

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*To My
Beloved Family*

CHAPTER I

INTRODUCTION

For the last nearly four decades, freedom and democracy were an unrealistic aspiration among the Arab region and North Africa. Some countries have been ruled by dictatorial regimes and others were true examples of monarchies. These regimes contributed throughout this large period in building an enormous clash between social and economic classes. This situation has facilitated the increase of severe poverty, corruption and growing unemployment rates. All of these factors have created social and economical time bombs ready to explode. It was until the year 2010 that a flame ignited the Arab area. For the past 5 years, Arab countries such as Tunisia, Syria, and Egypt have witnessed dramatic changes reflected by massive brutal and non-brutal riots and revolutions. Many regimes have come to an end and other has risen. The consequences of the changes are yet to be determined. So far these uprisings have brought both positive and negative impact to the Arab region overall.

Lebanon, a country strongly affected by its neighbors, found itself in the middle of a radically changing Arab world. On one hand, Lebanon has always been distinguished and envied by its surrounding for high level of freedom and a democratic political regime. On the other hand Lebanon has a history of civil war and corruption, consequently the nation is more susceptible than ever to governmental exploitation, political instability and economic disaster. Many social, historical and financial factors have contributed to the current economic state in Lebanon. In this perspective, most recently, the violence between rebel factions and the governments in Syria has impacted all the components of a healthy country and the reigning political climate.

Additionally, historic sectarian fighting and invasions have destabilized the country, making a flourishing economy difficult to obtain despite the potential exhibited in different sectors such as banking, tourism or investment. Even though there are challenges facing Lebanon, a new flourishing system and positive economic outlook is possible. This project will discuss the causes and effects of the Arab Spring especially the Syrian revolution on the Lebanese economy. It will also try to identify the most affective economic tools that can be utilized for a better future in Lebanon. These processes include demanding a credible government, building sufficient infrastructure to support growth, fully participating in the world economy, establishing sustainable industry, developing high rates of saving and investment, and letting markets allocate resources. In this project, we will try to assess the direct effect of the Arab spring on the Lebanese economy and whether it will benefit Lebanon in any way.

The second chapter aims to analyze the build up to the Arab spring, the reason behind it and the factors that affected it and how it's unfolding can affect the economic future of the region. It also examines how the changes are affecting the Arab region and how they relate to Lebanon in terms of political, social and economical perspectives. By relying on key historical events and factors that are shaping today's world, this section aims to analyze the situation in order to provide a clearer view on the Arab spring and the implications or results it is having on the geopolitical and economic scene in the Arab world in general and in Lebanon in particular. In addition, it aims to discuss some of the hidden factors and results of the Arab spring, such as Islamic extremism, the plight for democracy, or the abandonment of social structure. It examines as well the different cases in the Arab world and tries to expose the factors that have contributed in the initiation of the Arab spring in the different places concerned.

The third chapter sheds some light on the Lebanese history and current

situation and how they can affect Lebanon's reactions to the Arab spring. The events that shaped Lebanon's history will be key in affecting how it perceives the effects of the Arab spring and to which extent it will absorptive or reactive to its outcomes. The events from its present will set the ground for the transition process. To be more specific, by understanding the causes and parameters that are surrounding this subject we can have a clearer view and more exact analysis of the situation. This section goes into more details with a focus on the events that have been affecting Lebanon through its history until the present day.

The fourth chapter takes a look at key economic data and indicators such as the Gross Domestic Product (GDP), the National debt, the government spending, employment, personal income, and taxes. The aim is to see how they have varied for Lebanon during the recent periods of unrest in the region and how they were affected by the changes that are associated with the Arab spring. Doing so will allow to understand the key factors that have been influencing the Lebanese economy and how they link to the Arab spring. Since Lebanon is a country strongly affected by Syria mainly in the political aspect as well as in the economical aspect, we will try in chapter 4 to shed some light on the direct implications of the Syrian civil war on the Lebanese economy. Also this section tries to propose solutions to improving these indicators and to mitigating the risks that are associated with the Arab spring on the Lebanese economy. It goes after that to examining if Lebanon has benefited so far from the changes and how it can benefit. The section concludes in proposing ways to ensure Lebanon's economy would be affected positively and the possibilities for the future.

The analysis will be based on both quantitative and qualitative data. It will start by exploring the current situation for both Lebanon and the Arab world; analyze the

different factors and parameters involved then move to providing conclusions and recommendations in the subsequent sections.

CHAPTER II

THE ARAB UPRISINGS

A. Overview

The Arab spring also referred to as “Arab Uprisings” are terms that indicate revolutionary waves, protests and civil wars that have happened and still happening in the Middle East and North Africa for the past 5 years. These series of riots have ended long time reigning regimes in a short period of time, ignited some still ongoing civil wars encountered by massive violence, while a mix of repression, promises of reform and state largesse proved to repress the revolutions in some other countries. Some may remember the years 2010 through 2013 as the years of freedom and democracy where they witnessed the blossoming of the Arab Spring and the true power of the people demanding their right of an honest living, some refer to it as the years where the Islamist gain power and rose to rule the Arab world, and other describe it as one of the bloodiest years observed by the whole region. The Arab region is no stranger to the different acts of violence and has seen death in many shapes since it undergone a whole series of regional wars, civil wars, foreign occupation, terrorist bombing or sectarian violence where innocent people have lost their life. But the above mentioned years have witnessed a whole new and different context of violence where this time people have lost their life while fighting for their right to freedom, social justice and refusal of authoritarian regime that has been suppressing their freedom and ruling their country for decades.

It all begun with unrest in Tunisia in the late 2010. While ongoing protests in one country were carefully observed, riots and demonstrations arose in others, reaching

countries like Egypt, Libya, Yemen, Bahrain, Syria, Algeria, Jordan, Kuwait, Morocco and Sudan. Many direct reasons are behind such a historical incident such as: sky-scraping rate unemployment, ageing freedom restraining dictatorships, severe corruption, leaderless revolts and off course the rise of the social media. In the below part we will conduct an overview over some of the Arab counties that witnessed these revolutions.

B. Tunisia: The Jasmine Revolution

Tunisia, a country in the Maghreb region of North Africa, has been ruled by the Constitutional democratic rally (CDR) who controlled the country since its independence in 1956 and became one of the most authoritarian regimes in the Arab World. The first Tunisian president Bourguiba was overthrown in November 1987 in a bloodless takeover and Zine El Abidine Ben Ali was appointed president.

On the 17th of December 2010 Tarek al-Tayeb Mohamed Bouazizi, a Tunisian street vendor, set himself on fire as an act of protest against the long time injustice suffered by the police and the government. This action not only triggered riots and protest that reached the whole country but also was the stimulator of other Revolutions in the region reaching countries like Libya, Syria, Egypt, Algeria, Jordan and Bahrain . These riots took first place at his hometown by family members and his entourage, and then expanded and widened to reach other areas of the country.

Not witnessing a revolution in the whole region since the Iranian revolution of 1979, the scenes in the streets of Tunisia were a shock to the government who responded by brutal force and power in face of the protestors. The atrocious reaction of the government led by its police forces was reported in fine points by the social media (Television, internet, Facebook, twitter...) to every house in the region leading to a

worldwide solidarity with the protestors. The scene escalated roughly and enormously when the demonstrations reached the capital Tunis. The reaction of the government was even worse: the government immediately shut down the internet over the whole country in its attempt to control the crisis. The number of protestors increased by the minute. The protestors formed large groups of people that camped and resided day and night in every street of Tunis. The more these protestors gained power, the more brutal was the response of the government. A true state of confusion and loss reigned over the armed forces of the government which had clear plan from the leaders of the country on how to react and contain this unexpected historical happening. The police had no other choice: they started arresting demonstrators and activists in massive numbers. And for the first time in the history of Tunisia since three decades the people united under one slogan: "الشعب يريد اسقاط النظام" in other words: "The people want the fall of the regime". As a last resort, the President of the country, Zine el-Abedin Ben Ali, guaranteed some reforms in the country and ensured the opening of more than 300,000 jobs in the near future. These so-called reforms came too late for the protestors who demanded a new regime. On January 14 2011, and after 28 days of riots, Ben Ali fled into exile in Saudi Arabia ending his 23 years in power.

The CDR government now led by the Prime Minister Mohamed Ghannouchi had no choice but to declare a state of emergency in the whole country. Under Article 57 of the Tunisia Constitution a new president had to be appointed: Fouad Mebazaa was selected. To meet with the demands of the protestors a new government had be assembled and a new Presidential election had to take place as soon as possible. A new transitory coalition government was assembled including both RCD and Opposition members. However this government did not last long since a large numbers of the opposition Ministers resigned from their duty objecting the presence of the CDR

Ministers in the Government. This act triggered massive anger and fury among the protestors in the streets who demanded the immediate dissolve of the Constitutional Democratic Rally and the formation of a new government holding only “opposition” members. Meeting the protestors’ demands, on 27 January, the Prime Minister Mohamed Ghannouchi assembled a new transitory government with only “opposition” members and on the 6th of February he orders the suspension of all the CDR activity. On a later stage the CDR party was completely dissolved on 9 March. Following further protests and riots demanding the resignation of the last member of CDR that is still in the government Ghannouchi resigned on 27th February. Moreover the president announced the elections for the Constituent Assembly, which were held on 23 October 2011 with the Islamist Ennahda Party winning the plurality of seats

C. Libya: The Libyan Revolution

Libya situated in the Maghreb region of North Africa witnessed lately one of the bloodiest civil wars in the MENA region. This civil war accompanied by a NATO military intervention has caused the fall down of a 34 year old regime named the “Jamahiriya state” and the death of the country’s former leader Muammar al Gaddafi. Launching a military coup d’état in 1969 against King Idris, Muammar al Qaddafi assumed leadership of the country and became known as the “Brother Leader and Guide of the Revolution” until he was overthrown in 2011.

For the Libyan revolution, it all began with arrest of the human rights activist Fethi Tarbel on the 15 February 2011. Following this act, small protest broke out in Benghazi the second largest city in the country. It didn’t take too long for the protests to reach the capital city Tripoli. The police immediately tried to suppress the demonstrators using brutal force. The situation rapidly escalated in Benghazi where the

protests transformed into a battle between the anti-government demonstrators and the Libyan army who fired on unarmed protestors. The primary Libyan army base in Benghazi was overtaken by the protestors after the defection of the Libyan army unit reacting to the brutal government orders. Elite Troops and militias were sent to regain control of the city but they were repelled. Qaddafi also used aircraft and armed helicopters to attack the protestors in the Capital Tripoli and promised that he will not renounce and will remain in control. By February 20 rebellions and riots broke down nearly in every city of Libya. By the end of February it seemed that Libya was under the rebel control. To that matter Gaddafi used all forces at his disposal and formed tough mercenaries by recruiting around 5000 men from the sub-Saharan African men. The United Nations Security Council reacted by freezing Qaddafi's assets. By mid-March massacres and war crimes were reported by the press in every street of Libya and Gaddafi was on the verge of putting down the rebellion. By that time the opposition controlled the East of Libya whereas Gaddafi's troops were concentrated in his hometown Sirte and around the Capital Tripoli. By the end of March the rebels gained power and numbers. A sort of balance of power established between both opposition. On one hand the rebels were high in numbers but lacked a true command centre that will enable them to be more organized and structured to try to make a move to the capital city. On the other hand Gaddafi's armies had a strong arsenal of military equipments, were more structured and were to establish military camps around the capital but were less in number. All Arab countries which were against the Gaddafi regime and the massacre committed by his troops suspended Libya from the Arab League and tried to enforce a NO-fly zone over Libya. This No-fly zone resolution was adopted on the 17 of March 2011, allowing all necessary measures to be used to ensure the safety of the civilians. A couple of days later the United States, France and the United Kingdom began

with a military campaign composed of missiles and air force strikes against the Gaddafi troops. Paralleled with this military campaign, the rebels gained power and hope and began to try to infiltrate the Capital. Considering the vast difference on power balance between Gaddafi's forces on one hand and the rebels fortified by the France, UK and US attacks, and after months of heavy bombing and brutal battles, the Qaddafi's forces began to flee and scattered marking the end Qaddafi's 42 year regime which drove Qaddafi into hiding. On 20 October 2011 in the process of seizing Sirt, fighters under the aegis of the National Transitional Council, Colonel Gaddafi was captured and killed.

D. Egypt: The Revolution

According a research and study Guide from the Cornell University Library, the political events that started in Tunisia inspired Egyptians to follow suit and protest the long regime of President Hosni Mubarak. The major themes of the movements in both countries called for an end to economic degradation, poverty, injustice and corruption. The Egyptian revolution began on January 25th 2011 and over an 18-day period protesters managed to remove Mubarak and the National Democratic Party (NDP) from power. Mubarak was sentenced to life in prison due to his slaughtering of protestors.

Shortly after Mohamed Morsi of the Muslim Brotherhood was elected into power in the first democratic elections of Egyptian history, he assumed his position for a brief period of time following the removal of Mubarak until he imposed a radical constitution. The Egyptian Armed Forces retaliated by banning any affiliations or activities by the Muslim Brotherhood and removing Morsi from his position. The constitution was suspended and parliament was dissolved. Violence has continued to escalate as citizens protest the military coup (*Cornell University Library*). More than 50 people lost their lives in mass demonstrations.

This volatility in Egypt has quickly spread throughout the region, but the bloodshed has not reached Lebanon. Even as civil war rages and governments topple across North Africa and the Middle East, Lebanon has remained remarkably resilient to the violence; protests among Lebanese nationals have not erupted yet.

E. Syrian: The Civil War

For over than 40 years, the Assad family, first led by Hafez Al Assad then led by his son Bachar al Assad have been in control of the power in Syria. The Assad family has set up an authoritarian regime under the direct control of the Ba'ath party. This authoritarian regime helped Syria to establish itself as a major power in the Middle East linked with joined interest with Iran.

Encouraged by the Tunisia revolution, it was time for the Syrians to react. The Protest began on the 26th of January 2011. Small peaceful protest took place in Mid-March in Dara'a, when a small group of protestors took the streets to revolt against the torture of students who had placed an anti-government graffiti. This act ignited an unrest which spread to other parts of Syria. The demands of the protestors grew to command reforms, the dismissal of Bachar al Assad, equal rights of Kurds, allowing political parties and broad political freedoms. Fearing of what happened in Tunisia, the President of Syria, Bachar el Assad reacted by doing the following:

- Dismissing the Government
- The release of political prisoners
- The repeal of an emergency law that had been in place for nearly 50 years

These reforms did not meet the goals of the protestors who grew bigger and stronger. The Syrian army, commanded by the President, reacted by sending tanks into the rebelled cities which led to bloody clashes between the protestors and the army. This

scene repeated itself manly in every region in Syria.

The Syrian civil war has spilled into its third year, and according to an article by the New York Times, almost one-third of the population is in need of humanitarian help. This civil war has caused more than 100,000 human casualties according to the United Nations. More than 2 million Citizens have fled the country, most of them under the age of 18. Refugees have fled to Lebanon, Turkey, Iraq and Jordan. They are primarily young and face poverty, trauma from war, sexual abuse, kidnapping, malnutrition and no access to education. Nearly 700,000 Syrian refugees have made a temporary home in Lebanon. This influx in population threatens to destabilize the country. The Lebanese government, true to form, is not offering much aid to the refugees. Many Syrians have settled in Tripoli and the Baqaa valley (*Asfour*).

CHAPTER III

HISTORY OF THE LEBANESE ECONOMY

A. Overview

Lebanon has a liberal service-oriented economy that is well known for its unregulated private sector. The openness of the economy as well as the lack of regulations has created a lot of back-door illegal business undertakings, which in the long run hurt the economy, people and environment of Lebanon. “As early as the 1950s, the Lebanese exchange system became completely free of any restrictions on either currency or capital movements, in contrast with the prevailing exchange systems in the countries of the region and elsewhere that were characterized by exchange controls and other restrictions” (*Lessons of Lebanon*).

Two main sources of revenue for the Lebanese government are the tourism and banking industries, which forcefully drive income and GDP. The Lebanese economy was strong before the Civil War and because of this the service sector grew quickly during that time. Now, as all of Lebanon’s neighboring countries prepare for war, all sectors of the economy are declining and are at risk of collapse. Before the Lebanese civil war, Commerce steadily increased, and by 1973 commerce accounted for almost one-third of GDP. Nearly half of government revenues were obtained through customs duties at this time, which is a telling indicator of how influential the tourism industry can be on Lebanese economics.

In the early 1970’s, “The Lebanese pound was strong, credit was easy, and there was a balance of skilled and unskilled labor. Internal markets were protected, and Lebanese industry was finding increasingly useful outlets abroad, notably in the Persian

Gulf” (Ayman 1997). In present day, there is no telling how the refugees from Syria will affect tourism, commerce or industry.

Before the financial crisis in 2008, Lebanon was benefiting greatly from high oil prices. The oil industry allowed for higher investments and transfers to the banking system. It also created more jobs for the Lebanese in the Gulf coast. In 2012 Lebanon was expecting a seven percent growth, after a reassessment of the current political situation; it has decreased to a projected three percent, quite the drop. Syria is expected to have negative growth and Egypt is projected to barely make a two percent increase (*Evans*). It is unclear how the Lebanese population will be affected. Unemployment and underemployment will still negatively affect the country, as well as a continued lack of sufficient education, resources and basic needs like water and electricity.

In an interview, Lebanese economist Sami Nader commented on the effects of the Arab Spring on the Lebanese economy, “We were hurt less as compared to neighboring countries during the crisis thanks to regulations that the Central Bank imposed. But given that we were undergoing our own political turmoil since 2005, Lebanon’s economy was not able to benefit, as it should have. However, we did still witness continuous growth, and our debt-GDP ratio was maintained for the last five years” (*Elali*). One thing that history has shown is that Lebanon is resilient and even in the face of difficult or almost impossible circumstances, the country survives. If Lebanon wants to move forward and not just survive, but flourish, it must develop a well thought-out plan and follow it.

Projections for the future of the Lebanese economy are not sunny. There is a decrease in the transfer of capital to Lebanon, trade has decreased and political instability threatens tourism. The financial crisis, Lebanese-Canadian bank crisis and Sunni-Shia conflict have all contributed to a declining economic outlook. War has been

the largest contributor to uncertainty and destruction in the region. The avoidance of another civil war is paramount to the survival of the current Lebanese economy. The Lebanese then must decide how they will come together to demand a viable government in a peaceful way. Even then, resistance from groups like Hezbollah would make peaceful protest difficult.

B. Civil War

The primary source of the Lebanese socio-political and economic destruction was unquestionably the Lebanese civil war. The militarization of the Palestinian refugees that were displaced in Lebanon sparked conflict between regional factions. In 1975 fighting between Maronites, Palestinians, and Muslims crumbled the state. It is said that by the end of the war, each party had betrayed every other party in an effort to gain ground.

The civil war greatly affected GDP in Lebanon. Before 1975, Lebanon enjoyed a small and open liberal economy. After the civil war, the economy felt a massive obliteration of principal stock. It is estimated that the physical assets destroyed during the war were around \$25 billion dollars (Dibeh 2005). Knowing this, it is imperative for Lebanon to avoid another conflict of this scope, because the repercussions would be shattering.

During those dark years, the conflicts between Christians and Muslims upset the entire country. According to the article, Political Economy of Postwar Reconstruction in Lebanon, “The first nineteen months of the Lebanese Civil War witnessed widespread destruction of infrastructure and services, mostly in Beirut. Industry sustained direct damage valued at between L£5 and L£7 billion. Indirect damage was valued at between L£972 million and L£2.23 billion. Some 250 industries,

capitalized at L£1 billion, were destroyed, and as much as one-fifth of industry's fixed capital was lost" (Dibeh 2005).

In 1948 Israel was created and the influx of Palestinian refugees into neighboring countries caused huge political upheavals. This clash gave birth to the Arab-Israeli conflict, a battle that is still blazing more than 60 years later. The civil war and ensuing conflict with Israel crippled the Lebanese economy. The Lebanese civil war ended in 1990, but tensions with Israel continued and brought on the Israeli invasion. In 2006, Israel wrought a full-scale assault on Lebanon that lasted for just over a month. The economic devastation in 2006 was nothing compared to the decades long struggle brought on by the civil war. According to the Beirut Chamber of Commerce and Industry, after the first nineteen months of fighting, losses were at L£7.5 billion (Thomas Collelo 1987).

The Lebanese civil war lasted from April 1975 to October 1990. According to Uppsala Conflict Database, the war related deaths were estimated at 131,000. In addition to that, 500,000 Lebanese nationals emigrated to escape the war (Uppsala Conflict Database). Beirut was reduced to shambles. The infrastructure was grounded; road networks and utilities were compromised. "The war caused a weakening of state institutions including the military, security forces, administrative capacities and especially revenue generating capabilities and resource mobilization" (Dibeh 2005). The state still hasn't fully recovered, buildings damaged by the war are still erect in Beirut, the infrastructure is still inadequate and corruption still bars progress to the citizens of Lebanon.

Recovery after the war was exceedingly difficult due to inflation. Even after the Council for Development and Reconstruction was created, much of the renovation work was not completed. After the civil war had ceased, the economy was still depleted,

making the 1982 Israeli invasion even more damaging (Ayman 1997).

C. Invasion

As if the civil war wasn't destructive enough, on June 6, 1982 the state of Lebanon declined even further after Israel invaded Southern Lebanon. The conflict centered around the Palestine Liberation Organization (PLO), the removal of Syrian authority over Lebanon and the placement of a Christian government led by Bachir Gemayel. The country was still divided by its sectarian conflicts and was still recovering from the violence of the previous war. Reconstruction projects were in process; schools and hospitals finally began to open. President Bachir Gemayel was pushing for radical reconstruction efforts, most of which went unanswered.

Unfortunately, Beirut was divided in 1984 and the economy took an undeniable fall. Beirut had crumbled yet again. Inflation hit hard causing the currency to be radically devalued. By 1986, the inflation rate reached 100 percent (Ayman 1997).

This was a critical period of economic unrest, so much so that foreign banks began to move out, "Public debt soared, and only drastic cutbacks in government purchases, which were virtually restricted to oil, ensured an overall balance of payments surplus in 1985. Government revenues from taxation and customs duties continued to erode. Economic control was falling into the hands of those who possessed hard currency" (Ghazi).

In 1985 the cost of living increased by 30 percent. Statistics showed an 86-percent inflation rate for the 12 months ending in June 1986. The cost of food showed the highest increase. The cost of living for a family of 5 had risen by 150 percent by the end of 1986. This sharp incline in the cost of living made life difficult for the middle and lower classes in Lebanon (Ayman 1997).

D. Balance of Payment

The balance of payment of a country represents a summation of current demand and supply of the claims on foreign currencies and of foreign claims on its currency. It can be expressed also as the “Systematic record of all economic transactions between the residents of a foreign country”. The balance of payment of Lebanon has had many fluctuations during the years. This systematic record has surely been affected by the political situation that the country has been through. Between the year 1983 and 1984, the deficit of Lebanon has witnessed an increase of 50% reaching \$1.4 billion (Thomas Collelo 1987). The upcoming year had a different outcome where the central bank assets rose and the current account observed a surplus of \$381 million. Pressure from the government to finance runaway public expenditure and a stagnant policy against the state’s withering base caused a significant \$407 million in deficit in year 1986 which has abolished the progress done (Thomas Collelo 1987). A soaring public debt continued the upcoming year since customs receipts and taxes were dried out. The government responded to that situation by selling treasury bonds with high interest rates and by borrowing around \$840 million from the central bank. These actions did not resolve the critical problem and the situation worsened even more. By the end of 1987 the public debt reached \$883 million. During the upcoming years, and through the 1990, this public debt has witnessed a staggering increase due to the financing of the infrastructure that needed to be reformed during the 1990’s after the civil and the Israeli invasion. At year 2001, the Government debt to GDP reached 143.12%, and this deficit kept on increasing to reach a high of 167.88% at year 2006 as shown in the graph below.

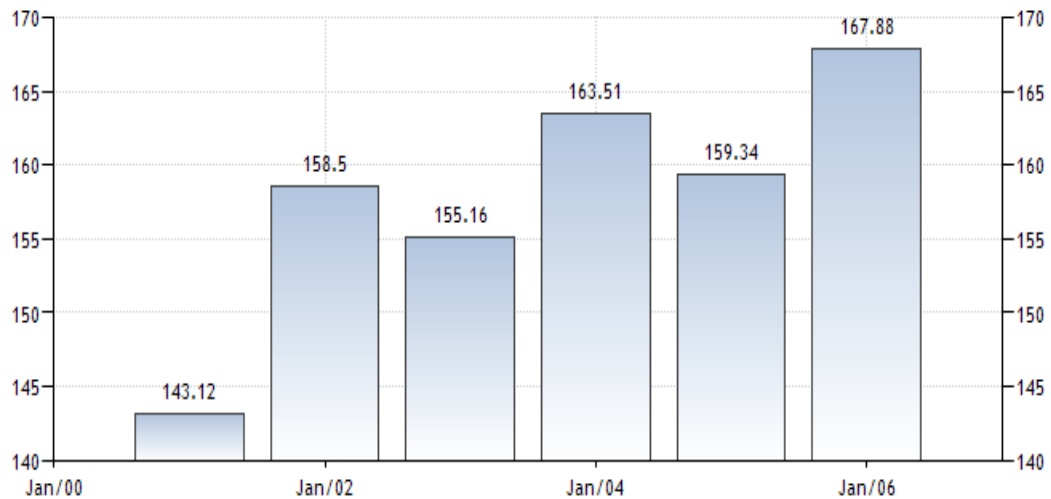


Fig. 1. Lebanon Government Debt to GDP
 Source: www.Tradingeconomics.com; World Bank

E. Government Revenues

During the 1980's, unlike nowadays, Lebanon was a country that relied on customs receipts as a major income for the government. That means that any shortage or deficiency in these receipts would cause inevitable problems. In 1984 customs receipts could not even generate the one-third of the level accomplished in 1983 reaching only \$69.4 million. This increase continued in the year 1985 where these receipts only accounted for \$24.3 million simultaneously while the state of finance stated that the customs receipts should be ten times higher than the preceding year. In 1986 only \$9.7 million were accounted as revenues being just 5.5% on the total government spending that's year (Thomas Collelo 1987).

“In the mid-1980s, the government still had assets to cover its financial obligations. A November 1985 report listed as the nation's principal assets its gold reserves (about US\$10 billion in foreign exchange reserves) and holdings in its Intra Investment Company. In addition, the report said, there were more than US\$440 million in public sector deposits with the Central Bank, about US\$200 million in secured debts

owed to the state, and about US\$86 million in various Central Bank assets. Against this, however, domestic public debt totaled US\$2.5 billion, while foreign debt totaled US\$200 million” (Thomas Collelo, 1987).

F. Inflation

Lebanon witnessed devastating outcomes of both the Civil war and the Israeli invasion. The direct effects of these events were present in the first 3 months of the year 1985. According to Ayman, Ghazi (1997) the cost of living increased by 30 percent. Moreover the inflation percentage climaxed and showed an increase of 86 percent during that year. These statistics were given by the General Labor Federation of Lebanon (Confédération Générale des Travailleurs du Liban). In addition to that the cost of living for a family of 5 had risen by 150 percent at the end of the year 1986. “Monthly expenditure on basic items--excluding education, rent, and medical expenses--had risen from L£5,652 to L£14,083. Overall, the federation estimated that 1986 had witnessed a 226-percent increase in prices. By March 1987, the federation was reporting a 250-percent inflation rate, with food prices having increased 300 percent over the previous 12 months” (Ayman 1997).

CHAPTER IV

MEASURING THE EFFECTS OF THE UPRISINGS ON THE FUTURE LEBANESE ECONOMY

A. Gross Domestic Product

The most comprehensive tool for analyzing the success of an economy is Gross Domestic Product, (GDP). Looking at GDP allows us to look at how fast an economy is growing, how fast it is moving, and the effects of trade on growth. Gross Domestic Product is the most closely watched economic statistic, because it helps formulate a big picture that dictates governmental budget, monetary policy and business practices. Inflation is also an important statistic to monitor, because real growth and inflated growth must be differentiated. Inflation is an increase in the supply of currency, which drives higher prices and a decrease in the power of money. The final number of GDP is a summation of consumption, investment, government spending imports and exports.

Gross domestic product (GDP) is a familiar but remarkable statistic. It is an astonishing feat of statistical compression, reducing the restless endeavor and bewildering variety of a national economy into a single number, which can increase over time...Both of those terse statistical statements sum up world-changing developments, which will attract vast volumes of commentary and explanation. Few other statistics in the social sciences are as expressive (Commission on Growth and Development 2008).

The Lebanese GDP (official exchange rate), as off 2013 has reached a high of around \$42.95 billion, this number is an increase from 2012 and 2011 reaching respectively \$40.09 billion and \$37.12 billion as shown in the below graph (Trading Economics).

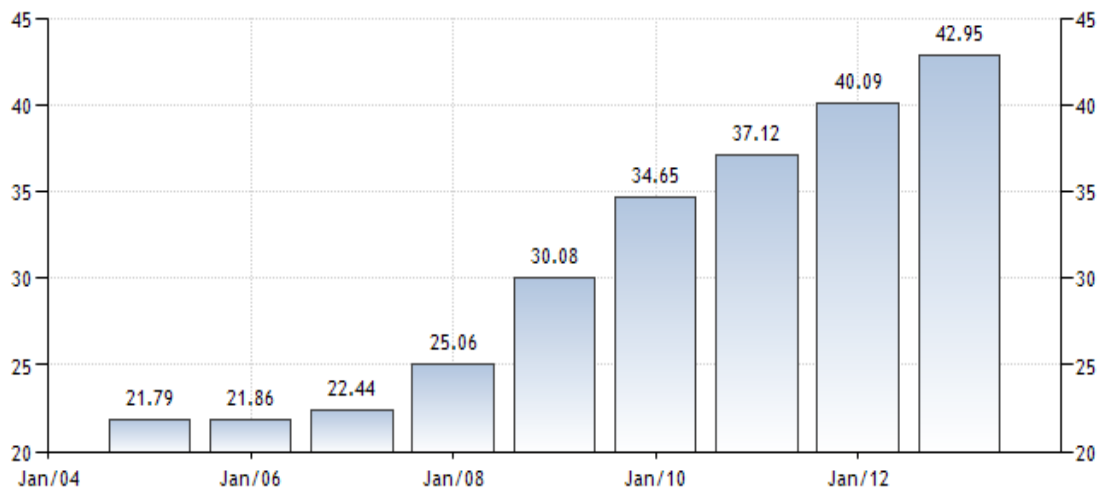


Fig. 2. Lebanon GDP
 Source: www.Tradingeconomics.com; World Bank

The GDP kept on increasing prior to the Arab Uprisings years at a growing rate and during the Arab Uprisings year at a nearly steady state

On the other hand, the real growth rate was 2% in 2012, putting Lebanon's ranking at 137th in the world. 75.8% of the GDP is attributed to the services sector (World Factbook 2013). This rate has decreased to reach 1.5% in 2013 and %1 in 2014. We can notice that this growth rate dropped enormously during the Arab Uprisings years. Being at an average of 9% prior to the Arab Uprisings years and then reaching an average of 1.5% during the Arab Uprisings years (Trading Economics).

The slight growth of the economy is a relief, but 28% of the Lebanese population still lives under the poverty line. Currently, the inflation rate is 6.4%, a rise from 4.85% in 2011 and 5.63 in 2012 (Trading Economics).

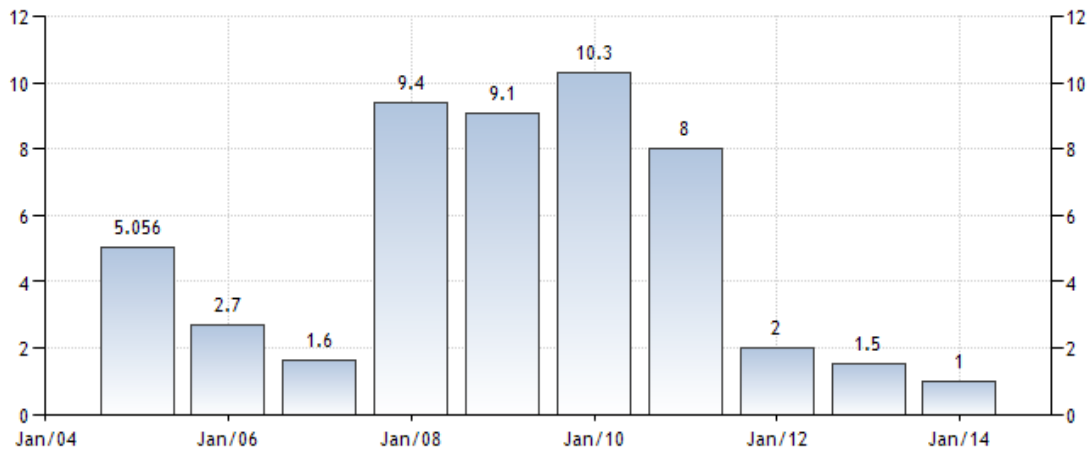


Fig. 3. Lebanon GDP Annual Growth Rate
 Source: www.Tradingeconomics.com; World Bank

We can observe a crucial decrease of the inflation rate just slightly prior to the year 2010 going from 7.01 and reaching 4.38. During the Arab Uprisings year this rate kept on increasing at an average on 13%

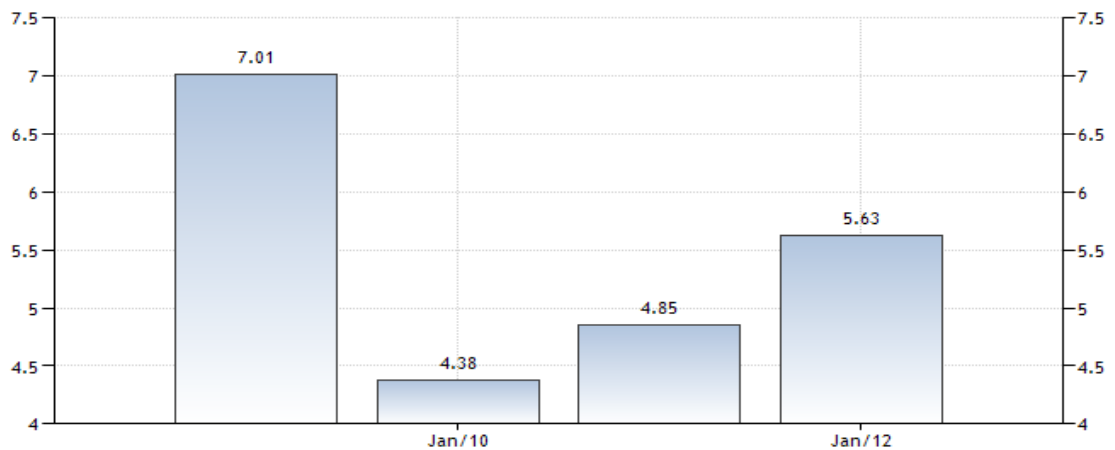


Fig. 4. Lebanon GDP Inflation Rate
 Source: www.Tradingeconomics.com; World Bank

As a summary we can state that both the GDP and inflation rate has increased during the Arab Uprisings phase that is from 2011 till 2013, whereas the real growth

rate has decreased during that same period.

It is important to study the effects of political instability on growth rates and GDP per capita. A study conducted using the system-GMM estimator for linear dynamic panel data models on a sample covering up to 169 countries, and 5-year periods from 1960 to 2004, found that higher degrees of political instability are associated with lower growth rates of GDP (Aisen and Veiga 2011). This outcome is quite predictable, because we know that physical and human capital is damaged during times of political unrest. Interestingly, the same study found that nations with ethnic homogeneity benefit higher rates of growth. Lebanon has a fractured and extremely diverse population, which makes stability more of a challenge.

Productivity also suffers during times of war or economic decline. Resources risk being wasted or improperly allocated during high stress times. If government infrastructure declines then every other aspect of social or economic life becomes negatively affected. During times of war, not only is life lost and property damaged, but workers lose their jobs, their work hours, benefits, and thus the productivity of the economy begins to fall.

B. National Debt

Any liability that requires payment of interest or principal by the debtor to the creditor constitutes gross debt. Forms of this debt include currency, deposits, loans, insurance, pensions, SDR's, securities, and accounts payable. A couple of exceptions are employee stock options, financial derivatives, equity and investment fund shares. National debt is imperative to understanding the possibilities for economic growth and participation in the global economy. Government debt as a percent of GDP is a valuable tool used by economists and investors to measure a countries ability to make payments

on its debt, thus affecting government bond yields and country borrowing costs (Trading Economics).

According to 2012 statistics provided by the World Bank, Lebanon reported a Government Debt to Gross Domestic Product of 139.50 percent of the GDP. Lebanon has one of the highest Government Debt to GDP rates in the world, causing room for concern. Government debt has drastically increased since 2009. A large portion of the intra-governmental debt consists of treasury borrowings from surpluses in the social funds, such as for retirement, medical care, and unemployment (Trading Economics). There are further increases of national debt on the horizon for Lebanon. According to a statement by the Finance Minister of Lebanon Mohammad Safadi, public debt in Lebanon is projected to increase in 2014 even after the introduction of higher taxes. “We estimate that the public debt will reach \$61 billion in the end of 2013 and \$65 billion in 2014,” said Safadi in an interview (*Habib*). The Government debt to GDP percentage rose from 137.5 at year 2012 to reach a 145.9 at year 2014 (Trading Economics).

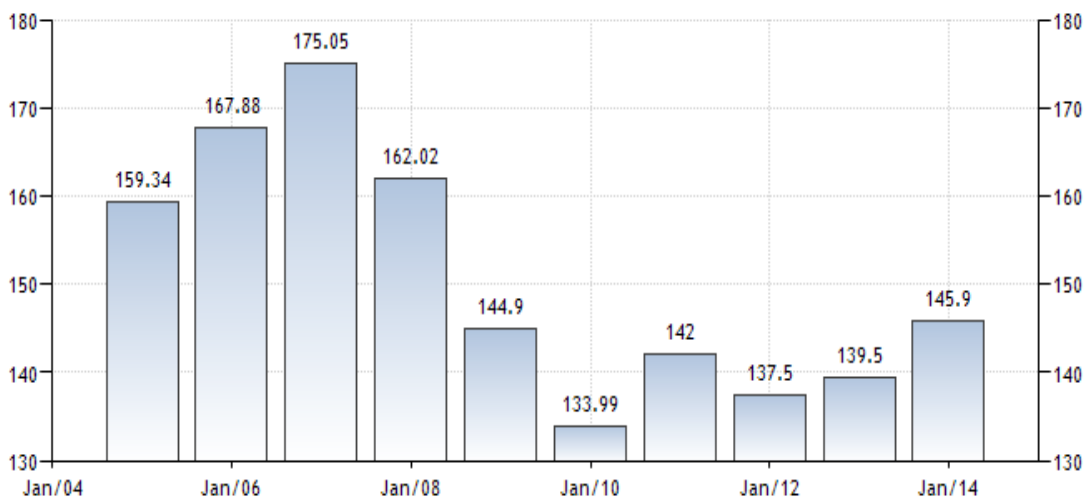


Fig. 5. Lebanon Government Debt to GDP
Source: www.Tradingeconomics.com; World Bank

The above graph clearly shows us that the government debt was on decreasing rate from year 2007 till 2010 where it reached a low of 133.99%. At the Beginning of the Arab Uprisings events this rate enlarged by an increasing rate to reach a 145.9% at year 2014 (Trading Economics).

C. Government Spending

According to the Heritage Foundation, Government spending in Lebanon as of 2013 accounts for 29.1 percent of aggregate domestic output. Furthermore, the top income tax rate is 20 percent, and the top corporate tax rate is 15 percent. The current weighted tariff weight is 4.8 percent (The Heritage Foundation 2013). Overall, the tax burden in Lebanon is 17.2 percent of the total domestic income. The public debt surpasses the size of the economy, making the current deficit is 5.6 percent of GDP (The Heritage Foundation 2013).

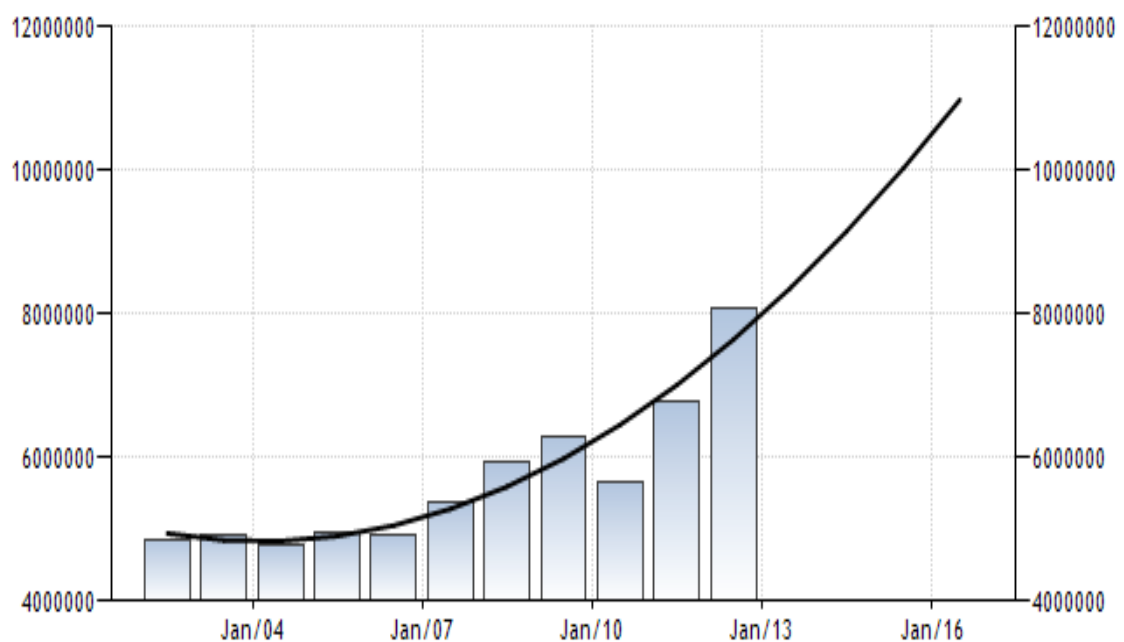


Fig. 6. Lebanon Government Spending
 Source: www.Tradingeconomics.com; SESRIC

As we can note from the graph above, the Government spending of the Lebanese was growing on steady rate till year 2009. At the beginning of the Arab uprisings this spending decreased rapidly to reach 5,7 Million LBP and that is surely caused by the fear that surrounded the Arab region. However the economy has grown in during the Arab Uprisings years to 8.069 Million LBP Million in 2012 from 6.76 Million LBP in 2011 (Trading Economics).

Foreign investment has been perpetually impeded, despite the fact that the financial sector is comparatively well developed for the region. Currently, Lebanon does not claim ownership to any commercial banks. Corruption is cited as the cause of the vulnerability of the economy. The legal system is ineffective and archaic; commercial court cases can take years to be resolved, if they are resolved at all. The self-serving nature of the major industries in Lebanon reflects a real negative impact on future growth. Without the implementation of anti-corruption measures, the environment and quality of life will not see an improvement. A true measure of government spending cannot be obtained until an honest and effective governing body can discern what the true economic indicators are.

Sectarian fighting or deteriorating foreign relations with Syria or Israel often interferes with the well being of the nation. If Lebanon is to reduce poverty and enforce economic freedom, long-term implementation of equitable economic regulations is paramount, as is a dedication to peace.

D. Employment

Lebanon is in a fragile condition because of the global economic crisis and the building tension in the Middle East. War threatens the productivity of the state. Unemployment and underemployment have stemmed from a non-prosperous economy,

and now the young members of Lebanese society must struggle to find ways to be productive members of the work force. With the majority of the Lebanese economy being focused on services, it goes without saying that the labor market is a critical component. Unemployment, especially for the young, poses a huge problem to the economy. A nation's youth is meant to be an economic stimulant. It is important for policymakers to address the issue of unemployment, which recently has become more complicated. An influx in war refugees might make unemployment rise due to the availability of workers who will accept lower wages. The unemployment rate has risen from 5.83 percent in 2011 to reach 11 percent as forecasted by the World Bank (Elias Sakr, Daily Star).

In a recent assessment of the impact of the Syrian crisis on Lebanon, the World Bank forecast that the unemployment rate would increase by nearly twofold to reach 20 percent, putting an additional 220,000-324,000 Lebanese, primarily women and unskilled youths, out of work. This can be likely linked to the Syrian refugees opening a flood of unlicensed small shops and businesses all around the Lebanese territory. The Unemployment rates are forecasted to reach as high as 34 percent among the youth and 18 percent among women (Elias Sakr, Daily Star).

Private Universities are a dominating force in Lebanon as the higher education sector has grown. Unfortunately, after students graduate they struggle to find adequate work, because there is a large pool of accrued human capital. Education is directly translated into productivity and economic equitability. It is the challenge of the Lebanese government to determine a strategy to boost productivity.

A relevant way to conclude an employment strategy would be to assess the sectors with the highest growth and allocate programs that would boost employment within those particular sectors. For instance, tourism could be more heavily promoted

and more programs could be created to support this industry. A targeted plan of action in regards to creating jobs is the only way to progress.

E. Personal Income

For the average Lebanese family, income is too low compared to the growing cost of living due to inflation. Providing a stable living for a family is more difficult than ever, which is why a new economic structure is necessary for the progression of the Lebanese state. The cost of food, clothes, utilities and rent is comparable, if not higher, than many European states such as France or England. There is a critical problem with the average income is dramatically smaller in Lebanon than in more developed western countries.

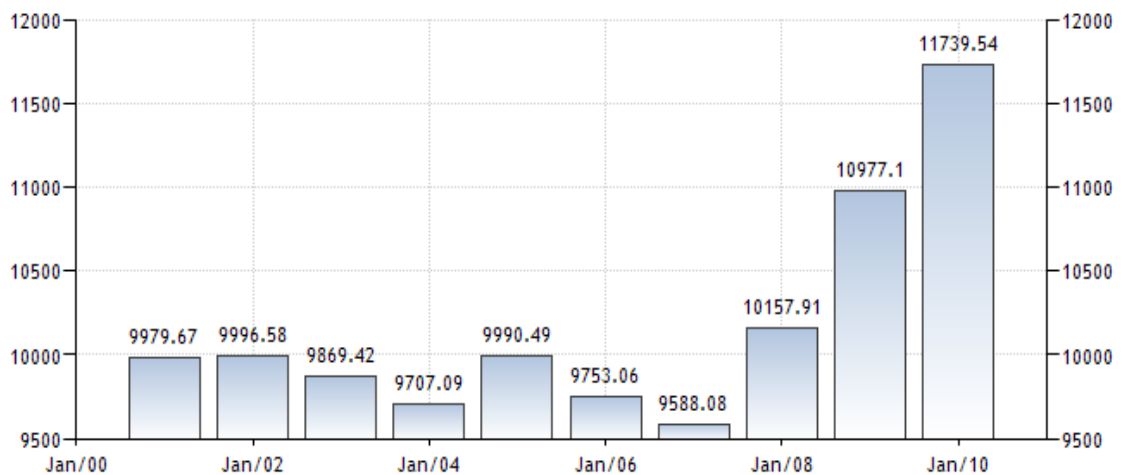


Fig. 7. Lebanon GDP per Capita PPP
 Source: www.Tradingeconomics.com; World Bank

The above graph illustrate the increase of the GDP per capita that went from a low of 9.58808 Thousand Dollars at the year 2007 to reach \$11.73954 Thousand Dollars at year 2010 (*Trading Economics*). In that context during those three years the

GDP per capita increased by 80%. Now if we look at the GDP of the following years:

The GDP per capita is estimated to be:

- 1.1902 Thousand USD in 2010
- 1.3013 Thousand USD in 2011
- 1.5130 Thousand USD in 2012
- 1.6346 Thousand USD in 2013

We can notice that increase in the following three years from 2010 till 2013 of the GDP per capita reached around 70% (recording a 10% decrease). (*World Bank*)

According to the World Bank As of 2011 the Quality Life Index was estimated as following:

- 28% of the Lebanese People lives below Poverty line (2,500\$)
- 54% of the Lebanese People lives in the moderate middle class (9,000\$) annually. ▲ 12% from 1998
- 22% of the Lebanese People lives in the upper middle class (15,000 \$ - 27,000\$) annually. ▼ 19% from 1998
- 4% of the Lebanese People lives in the highest Upper Class rich (30,000\$ and above) annually ▲ 1% from 1998

With a soaring cost of living, this level of income can barely cover rent (Nassar 2002). How then do the Lebanese people survive? A discrepancy between reported incomes is a possibility. Even with a slightly higher reported national GDP, Lebanese families would still be struggling for basic necessities.

As market prices increase, it will be a mystery as to how families will find money for school, utilities, groceries, clothing and medical bills. As the currency continues to inflate in the region, citizens will struggle to make ends meet. A declining currency and an inclining cost of living make prosperity exceedingly difficult.

Furthermore, Lebanese consumers are overpaying for insufficient services, such as fickle electricity and water. Cell phone service and Internet subscriptions are the most noticeably expensive luxuries, and these companies do not offer quality products or reliability of service. Deflation is necessary if the Lebanese currency is to recuperate from past losses. The privatization of many industrial sectors in Lebanon has caused a jacking in prices. A regulating body must be created to manage the gap between wages and cost of living, otherwise Lebanon risks negative growth.

F. Taxes

The Lebanese government has made an effort to increase taxes and tariffs since 2001. The government has reduced expenditures, approved a value-added tax (VAT) and increased gasoline taxes. Dividends and interest are highly taxed, more specifically interest on bank accounts and Lebanese treasury bills. According to a document released by the Lebanese Ministry of Finance, income taxes in Lebanon follow a progressive structure where tax rates increase with taxable income. Corporate tax rates are reported at 15 percent. Due to a decline in economic growth and currency substitution the central bank is overburdened and commercial banks cannot finance the government (the Lebanese income tax system: A summary)

According to Trading Economics, The taxes on personal income, corporate and sales are represented below Figures:

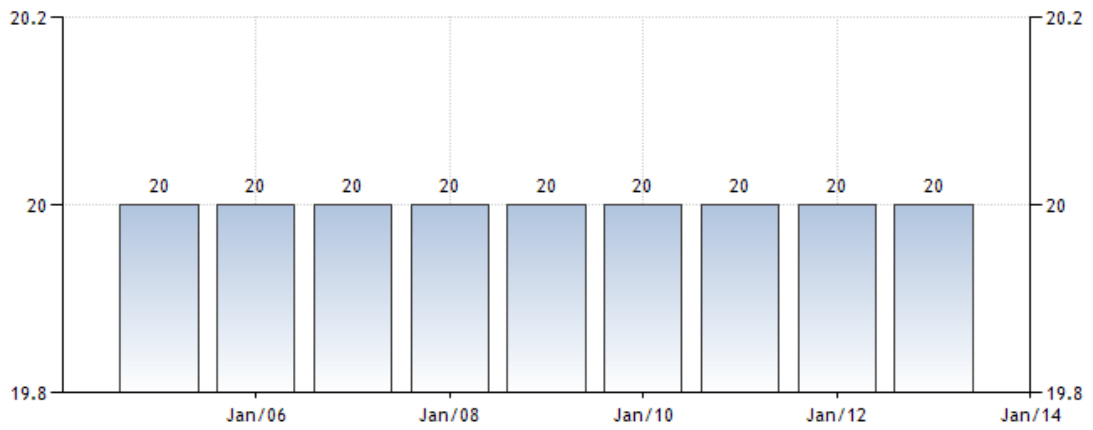


Fig. 8. Lebanon Personal Income Tax Rate
 Source: www.Tradingeconomics.com; Ministry of Finance, Lebanon.

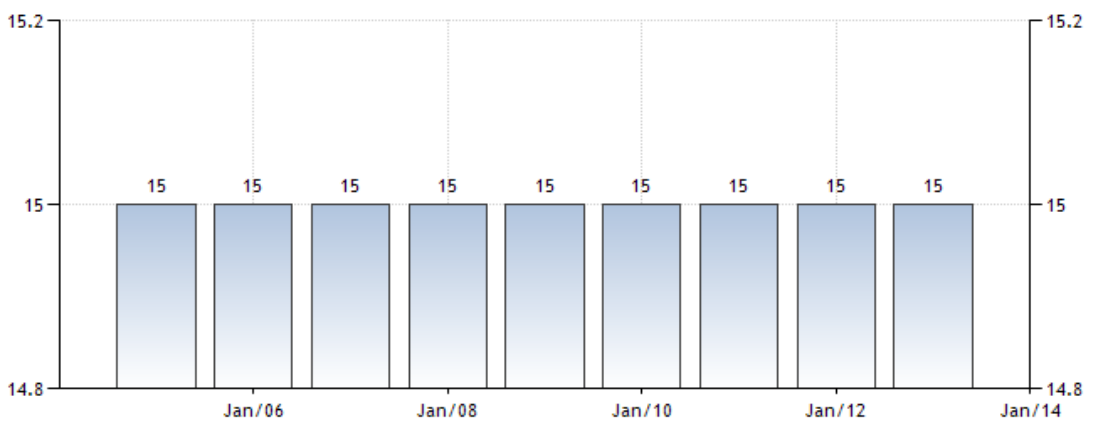


Fig. 9. Lebanon Corporate Tax Rate
 Source: www.Tradingeconomics.com; Ministry of Finance, Lebanon.

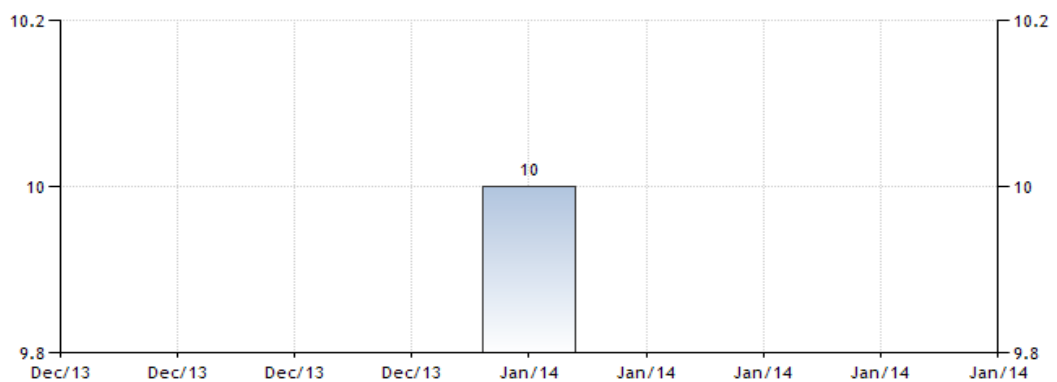


Fig. 10. Lebanon Sales tax rate/VAT
 Source: www.Tradingeconomics.com; Ministry of Finance, Lebanon.

G. The direct Implications of the Syrian revolution on Lebanon

1. Numbers and Statistics

a. Demographics

The UNHCR data states that there are an increasing numbers of Syrian refugees in Lebanon. It counts 1,014,070 out of which 966,267 are registered with UNHCR under 225,416 households. This trend has been increasing as per below:

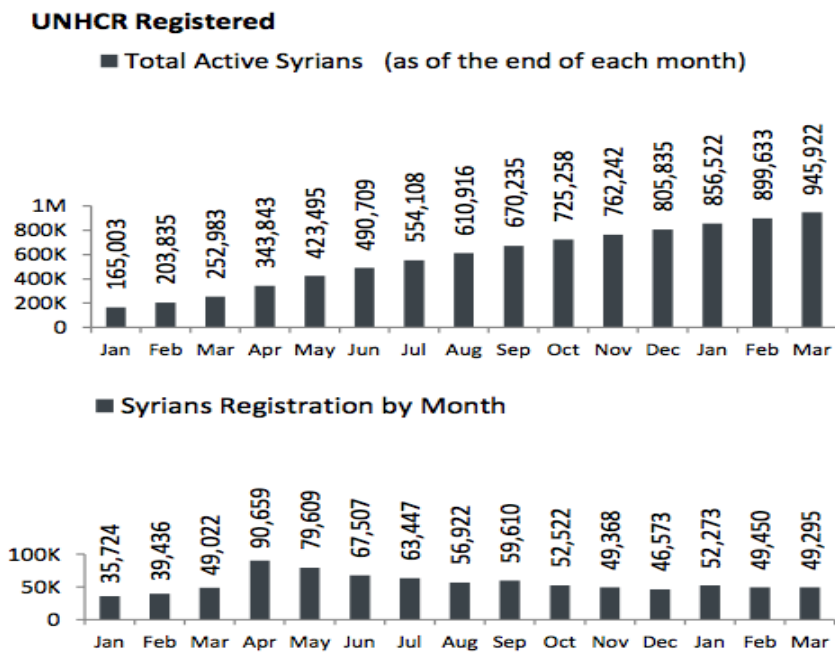


Fig. 11. Number of Syrians Registered Refugees per Month

Source: UNHCR

Table 1. Percentage of Males and Females Breakdown per Age

Age (Years)	Percentage of Males breakdown (48.3%)	Percentage of Females breakdown (51.7%)
0-4	9.8	9.3
5-11	10.8	10.2
12-17	6.3	6.1
18-59	20.2	24.5
60+	1.2	1.5

Source: UNHCR

This figure is rather large especially if we add the non-working part of the remaining categories that would need support: 2.7% aged over 60 and considering that a large number of remaining females 24.5% and males 20.2% are unemployed and in dire need of support to add to the fact that a large percentage of them have special needs (including a large number of pregnancies) and disabilities as found in a survey by the UNHCR.

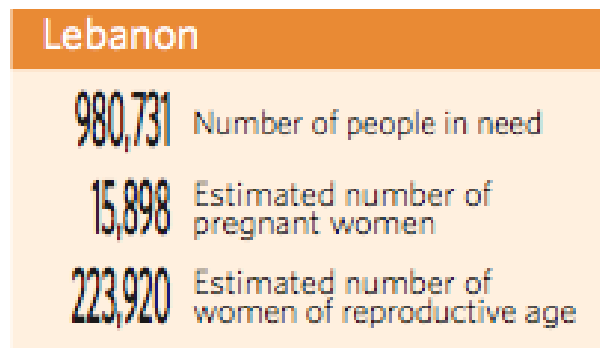


Fig. 12. Number of Syrians Registered Refugees in Need
 Source: UFGA humanitarian bulletin, March 2014.

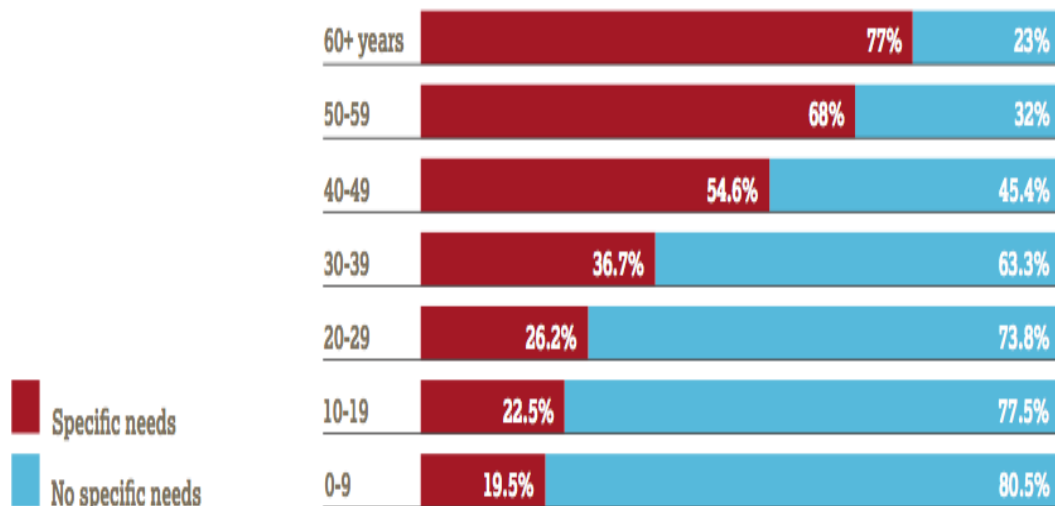


Fig. 13. Number of International Handicap and Help Age in 2013

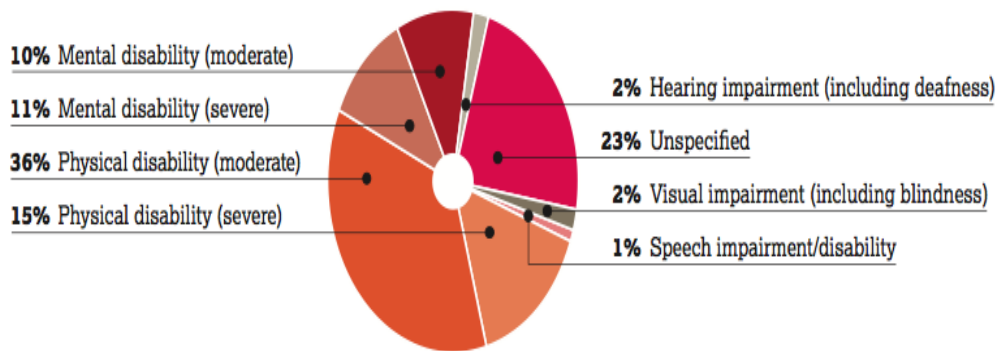


Fig. 14. Breakdown of Impairments among Registered Refugees in Lebanon
Source: UNHCR 2013.

The most basic and essential needs are identified as a priority for the refugees and these broken down under the categories in the following table which shows that the focus is mostly put on barely surviving with 52.8% identifying food, shelter and healthcare as their most important concern while only 5.5% considering education as immediate need at this stage.

Concerns	Identified priority
Lebanon	
Income, livelihood	27%
Shelter	13.9%
Healthcare	11.9%
Food	9.6%
Essential, non-food items	6.9%
Education	5.5%

Fig. 15. Most Basic and Essential Needs among Registered Refugees in Lebanon
Source: UNHCR. “Hidden victims of the Syrian crisis: disabled, injured and older refugees.”

In addition, the table below shows some of the disease cases reported in refugee camps; vaccines or adequate water/food supply could allow averting most of the cases that are proportionally increasing.

Table 2. Cumulative Notifiable Diseases in Lebanon (Syrian)

Disease	2013 Cumul	2014 Cumul*	Feb	Mar*
Vaccine Preventable Diseases				
Polio	0(0)	0(0)	0(0)	0(0)
Acute Flaccid Paralysis	34(7)	7(3)	2(0)	2(1)
Measles	1760(232)	83(30)	42(15)	20(4)
Mumps	14(2)	12(7)	5(4)	5(2)
Pertussis	59(9)	19(6)	11(5)	0(0)
Rabies	1(1)	0(0)	0(0)	0(0)
Rubella	27(1)	0(0)	0(0)	0(0)
Tetanus	4(0)	0(0)	0(0)	0(0)
Viral Hep B	141(8)	36(3)	16(2)	6(1)
Water/Food Borne Diseases				
Brucellosis	189(12)	23(0)	8(0)	5(0)
Hydatid cyst	13(3)	4(0)	2(0)	0(0)
Typhoid Fever	407(21)	35(0)	19(0)	7(0)
Viral Hep A	1551(220)	363(54)	141(22)	74(7)
Other Diseases				
Leishmaniasis	1033(1032)	219(216)	62(62)	46(46)
Meningitis	204(24)	34(3)	19(1)	2(0)
Viral Hep C	103(4)	19(0)	9(0)	3(0)

Source: WHO weekly updates, 31 March 2014.

As a result, it is important to note that there is an increasing need for food, health, mental and educational support, and alleviation of the multiple effects that the war is having on the displaced Syrian population.

b. Financials

The financial requirements to support this are increasing number of refugees and their needs are as follows:

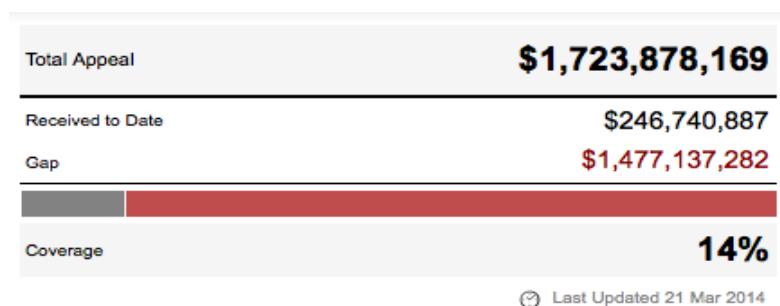


Fig. 16. Funding Requirements (2014)
Source: UNHCR

And despite the increasing international and regional initiatives to finance the needs of the Syrian refugees, the funding is still far exceeding 14% even with the numerous contributions and programs.

Table 3. International and Regional Initiatives to Finance Syrian Refugees

DONOR	Regional*	EGYPT	IRAQ	JORDAN	LEBANON	TURKEY	Grand Total *
CANADA		\$897,666	\$1,795,332	\$4,488,330	\$4,488,330		\$11,669,659
ESTONIA				\$135,685			\$135,685
EUROPEAN UNION	\$441,576		\$27,926,291	\$25,006,690	\$60,922,538	\$7,553,995	\$121,851,089
FRANCE					\$1,367,990		\$1,367,990
GERMANY					\$3,278,326		\$3,278,326
HUNGARY			\$54,720				\$54,720
JAPAN	\$12,195,121	\$1,400,000	\$2,920,000	\$7,170,000	\$5,800,000	\$4,000,000	\$33,485,121
MEXICO					\$1,000,000		\$1,000,000
NETHERLANDS					\$1,595,755		\$1,595,755
NORWAY	\$20,210,319			\$356,542	\$196,175	\$196,175	\$20,959,210
PRIVATE DONORS	\$1,441,165				\$1,634,416		\$3,075,581
SAUDI ARABIA				\$720,000	\$3,636,363		\$4,356,363
SLOVAK REPUBLIC					\$40,706		\$40,706
SLOVENIA	\$41,379						\$41,379
SWITZERLAND	\$3,307,607						\$3,307,607
UN PROG ON HIV/AIDS				\$50,000	\$50,000		\$100,000
UNITED KINGDOM				\$12,779,553	\$9,424,920		\$22,204,473
UNITED STATES OF AMERICA	\$2,500,000	\$6,800,000	\$7,700,000	\$22,900,000	\$30,000,000	\$18,500,000	\$88,400,000
GRAND TOTAL	\$40,137,168	\$9,097,666	\$40,396,342	\$73,606,801	\$123,435,518	\$30,250,169	\$316,923,664

Source: UNHCR funding.

Table 4. Names of Organizations who Finance Syrian Refugees

Organization	Total requirements * RRP6 (Jan - Dec 2014)	Funding received Lebanon
CONCERN	\$121,000	\$251,000
DRC Danish Refugee Council	\$68,692,914	\$7,376,972
GVC Gruppo di Volontariato Civile	\$4,822,783	\$2,068,966
HI Handicap International	\$21,112,220	\$3,606,929
HWA Hilfswerk Austria International	\$1,545,750	\$121,000
IMC International Medical Corps	\$17,679,219	\$4,517,056
IOCC International Orthodox Christian Charities	\$10,684,350	\$1,468,000
IOM International Organization for Migration	\$80,474,126	\$1,200,000
IRC International Rescue Committee	\$46,917,005	\$4,903,308
Medair	\$27,206,055	\$1,032,552
NRC Norwegian Refugee Council	\$71,983,428	\$4,987,959
Oxfam	\$20,498,355	\$5,844,567
PU-AMI Première Urgence-Aide Médicale Internationale	\$9,233,252	\$8,184,200
RI Relief International	\$26,892,274	\$54,000
TDHI Terre des Hommes Italia	\$2,977,700	\$850,000
UNHCR United Nations High Commissioner for Refugees	\$1,345,405,017	\$118,947,188
UNICEF United Nations Children's Fund	\$613,018,391	\$33,488,517
UNRWA United Nations Relief and Works Agency	\$107,431,767	\$11,842,440
WFP World Food Programme	\$1,080,484,166	\$32,874,593
WHO World Health Organization	\$60,332,892	\$600,000
WVI World Vision International	\$18,754,864	\$2,521,640
TOTAL	\$4,264,717,711	\$246,740,887
Jordan Lebanon Turkey Iraq Egypt Region Total		
Requirements Grand Total	\$4,264,717,711	\$1,723,878,169
Funding Level Grand Total		\$246,740,887

Source: UNHCR funding.

There is a growing need to bridge the gap between the funding needs requirements and the funding level to avoid worsening the situation of the refugees and prevent a chronic humanitarian disaster on all scales.

c. Tourism

The following figure is taken from a study by Credit Libanais, “Lebanon amid the Arab Spring” (2013):



*Difference (percentage change) between 2010 and 2011 in the number of tourists
Fig. 17. Difference percentage of tourists between the years 2010 and 2011
Source: Index Mundi Estimates, Credit Libanais Economic Research Unit

It shows the variance in the number of tourists between the years 2010 and 2011, before and after the Arab Uprisings and its impact on tourism in the region.

Tunisia has seen a 30.68% drop in tourist numbers, Egypt a 32.41% drop, Yemen a 19.12% decrease and Syria lost 53.19% of its incoming tourism. Lebanon was affected by the events happening in Syria and the region, as well as by the associated instability that occurred on its territory and had its tourism slashed by 23.67%.

This goes to demonstrate that the Arab Uprisings had a detrimental effect on tourism in Lebanon especially that “a significant portion of Arab tourists are land travelers reaching Lebanon via Syria, something that has become impossible given the

deterioration in security condition in Syria” (Credit Libanais SAL 2013) added to the fact that “the aggravation of domestic security conditions, an indirect fruit of the tensions in Syria, prompted some Arab nations including Qatar, Saudi Arabia, U.A.E, and Bahrain to issue travel restrictions on their nationals from coming to Lebanon.”

The following charts display what is stated above in terms of Total number of tourists coming to Lebanon over the years before and after the start of the Arab Uprisings:

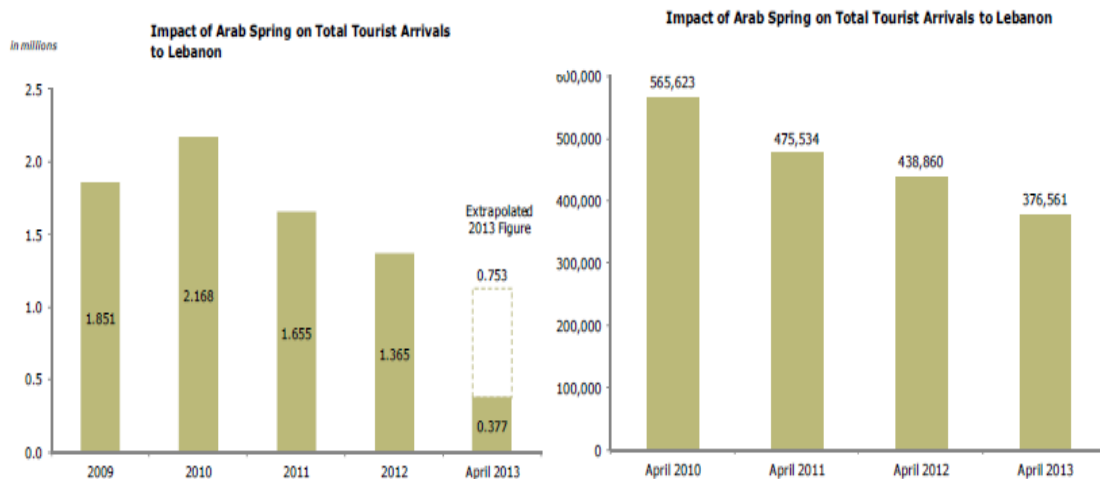


Fig. 18. Impact of Arab Spring on Total Tourist Arrivals
Source: Ministry of Tourism, Credit Libanais Economic Research Unit

Between 2010 and 2012, the total number of tourist arrivals to Lebanon dropped from 2.168 million to 1.365 million, and if we compare the 2010 number to the extrapolated figure for 2013 the change is a staggering 65% drop.

In addition, if we compare the same figures for the months of April 2010 and April 2013, we notice that the Total number of tourists coming to Lebanon dropped from 565,623 to 376,561.

To emphasize this idea let’s take a look at the rate of hotel occupancy for the

months of April between the years 2010 and 2013(extrapolated) and for the years 2009, 2010 and 2011:

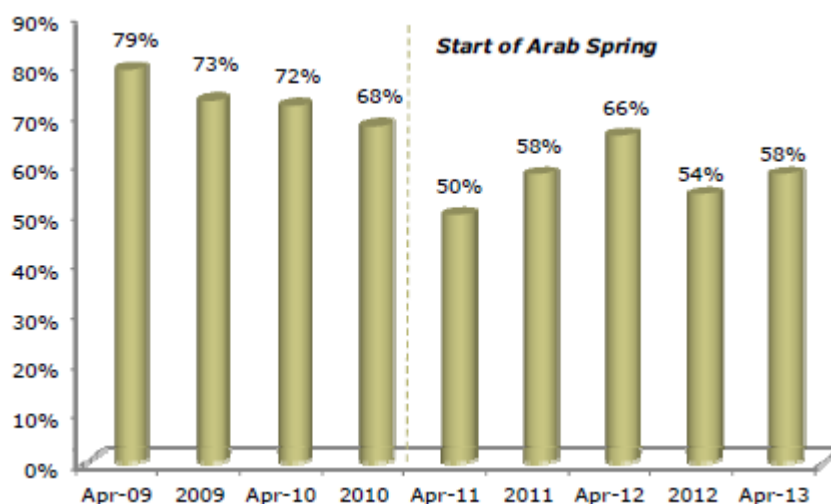


Fig. 19. Impact of Arab Spring on Hotel Occupancy in Beirut
 Source: EMST & Young, Credit Libanais Economic Research Unit

The chart above shows that the rate of hotel occupancy has dropped as follows:

Table 5. Impact of Arab Spring on Hotel Occupancy in Beirut

	2009	2010	2011	2012	2013
April	79	72	50	66	58
Year Total	73	68	58	54	48 (approximate)

Despite a small increase between April 2011 and April 2012 from 50% to 66%, the hotel occupancy percentage has dropped again to 58% in April 2013; all these numbers stayed well below the pre-Arab Uprisings 79% for April 2009.

The Year Total hotel occupancy takes the following falling trend:

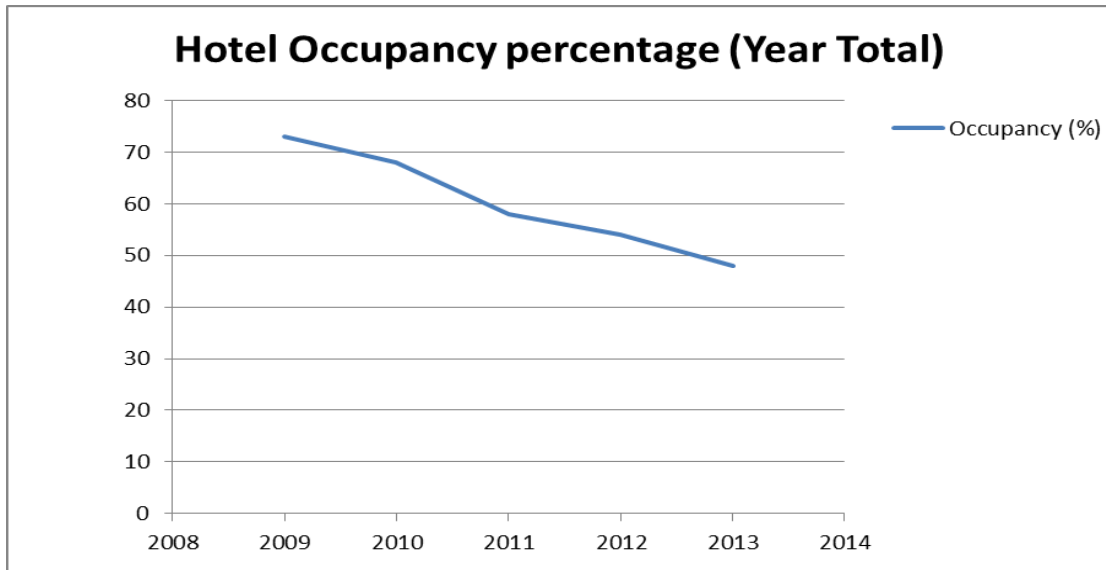


Fig. 20. Hotel Occupancy Percentage (Year Total)

Given all of the above, we can confirm that the Arab uprisings and its associated events have had direct and indirect negative effects on inbound Tourism to Lebanon.

d. Real Estate

The below figure taken from “Lebanon amid the Arab Spring” (Credit Libanais 2013) shows that between the years 2007 and 2010 Lebanon had witnessed a CAGR in the real estate sector of 8.91%. However, after the Arab Uprisings started in 2010 the CAGR took a completely different shift and the real estate sector shrunk by a CAGR of -7.53% between 2010 and 2012.

After posting robust growth rates over 2006-2010 periods, demand for real property waned with the onset of the Arab Uprisings with real estate transactions watering down remarkably and prices in general stagnating to end as such the five-year rapid acceleration spree (Credit Libanais 2013).

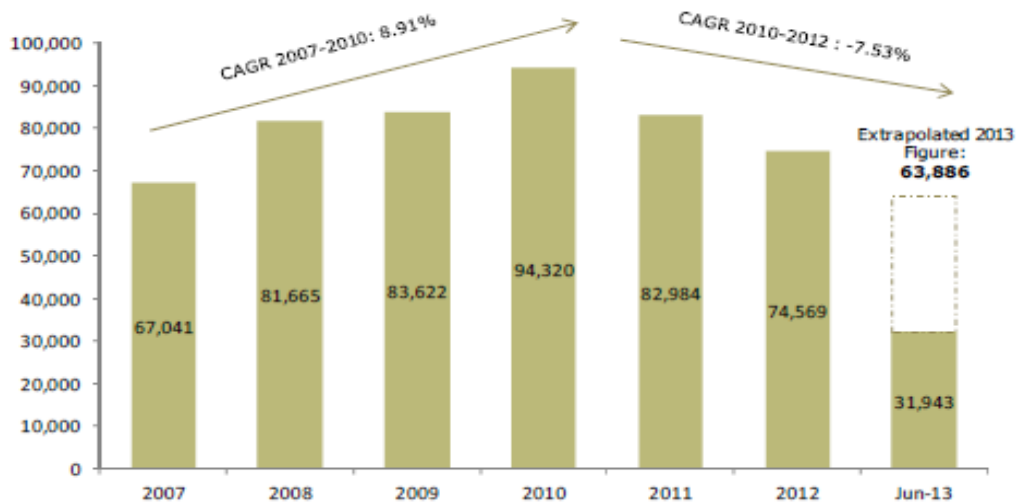


Fig. 21. Arab Spring's Toll on Number of Real Estate Transactions
 Source: Real Estate Registry, Credit Libanais Economic Research Unit

This is due to many factors one of which the strained political and security situation that deterred foreign investors as per the following chart that shows that foreign investors' share of Real Estate Transactions dropped from 2.53% in the pre-Arab Uprisings period to 1.86% after the start of the Arab Uprisings. "The slowdown in tourism and foreign capital are impacting [other] sectors such as trade and real estate" (LCPS 2011).

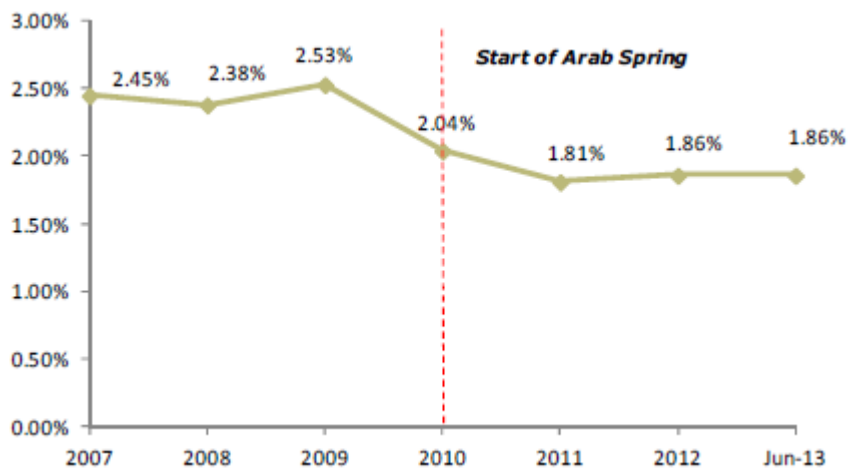


Fig. 22. Arab Spring's Toll on Foreigners' Share of Real Estate Transactions
 Source: Real Estate Registry, Credit Libanais Economic Research Unit

In addition, one can say that instability meant that the banking sector and local individuals alike have become reluctant to seek loans and financing options for real estate which had further negative impacts on the sector's growth during this period.

Despite the above mentioned facts, Prof. Joseph Bahout in "Lebanon at the Brink: The Impact of the Syrian Civil War" (2014) provides a different view. He states: "The exiled Syrian upper class, mainly concentrated in Beirut and in some parts of posh Mount Lebanon, was expected by some to save the Lebanese real estate market from the morass it was about to sink into, and it certainly raised both rentals and selling prices to the levels of a possible bubble. [...] Their presence in Lebanon appears to be motivated in part by financial expediency, as they seek to shelter their sometimes huge capital and bank accounts in the interstices created by the vaunted Lebanese banking secrecy."

This could be a possibility, hope and also a threat for the Lebanese real estate market:

- *Possibility*: it is most probable that Upper Class Syrians in Lebanon have transferred their capitals to Lebanese banks and are using it in their daily life and in real estate.
- *Hope*: A boost for the real estate to take it out of its slump is possible in view of the above
- *Threat*: The effects of having unregulated large amounts of cash in circulation are unknown and as mentioned by Bahout it is a "Bubble" that could burst affecting both the real estate and banking sectors. Inflation and high prices have to be examined and studied carefully especially if the Syrian crisis comes to an abrupt end and the capitals in question are suddenly withdrawn to go back to their origin.

e. Impact on Lebanon

An article by the International Bar Association (IBA) states “The crisis in Syria is putting unsustainable pressure on its neighbors – Iraq, Jordan, Lebanon and Turkey. With public services swamped by refugees and local tensions rising, Global Insight reports on Lebanon, [Show] a country bearing an impossible burden.”

This is mainly due to the underlying results of the large demographic influx and shift accounting for around 25% of the population, a large number, considering that the sectarian and communitarian balance in Lebanon is already fragile.

This is definitely the worst refugee crisis not only in the history of Lebanon, but in the history of any country of its size. How long can people endure such a difficult situation? Lebanon’s capacity has reached its maximum’ (Dominique Tohme, Head of Legal Unit, UNHCR).

George Ghali, Project officer, Association Libanaise pour l’Education et la Formation adds “The absence of a legal framework allows Syrians to be targeted and victimized, with no way to defend themselves”.

We are experiencing an extension of the crisis in Syria. People are travelling back and forth with weapons for both Hezbollah and Al-Qaeda. It is a serious risk that several thousand people coming over may be armed and ready to make problems (Ghassan Moukheiber, Rapporteur, Lebanon’s Parliamentary Human Rights committee).

This goes to show that, in addition, Legal, security, sectarian and communitarian factors come in the equation.

2. PESTEL Analysis

In order to set an order to the factors associated with the influx of Syrian refugees a PESTEL: Political, Economic, Social, Technological (and Educational), Environmental (and Health), Legal analysis will be performed on the issue at hand to examine further the non-straightforward factors.

a. Political

- Syrian refugees are divided politically
- They could get involved in internal armed conflicts or terrorist activity.
- They could use the refugee camps as recruitment and/or recruitment

grounds for the counterparts in the conflict targeting vulnerable individuals in need of support

- The crisis needs a political plan
- Fears of the refugees becoming bargaining chips

b. Economic

- Funding for the support of the refugees is still far from the needed targets
- Need for more active actions towards the funding (international summits, agreements, sharing of responsibilities and burden)
- On the other hand, the influx of the higher economic classes of Syrians injected a large capital in the Lebanese economic system (effects have to be examined, could be positive (growth motivators) or negative (inflation))
- The activities of the higher economic classes of Syrians created a positive movement in the market: tourism, real estate, consumer products, restaurants and entertainment, etc....
- Business ownership and Syrian business organizations have caused some negative feedback within the Lebanese market. Effects to be examined.
- Supply of a large number of less expensive labor and even qualified labor that could affect the supply and demand in the Lebanese labor market. Positive and negative. To be examined further.

- Increase in real estate purchase and rent prices due to large demand

c. Social

- Social integration issues
- Receiving communities negative reactions towards the Syrian refugees,

some are harboring animosity against the guests

- Instances of racism, discrimination and xenophobia
- Potential for positive cultural exchange
- Influence of Syrian culture on Lebanon
- Large number of Syrian children that are not getting education which can

lead to long term issues in the future

d. Technological and Educational

- A large number of children are unable to integrate in the Lebanese educational system due to many factors: level difference, curriculum difference, bullying and discrimination, financial inability, having to work to support their families.

- In the same time, a large number of children has integrated in the educational system (schools, universities...) and this could add positively to the system itself

- Need to provide scholarships and schooling equipment through an international, regional or national program to support the refugees

- Potential to boost the technological sector by having an additional influx of labor and expertise.

e. Environmental and Health

- Health threats in the less privileged Syrian refugees and potential for diseases or outbreaks.
- Need to have a structured health plan and preventive action to cater for the refugees and make sure they are well treated and preserved
- Need to establish national health programs for the refugees with the support of the UN and the major countries

f. Legal

- Lack of laws to protect the refugees
- No organized legal framework to organize their status in the country
- Potential for exploitation and abuse
- Unregulated work (danger for both the worker and the labour market)
- No Legal status for most refugees
- Need to enforce laws to benefit both the refugees and Lebanon

3. Conclusion

The impact of the influx of Syrian refugees has had mixed results so far; on one hand it is causing an increased strain on Lebanon by creating a need for various forms of support in a country that already lacks an adequate structure to support its own citizens. On the other hand, initiatives by international, regional and national countries, organizations and NGOs are helping to alleviate the impact on both the refugees and the country.

There is a need to encourage and increase such initiatives to avoid any negative effects of the Syrian crisis on Lebanon and channel the efforts to make the best use of

the refugees' presence in a way that minimizes trauma and long term problems on them by limiting the negative effects and emphasizing on the positives.

This needs the continuous and increased support by the various stakeholders involves and putting all the solutions in an organized and structured manner.

There is also a need to increase the awareness on the problems that are occurring and tackle them in a constructive and fruitful way.

The Syrian crisis could provide an opportunity for Lebanon to be the center for a large growth and development movement in the region by profiting from the relatively better security and economic situation.

H. How Lebanon Benefited?

An attempt at reconstruction in the early 90's showed some beneficial effects on the Lebanese economy, "A surge of optimism swept across Lebanon with the advent of the Hariri Government in October 1992, amidst expectations that the billionaire businessman and his team of advisors would reform state finances and administration, embark on needed emergency infrastructure reconstruction, and attract foreign aid" (Ayman 1997). The National Emergency Reconstruction Plan (NERP) was implemented by the revitalized Council of Development and Reconstruction (CDR).

The social infrastructure restoration plan implemented by NERP had a cost of US\$2.25 billion (Wetter 1999). According to the reconstruction plan, titled 'Horizon 2000,' investments and projections for GDP growth and financial development were calculated in order to accurately track and cultivate an economy with an 8 percent growth rate. Unfortunately, this plan was terminated after the election of Emile Lahoud in 1998 and history has shown that the growth rate was nowhere near that high.

At this point, it is widely understood that without reformation Lebanon will not

prosper. The pressing radicalism of the Arab Uprisings has put pressure on the Lebanese economy and will continue to do so. Without a concrete model for a new and viable future, the Lebanese government will continue to implement half-studied plans that are ineffective and obsolete after a short period of time. Multiple attempts at reconstruction have occurred, but the people of Lebanon are the only ones who can demand that a permanent solution be found. There are many barriers standing against the Lebanese state, but a competent understanding of these barriers will present solutions.

Despite attempts at reform, fiscal policy continued to be embedded in a political environment that did not impose the required accountability, not to mention the conflict of interest on the part of high governmental officials and widespread corruption in the public sector (Lessons of Lebanon).

By looking at the key factors that can evaluate the health of a country listed above, we can notice that the Lebanese GDP has increased in a 2% growth. This growth can strongly be related to the influx of Syrians that have entered and took shelter in Lebanon. A big part of the Syrian refugees' possess a strong purchasing power. They have relocated to the capital and opened their own business. This has given a boost to the economy that had been affected by the reduced number of tourists coming from the Gulf region. One cannot neglect the negative effects of pumping unregulated large amounts of cash into the economy leading to an increase in the level of inflation, property prices and basic commodities. The policies of the Central Bank of Lebanon have alleviated the possible negative impacts on the economy that have been witnessed in other countries.

I. How can Lebanon Benefit

1. Demanding a Competent Government

The greatest hindrance to a stable economy is a reckless government. The Lebanese economic crisis is due in part to unsustainable political and business practices. The state is unable to create enough revenue to support its citizens or to pay its bills. The inflation of the currency has continued to damage the already fragile economic system. Without a competent governing body, regulation and supervision over markets becomes difficult, which leads to internal crisis such as over-extended credit.

The worth of a government is directly related to its capacity to benefit the most people. The Lebanese government has not been able to protect its people, or allow them to prosper. In order for any economic change to be possible, the population must demand a new governing body, with new leaders and new legislations.

The combination of sectarianism, ‘familialism’, sustained ‘clientism’ and, after 1990, the growing direct influence of the super-rich businessmen and of ‘political money’ proved to be a major impediment to political and institutional reform, and therefore to a stable political system. It encouraged the persistence of poor governance that affected the quality of development negatively. Lebanon has yet to meet the challenge of resolving this problem, and it must... (Lessons of Lebanon).

The most important issue to be tackled is the type of government that could suit such a diverse population. Sectarianism has proven to be harmful to the overall political and economic climate, but without this division of power, the fear of a regime begins to take form. The answer then would be for a mixture of the two, a more equally distributed separation that allows for dialogue and elections. Furthermore, this new government must not be tainted with those who would seek corporate interests.

After a functional and stable government is brought to power, the entire body of the law could serve to be changed. New constitutional clauses, beneficial economic

regulations, well-researched fiscal plans and the creation of infrastructure could be implemented. The biggest task would be to gather the voices of the Lebanese people, who come from different ethnic origins and religious backgrounds and create a system that is based on Nationalism rather than the feeling of belonging to a certain group.

The Arab Uprisings has taught the world one valuable lesson; change spreads and people will not live in poverty under an oppressive government for long. Many of the revolutionary movements of the past were spearheaded by the youth. Education plays a pivotal role in the creation of society and government. The Lebanese youth has an advantage and must learn to use their voices to demand the return of their rights to a stable and prosperous home.

The major challenge facing Lebanon is to maintain the wealth of a multi-religious society while resolving the twin issues of ‘unstable political equilibrium’ and poor governance. More specifically, the objectives of reform should be to move towards a politically more mature state and a stable political system by eliminating discriminatory practices, improving democratic attributes, and in general, arriving at a higher level of political governance (Lessons of Lebanon).

Recently, in the face of the violence that is taking place in the Middle East, Lebanon has done its best to remain the most stable area in the region. Hopefully this translates into more progress in the near future.

2. Building Sufficient Infrastructure

The difficulty of a growing economy lies in its inability to support a popular capitalism. A state cannot compete unless it has a strong foundation and infrastructure that is robust enough to support growth. In an effort to compete and also to progress to the technology of the west, Lebanon has put together ramshackle institutions and has built entire industries on shaky grounds. The most devastated aspect of Lebanon is the

blind neglect of the environment and its resources. “It is only a slight exaggeration to say that most developing countries decide to grow first and worry about the environment later. This is a costly mistake” (Commission on Growth and Development).

In Lebanon illegal construction is rampant, buildings are being erected without thought to the energy they will consume, that need for energy that cannot be supported by the current system in Lebanon. The current source of electricity cannot even sustain the existing infrastructure, never mind growth. It is more costly to reverse the damage of a nation, then to avoid making mistakes to begin with. The leaky sewage system is a risk to public health, as is the growing levels of air pollution, and water pollution. A weak economy makes healthcare expensive and hard to obtain, add this to an unhealthy environment and you have a recipe for a sick population.

The roads are a growing problem, especially now that the population has increased due to refugees from Syria. Traffic, lack of parking, poor drainage and the frightening incompetence of public services such as police officers, firemen and emergency responders is a serious issue that needs to be addressed. Traffic accidents are common, especially among the young, due to poorly designed roads. Lebanon cannot support economic growth if it cannot even sustain its own people as they are today.

While it might be difficult to adopt progressive environmental standards immediately, a plan needs to be made for the future that includes environmental costs. The greatest of these costs is energy. A lack of energy and a shortage of water are the biggest issues that will be brought to the forefront in the near future. “If the present rate of environmental degradation continues, along with inefficient and hence costly institutional performance, one cannot but conclude that the Lebanese economy – irrespective of its purely macroeconomic outcome—will in fact be moving away from, instead of towards, a modern economy” (Lessons of Lebanon). Many alternatives exist,

but ultimately the energy that will be utilized in the future will be one that benefits both the Lebanese people and big business.

Moving away from the realm of physical infrastructure, it is just as important to develop legal, educational, healthcare and social infrastructures. Public education in particular needs a top down reformation. When children can receive a quality education no matter what their socio-economic status, then the country will know true stability. Greater issues, like women's rights and workers unions can then begin to take the forefront. All of these proposed infrastructure changes are reliant on the enfranchisement of a viable and trustworthy governing body

3. Participating in the World Economy

The growth of an economy requires high rates of investment, as well as an expanding participation in the global market. After a viable government and strong infrastructure are built, Lebanon must begin to form industry and increase trade. The development of human capital is a necessary tool because it allows for highly talented and educated people to start businesses, trade and participate in the market. There are many sectors in Lebanon that could be capitalized, such as the banking and tourism sectors. Education and healthcare are also sectors that need attention, which means there is room for growth. Incidents of high-speed growth rely on an increase in exports and a further assimilation into the global economic system. The trading system is always fluctuating because is reliant on inflation, interest rates, and exchange rates. Not only does Lebanon need ways to build wealth, but it needs more productive way of storing it, "A well-developed financial system can help an economy grow by mobilizing savings, allocating funds to investment, and redistributing risk" (Commision on Growth and Development).

Employment is a key aspect of a flourishing global economy, jobs must be available and they must pay well. Luckily, the participation in growing global markets creates jobs, which boosts economic growth. Creating jobs and new industries in Lebanon, while still upholding the environmental integrity of the state, are two ways to begin to see growth in the future. Lebanon might even benefit from a transition to manufacturing rather than services. One thing is for sure, with the spreading of technology and the ease of communication, Lebanon can flourish when it begins to partake more heavily in the global economy.

4. Establishing Macroeconomic Stability

“The Lebanese case, not surprisingly, clearly demonstrates that a strict focus on macroeconomic issues to the neglect of the wider dimensions of development will entail major national costs embodied in the deterioration of the quality of development, including environmental degradation. This neglect is not only costly domestically but also weakens the developing country’s position in increasingly open regional and global economies; its ability to compete on the open world market would diminish.”

No economy can flourish in the midst of macroeconomic instability. Wild fluctuations in the price level, the exchange rate, the interest rate, or the tax burden serve as a major deterrent to private investment, the proximate driver of growth. Economists and policy makers, however, disagree about the precise definition of stability and the best way to preserve it.

For example, very high inflation is clearly damaging to investment and growth. Bringing inflation down is also very costly in terms of lost output and employment. There is widespread agreement that central banks can best fight inflation if given a degree of autonomy from political imperatives. In particular, a central bank should be

insulated from the potentially irresponsible behavior of politicians, who may want it to relax its grip on inflation before elections, or to enforce their spending plans. As they have become more autonomous, central banks have become much better at controlling inflation all over the world, without harming growth.

5. Developing High Savings and Investment Rates

By investing resources, rather than consuming them, economies make a trade-off between present and future standards of living. Just as growth depends on investment, investment depends on a country's ability to finance it—out of its own savings or from foreign sources. There are limits to the latter, however, because foreign borrowing is risky. These limits are not very precise. But when they are breached the consequences can be very costly as many debt crises remind us. What is important to keep in mind is that there is no case of a sustained high investment path not backed up by high domestic savings.

But governments are often short of revenues, and wary of imprudent borrowing. As a result, public investment is commonly crowded out by demands for current expenditures and redistribution. This partly reflects a political process that places a higher value on current consumption relative to future consumption, which is both more distant in time and less certain to materialize. For public sector investment to survive, government revenue needs to be adequate to the task. The second element of savings is corporate. Companies retain profits, rather than distributing them to shareholders, and reinvest them in the business, wherever they think the return is likely to exceed the cost of capital. This component of saving, then, is largely driven by the returns to private investments.

CHAPTER V

CONCLUSION

The civic uprisings known as the Arab Spring have destabilized an already shaky Middle East and North Africa. Citizens and governments are coping with a period of intense economic and political transition. The Islamic world is facing a historically significant period of transitioning power; shifting ideologies and new systems of government and economy have birthed a violent and unpredictable future. Revolutionaries brought explosive social changes in Libya, Egypt, Syria, Tunisia, Morocco, Saudi Arabia and other adjacent countries. Lebanon, formerly the ‘Pearl of the Middle East’, is caught in the middle of these socio-political and economic changes. Lebanon has a history of civil war and corruption; because of this the nation is more susceptible than ever to governmental exploitation, political instability and economic disaster. Many social, historical and financial factors have contributed to the current economic state in Lebanon. Most recently, the violence between rebels and governments, especially in Syria, has impacted gross domestic product, industry, inflation, national debt, employment, and the political climate in the country.

Additionally, sectarian fighting and invasion has destabilized the country, making a flourishing economy difficult to obtain. Despite the challenges facing Lebanon, a new system and economic outlook is possible. The causes and effects of the Arab Uprisings on the Lebanese economy are deeply discussed in this project.

After examining closely the basic components of the Lebanese Economy (GDP, Inflation, Unemployment, Taxes...) and comparing the numbers before the Arab Uprisings Events (before Dec 2010) and after these events, we have noticed that some

of these figures have changes increasingly, other decreasingly and some others have remained unchanged. We cannot absolutely indentify the Arab Uprisings Events as being the main cause of these changes in the Lebanese Economy since we don't have a specific tool that can measure exactly that effect and since there was a political instability in Lebanon that affected all economical sectors and left the economical ground vulnerable towards everything. Now we can be more certain about the effect of the Syrian revolution on the Lebanese Tourism and Real Estate sectors since Syria is a neighboring country of Lebanon.

In this project we have also mentioned the most affective economic tools that can be utilized for a better future in Lebanon. These processes include demanding a credible government, building sufficient infrastructure to support growth, fully participating in the world economy, establishing sustainable industry, developing high rates of saving and investment, and letting markets allocate resources.

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