



AMERICAN UNIVERSITY OF BEIRUT

ISSAM FARES INSTITUTE FOR PUBLIC  
POLICY & INTERNATIONAL AFFAIRS

معهد عصام فارس للسياسات العامة  
والشؤون الدولية

# LEBANON IS IN SEARCH OF A TREASURE THAT DOESN'T EXIST

ALBERT KOSTANIAN



Op-Ed

## ABOUT THE AUTHOR

---

Albert Kostanian is an IFI Associate Fellow, economist, and expert in strategy. He is also the content producer and host of “Vision 2030”, a leading TV show on LBCI that provides a platform for an in-depth debate around politics and policy making in Lebanon. Kostanian founded and currently heads the Beirut office of Arthur D. Little, the world premier strategy consulting firm, after having spent years with the firm in France. His main areas of expertise are in infrastructure, public transportation, and telecom. He worked for major international corporations and governments in a dozen of countries, and established a boutique consultancy “Levant Consult”, where he advises regional companies on their strategy, governance, M&A, and financial and operational restructuring projects.

Kostanian is committed to promoting reforms in Lebanon and regularly publishes articles and studies in various domains in addition to having been active in politics and policy making, with a focus on electoral laws. He is the co-founder of “Les Plus Beaux Villages du Liban”, an NGO aiming at the preservation of rural heritage in Lebanon. He holds an MSc from the HEC School in Paris and a BA in economics from the Saint-Joseph University in Beirut.

**This Op-Ed was originally published by L’Orient le Jour and L’Orient Today in January 2024.**

**Cover Image:** Courtesy of Matthieu Karam.

**© All Rights Reserved. Beirut, February 2024.**

This Op-Ed is published by the Issam Fares Institute for Public Policy & International Affairs (IFI) at the American University of Beirut and is available on the following website: <http://www.aub.edu.lb/ifi>.

The views expressed in this document are solely those of the author, and do not necessarily reflect the views of the Issam Fares Institute for Public Policy & International Affairs.

## LEBANON IS IN SEARCH OF A TREASURE THAT DOESN'T EXIST

Lebanese tradition is packed with fables and legends of buried riches concealed beneath mysterious hills and in the depths of long-lost caves. We have inherited these tales through the generations, from passing bandits and fallen notables alike. Superstitions say they come either from extraordinary fortune or a pact with the devil.

Lebanon is not unique in its fascination with such fairy tales and legends. Similar narratives permeate oral traditions and folklore worldwide, featuring treasures and the chosen individuals who stumble upon them. But in Lebanon, these stories have transcended the status of mere folklore to assume profound significance. They have gone so far as to quietly guide the country's economic policy.

Treasure stories serve an anthropological function beyond their social or entertainment value. In a study titled "Treasure Stories and the Vision of a Static Economy in a Rural Mexican Community," published in 1962, American anthropologist George Foster underscored the significance of treasure in elucidating and legitimizing specific instances of individual enrichment within pre-modern economies characterized by finite wealth and absence of growth.

The concept of treasure has assumed a novel role in Lebanon, where political elites adhere to a static vision, they perceive to be a miraculous remedy for the enduring crisis. After years marked by amateurism, corruption, and improvisation, the Lebanese ruling class, along with its technical staff, embarked on a quest for a treasure that could absolve them from the necessity of exerting genuine effort, redistributing the colossal losses within the system, or shouldering responsibility for the impending bankruptcy.

This tendency toward elusive treasure dreams has mutated and shown up in several forms over the years. The initial manifestation of this newfound treasure was the reconstruction of Syria. It served as a dream fortune for Lebanon, resembling a pre-crisis mirage that reached its peak in the years 2016-2018, only to fade away under the impact of geopolitical realities. Subsequently, attention shifted to gas, which held the promise of something akin to a pirate treasure, hidden beneath the surface and awaiting discovery. However, gas has transcended mere economic development, with its potential to become a miracle upon the horizon.

Politicians have entertained fantasies surrounding this resource, downplaying its hypothetical nature, and minimizing the estimated six to eight years required for its exploitation. This strategy

— “  
*Gas is a recent addition to the Lebanese treasure fantasy, overlaying another long-standing miracle solution pursued by the ruling class for over 50 years: Arab money, specifically the largesse from the Gulf States.*

— ” —

peddles the dream and alleviates pressure for necessary reforms. On Dec. 15, 2023, Parliament approved a plan for a sovereign wealth fund to manage the anticipated immeasurable riches. Lebanon now stands as the only country in the world with a sovereign wealth fund, despite defaulting on debts, a bankrupt banking system, and the absence of any confirmed discoveries as

exploration efforts remain compromised. Gas is a recent addition to the Lebanese treasure fantasy, overlaying another long-standing miracle solution pursued by the ruling class for over 50

## LEBANON IS IN SEARCH OF A TREASURE THAT DOESN'T EXIST

years: Arab money, specifically the largesse from the Gulf States. This myth endures because it contains elements of truth.

The Gulf States have historically demonstrated a genuine fondness for Lebanon. Saudi Arabia and Kuwait, for instance, deposited \$500 million at the Lebanese Central Bank in the 1990s. Another \$500 million followed the 2006 war, from Saudi Arabia alone. The Gulf monarchies have traditionally been generous in providing aid to Lebanon.

Arab financial contributions have become an integral component of the solutions proposed to address Lebanon's numerous institutional challenges. The commitment of miraculous deposits, exemplified most recently by the case of Qatar, is often tied to the potential election of a specific candidate for the presidency.

Unfortunately, the foreign policy of these countries is no longer solely influenced by affection and their sentiment toward Lebanon has waned. The anticipated significant return of support from Saudi Arabia, a prospect linked to yet another compromise within the Lebanese political class, is increasingly unlikely.

The prevailing shift toward a focus on financial profitability and strategic economic development has replaced the previous emphasis on purchasing influence. Consequently, traditional practices of *baksheesh* are losing relevance, as fewer people find our affairs of interest. The cult of treasure has never been more prominent than in the aftermath of the financial and banking collapse.

Four years since its breakout, there has been a conspicuous absence of public debate or substantial public actions, whether legal or political. Meanwhile, a staggering \$90 billion in deposits, nearly five times the annual GDP, remains trapped in banks. Rather than pursuing a restructuring process, politicians, bankers, and certain affiliated cronies have turned to a new strategy. They see the state and its resources, particularly its land, as the new treasure capable of resolving the crisis and reimbursing depositors who suffered losses.

Ambitious figures are even proposed to quantify this treasure, with estimates suggesting the state's real estate holdings could be valued at tens or even hundreds of billions of dollars. The most audacious claim comes from [Mahmoud Comati](#), a senior Hezbollah official, who estimated this number at \$500 billion by 2022.

If it were true, this would sufficiently cover the financial sector's losses. However, the treasure does not withstand even the slightest critical scrutiny.

More than 88 percent of the state's real estate holdings are concentrated in the Bekaa region, particularly in Baalbek-Hermel, and over half of it consists of undefined plots, significantly undermining its overall value.

While it's true that certain portions of the state domain might benefit from privatization, as would some state-owned companies, the resulting proceeds would by no means magically solve the financial crisis. The scale of state-owned enterprises remains insignificant in proportion to the total losses, contributing to less than \$500 million in transfers in the proposed 2024 budget (constituting 13.71 percent of state revenues).

## LEBANON IS IN SEARCH OF A TREASURE THAT DOESN'T EXIST

Even if we doubled this figure through the most successful optimization operations, it would still take almost 90 years to offset the losses of the financial sector. It is worthwhile to recall that Greece, under the guidance of Europe, Germany, and the IMF, generated just over 10 billion euros in five years from its privatization program, despite it being one of the most ambitious initiatives globally. This is not an argument against privatization. We acknowledge the urgent need for public service reform, we do not dismiss the potential presence of gas in Lebanon and recognize the possibility and merits of Arab reinvestment. However, these measures alone will not resolve the crisis.

After placing a nation's faith in a mythical Lebanese "*barakah*" that seemingly allows the country to function without a clear understanding of why, it is high time to address the root causes of the problem. These include addressing the absence of the rule of law, and the outdated economic and financial model, which remains unregulated and favors the powerful.

It is, therefore, imperative to liberate ourselves from the purveyors of dreams and embark on a journey to enhance competitiveness. It will indeed be a challenging journey, devoid of mythical treasures, yet it will be shaped by the determination and creativity of the Lebanese people.

As Foster aptly concludes, "in a static economy, economic morality is the opposite of the Protestant ethic... hard work is not a virtue. Excluding theft, luck is the only path to advancement."

Fortune has long since abandoned Lebanon and only real work can restore prosperity.



Issam Fares Institute for Public Policy & International  
Affairs American University of Beirut P.O. Box 11-0236  
Riad El-Solh / Beirut 1107 2020 Lebanon



961-1-350000 ext. 4150



+961-1-737627



[ifi.comms@aub.edu.lb](mailto:ifi.comms@aub.edu.lb)



[www.aub.edu.lb/ifi/](http://www.aub.edu.lb/ifi/)



[Issam Fares Institute for Public Policy &  
International Affairs IFI](https://www.linkedin.com/company/issam-fares-institute-for-public-policy-and-international-affairs-ifi/)



[aub.ifi](https://www.facebook.com/aub.ifi)



[@ifi\\_aub](https://twitter.com/ifi_aub)



[@ifi\\_aub](https://www.instagram.com/ifi_aub)



AMERICAN UNIVERSITY OF BEIRUT

ISSAM FARES INSTITUTE FOR PUBLIC  
POLICY & INTERNATIONAL AFFAIRS

معهد عصام فارس للسياسات العامة  
والشؤون الدولية