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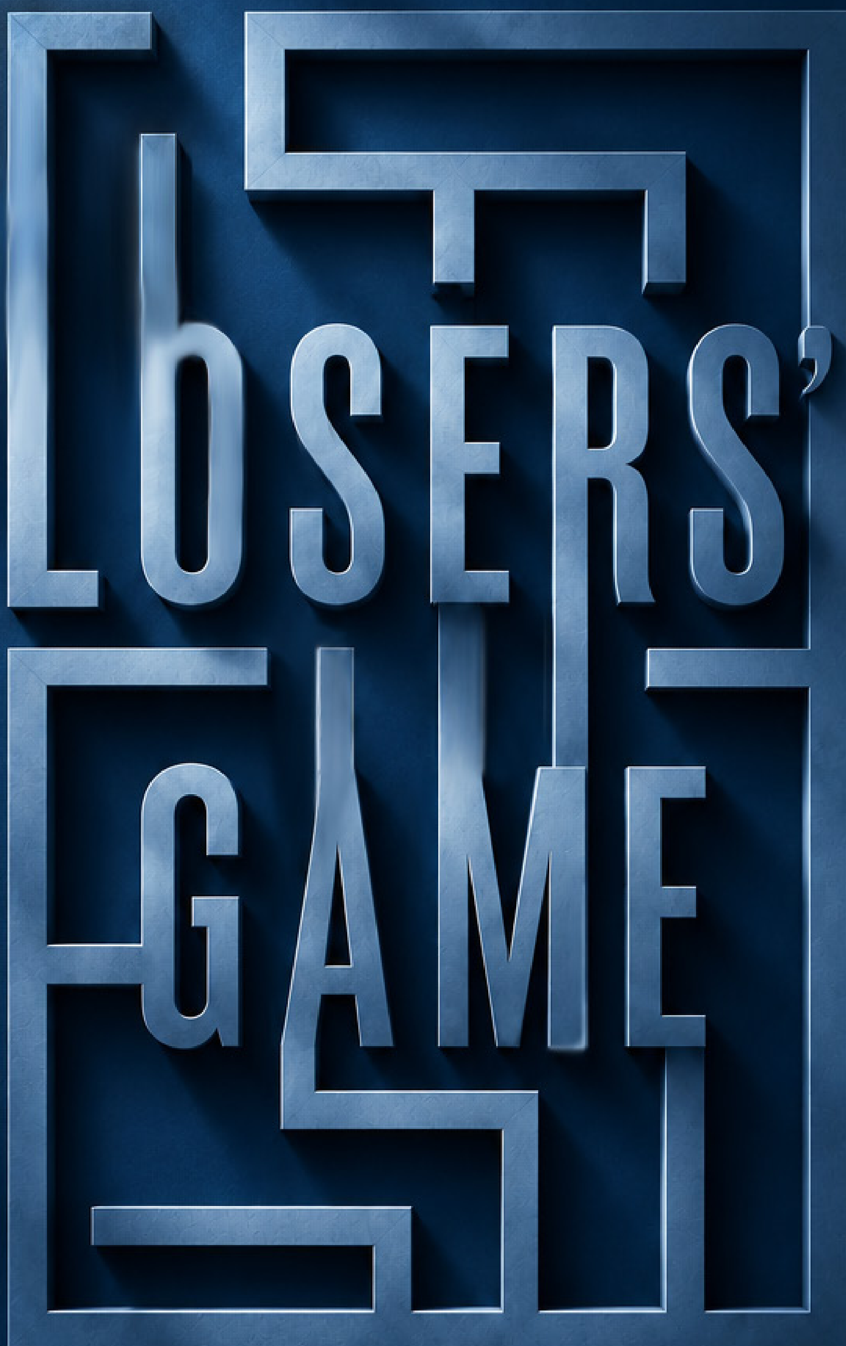

Accumulating economic losses

EDITORIAL

#277

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What Is Still Ours to Decide

The war that opened on February 28 was not ours to start, and it will not be ours to end. What people are left to settle is the crippling bill. Having become victims of external power games and global failure, Lebanese society bears the sunk costs of serial conflicts.

Nor did this war erupt in isolation. Global alliances are fraying, international law is losing force through disuse and abuse, leaving small, exposed states to absorb fallout they had no hand in shaping. The world logged more violent conflict in 2025 than any year since 1946, much of it in regions, like ours, already scarred by past wars.

As oil trade convulsed in the Strait of Hormuz, the IMF cut its regional growth outlook by four fifths. In Beirut, transport costs rose by a quarter within weeks, energy by a fifth. Farmland was hit, water and solar pumps destroyed. Farmers, hospitality workers, and households absorb this cost and children not yet born will be paying the debt.

There is the other part of our misery, the part we did to ourselves and therefore own. The state borrowed, mismanaged and stole, yet the draft bank resolution law before Parliament would spread the consequences across depositors for twenty years, while those who engineered the collapse walk away. Public assets exist; put them under transparent management and let their earnings repay the people whose savings were taken. By choosing fiscal justice, we can own the future that is still ours to decide.

But we are faced with a state that seems unable to count. Ministries offer no evidence for their fiscal projections, and estimates diverge by billions. A state that cannot count, cannot govern. Here we need to act decisively and reform our counterproductive fiefdom patterns, lest divisive policies open much deeper and older rifts.

But then there is the bigger part of Lebanon's burden. The part where unfathomable damages are still accumulating, and GDP faces another year of contraction. This part of our misery, though we do not own it, is huge and impossible to bear, the fruit of destruction endured cycle after cycle without ever assembling losses into a claim. Damage must be measured, costed, and redressed under international law.

Lebanon is not alone in facing this systemic evil that is called "democratic decline". International IDEA's 2026 report finds Rule of Law the weakest, fastest-declining pillar of governance worldwide. It ascertains that accountable civil society measurably lowers the conflict risk that comes with democratic erosion.

So, sequence monetary reform. Allocate realistic capital spending to power, ports, and logistics. Institutionalize economic intelligence and publish it. Prudently court the capital and technology now reshaping this region.

Above all, remember that accountability begins at home.

Yasser Akkaoui
Editor-in-chief

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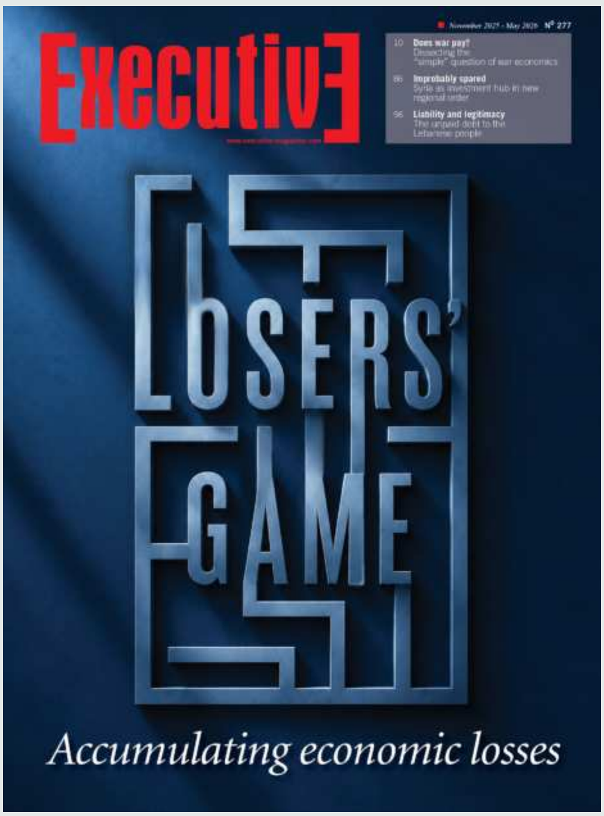

THE BILL ALWAYS ARRIVES HERE

The reckoning for damages inflicted both from outside and from within starts at home

Executive

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AR FR

The Charade goes on and on: Propaganda, power, and the collapse of non-zero thinking

What defines a war in the modern age is in principle simple – exchange of violence in a state of declared conflict – and yet highly complicated in its applications and contemporary interpretations. Is a preemptive war a justified, defensive war? Can an asymmetric and undeclared armed conflict ever be justified?

Can violence by non-state groups that tolerates civilian casualties or targets non-combatants, including off-duty combatants, ever be justified as a fight for self-determination, or is it always terrorism? Is declaring "wars" on terror, on crime (organized or otherwise), on drugs, or a war on guns and hate a justified usage of the term "war" or deceptive marketing of some state's, group's or powerful leader's ideological or even utilitarian agenda?

These are tremendously vexing questions that demand honest answers. They cannot be helped by deflection, denial, and declarations of propaganda. Armed conflict and propaganda are two sides of the same coin: struggle for systemic dominance and aggressive assertion of one's own social constructs over all others. In the 19th and 20th centuries, this was visible in the prevalence of propaganda wars on ideologies and identities (be it communism, capitalism, nationalism, colonialism, imperialism, Zionism, National-socialism, totalitarianism, Aryan racism, male chauvinism, or any other -ism).

As the anti-art of one-sided high-tech wars has entered the information age and taken steps into digital reality, however, propaganda has an increasing impact to the point of having universal and instantaneous effects. But little is yet understood about the cost-benefit ratio of propaganda on the macro-social scale. How enormous is the price tag of producing such propaganda and spinning global opinion into a "tail wags dog" perception? How immense are the long-term and short-term costs to the social fabric of human restraint? What is the infinite cost of mental destruction of war and propaganda to individuals and families that are either perpetrators or victims of warfare, or even both at the same time?

PERVASIVE PROPOGANDA

In the current era, the distance between propaganda, militant activism and armed conflict appears to be shrinking precipitously. Wars in the first half of the 20th century were waged on battlegrounds of large-scale destruction with addition of rather primitive propaganda machines churning out pamphlets that targeted the lowest common denominators in their own and the opponent citizenry or were engaging in subversive influencing of opinion leaders and public opinion in enemy countries. Additionally, wannabe ideological conqueror states from the Third Reich to the USSR were making strong use of secret police apparatuses and their terror methods in oppressing dissidents.

The second half of the last century saw the battlefields of propaganda move from the public stages and cinema to the private living room, and the frequency accelerate from weekly news reels. Mere years later, in the American-led war on Saddam Hussein, the internet and embedded journalism were added to the information warfare matrix.

Today, with cyber warfare and machine learning pushing into the fray, words are weaponized in an unprecedented way and redefined from their historic meaning or newly defined. Violence in doses from micro to mega is delivered as news to our pockets and harms our minds. Spin doctoring and propaganda are heading towards new peaks. Hate speech and fake images are being streamed; propaganda wars are fought on our personal devices.

All of this natural – or unnatural – evolution of human violence has played out in the Middle East more and with more immediacy of impact than in many other, less conflicted geostrategic zones of planet earth. The seven Arab Israeli conflicts between 1948 and 2025 were the most notorious but by far not all of the components that made the region into the global conflagration hotspot and byword for conflict: proxy warfare during the Cold War, internal unrest and civil wars, interstate wars broken off by autocrats like Saddam Hussein, Iranian aggressions and oppression of unrest on one end and the West Sahara conflict on the other end of the MENA region, ISIL and quasi-state organizations with more weaponry than some states in the region, quarrels between and within Arab dynasties, have all been woven into an overpowering tapestry of skirmishes, assaults, unrest, intrusions, battles, economic conflicts, and open war.

Most recently, after a one or two decade-long global buildup of self-righteous mindsets on all sides of popular divides along civilizational fault lines, a century-old mentality has erupted internationally in the course of this year. Spectators of global affairs are confronted with unholy mixtures of grandstanding and down-talking; of MAGA-ism and other populism; of fears to the point of paranoia. We witness the demise of win-win or win-win-win non-zero thinking and the rise of win-lose mindsets amidst resurgences of determinism and Spenglerian thought.

The latter term refers to the impression that this geo-historical moment at the late 2025 inflection point is rife with vibes reminiscent of German writer Oswald Spengler. Owing to whatever forces of pure coincidence, the anglophone intellectual world was confronted exactly one century ago with what Spengler, last century's German philosopher-dilletante of world history, cast as inevitable rise and demise of cultures.

His book on "the decline of the West" (titled more dramatically in the German original) attributed existential fatigue to the Western hemispheric culture and called the impending terminal stage of this culture out as "Faustian civilization" that would be marked by emergence of Caesarism, meaning a supreme authoritarian figure at the top of the state.

A near perfect specimen of Spenglerian thought was delivered in early December of 2025 in a White House declaration of the Trump administration's National Security Strategy (NSS). While perhaps less of a strategy document than an anthology of impulsive policy making, the NSS argues with economic, albeit rather weak, economic reasoning that Europe saw a decline in its percentage share of global GDP over the last 35 years because of, among other unnamed factors, regulations that "undermine creativity and industriousness". What reminds of Spengler is that the next sentence in the NSS preaches even more ominously that Europe's "economic decline is eclipsed by the real and starker prospect of civilizational erasure".

The twist in the perspective is a claim to pseudo-enlightened infinity for the American side of the same Faustian civilization. America is cast as "the world's strongest, richest, most powerful, and most successful country" with total Hemispheric primacy and, indeed, point-by-point superiority.

> With cyber warfare and machine learning pushing into the fray, words are weaponized in an unprecedented way and redefined from their historic meaning or newley defined.

A NEW RULEBOOK?

This is reinforced by exclusionary ideas that frame it as natural and just for nations to prioritize their own interests, suggesting that zero-sum competition is superior to cooperation, reciprocal altruism, and win-win outcomes. Thus, these notions deny a shared planetary fate, dismissing the need for global economic equilibrium and Pareto improvements that are essential to the survival of our planetary ecosystem and civilization.

This picture of the American administration's mindset is important to comprehend when drawing up response strategies, and thus crucial for the Middle East, although the region makes only a smallish appearance in the NSS – with a blatantly incomplete economic reasoning that is centered on the receding importance of fossil fuels production.

While the main novelty approach (reminiscent of the oft cited our sons of bitches myth as American presidential bon mot) vis-à-vis the region is an assurance that this US administration wants to "work with Middle East partners" on common economic interests and does in no way want to meddle in the exercise of power in Gulf monarchies or nudge them to abandon "traditions and historic forms of government", it is to be noted that the NSS uses the term "investment" twice in its short Middle East chapter – but without any specificity, nor by giving any hint that this glorious investment might be American.

When viewed against unresolved questions surrounding UN Resolution 2803, the immense and arguably utopian capital and social investment requirements—running into the trillions—for achieving economic, social, and environmental sustainability in Egypt, Palestine, Jordan, Syria, and Lebanon, the triumphalist win-lose rhetoric of the American president and the Israeli prime minister in October 2025, together with the implications of the new National Security Strategy, point to a sobering conclusion. The Middle Eastern charade—where dominant global powers and their regional proxies profess commitment to peace and development while perpetuating structural imbalance—continues unabated. As the adapted lyrics of a Queen song might suggest: the show must go on.

Abandoned places—we know the score. Does anybody know what the Middle East is really looking for?

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Executive

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December 2025 - May 2026

SPECIAL REPORT

ECONOMIC REVERBERATIONS OF WAR

> Does war pay?
> Analyzing the eonomies of six war-effected polities
> Taking an on-the-ground look at Gaza's healthcare sector
> Assessing the opportunity costs of failed regional integration
> Visual breakdown of the costs of war across six polities

In collaboration with

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ECONOMIC REVERBARATIONS OF WAR

OVEVIEW

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DOES WAR PAY?

BY THOMAS SCHELLEN

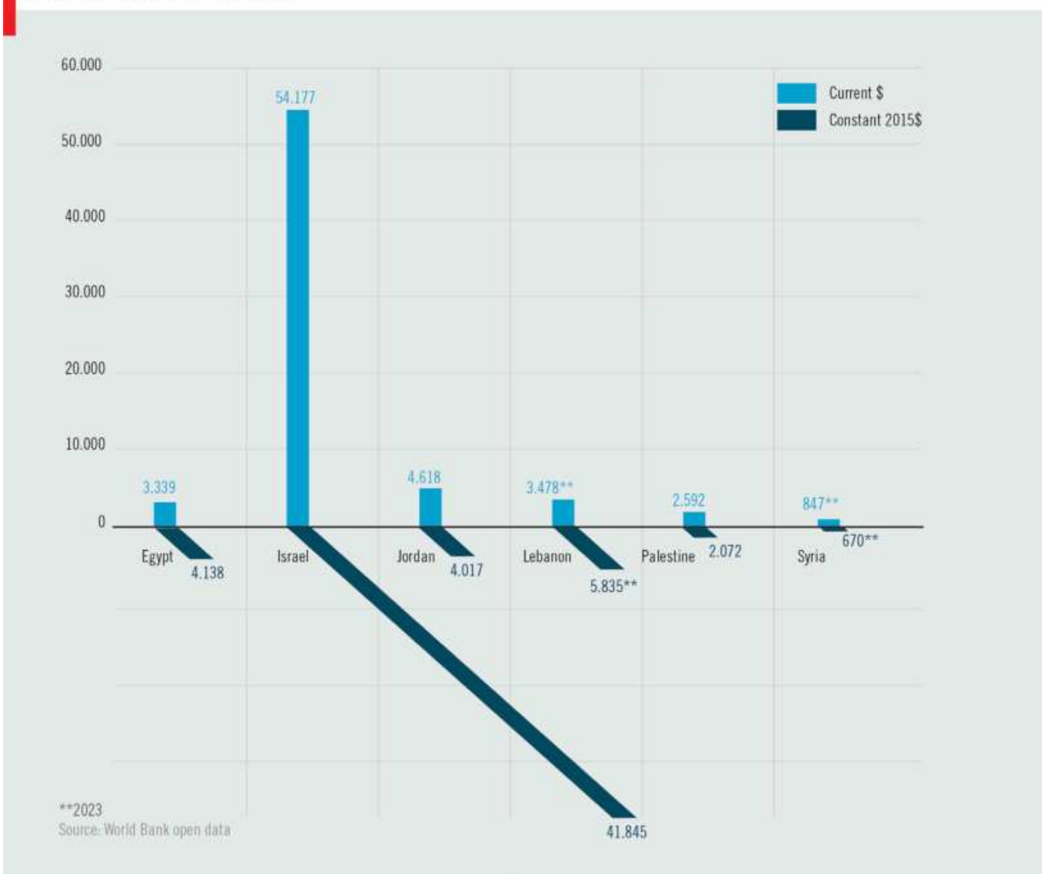
ATTEMPTING TO DISSECT THE "SIMPLE" QUESTION OF WAR ECONOMICS

The comparatively simple question of this analytical overview, which ardently aims to avoid falling for any side's propaganda in the latest Arab-Israeli armed conflict since 1948, is an economic one. Does war, in the sense of armed conflict between states or state and quasi-state actors, pay in the 21st century in the short, medium, or long term?

This is a question of simplicity and even brutality – the best and most detailed economic balance sheet of any conflict is blatantly unable to capture and translate into quantifiable data the human price of a single collateral casualty, killed child, father, mother, or nonagenarian. Despite the topic's apparently narrow scope, diving below the surface of the question and examining the seventh Israeli-Arab armed conflict through the lens of long-term implications reveals an incredibly complicated endeavor.

This is to say that it looks neigh impossible to

PER CAPITA GDP (CURRENT AND CONSTANT $)



TRENDS (IN PERCENT OF INFLATION AND UNEMPLOYMENT AND AS GDP GROWTH RATE PER YEAR)

	Egypt	Israel	Jordan	Lebanon	Palestine	Syria
Inflation	20.4	3.2	2.2	15.7	70.4	120
Unemployment	7.4	2.9	17.9	11.6	24.4	13.5
GDP Growth rate 2021	3.3	9.3	3.7	2	7	n.a.
GDP Growth rate 2022	6.7	6.4	2.6	1	4.1	n.a.
GDP Growth rate 2023	3.8	2.1	2.9	-0.7	-4.6	n.a.

Source: World Bank open data

undertake a full profit and loss accounting of the conflict that ensnared Israel, Palestine, Lebanon, Syria, Jordan, and Egypt on the horrible day of October 7, 2023 and exploded into uncountable horrors over the following two years until the supposed outbreak of good will in the Gaza Declaration of October 2025 and its ratification by the UN Security Council (UNSC) in its resolution 2803 on November 17 of this year.

An obvious first obstacle to such accounting is the fact that data are not only incomplete but also still in flux. While the flow of aggressions and atrocities has receded in recent months, destruction and violations of human life, health, and dignity are still wrought against individuals and families are ongoing as of this writing.

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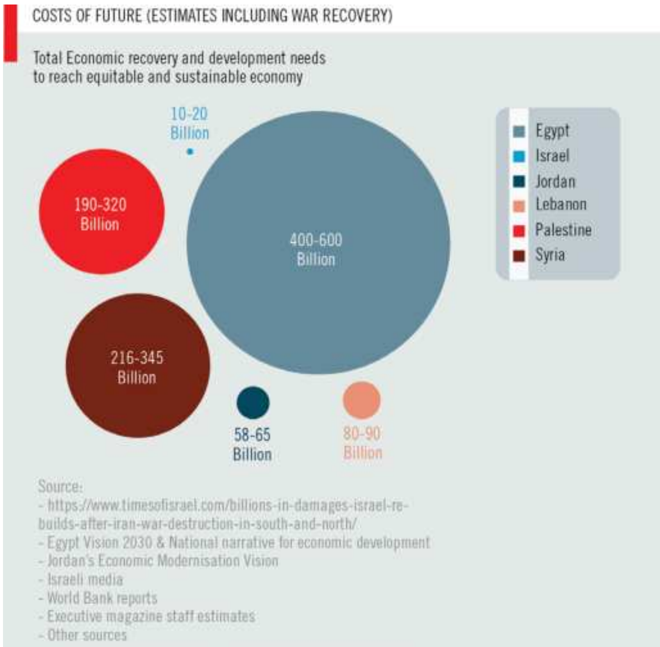

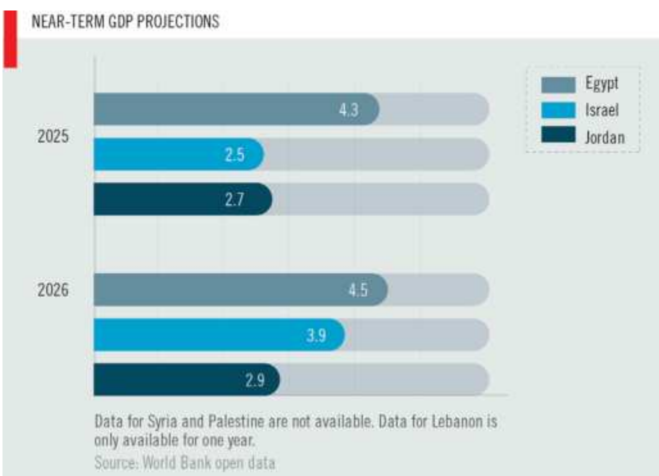

A correlated second obstacle to full accounting of conflict impacts is deliberate data opacity. The true extent of physical destruction and damages inflicted upon them has not been disclosed by several of the involved governments and non-state actors. Moreover, military expenditures on all sides are secretive at least in parts and undisclosed in realms such as information warfare, global online opinion manipulation, cyber-aggression and -defense, and traditional propaganda.

Uncertainty moreover defines real expectations and questions of future economic repercussions – and even upside risks through increased demand for "successful" weapons systems in international markets – from legal judgements and reputational and popular backlash. This uncertainty affects the estimation of costs of their conflict behavior to Israel more than the other polities under consideration.

A universal human impact factor, for which no exclusionary myths or pseudo-scientific fake narratives work, is the vulnerability of our species to mental trauma and anguish, with likely lengthy and costly detriments from the individual level to the global community. How productivity and peaceability will be restored for individuals who suffered life-altering injuries but perhaps are afflicted even more by issues from controlling anger to carrying lasting fears and psychological scars, is not really a question for which the study of wars in distant or recent centuries has ready answers.

Fundamental questions on the economics of war, post-conflict reconstruction, and opportunity cost of war – the non-allocation of funds to trade development, integration of supply chains and production chains, joint efforts in mitigating external risks, or adjacent strategic services sectors from tourism to culture that would have good return on investment –are impossible to answer predictively.

In terms of modern game theory, the world has become accustomed to evaluating economic and societal behaviors in terms of win-lose, win-win, win-win-win, and lose-lose outcomes. Win-lose, or zero-sum scenarios, run counter to the human propensity for reciprocal altruism and building of economic alliances with mutual benefits. Thus, productive individuals and even states have a strong taste for systems that facilitate growth such as seen in the 30 years following World War II or the 20 years of the great moderation at the end of the 20th century.

However, systems and models that have been developed during such periods, including existing economic models of leading international financial institutions (IFIs) of Bretton Woods heritage, have not been constructed with a view to global armed conflict. Other than for trade wars and commercial confrontations between and within states, they do not seem conceptually primed for evaluation of armed interstate conflict impacts or reversing the economic and societal burdens of war in a geographic context. This limits the value of consulting the wisdom of an IFI for understanding the real cost of the current conflagration in the Middle East.

CLOUDY MIRRORS OF REGIONAL ECONOMIC DYNAMICS

Regrettably, the protracted and intense conflict experiences of all polities in the region, first among them Syria, Palestine, and Lebanon but also Egypt, Jordan, and Israel, are not mirrored well – or perhaps not at all – in the world's go-to source for economic data and opinions, the World Bank Group (WB) and the International Monetary Fund (IMF).

The most recent IMF regional economic outlook for the Middle East, Pakistan, Caucasus, and Central Asia MENAP CCA does cover only four of the polities that Executive has been looking at, and those only partially and in disjointed descriptions. The latter dichotomy starts with definitions. In terms of country groupings, the IMF lists Egypt, Jordan, Lebanon, and Syria (as Syrian Arab Republic) under the sub-category of MENA countries. What most of the world today calls Palestine is labeled WBG by the IMF, for West Bank and Gaza. Israel, on the other hand is not covered in the regional economic outlook at all.

By analytical groupings, Egypt, Jordan, Lebanon, and WBG are listed as oil importing, emerging market and middle-income economies (EM&MIs). Syria, on the other hand, is listed as an oil-importing low-income country (LIC). Lebanon, Syria, and WBG are additionally noted as both fragile and conflict-affected states. For information on Israel, one has to consult another IMF publication, the World Economic Outlook, where the self-declared Jewish and democratic state is found in the category of "other advanced economies", 17 jurisdictions that are not part of the G7 and Euro areas (but among which Israel is the sole country located in the Middle East).

Apart from these curious distinctions that fly in the face of geographic and socio-historic realities, the headline data recorded, estimated, and projected on the six polities and their economies are incomplete and inconclusive. Real GDP growth data for 2024, 25, and 26 for Israel can be found in the World Economic Outlook but, under the IMF's logic, not in the regional economic outlook. Data sets for Jordan and Egypt are available for these three years. However, Syria's economic fates are not reflected in GDP growth data and these data for Lebanon and WBG are displayed only for 2024. This leaves a void of three data points for Syria and two each for Lebanon and WBG, meaning seven out of eighteen data points, with the additional caveat that forward looking data are uncertain.

Researching correlations of economic and political trends, mutual influences, gaps in regional trade and integration, or differing impacts of armed conflict of differently grouped economies under the IMF lens is far from easy. Counterintuitive to the region's heavy conflict experience between 2023 and 25, the IMF regional outlook posits that the economic performance of the region has been "generally robust in 2025" and opens its first of two chapters by reiterating that regional economies have "shown resilience so far in 2025", despite global uncertainty and tensions that included "a short-lived" conflict between Israel and Iran in June.

UNCERTAINTY AND RISKS

The IMF says in its latest regional outlook – first chapter – that "GDP growth in the MENAP region is projected to strengthen in 2025 at a faster pace than anticipated in May". As for risks, it cites primarily fiscal, monetary, economic and geoeconomic as well as climate risks and policy weaknesses for countries in the entire region. The report mentions, although not in a prominent manner, that geopolitical tensions remain a main risk for regional economies, with a specific acute risk of renewed escalation of the Iran-Israel conflict and the danger that "the unresolved Gaza crisis could undermine regional economic and trade stability to a greater extent than currently assumed in the baseline."

A second chapter of the regional outlook highlights findings from a spring 2024 regional outlook: that in the MENAP and CCA regions, "output per capita remains, on average, about 10 percent below its pre-conflict trend a decade after the start of a severe conflict". The chapter seeks to academically add to the discussion of factors that can be drivers of post-conflict recovery and advocates for "macroeconomic stabilization efforts, financing, including international support measures, and structural policies". The chapter helpfully states that "boosting the chances of a successful post-conflict recovery requires a comprehensive strategy, calibrated to economy-specific circumstances" and cites the importance of further research.

The IMF's sedate approach differs from papers by the World Bank that raised the 'question of Palestine" in December 2024. Decrying the conflict's "catastrophic impact on the Palestinian economy" the World Bank estimated the GDP contraction in 2024 at 26 percent and said that all sectors in Palestine had been severely affected, "with construction, manufacturing, services, and trade experiencing the most significant declines". To address the country's deep economic crisis and avert a socioeconomic collapse and further worsening of poverty "will require several critical and urgent actions from the Palestinian Authority, the government of Israel and the international community."

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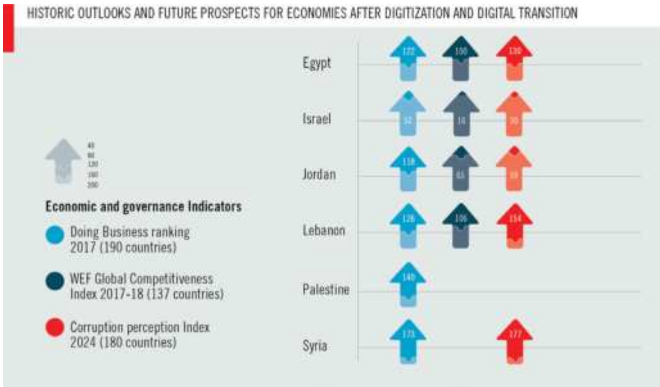
HISTORIC OUTLOOKS AND FUTURE PROSPECTS FOR ECONOMIES AFTER DIGITIZATION AND DIGITAL TRANSITION



HISTORIC OUTLOOKS AND FUTURE PROSPECTS FOR ECONOMIES AFTER DIGITIZATION AND DIGITAL TRANSITION

ASSESSMENTS WITHOUT CLEAR SOLUTIONS

A wider assessment of the regional conflict landscape comes from the Armed Conflict Location and Event Data (ACLED) academic project and NGO, although these data offer no more insights into the economics of the conflict and eventual post-conflict economic solutions than the World Bank's brief reference to Palestine's national economy.

The intensity of conflict – tracked by ACLED – in 2024 saw Palestine as the polity suffering the largest impact of conflict in the world as analyzed under four categories of deadliness, diffusion, fragmentation, and danger. Syria and Lebanon were ranked in third and seventh place of most-afflicted locations. This ranking shows Syria as being 30 places higher in the ranking of conflict intensity than Israel. Egypt and Jordan were found less affected by further wide margins, at ranks above 70 and 100.

In the organization's 2025 conflict index, Palestine and Syria were still ranked in first and third position for total conflict exposure. Lebanon dropped out of the top ten most conflict intense counties to a still very high total conflict intensity ranking of 19, Jordan and Israel also dropped further, but Egypt's ranking indicated a slight increase in conflict intensity. According to ACLED, the conflict profiles of Eastern Mediterranean countries were embedded in a global conflict landscape where "high levels of conflict became the new normal".

From a statistical analysis perspective, however, the conflict intensity in the region does not translate into a measure of the recent Israeli-Gaza conflagration's economic dimension and the impairments of national productivity in countries affected by IDF actions. Similarly, the economic repercussions of the latest conflict in Palestine are not reflected in global analyses by the Australia-based Institute's for Economy and Peace (IEP) which found in the 2025 Global Peace Index that the economic impact of violence across the world was equivalent to 11.6 percent of global economic activity.

IEP, which observes global peacefulness and this year rung the alarm over 17 years of incrementally declining global peacefulness, assesses the economic impact of violence per country based on numerous factors that extend beyond armed conflict impacts. Syria and Palestine are shown as two of the countries with the highest economic cost of violence as share of GDP in 24, stating this cost at 33.97 and 19.42 percent. This perspective, while indicative of the overall economic burden of violence to a polity in purchase-power-parity terms, is of limited utility for assessing the actual cost of the 2023 - 24 war and the October 7, 2023 terror incursion from Gaza into Israel.

PROPAGANDA AND WAR ECONOMICS

It is undeniable that the propaganda, information warfare, and cybernetic dimension of militaristic and militant opinionating in the latest Middle East conflict involving Israelis and Arabs looms larger than at earlier times of warfare in history. Within the discourses of six polities covered in this report, debates of social constructs and partisan words of mass destruction from genocide to anti-Semitism have been embedding into the minds everywhere in reach of communication technology.

DEEP FAULT LINES AND TOWERING NEEDS

Measuring and comparing economies in their geographic environments and also in their peer groups is standard practice for entities from the World Bank Group to the World Economic Forum. However, no reports of IFIs and global economic think tanks seem to offer analyses on the long-term cost and opportunity costs of regional conflicts.

Additionally, there were no uniform causes behind economic downturns and ultra-deep recessions in three of the territories. The economy of Gaza, but not of Palestine, was wiped out by bombings and ground intrusions between October 2023 and the October 2025 ceasefire (and the erasure continued in the month after the ceasefire); Palestine in its entirety nonetheless suffered an estimated GDP contraction of 26 percent in 2024.

The neighboring Lebanese economy, which took an estimated $6.5 billion dollar hit in war destructions and damages in 2024 and saw its GDP drop 7.5 percent, suffered its more severe meltdown – cumulatively estimated 38 percent of GDP for three years – starting from 2019 and entirely due to factors that were not prima facie caused by external conflicts. But it furthermore suffered impacts of undetermined magnitude from the peace waged by Israel in 2025.

The causes of the Syrian meltdown include economic sanctions, devastation from internal conflicts with the militants of the Islamic State (ISIL), and the corrupt politics and oppressive system of Assad dynasty rule from 1971 until December 2024. The need of rebuilding destructed infrastructure and real estate assets that were incurred due to internal strife between 2012 and 2018 was already estimated at $100 to 300 billion (in the Lebanon Economic Vision document of consultancy McKinsey).

The recent World Bank "conservative best estimate" of $216 billion cost of restoring physical assets – infrastructure and building assets – with a cited possible upside margin of another $129 billion, sounds like a safer bet for an analyst without skin in the game than for an imaginary master contractor who would enter a bid for the project. War impacts on Jordan and Egypt by contrast were indirect and concentrated in indirect impacts on shipping via the Red Sea – to Jordan through the Gulf of Aqaba and for Egypt because of rerouting of vessels away from its Suez Canal.

Impediments to tourism were less severe for both countries than for Palestine, Lebanon, and Israel. Other than that, by the feeble amount of data that are fully transparent, the cost of warfare for Israel was minor in terms of suffered destruction yet economically poignant in terms of economic losses incurred because of military duty obligations of many Israeli citizens and because of ordnance and weapons systems that had to be restocked after their use in defense, retaliatory sorties and punitive air raids directed at Gaza, Lebanon, Iran, Syria, and Yemen.

FORTUNETELLING FOR SIX POLITIES

The economic future of the six polities is murky with more downside than upside risks for five of them and obfuscated with perceived upside risk for one of them. The cost of economic salvation – that is, the price tag of investments that would elevate Egypt, Syria, Lebanon, Jordan, and Palestine into a higher tier of income, employment, productivity, social safety and ecological sustainability – could range anywhere from one to three times their collective annual GDP estimated for 2024.

In numbers, that means costs of one trillion dollars are entirely in the realm of the economically, socially, and environmentally needed. Investment potentials, preliminary World Bank assessments, and rose-colored national plans suggest that a low-ball estimate of salvatory cost would exceed Syrian and Palestinian GDP each by multiples – estimated $214 billion for Syria and $70 billion for Palestine, versus estimated 2024 GDP values of $22 and 14 billion.

In Jordan and Egypt, current national development ambitions will require, at least, the equivalent of one-time national GDP in 2025, $58 versus 53 billion in Jordan and $400 billion (estimated by observers and consultants) versus $389 billion in Egypt. In Lebanon, the economic rebirth would require about two times to two-and-a-half times GDP of the current production of goods and services (including informal activities), if one assumes that the total price tag would be $80 to $90 billion and defacto GDP for 2025 is more than $40 billion instead of the internationally cited $25 to 30 billion.

> The economic future of the six polities is murky with more downside than upside risks for five of them, and obfuscated with perceived upside risk for one of them.

The five polities' hunger for funding over a decade (or two or more) could be as low as $820 billion. Their real need for investments, however, could well range anywhere from one to 1.5 percent of global GDP, putting the need firmly above one trillion dollars. In this, the region's fragile state of investment deprivation is not unlike the situation of a starving person who cannot dare to overeat if they want to regain their sustenance. But the source of sustenance – needed investments possibly worth more than a year of national GDP – is uncertain in the best imagination and laden with past failures

ECONOMIC REVERBARATIONS OF WAR

OVEVIEW

STRATEGIC SECTORS IN SIX POLITIES

Egypt	Israel	Jordan	Lebanon	Palestine	Syria
Suez canal operation	Military technology	Tourism	Construction & Real estate	Construction (housing, public buildings, civil society institutions, infrastructure, and digital infrastructure)	Energy (both extraction of fossil resources & conventional and renewable electricity production for local consumption)
Tourism	ICT and Cyber tools	Agriculture & Agro-industry	Agriculture & Agro-industry	Services	Construction & Real estate
Trade and free zones	Real estate	Renewable Energy	Manufacturing	Education	Agriculture & Agro-industry
Energy and nuclear energy	Manufacturing	Digitized Knowledge economy	Digitized Knowledge economy	Health	Finance
Manufacturing, including military production	Finance	Trade	Tourism	Agriculture	ICT & Digital Infrastructure

of mobilizing needed amounts, whether from taxes, international financial institutions, friendly states, private sources, or as hybrid public-private partnerships.

Moreover, sweeping visions such as the Jordanian and Egyptian ongoing national development concepts have been researched and drawn up in the 2010s, as evident from frequent citations and references to the World Bank Doing Business series and the World Economic Forum's Global Competitiveness Report and Index. Newer determinants of crucial economic potentials, metrics focusing on factors such as AI readiness and AI governance, are not part of the argumentation for investing in any of the Arab polities under purview. Matter of fact, all geo-economic indexes and rankings, whenever developed, show Israel in decidedly more enviable positions than its neighbors.

> The other option, that the win-lose status quo is hiding a lose-lose future reality of immeasurable cost, is nothing but a speculation void of appeal.

For Israel, the headline development equation is much different. With national GDP of $540 billion according to World Bank open data, the Jewish state has not seen a single year of GDP contractions since 1966, except for the pandemic year of 2020. By any numerical comparison to the regional neighbors, Israel is indeed in a different category of wealth and income, of technology adoption and industrial advancement, and of readiness for the digital age.

In this arithmetic, the economic outcome of the past 80 years is undeniably a zero-sum game, with Israel as the indisputable entry in the win column of the conflict balance sheets, including the balance sheet of the most recent conflagration. The idea of turning this win-lose constellation into a win-win reality of Middle Eastern economic integration in a frame of social, religious, and cultural peace has for the past five decades been pursued with willful blindness for the economic baselines of power. The investment needs for reaching a regional integration offering growth benefits to all its polities seems still utopian in light of political and security requirements.

The other option, that the obvious win-lose status quo is hiding a lose-lose future reality of immeasurable cultural and mental health cost, plus societal, climate and environmental repercussions that are to the detriment of the entire capitalist civilization is nothing but a speculation void of appeal under the proposition of reciprocal altruism. Similarly speculative is the idea that the changes of automation, where people leave the thinking to the machines for their superior processors, and further digitization will reverse the curse of this Faustian civilization's and its protagonists' unending search for knowledge, money, and power into a fascination with and quest for spirit, compassion, sustainability, and reciprocal altruism.

THE MANY ***MYTHS*** AROUND SMOKE-FREE ALTERNATIVES

In a world of misinformation, separating fact from fiction can be challenging at best. Information overload is everywhere, causing confusion and doubt in many areas of life. One such area is smoke-free technology.

Giving up nicotine and tobacco altogether is the best choice a smoker can make, but many don't. Where smoking was once the only option, smoke-free alternatives now exist to give smokers who don't quit, a better choice too.

Busting the myths around smoke-free products can prevent informational roadblocks and help more smokers leave cigarettes behind for good. That's why it's always important to stop, think, and check whether things are true or just popular belief.

Smoke-free products deliver nicotine without burning, which means they don't produce smoke and can contain far lower average levels of harmful chemicals than cigarettes. This makes them a far better choice for those that don't quit. As with any product, it's important to choose an alternative that's been backed by science, tested thoroughly, and comes from a reputable retailer.

When it comes to advances in science, technology, and tobacco, the right information can really make a difference. By clearing up confusion, adult smokers could be encouraged to make better decisions for their health.

TO LEARN MORE ABOUT SMOKE-FREE PRODUCTS, VISIT OUT WEBSITE
Brought to you by Philip Morris Management Services – Lebanon.

SO, WHAT ARE THE MOST COMMON MYTHS ABOUT SMOKE-FREE PRODUCTS?

MYTH
"Nicotine is the most harmful thing about smoking."
FACT
Burning is the most harmful thing about smoking. Nicotine is addictive, but smoke produced by burning is the primary cause of smoking-related diseases.

MYTH
"Smoke-free alternatives are the same as smoking cigarettes."
FACT
Quitting is best, but smoke-free alternatives are a much better choice than continuing to smoke because they don't produce harmful smoke. When there's no smoke, the levels of harmful chemicals can be considerably reduced.

MYTH
"Tar is present in smoke-free products."
FACT
Smoking-related tar is a weight measurement of leftover particles in smoke when nicotine and water are removed. Smoke-free products don't produce smoke, so tar is not a relevant unit of measurement.

MYTH
"Tobacco and nicotine products are all the same as each other."
FACT
That's not true. Products that burn tobacco and create smoke can be much more harmful than alternatives that deliver nicotine without smoke.

MYTH
"Better alternatives to smoking don't exist."
FACT
Better alternatives DO exist. As the name suggests, smoke-free alternatives can emit significantly fewer and lower levels of harmful chemicals compared to cigarettes. This makes them a better choice for adults than continuing to smoke.

The institutions that count

BY THOMAS SCHELLEN

THE RATIONALE BEHIND THE FIGURES

Key economic data for the six polities and jurisdictions yield limited or indirect information on the impact of armed interstate and asymmetric Arab-Israeli conflicts and specifically the October 7, 2023 Hamas intrusion into Israel, Israel's state actions against the Gaza strip with the declared rationale of smashing Hamas, the aggression of militant Hezbollah and Houthi entities from Lebanon and Yemen, the confrontations between Israel and Iran, the Israeli pummeling of Lebanon, the Israeli actions vis-à-vis post-Assad Syria, and all related destruction or economic damage. The data and indicators in the infographic overleaf do, however, illustrate the economic productivity and the global perceptions thereof in the last fifty years, the last decade, and the current outlooks and perceived potentials. As shown in the data, the disparities between countries are blatant, signs of regional integration of Mashreq or Near Eastern, economies, are absent.

Data on per capita performances and trends in unemployment, inflation, and GDP growth during the time of the 7th Arab-Israeli conflict are both revealing absolute misalignments and vast discrepancies in per capita GDP and growth thereof between Israel on one and the other five polities on the other. At the same time, the same data trends leave no doubt that all of the polities in their economic existences are under the rule of the principles that apply to all economies in the world; there is no superpower or that exists outside of or in immunity to realities and principles.

The economic profiles of key or strategic sectors do not show alignments under any regional development and integration perspective. They do not offer reasonable growth indicators or use of synergies, not for the Arab polities and their innovative interaction, and definitely not for Arab-Israeli, or in the original meaning of the weaponized, ethno-mythical term "Semite" intra-semitic, economic and socioeconomic reconciliation. The indices cited in as evidence of both realities on the ground and the global image of these realities that has been promulgated as part of a multi-decade trend to divide the productivity potentials of in their ancestries closely Semites into groups of which one has for the last 80 years been portrayed with highly favorable narratives and the other at least equally vilified despite their economic proves.

Index data and rankings in this infographic show the predilections and biases of their issuers until two of the two most-cited index series were halted at the end of the 2010s. ICT, innovation, and Artificial Intelligence related indices are showing moreover the persistence of gaps in index performance that must be expected to only widen further unless corrected both from underlying realities and regulations and from the side of biased indicator choices.

SOURCES AND DATA USED

World Bank Open Data series rely on a number of data sources. Per capita GDP in current USD advanced form 601.5 in 1965 to 13,664 in 2024. Per capita in constant 2015 dollar for the world is 11,876 USD. Current GDP dollar values are nominal, ie are values that are changed by inflation. Constant GDP data use a baseline year (2015) and show the GDP true volume development as per that year's monetary power. In inflationary environments, current GDP figures will be higher than constant GDP figures, the (rare) inverse applies with deflation.

The World Bank **Doing Business** report and ranking was a "flagship" report of the institution, until it wasn't any longer. The series was discontinued in some disgrace in 2019. Covering "regulations that enhance business as well as those that restrain it" domestically in almost all jurisdictions around the world, Doing Business Reports toward the end of the series listed assessed countries on a scale from 0 to 100. It ranked countries by ten regulatory pillars, plus noted labor market regulations as not ranked category. The effective range in 2017 edition, the 14th, was from New Zealand in top spot with 87 points, to Somalia with 20.3 points. Values for the six countries covered here ranged from Israel's 71.6 to 41.4 in Syria.

The World Economic Forum's **Global Competitiveness Report** and Index was a flagship product of Switzerland-based WEF until 2020. It was discontinued amid allegations of its manipulation. The 2017-

18 edition listed 137 countries on a scale from zero to 10. Top in the report were Switzerland and USA with 5.86 and 5.85 scores. The bottom-ranked Yemen had a score of 2.87 points according to parameters that according to the index legend quantified the institutions, policies, and factors that determine a country's level of productivity. Scores for the countries in this review ranged from Israel's 5.31 to 3.84 for Lebanon. Two topical countries of this paper, Palestine and Syria, were absent from the ranking.

The **Corruption Perception Index** of Transparency International covers 180 countries as meta-index of perceived levels of corruption. The 2024 edition characterizes corruption as "dangerous problem in every part of the world". Comparing the 2014 CPI edition to its 2012 iteration, the report says nearly 18 percent of indexed countries showed improvements but acknowledged that over 82 percent of countries were stagnant or regressed in their perception of cleanliness and transparency. Scores range from zero to 100, with Denmark being the country perceived as cleanest with 90 points and South Sudan in place 180 scoring 8 out of 100. Israel has a score of 64, Syria a score of 12. Running the mouse over the territory of Palestine shows no data, despite a differentiation of its geography from Israel.

The 2025 **Global Innovation Index** of the World intellectual Property Organization (WIPO) and Portulans Institute ranks 139 economies and top 100 global innovation clusters by technological developments and rates of tech adoption as well as socioeconomic impact and investment patterns. Scores are awarded from 1 to 100 and additionally segmented by four income groups and seven world regions. The scores de fact stretch from 66 for top-ranked Switzerland to 11.9 for lowest ranked Niger. Israel is the highest scorer of our coverage group at 52.3 and top ranker for the northern Africa and Western Asia region. Syria and Palestine are not in the ranking, which leaves Lebanon as tail scorer at 23.6. Tel-Aviv-Jerusalem (ranked 19) and Cairo (83) are the two innovation clusters shown among the world's top 100 innovation clusters according to the GII. Increases in MENA GII rankings are mentioned for some countries in the region, with Jordan the single country from our coverage group in the group of fast risers.

The **Network Readiness Index** by US-based think tank Portulans and Oxford University lists 133 countries and offers four-tiers of income categorization and six geographic categories for these. It aims to measure countries' preparedness for digital transition and leveraging of digital technologies for economic and societal benefits. Scaled from 1 to 100, the 2024 Index shows the USA in top rank with a score of almost 79 points, followed by Singapore with 76.94. Yemen, with 20.24 points is ranked in 133rd and last place. The scores for countries in this report are 70.46 for Israel, 47.04 for Jordan, and 44.4 for Egypt.

The eponymous entrepreneurship report of the **Global Entrepreneurship Monitor (GEM)** covers 56 economies. Findings are structured by three income groups and assessed as social foundations, drivers, and targets of entrepreneurs through reiterative annual surveys. Findings are scaled from 1 to 10; front runners in 2025 were the United Arab Emirates with a score of 7.1. Lowest scorer was Bosnia Herzegovina with 3.4. Only three of this paper's countries are mentioned in the GEM, with Jordan highlighted as the best performer of the group with a score of 5.0, followed by Israel with score of 4.5 and Egypt with 4.2.

The IMF **AI Preparedness Index** covers 174 countries with 4 measurement pillars (hard data and perception surveys) that constitute the index: the pillars include digital infrastructure, human capital, innovation & economic integration, regulation and ethics. The range is from zero to one, but the de-facto range is from 0.18 for the Central African Republic to 0.77 for the United States of America. There are numerous countries with "no data" but Palestine is not even shown as such, Palestine (WBG) is omitted from the list of countries. The index entries are values, no ranks are provided.

The **Government AI Readiness Index** by private sector consulting firm Oxford Insights covers 40 categories in three pillars, government, technology, data & infrastructure. The index's country values are shown on scale from 0 to 100, thus different from the AI preparedness index only in form of decimals. The Index shows de-facto Government AI readiness to range for Yemen in rank 188 with index value of 14.6/100 to the US in rank 1 with an index value of 87.3/100. The values for the six countries in our coverage are Egypt 55.6; Israel 74.5; Jordan 61.6; Lebanon 46.7; Palestine 37.5. Palestine is identified as "State of Palestine", yet Syria is not shown as a country the interactive index map.

Our list of **strategic sectors** in the economies of the five polities have been produced from a combination of international reports and own assessments. With regard to total cost of economic recovery from conflict and/or economic return to sustainability, Executive did not come across a single credible source of information for the **total cost of economic rebuilding** and recovery after the October 2023-October 2025 period or any portion thereof. A mix of disparate sources and own estimations was used. All data are provided for purposes of illustrating socioeconomic realities and potentials, or the lacking thereof, and should not be relied on as baselines for economic development project plans or investments.

In collaboration with KONRAD ADENAUER STIFTUNG

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Bordering war

BY JAMILE YOUSSEF

EGYPT ON ECONOMIC TIGHTROPE

Since the Gaza war began in October 2023, Egypt has found itself between regional violence, economic fragility, and diplomatic tension. Its economy, shaped by strong state control, a powerful military and a struggling workforce, cannot be separated from the wider conflict. Yet despite its sensitive regional position and its multi-tiered diplomatic and strategic exposure, Egypt has not faced significant physical destruction or evident direct economic losses from the start of the war up to the first nine months of 2025, though the United Nations Development Programme (UNDP) released a May 2024 Rapid Assessment of potential socio-economic impacts of the Gaza war on Egypt, basing their assessments on three scenarios ranging from contained to regional war. Estimated economic impacts on Egypt in these scenarios ranged from $5.6 billion to $19.8 billion. Although the third high intensity conflict scenario did not materialize in full, certain aspects of it, such as a direct confrontation between Israel and Iran, were realized. Still, the major impacts on oil, gas, tourism, and major long-term trade disruptions that warranted the $19.8 billion estimate have been largely avoided.

Economic indicators for Egypt do not reflect significant impact of the regional conflict scenario of the past year and nine months. According to International Monetary Fund (IMF) estimates from July 2025, debt-to-Gross Domestic Product (GDP) ratio narrowed by about 10 percentage point in the 12 months to June 2025, reaching 86 percent. Egypt's ongoing debt burden and other economic weaknesses are not considered linked to the regional conflicts in Israel, Palestine, Lebanon, and Syria, and in fact the IMF projected a four percent real GDP growth in 2025. While conflict-related financial burdens affected each of those countries in specific ways, analysts link Egypt's debt and other indicators of the country's problems to escalation of homegrown crises of the 2010s, the 2000s, and even earlier.

The IMF instead highlights improvements in the Egyptian economy and social stability in the past 12 months. These positive signs include unemployment rates around 7 percent. While social safety nets also were bolstered over, significant drops were recorded in both headline and consumer price inflation rates.

INDIRECT CONFLICT IMPACTS

Rather than territorial battles and losses of military and civilian lives, the challenges faced by the Nile government unfolded on multiple economic and political fronts, a large amount of which are indirectly linked to what many consider the seventh Arab-Israeli armed conflict (October 2023-2025).

Sectors of the Egyptian economy and projects considered important for national development have been affected, including the long delayed full opening of the billion-dollar Grand Egyptian Museum (GEM), designed to attract five million annual visitors. However, the main source of revenue pressure in 2024 steamed from the Suez Canal passing, which manifested mainly in the first half of 2024.

Sectors from energy to weapons manufacture were also affected, alongside strains on socioeconomic peace and elevated costs for policing and opinion influencing. An as yet incalculable array of emerging risk factors related to dichotomous popular sentiments, political attitudes, populist agitation, refugee inflows, and future displacement dangers.

The primary political and humanitarian sensor of the conflict was the Rafah crossing, the only access to Gaza not fully under Israeli control and is operated by Egypt (in political and security accords with Tel Aviv). At time of this report, Egypt's humanitarian burden along its Gaza border has kept growing, with tens of thousands of Palestinians seeking refuge. El-Sisi government played a key role in facilitating the Gaza agreements of October 2025, the country's post-1978 role as a mediator and regional stabilizer had been complicated by domestic pressures, geopolitical maneuvering, and the shifting priorities of its traditional allies.

RAFAH BORDER: HUMANITARIAN LIFELINE AND POLITICAL MINEFIELD

Rafah is the only non-Israeli crossing point between Gaza and the outside world, and it is located near the southeast extremity of the Sinai Peninsula in Egypt. For Palestine's private sector economy, the crossing serves as a vital trade corridor and for Egypt, it has provided marginal trade opportunities. The Cairo government has been using it as a strictly controlled pressure valve for decades, opening and closing it based on domestic politics, diplomatic situations, and security assessments.

Moreover, Rafah has become a pivotal challenge for Egypt's regional responsibilities and its internal security concerns. Immediately after the beginning of Israeli military actions in 2023, the Egyptian government positioned Rafah as a humanitarian relief hub rather than a mass shelter. To this end, Cairo permitted a limited number of relief convoys to enter Gaza in cooperation with the UN, the Egyptian Red Crescent, and Gulf state donors like Qatar and the United Arab Emirates.

Between November 2023 and May 2024, more than 80 percent of humanitarian supplies that reached Gaza entered through Egypt, until May 2024, when Israeli forces undertook ground incursions of the Gazan side of the Rafah crossing.

Justified by Israel as a tactical necessity to destroy Hamas infrastructure, the takeover of the crossing was seen as an outright insult to Egypt's logistical control. With its role as a key arbiter of humanitarian access undermined, Cairo accused Israel of breaking long-standing agreements and unilaterally changing the rules of humanitarian coordination. And within hours, it closed its side of the crossing.

> Rather than territorial battles and losses of military and civilian lives, the challenges faced by the Nile government unfolded on multiple economic and political fronts, a large amount of which are directly linked to what many consider the seventh Arab-Israeli conflict.

UN agencies warned of catastrophic situation in Gaza, as medicine and fuel ran extremely low. Despite intense efforts of Western and Arab diplomats to find a workaround for opening, Egypt refused to reopen Rafah until it could do so without being seen as allied in Israel's southern campaign. Furthermore, in order to block Palestinians from being displaced onto its territory, Egyptian officials instead called for the creation of an internationally monitored aid distribution system.

Emergency analysis has showed that Egypt lacks the resources to take in a sizable number of Gazan refugees. Even limited assistance for displaced people in Sinai might cost hundreds of millions of dollars, according to UNDP's assessment in May 2024, funds that Cairo just does not have.

ECONOMIC REVERBARATIONS OF WAR

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Egypt found itself in a financial dilemma as it relied on consistent Suez traffic for jobs and foreign exchange along the canal corridor ... cumulative losses through the first half of 2024 were estimated to be above $6 billion.

President Abdel Fattah el-Sisi confirmed that Egypt, of whose population refugees composed about 9 percent as of 2022 according to the International Organization for Migration, is not ready to provide the emergency housing, food distribution, healthcare, and educational infrastructure needed to host 100,000 displaced Palestinians. El-Sisi warned in a number of public statements that resettling Palestinians in Sinai would "liquidate the Palestinian cause" and violate Egyptian sovereignty.

The security risks posed by a potential Hamas presence in Egypt, and its links to the Muslim Brotherhood, are perhaps the primary deterrent to opening the Egyptian border. Cairo's opposition to having Gazan people mass-displaced onto Egyptian territory stems from a multi-layered and complex fear that permitting a massive influx of Gazans into Sinai might become a long-term attribute or sideshow of the Israeli-Palestinian conflict. Hence, the Egyptian government in 2024 focused on building a new large buffer zone along its border with Gaza. Located near the Rafah crossing and extends several kilometers into North Sinai. Satellite images analyzed by US-based tech company Ventor (formerly Maxar Technologies) and confirmed by Egyptian officials, showed cleared land and newly built infrastructure.

REFUGEES, SOCIAL SERVICES, AND THE SINAI STRAIN

Despite national efforts to curb refugee influxes, roughly 100,000 Palestinians entered Egypt between October 2023 and June 2025 according to the Palestinian Authority's embassy in Cairo, either through unofficial routes or with special permissions for humanitarian needs, family reunions, or medical care. The majority settled in North Sinai, particularly around the cities of Rafah and Arish.

A combined UNDP and World Food Programme (WFP) rapid assessment in May 2024 found that the influx of displaced people contributed to a more than 40 percent increase in food insecurity in border governorates. Based on analysts' preliminary assessments, providing basic services to a huge number of refugees would be very costly to Egypt, as well as concerning capital investment in infrastructure or long-term integration costs.

With a fiscal deficit exceeding five percent of GDP, and with debt servicing that account for a third of its national revenue, the country's direct economic exposure to Israeli military measures of the past two years is not as large as the exposures of Palestine, Lebanon, and Syria.

Egypt has received aid and logistical support from Gulf states and international agencies, including a $35 billion investment package from the United Arab Emirates in February 2024 and $8 billion in financial aid and investments from the European Union in March 2024. Regarding proposals to relocation of Gazan residents, no amount of funding could disperse with the illegality of such measures or is seen as a solution by the country's government. Egyptian Foreign Minister Badr Abdelatty reaffirmed in a 2025 interview with CNN that "the displacement of Palestinians from the Gaza Strip is a 'red line,' Cairo will not permit anyone to jeopardize Egypt's national security or sovereignty."

SUEZ CANAL, INFLATION, AND FOREIGN EXCHANGE

For Egypt, the Suez Canal is a national asset and a vital component of economic sustenance. Generating over $9 billion in revenue annually, it has long been a significant source of foreign currency for the government. As a route for almost 12 percent of worldwide trade and a link between the Mediterranean and the Red Sea, it also highlights Egypt's strategic position in maritime trade routes.

But the Gaza war weakened this strategic advantage. One of the most direct and expensive effects of the regional escalation for Egypt has been the disruption of Red Sea marine trade. Houthi attacks drove international shipping companies rerouted vessels away from the Red Sea and the Suez Canal. Revenue fell year-on-year by around 47 percent in January 2024, and maritime traffic fell 30 percent. These numbers represent the highest decline in canal revenue for more than ten years; big international shipping companies like Maersk and Hapag-Lloyd ceased transits in the Red Sea.

The consequences were immediate. Egypt had officially inaugurated a major expansion of the Suez Canal, known as the "New Suez Canal," in August 2015. This project involved digging a new 35 km lane and and widening other sections, significantly increasing the canal's capacity. Subsequent smaller expansion projects were initiated in 2022 and completed in 2023.

Based on expected earnings under normal circumstances, cumulative losses throughout the first half of 2024 were estimated to be above $6 billion. Egypt experienced a currency crisis in 2023-2024 fueled by the economic fallout from the war in Ukraine, the Gaza conflict's impact on Suez Canal revenues, and high external debt payments.

This adverse event came during a period of economic vulnerability for Egypt, with high levels of external debt, a widening trade deficit, and inflationary pressures. According to UNDP rapid assessment inflation of 23.5 percent in 2023 and projections of reaching 32 percent the following year. Additionally, in March 2024, the Central Bank let the Egyptian pound to freely fluctuate in accordance with the guidelines established by the International Monetary Fund (IMF), resulting in a nearly 60 percent devaluation, followed by a spike in the cost of fuel, imported commodities, and staple foods.

> Nevertheless, the World Travel & Tourism Council reported 2024 as Egypt's highest tourism contribution to the economy with 2025 projected to reach a new peak.

THE IMF AGREEMENT AND EGYPT'S FISCAL STRAITJACKET

Egypt's obligations to the IMF have further strained its economic independence. The country signed with the IMF a $3 billion Extended Fund Facility in December 2022 to stabilize its macroeconomic structure.

However, the initiative was significantly expanded as a result of adverse shocks, such as the conflict in Gaza, the Houthi attacks in the Red Sea, and associated revenue losses. Under the updated agreement, Egypt committed to a tighter fiscal consolidation route including lowering the budget deficit, permitting exchange rate flexibility, and eliminating untargeted subsidies.

However, returns have been severely constrained by geopolitical instability, currency devaluation, and global investor caution. Formerly will-

■ Boycotts on international enterprises contributed to the growth of local Egyptian businesses, especially in the food and beverage industry. Reports indicate that more than 100 domestic businesses have profited from customers turning to local products.

ing to provide Egypt with financial support, nations like the United Arab Emirates and Saudi Arabia have taken a wait-and-see attitude, urging Cairo to increase transparency before making any commitments.

In July 2024 assessment, the IMF praised Cairo's efforts but cautioned that growing external vulnerabilities and geopolitical uncertainty could derail the program. Egypt's geopolitical strategy imposes an unspoken but constant restriction, because IMF agreements and Gulf investments would be threatened if it hosted Palestinian refugees that could be close to Hamas. In summary, the geopolitical fine print that comes with every dollar of foreign assistance, in addition to IMF spreadsheets, reinforces Egypt's fiscal constraints.

Furthermore, reform also became more politically costly. Public outrage aroused by the removal of food and fuel subsidies as inflation squeezed households. Despite pressure from the IMF, the government postponed multiple rounds of subsidy cuts that were planned until mid-2024. The fiscal balance was further strained by the announcement of new social protection measures and wage increases for public sector employees.

SECTORAL IMPACTS: TOURISM, TRADE, AND ENERGY

Although Egypt is geographically remote from the conflict's center, its border with Gaza, Red Sea attacks and extensive media coverage have affected the safe travel destination in the first months of the war. Regional unrest may severely impact tourism, which had been still rebounding from the COVID-19 pandemic. Nevertheless, the World Travel & Tourism Council reported 2024 as Egypt's highest tourism contribution to the economy with 2025 projected to reach a new peak. As of this writing, tourism remains a cornerstone of the national economy representing about 8.5 percent of its GDP.

The logistics and trade industries faced a series of challenges. As noted above, container traffic through the Suez Canal drastically decreased as Houthi drone and missile attacks made routes insecure. Outside of the area of transshipments, exporters experienced delays threatened supply agreements, and importers were disproportionately affected by higher freight costs. Logistics and shipping costs increased overall due to rising insurance premiums, with some experts estimating not only million-dollar added costs for each large rerouted cargo vessel but also more negative climate balances.

In the energy field, Egypt has strengthened its ties with Israel, with whom its peace treaty of 1979 still stands, despite growing anti-Israel sentiment and public outrage following the Gaza War. Cairo and the Israeli firm NewMed signed a historic $35 billion deal in August 2025 to triple gas supplies from the Israel's offshore Leviathan field. This arrangement comes as Egypt's domestic gas production has dropped by over 40 percent since 2021, increasing dependence on imports at a time when its foreign reserves are running low.

Also, gasoline subsidy costs rose with global oil prices. Egypt remains a net energy importer. Currently, more than half of its imports and up to 20 percent of its overall consumption come from Israeli gas. In addition to providing a temporary eco-

nomic lifeline by reducing energy shortages and stabilizing prices, the agreement represents Cairo's long-term strategic investment on regional integration rather than symbolic political division, which is interpreted by observers as proof of the long-term significance of agreements in the spirit of the agreements signed since 2020 by other countries in the Gulf and North Africa (Bahrain, UAE, Morocco, Sudan) with Israel that known as the "Abraham Accords".

IMPROMPTU CONSUMER BEHAVIORS AND ALLEGED LABOR IMPACTS

In terms of Egyptian consumer responses, the Gaza conflict led to a widespread boycott of Western and companies thought to be Israeli-affiliated. The movement has had noticeable economic consequences despite being primarily a means of public opinion and political expression. Boycotts on international enterprises contributed to the growth of local Egyptian businesses, especially in the food and beverage industry, with reports indicating that certain domestic brands such as Egyptian soft drink labels have heavily benefitted from consumption surges.

This movement, while driven by opposition to Israeli interventions in Gaza, aligns with Egypt's larger localization and industrialization objectives, which promote local production despite often-voiced doubts about the long-term scalability and global competitiveness. However, the economic impact is not entirely positive. Several boycotted enterprises are major employers, raising concerns that sudden decline in sales could result job losses or violation of workers' rights. This highlights how consumer activism can affect economic stability and civil unrest, in a country already facing high unemployment and financial pressure.

The costs of Hamas intrusion into Israel in October 2023, the two years of domicide in the enclave, and the wider regional confrontations, measurably weighed on Egypt but less than the burdens created over the past 40 years under the country's erratic economic policy making.

The theoretical post-conflict scenario of rebuilding Gaza under the regime of a transitional Palestinian government, supervised by an international "Board of Peace" and an "International Stabilization Force", would have both burdens and benefits economic impact on Egypt. It could persist in areas from refugee care and Suez Canal receipts to tourism receipts and serving as gateway in humanitarian deliveries, trade and reconstruction. Egypt's potential role in reconstruction was on display during the March 2025 Arab Summit for Palestine held in Cairo at the request of Palestine, where Arab leaders pushed for a permanent ceasefire and two-state solution, and approved an (as of yet unfulfilled) Egyptian-led plan to create a technocratic committee to temporarily govern and reconstruct Gaza.

Domestic cost factors will likely include keeping internal unrest under control. Domestic social unrest and negative international reputation have both been enhanced (albeit not caused primarily) by the blocking o the Gaza aid protests along with other nondemocratic actions of the Sisi administration over the past decade. Moreover, the domestic social and global reputational repercussions of operating a state apparatus that is regarded as repressive by international civil rights advocacy organizations, must be regarded partly as an unknown collateral impact of the modern-era conflicts over Palestine.

ECONOMIC REVERBARATIONS OF WAR

ANALYSIS

In collaboration with KONRAD ADENAUER STIFTUNG

AR FR

The war next door

BY JAMILE YOUSSEF

JORDAN'S STRATEGIC VULNERABILITY IN A SHIFTING POLITICAL ORDER

Jordan has not reported destruction and direct economic losses either immediately after the attack of October 7, 2023, or in the two years after. However, the Hashemite' Kingdom's economic structure and geopolitical position rendered it exposed to the war between Israel and Hamas. Jordan had a diplomatic and humanitarian role in the conflict, including airdropping aid and keeping a field hospital in Gaza. From the beginning of this war, Amman has consistently opposed any plan to move Palestinians from Gaza or the West Bank into its territory and has withdrawn its ambassador from Israel in protest of the military action. Although being its neighboring country, the government stated that no Palestinian refugees entered its territory as a result of the conflict apart from those admitted for medical treatment.

The war has had a significant impact on Jordan's society and caused losses to the economy despite the country's lack of military involvement. These effects include trade disruptions caused by Red Sea instability, temporary drops in tourism from 2023-2025, unquantified consumer market shocks from boycotts--countered in part by increased consumption of locally manufactured goods--uncertainty, and both financial and diplomatic pressure from its reliance on outside funding particularly from the European Union and the United States (though the 2025 dismantling of the United States Agency for International Development caused multi-sector shocks across the country--which had been the third-largest recipient of USAID from 2021-2025). The conflict's reported human cost of over 67,000, mostly civilian deaths and 169,000 injuries on the Palestinian as of late 2025, has deeply influenced Jordanian public opinion and political dynamics, resulting in protests and demands to stop any cooperation agreements with Israel.

MACRO-IMPACTS AND AERIAL DISRUPTIONS

Before the onset of the Gaza conflict, Jordan was still recovering from the COVID-19 pandemic. According to International Monetary Fund (IMF) data, real Gross Domestic Product (GDP) growth, which had been negative at -1.1 percent already in 2019, recovered to 3.1 percent in 2023, a new peak since 2010. This was due to tourism sector expansion, gradual development in external demand, and fiscal consolidation that supported inflation stabilization and regained investor trust. However, this trajectory was disrupted in October 2023 when the Gaza war broke out and instability began to spill over into neighboring countries. The IMF reported that in 2024, Jordan's real GDP growth slowed to 2.5 percent.

The economic spillover was first felt in the tourism sector, one of Jordan's primary sources of foreign currency. According to the Ministry of Tourism and Antiquities, by the end of the first quarter in 2024, visitor numbers had dropped by 3.9 percent and tourism receipts had fallen by 2.3 percent compared to the year before. This decline was associated with North American and European travelers' security concerns and broader regional disruption in mobility affecting schedules of airlines and cruise ships. Airspace closures in April and October of 2024 as well as June 2025, taken as a precaution amid Israel-Iran missile exchanges, added further uncertainty and temporarily disrupted connectivity.

Additionally, it must be assumed that some direct military costs incurred for the government in Amman, although there is no specific data on the cost of national air defense systems intercepting Iranian missiles and drones in Jordanian airspace. Aerial military intervention costs of Israeli interceptions of Iranian missiles and drones were at the time estimated by media at over $550 million for only one operation.

Looking ahead, the IMF's 2025 World Economic Outlook projects a 2.6 percent real GDP growth in Jordan by 2025, assuming no further escalation of the war and stabilization of external trade. Any disruptions in Red Sea shipping or any new political tensions could, however, easily drag growth below projections. Other than risks for trade and tourism as key sectors in the Jordanian economy, the nation's economic structure and its reliance on foreign aid--particularly to organizations that support Palestine but are based in Jordan such as the United Nations Relief and Works Agency for Palestine (UNWRA)--increase its vulnerability to resurgence of regional conflicts, which at time of this analysis cannot be excluded, and to geopolitical developments in general.

> At the same time as being faced with irate voices in its populace, the government managed a difficult diplomatic dance of avoiding confrontation with international powers that are of strategic importance for its economy.

Beyond costs incurred due to nearby conflicts and regional uncertainty, there is also a considerable domestic cost associated with Jordan's diplomatic stance that incurred popular wrath. The Gaza conflict and the Israeli actions in the enclave in the past two years resulted in large nightly protests in Amman and other major cities, reflecting a rise in public opposition to any form of cooperation with Israel.

At the same time as being faced with irate voices in its populace, the government in Amman managed a difficult diplomatic dance of avoiding diplomatic confrontation with international powers that are of strategic importance for its economy. It offerred support to the Gazan people through deliveries of humanitarian aid, by taking strong and consistent positions of supporting a Palestinian state in international forums, and by supporting legal action at the International Court of Justice after publication of the 2024 ICJ advisory on the illegality of Israel's occupation.

Although Jordan was able to absorb economic disruptions related to the Gaza conflict and

■ Vessels rerouting around the Cape of Good Hope increased fuel and insurance costs and created inflationary pressures for Jordanian producers and consumers. To mitigate this trade disruption, the Jordanian government set a temporary exemption on sales taxes and custom duties on maritime shipping costs in January 2024.

keeping armed confrontations outside of its borders, the Hashemite Kingdomhas had to balance conflict potentials that can erupt in the short or long term. Continued Israeli military presence in South Lebanon over the past 12 months has been noted in international media as a "rolling war," and the continual ceasefire violations and what more than 20 UN-appointed expert observers refer to as the "militarized control" over Gaza, in conjunction with a West Bank regime enacting what the UN High Commissioner for Human Rights refers to as "systemic discrimination and systemic asphyxiation" of Palestinian rights, can be called a perma-crisis. Under such conditions, Jordanian long-term growth remains subject to future iterations of internal fault lines, unrest, and even strife. Jordan's flexibility in foreign partnerships would severely suffer in such a scenario, and external cooperation agreements with Israel on water and energy may be further disrupted, areas vital to its economic and environmental security.

SOCIO-ECONOMIC LOSSES AND HUMANITARIAN CONSEQUENCES

During the Gaza conflict, Jordan maintained strict border control, and did not open its borders to any new influx of refugees from Gaza or West Bank communities targeted by hostile settlers, despite the Kingdom's shared border with the occupied West Bank. This special vigilance at the time of intense conflicts within the neighboring territories is widely seen as reflecting both security considerations and political sensitivities rooted in Jordanian history.

Vigilance combined with humanitarian and diplomatic support for Palestine were part of the Kingdom's socioeconomic balancing act between popular pressures and economic survival. Under this calculus, the Jordanian population was spared recurrence of the per-capita cost burden of new refugee camps and large-scale displacements seen in the past decade. Jordan was also spared military destruction and damages, apart from the minor damages incurred by the accidental fall of drones on civilian infrastructure. But estimations of economic losses, and specifically conflict-related negative impact on per-capita incomes and familial livelihoods, have neither risen to the top of global attention nor to highest analytical precision.

In a preliminary estimate of the Gaza conflict's economic repercussions on the three countries of Jordan, Egypt, and Lebanon during the first three months of armed violence in Gaza and in support of Hamas, a joint assessment by the United Nations Development Programme (UNDP) and the United Nations Economic and Social Commission of Western Asia (ESCWA) put the negative GDP impact at $10.3 billion for the three countries. A projected USD $18 billion loss for 2024 was later invalidated by escalations in Lebanon. Jordan-specific estimates remain imprecise but point to reduced government revenue, delayed infrastructure investment, and slower progress on social protection, education and healthcare.

SECTORAL IMPACTS AND OPPORTUNITY COSTS

Tourism's dip and rise

According to Ministry of Tourism and Antiquities quarterly review, Jordan's tourism aggregates in 2023 did not suffer from regional instability but showed increases vis-à-vis the preceding pandemic as the number of visitors improved and tourism receipts increased by 25.8 percent from 2022. However, looking at the period between November 2023 till September 2024 when global headlines were filled with daily coverage of the Gaza conflict, tourism aggregates shifted and expected sectoral revenues of $530 million were not realized, according to the Ministry's quarterly review. Even as visitor entries from the Arabian Gulf region increased, the number of visitors was considered low, as fewer international visitors entered.

While the overall decline in visitor arrivals and tourism receipts in 2024 was minor, tourism and hospitality operators reported changes in cruise ship itineraries away from Aqaba, Jordan's only port, and flight suspensions at Amman's Queen Alia airport, which in 2024 saw a single-digit percentage contraction in passenger numbers alter two years of growth. The temporary contraction of visitor numbers affected local businesses, seasonal workers, tour guides, and transport operators. It did not, however, impede medium-term growth of Jordan's inbound tourism as shown in a strong rebound in tourist arrivals already in January and February of 2025. Over these two months, Jordan recorded the highest number of tourists and receipts since 2010. According to Ministry of Tourism and Antiquities, the country's tourism revenue for the first quarter of 2025 reached $1.72 billion, a year-on-year 8.9 percent increase.

Trade route disruptions

Accounting for one third of the country's imports and about half of exports, Jordan's Port of Aqaba plays a vital role in the country's trade infrastructure. Attacks were initiated in October 2023 on the vital Gulf of Aden and Red Sea shipping lanes by Yemen's Houthis, part of the "axis of resistance" that entered the Gaza conflict by attacking Israeli and allegedly Israel-linked targets. Vessel rerouting around the Cape of Good Hope increased fuel and insurance costs and created inflationary pressures for Jordanian producers and consumers.

> A drop in GDP growth rates for Jordan in 2024 seems to be signaling the extent of the country's direct and indirect losses from two years of war over and on Gaza.

To mitigate this trade disruption and avoid major drawbacks, the Jordanian government set a temporary exemption on sales taxes and custom duties on maritime shipping costs in January 2024. Al-Aqaba port import and export levels have nonetheless declined dramatically.

Land-based trade across Jordan's western border has also been impeded. Since the Gaza war escalated, cross-border trade via the King Hussein / Allenby Bridge, Jordan's primary commercial crossing with the West Bank, has initially remained open and facilitated bilateral trade (albeit 3:1 disparate in favor of Jordanian exports) between Jordan and Palestine at a reported level of above $400 million (2023) but has become more vulnerable.

Following a September 2025 incident where a Jordanian truck driver killed two Israeli soldiers at the crossing point, Israeli authorities closed the Allenby Bridge "indefinitely." Despite a partial reopening at the end of the same month, forward looking implications for trade are significant, albeit shrouded in uncertainty due to the overall situation. According to records of recent years, a closure has repercussions on deliveries of humanitarian aid shipments to Gaze. About a quarter of the food, tents, and other essential supplies that were sent to Gaza via the UN 2720 mechanism in August 2024 went through Jordan.

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■ Although no consolidated number of cumultative economic cost to Jordan's trade and tourism sectors is available, it has to be concluded that both sectors represented the primary channels of conflict-related economic impact on Jordan in the past two years.

A drop in GDP growth rates for Jordan in 2024 from 2023 seems to be signaling the extent of the country's direct and indirect economic losses from two years of war over and on Gaza. This impact may be recovered organically by GDP growth returning to higher levels, as per IMF projections. Although no consolidated numerical value of the cumulative economic cost to Jordan's trade and tourism sectors is available, it has to be concluded that both sectors represented the primary channels of conflict-related impact on Jordan in the past two years.

Boycotts, public strikes and consumer behavior

A locally significant, and highly publicized, behavioral economic and social impact of rising Pro-Palestine and Anti-Israel sentiments of Jordanian consumers occurred by way of an increasingly active consumer boycott movement, alongside public strikes, targeting global food and beverage companies, that are considered pro-Israel. Boycotting international companies was a way for Jordanians to show support for Palestinians. Local advocacy organizations, civil society networks, and social media platforms helped expand the campaign, turning individual consumer choices into a political and economic statement. While some demand shifted to locally produced goods and local firms, Jordan's high import-reliance meant that supply chains, packaging, distribution, and franchise operations were negatively impacted. Boycotts have a long history, and while being both ardently declared and denied or met with counter campaigns, their economic impact comprised of supply chain and brand reputation effects, has historically been near impossible to predict.

When energy imports are interrupted

According to the World Integrated Trade Solution, a World Bank platform for trade and tariff data, Jordan's internal consumption was 57 percent import-dependent in 2023, with food and energy as the sectors with the largest share of imports. Jordan generates a significant portion of its electricity from natural gas, which is mainly imported from Israel and Egypt. The Arab Gas Pipeline, a transregional national gas pipeline that runs from Egypt through Jordan and Syria, has seen disruptions in its flows since the late 2023 regional instability. In the previous decade from 2010 to 2019, which is noted by the Jordanian government as a period of low GDP growth, the kingdom's energy sector had to grapple with planning and implementation of its first green growth vision and rollout of renewable energy plants, growing domestic power demands and increased generation costs while citizens were faced with contentious reforms to electricity subsidies. Fiscal burdens of the energy sector increased with costly impacts on electricity pricing and public spending.

Furthermore, Jordan's sustainable freshwater resources are less than 100 cubic meters per person annually, considered far below the worldwide water poverty line as projected in a United Nations International Children's Emergency Fund (UNICEF) 2025 report.

As the kingdom's new water and energy nexus was shaped in the 2010s (juxtaposing poverty in freshwater resources and fossil energy with burgeoning of renewable energy), first purchase agreements for natural gas from offshore Israeli fields Tamar and Leviathan were signed – amidst protests Project Prosperity, – and negotiations for a water-for-renewable energy project commenced. The latter, called Project Prosperity, became politically untenable and suspended due to public objection during the Gaza war.

There are direct costs and opportunity costs associated with postponement of this collaboration project, which had been designed under a regional integration agenda with involvement of the United Arab Emirates and diplomatic support by the USA. Foregone water security benefits and delayed investments in auxiliary infrastructure, reduce Jordan's negotiation power and weaken its ability to attract green funding for large-scale infrastructure projects. This notwithstanding, with undiminished needs for regional water and energy cooperation over coming decades and in the presence of the Jordanian national water strategy as well as the kingdom's ambitious economic and social development 2022-2033 roadmap that aims to more than double the annual GPD growth rate seen in the low growth decade of the 2010s and create one million new jobs - a 65 percent increase from 2021 job stock of 1.59 million – under a multi-source capital expenditure vision of 41.4 billion Jordanian dinar ($58.4 billion USD).

Measuring divergencies of real GDP growth and sectoral objectives for manufacturing and its sub-sectors such as food, chemicals, pharmaceuticals, and textile, as well as strategic services in trade, tourism, education, healthcare, and finance, plus the energy and water nexus, against the economic roadmap, which represents the Hashemite Kingdom's latest development agenda, and its timeline for the coming eight years, could be considered as proxy indicator for the economic losses and opportunity costs that Jordan faces in a post-conflict scenario of non-violence from 2026 onward.

A neighbor to suffering

More immediately, although Jordan's population has not directly been impacted by the conflict in Gaza in terms of their physical health, there are costs to the healthcare system. Costs directly related to the Gaza conflict entail the operation of a field hospital in the enclave, the provision of emergency medical care to civilians, including burn treatment, as well as trauma therapy, and treatment for long-term illnesses. Jordan's substantial participation in regional humanitarian response is demonstrated by the close coordination between foreign humanitarian groups and Jordanian medical personnel. Additionally, the field hospital has served as a symbol of Jordan's humanitarian and political support for the Palestinian people.

Indirect psychosocial effects are impacting Jordan as well. Psychosocial stress levels and mental health among the country's host communities and refugee populations have significantly increased, according to UNICEF 2023 Integration of Mental Health and Psychosocial Support in Primary Health Care report, with high cases of anxiety, fear, and grief, especially in urban areas like Amman, Zarqa, and Irbid. Furthermore, the UNICEF 2024 annual report on Jordan described that through political mobilization, media coverage, and familial ties to Gaza, where many Jordanian families have relatives, these populations have been exposed to the conflict-quickly-turned-genocide in an indirect manner. In addition to increased tension during times of increased violence, mental health professionals report an increase in anxiety, despair, grief, and emotional distress, especially among young people and vulnerable populations. These mental burdens and the related costs must be expected to outlast the validity of any economic development plan. A September 2025 investment case by the Jordanian Ministry of Health and World Health Organization on mental health in Jordan found that in 2023, mental conditions imposed an economic burden of approximately 252 million Jordanian dinars, equivalent to about .75 percent of the country's GDP, including both direct healthcare expenditures and substantial indirect costs such as low productivity.

> Jordan's trajectory is a warning that without regional integration, peace and stability, every new crisis adds an additional layer of economic drawn-out fatigue.

In the end, what emerges from Jordan's position in the post–October 7 regional landscape is less a distinct economic imprint than a confirmation of the country's structural exhaustion. The war in Gaza may have sent measurable macro-shocks across neighboring economies, but in Jordan those signals have been absorbed—muted, refracted, or simply lost—within an economy already hollowed out by institutional erosion, fragmented sovereignty, and the cumulative losses of more than a decade of conflict (World Bank, 2023). What does stand out is the degree to which Jordan's vulnerability is now systemic rather than episodic: exposure to climate stress, reliance on remittances, dwindling state capacity, and deepening poverty leave little buffer against any external shock, whether geopolitical or environmental. As the region recalibrates to a new equilibrium of protracted instability, Jordan's trajectory is a warning that without regional integration, peace and stability, every new crisis adds an additional layer of drawn-out economic fatigue.

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Israel and Palestine

BY MARYAM ALAOUIE

ECONOMIC DEVASTATION AND DIVERGENCE

Israel's war on Gaza is a geopolitical existential catastrophe, with 71,266 Palestinians in Gaza, and 1,671 Israelis reported killed in less than three years as of December 2025 according to Humanitarian Situation Update #351 from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA). Additionally, the November 2025 Situation Report from the United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNWRA) documents a total of 1,048 Palestinians killed in the West Bank since October 2023. Since October 7, 2023, the high-cost war has significantly impacted Israel's economy without causing complete rupture (it was still listed at the Organisation for Economic Cooperation and Development [OECD]'s third best economy in 2025 by the Economist as reported by the UK journal Globes), while completely decimating that of Palestine. While the International Court of Justice ruled in January 2024 that it was "plausible" that Israel was enacting genocide, the United Nation (UN)'s Independent International Commission of Inquiry concluded in a September 2025 report that Israel has committed and continues to commit genocide against Palestinians in the Gaza strip, which the 1948 genocide convention defines as "the intent to destroy, in whole or in part, a national, ethnical, racial or religious group." The Israeli government maintains that it is defending itself against the attacks that took the lives of around 1,200 Israelis on October 7th, 2023.

A NON-CRIPPLING MACRO BLOW

The Gaza war precipitated a pronounced decline in the economy of both polities, although the consequences are far from comparable between the two. At the end of 2025, Israel is experiencingsignificant wartime disruption to economic activity that is still accompanied by economic growth. According to the International Monetary Fund (IMF)'s World Economic Outlook data for 2025, GDP is projected at $580 billion, with inflation at 3.2 percent and real growth rebounding to 2.5 percent, the lowest in two decades. The Bank of Israel's April 2025 forecast expected GDP to expand 3.5 percent in 2025 nd roughly 4.0 percent in 2026, reflecting a rebound in private consumption and investment amid lingering conflict risks.

The human death toll has reached at least 1,671 civilians and soldiers, most of whom were killed during Hamas' indiscriminate attacks on October 7th, as well as over 8,000 purportedly injured during the 3-year span. Towards the end of October 2023, Israeli Minister of Finance Bezalel Smotrich estimated per diem costs of war at around $260 million per day, a number which has increased dramatically as the scope, intensity, and fronts of the war—or wars—have expanded at numerous points within the three-year period. On May 30th, 2024, Amir Yaron, the governor of Israel's central bank, reported that defense and civilian costs of the Gaza war would reach $68 billion by 2025, a figure that still does not reflect the total economic cost of war on many fronts.

Behind those numbers is a story of a state that has been through a financially burdensome war, and yet is still growing. Perhaps the largest factor of Israeli economic resilience is its backing by the United States politically and militarily with at least USD 21.7 billion between October 2023 and September 2025, according to an October 2025 report released by US think tank Quincy Institute for Responsible Statecraft and Brown University's Cost of War Project. The report notes that this number does not include the "tens of billions of dollars in arms sales agreements that have been committed for weapons and services" yet to be delivered. However, even though these figures imply a slow macroeconomic recovery, it is crucial to note that it is far from an organic growth, but rather one driven by government and defense spending, making this growth relatively unsustainable. Although the economy in Israel did not face collapse, due primarily to the growth of its tech sector, the war on Gaza was expensive enough to risk medium-term economic destabilization and disparities between the sectors with many of them declining drastically, due to heavy military and fiscal war-time expenses.

THE BALANCE SHEET OF OCCUPATION

As the ICJ and the UN has emphasized throughout the course of the war, there have been countless breaches of International and Humanitarian law by Israel that mount to a high economic and political price. The Stockholm International Peace Research Institute (SIPRI), an international entity dedicated to compiling conflict and arms expenditure data, reported in April 2025 that the "global military burden," defined as military expenditure's share of GDP, increased to 2.5 percent in 2024. For Israel, military spending jumped by 65 percent to reach $46.5 billion in 2024, an 8.8 percent share of GDP which SIPRI notes as "the steepest annual increase since the Six-Day War in 1976."

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In March 2025, Bank of Israel (BOI)'s Amir Yaron claimed in a Jerusalem press conference that "the war once again is a testament to the crucial importance of a relatively low public debt-to-GDP ratio for the economy's resilience to shocks". Yet the public debt in Israel has reached almost 71 percent of GDP, with 5 percent deficit, as estimated by the BOI.

During war, displacement becomes an inherent reality for many, and an expensive one. A large magnitude of the direct fiscal expenditure of the government is the compensation and income replacement of more than 300,000 Israeli reservists that mobilized since the beginning of the war. The government also spends on sheltering and feeding of soldiers, which draws the figure close to 600 million shekel a day (USD 158 million), according to the Ministry of Finance. The displacements of these reservists also create a gap in the labor forces in their respective industries, which disrupt several production lines. The expected military budget for 2025 that was announced in March 2024, according to the Ministry of Defense, is 118 billion shekels (USD 31 billion), twice the one allocated for 2023. These numbers will not only enhance military and security sectors but will also include several budget cuts in other sectors that will ultimately have a direct effect in the general economic growth.

In addition to compensating reservists, Israel also paid compensation for around 60,000 of the

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According to the Israeli Innovation Authority, the tech sector accounted for almost 20 percent of GDP as of 2023, with an output of USD 85 billion a year, contributing to over half of the country's exports.

northern residents evacuated due to the Israel-Hezbollah war and around 164,000 evacuees in the south due to the Gaza war. Although the total amount of displaced residents in the north exceeded the 60,0000 evacuees in the north and around 164,000 in the south, those officially evacuated were provided with living assistance, rent, and compensation for damages and losses in business revenues via the Israel Tax Authority. Additionally, incentives were provided for residents to return to their former places of work.

THE CRACKS IN CONSTRUCTION

The war on Gaza has had significant spillover effects on the Israeli construction sector, with residential construction among the most affected segments. Before assessing the scale and nature of these losses, it is important to situate the industry within its broader structural and political context. The Israeli government has continued to allocate substantial funds toward settlement expansion and infrastructure inthe occupied West Bank as part of the 2025 fiscal package and related multi-year plans. In July 2025, thr knesset approved 918 million shekels (about $275 million) specifically for settlement infrastructure projects--a decision presented to teh Knesset Finance Committee by Transportation Minister Miri Regev and Finance Minister Bezalel Smotrich. Moreover, in Deceber 2025, Finance Minister Smotrich earmarked a broader 2.7 billion-shekel (approximately $843 million) plan over the next five years to expand and enhance settlement communities, infrastructure, land registration, and associated services beyond the GReen Line--a packageedtailed by Israeli outlets based on official budget directives and statements from Smotrich's office. By the end of 2024, the Israeli Yesha Council reported that the settler population had surpassed 500,000. This activity takes place in territory that the International Court of Justice, in its advisory opinion issued on 19 July 2024, determined to be under an unlawful occupation, rendering the settlement enterprise illegal under international law.

While the construction sector did not experience a full collapse following the outbreak of the war, it was significantly affected by labor shortages. A primary factor was the sharp reduction in the availability of Palestinian workers, following an October 2023 decision by the Israeli government to restrict their entry into Israel and to close crossings from the occupied West Bank. This disruption resulted in an acute manpower shortfall. In December 2023, Israel's finance minister estimated daily economic losses at approximately USD 830 million, underscoring the sector's dependence on Palestinian labor. Since the start of the war, numerous construction sites and residential projects have been temporarily suspended or closed, citing security considerations and the reallocation of resources toward defense-related needs. According to Israel's Central Bureau of Statistics, by the first quarter of 2024, 41 percent of housing construction sites in Tel Aviv were inactive. Despite continued investor interest premised on Israel's economic resilience, elevated levels of security-related and regulatory uncertainty have constrained real estate development and delayed investment decisions.

TURBULENCE IN TOURISM

Travel to Israel declined sharply following the outbreak of the war on Gaza, as heightened security risks, regional instability, and international travel advisories weighed heavily on tourism demand. In parallel, Israel's global image has come under increased scrutiny amid the conduct of the war, contributing to reputational effects that may have further discouraged discretionary travel. The Israeli Ministry of Tourism reported a 90 percent year-on-year decline in international tourist arrivals in 2024, with arrivals falling to approximately 880,000, down from 2.95 million in 2023—levels not recorded in more than a decade.

The contraction in inbound tourism significantly reduced revenues across the broader hospitality ecosystem, including airlines serving Israel, hotels, and leisure facilities. According to the Ministry of Tourism, cumulative losses in the tourism sector reached an estimated USD 3.4 billion by the end of 2024. While domestic tourism activity has partially mitigated the downturn, its capacity to stabilize the sector remains limited and remains highly contingent on developments in the regional security and diplomatic environment.

THE TECH SECTOR SAVIOR

The above sections have established that the economy in Israel remains resilient. One of the main drivers for this resilience is the tech sector. According to the Israeli Innovation Authority (IIA), the tech sector accounted for almost 20 percent of GDP as of 2023 with an output of USD 85 billion a year, contributing to over half of the country's exports. This economic endurance has brought Google, Microsoft, and Amazon to establish research and development centers in Israel located in Tel Aviv and Haifa over the past decade. The sector, which is a cornerstone of the Israeli economy, has a significant role in the global innovation landscape for its advanced manufacturing, research, and development worldwide.

> In an effort to bolster its reputation at home and abroad, Israel has invested a significant amount on propoganda to help relieve economic isolation and the reputational risks the country faces.

Even though the sector remains standing on solid ground, the war on Gaza has slowed down its growth due to work force depletion, slow investment and formation of startups, in addition to the hesitation of the international market. In 2022, there were 508,440 employees that actively worked in the technology sector in Israel. The IIA noted that this number fell to 390,847 employees in 2024 after the beginning of the war on Gaza. Nonetheless, as mentioned above, the sector, whose main components are cybersecurity, AI, medical technology, and fintech accounted for almost 20 percent of GDP before the war, a figure that has dropped to reach 17 percent of GDP in 2024.

The tech sector might be bleeding from one end, but it is certainly also blooming from another. Despite a decrease in investments, it is important to note that during 2025, Israeli tech companies have experienced an exceptionally strong mergers & acquisitions market, reaching USD 71 billion, five times that of 2024, according to Avi Hasson, CEO of Startup Nation Central in a May 2025 statement: "We are seeing fewer rounds, but at record sizes, signaling confidence in scale-ready companies. At the same time, global buyers are making some of the boldest bets we've ever seen on Israeli tech, especially in cybersecurity." The Israeli government has worked hard on its national and international cybersecurity tools, many of which are used to support propaganda and create influence campaigns.

THE COST OF A MAKEOVER CAMPAIGN

The United Nations' recognition of Israel's war on Gaza as a genocide, with the killing of over

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As the World Bank has stated repeatedly, data collection is nearly impossible in Gaza, since almost all economic activity has ground to a halt.

70,000 Palestinians in Gaza and the damage or total destruction of 92 percent of all residential buildings in Gaza, according to a UN estimate as of April 2025, has negatively impacted Israel's global standing. In an effort to bolster its reputation at home and aboard, Israel has invested a significant amount on propaganda to help relieve the economic isolation and reputational risks the country faces. In late 2024 and early 2025, the Israeli government approved a significant increase in its budget for "hasbara," which translates from Hebrew to "explanation", allocating an additional $150 million (approximately NIS 545 million) to the Foreign Ministry for these efforts. This amount represents a more than 20-fold increase over previous annual allocations for public diplomacy. Additionally, Israel's Government Advertisement Agency reports spending USD $120.5 million in 2024 on sponsored Google Ads. A report by Turkish news agency, Andolu Ajansi, states that in June 2025, the Israeli government advertisement bureau spent USD $50 million on X, Google, and other platforms to oppose anti-Israel narratives as well as media aimed at exposing famine and alleged war crimes in Gaza.

THE OTHER SIDE OF THE WAR

In Palestine, after more than two years of bombardment and siege, the country has witnessed one of the deadliest wars in the 21st century, with the worst humanitarian crisis ever faced, according to the United Nations ESCWA. Various media and organizations have reported that estimates ranging from 70,000-100,000 tons of explosives have been dropped on the Gaza strip since the beginning of the war. In this context, the war worsened an already very fragile economy, collapsing almost all economic sectors.

COUNTING THE COSTS IN THE GAZA STRIP

The World Bank describes the economy in Gaza as being "near total collapse", with the GDP falling 17 percent in the West Bank as of 2024, and 83 percent in Gaza. The UN Conference on Trade and Development (UNCTAD) reported in November 2025 that Gaza's GDP stood at $362 million in 2024, or $161 per capita. Furthermore, the public debt of the Palestinian Authorities before the war, according to the IMF, was 50 percent of GDP in 2022, which has also increased drastically since the beginning of the war to reach almost 80 percent of GDP by mid-2024.

As the World Bank has stated repeatedly, data collection in Gaza is nearly impossible since almost all economic activity has ground to a halt. Before the conflict, the economy in Gaza was mostly reliant on small industries, agriculture, and service jobs, some that were based in Israeli territories.

GAZA'S CRIPPLED ECONOMIC SECTORS

The largest contributor to the economy in Gaza before the war was the service sector, contributing to roughly 60 percent of total GDP, which includes healthcare, education, public administration, and transport. The healthcare system in Gaza is operating in a state of near-collapse under the cumulative pressures of sustained military operations, infrastructure damage, and severe supply constraints (see story on page xxx). According to a May 2025 news release from the World Health Organization, only 19 of Gaza's 36 hospitals remain partially operational, and of these, 7 are able to offer only basic emergency services.

Gaza's education system has been largely incapacitated by the conflict, with widespread damage to schools (the UN's education and cultural organization, UNESCO, reported in February 2024 that 563 school buildings have been bombed) prolonged closures, and the displacement of students and educators. The suspension of formal schooling and limited access to alternative learning modalities have disrupted education at scale.

Moreover, the agricultural infrastructure in Gaza, which contributed to about 6 percent of GDP before the war, was critically impacted. The Food and Agriculture Organization of the UN (FAO) reported in a March 2025 assessment that only 4.6 percent of Gaza's total cropland is available for cultivation, while more than 80 percent of it has been completely damaged.

With schools, hospitals, and businesses in almost complete ruins, partial to complete blockades have exacerbated the situation. During the aid blockade from the beginning of March 2025 through mid-May, the prices of food and basic necessities skyrocketed, with OCHA reporting that a single bag of flour cost between $300 and $500. The United Nations officially declared a famine in Gaza on Friday, August 22, blaming "systematic obstruction" of aid by Israel during more than 22 months of war. Israeli Prime Minister Benjamin Netanyahu swiftly dismissed the findings and rejected the UN-backed report as "an outright lie."

THE SOCIO-ECONOMIC AFTERMATH

In the aftermath of the war, Israel witnessed an unprecedented mental health crisis. The Israeli ministry of defense reported that the number of people that received psychological treatment in 2024, due to PTSD, anxiety, and depression, increased by 421 percent compared to 2022. This surge in the need for mental health facilities led to a significant increase in funding to expand psychiatric clinics and mental health services in 2024. "We have allocated $88.4 million USD for psychiatric services in 2024, and 163.4 million USD for 2025," reported Gilad Bodenheimer, head of the mental health department in the Ministry of Health in an October 2025 statement. A study conducted in July 2024 by Social Finance Israel (SFI), a nonprofit Multidisciplinary Association for Psychedelic Studies revealed that the economic burden of PTSD, post-traumatic stress syndrome, alone is estimated reach 53 billion USD over the next five years.

As for Gaza, between 15 June and 15 August 2024, the World Health Organization conducted a study to evaluate the prevalence of anxiety, stress, and depression among internally displaced people in the Deir al-Balah and South Gaza, mainly those forced to live in tents. The prevalence of depression, stress, and anxiety were 99.5 percent, 93.7 percent, and 99.7 percent respectively, though there is a tremendous paucity of mental health data available across the population.

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Healing in the ruins

BY DR. HAYA HIJAZI

GAZA'S HEALTHCARE WORKERS IN A COLLAPSED SECTOR

In Gaza's hospitals, the daily struggle for life is inseparable from the fight to manage scarce resources and staff numbers, and to find innovative solutions within impossible constraints. Doctors, nurses, paramedics and support staff are compelled to act simultaneously as caregivers, administrators and problem-solvers in an environment where every decision is weighted by both clinical urgency and economic limitation.

A HEALTHCARE SYSTEM TESTED TO ITS LIMITS

According to a situation report released in mid-October 2025 by The United Nations' Office for the Coordination of Humanitarian Affairs, 14 out of Gaza's 36 hospitals, 10 out of 16 field hospitals and 64 out of 181 primary healthcare centres are only partially functional. Private hospitals have closed and public hospitals operate at less than 30 percent of their capacity. By the end of September 2025, Gaza's Ministry of Health reported that 55 percent of essential medicine, 66 percent of essential consumables and 68 percent of laboratory reagents were completely out of stock. Despite the latest ceasefire, restrictions on the amount of aid trucks crossing the border—Al Jazeera reported that only half of the necessary trucks were permitted entrance as of October 15th, and the ones entering did not carry many essential supplies—mean that medical supplies are still not reaching hospitals.

28-year-old Dr. Ali Mohammed Ziyad Al-Batta is a fourth-year urology doctor at Al Nasser Complex in South Gaza. As hundreds of thousands of Gazans were displaced from their homes in the north to the south of the Strip over the course of the two-year war, hospitals like Al Nasser Complex became a lifeline to more patients than they could accommodate. Operating the Khan Younis-based hospital became increasingly difficult amid overcrowding and a shortage of medical supplies. Doctors found themselves having to ration out pain relief medication.

Al-Batta says the announcement of a ceasefire has done little to change the disastrous circumstances he and his colleagues face every day at the hospital.

"It's been two years of us trying to serve our people with the simplest of means," he says. "The number of those with long-term injuries remains high; these patients require follow-up and restorative surgeries. Currently, they are waiting for the Rafah border to reopen in order to leave Gaza to receive medical treatment. For many of Gaza's sick and injured, Rafah border has become a final glimmer of hope."

UNPAID HEALTHCARE WORKERS

Gaza's economic collapse—UNCTAD, the UN's trade and development agency, reported an 81 percent contraction in the last quarter of 2023 alone—compounds the challenges hospitals and healthcare facilities face. Dr Al-Batta is among those that have chosen to volunteer their services to preserve life and prevent the healthcare system from complete annihilation. “It has been two years since I was last paid a salary,” he says.

30-year-old nurse Khalid Abu Hasnain who works in the Emergency Department at Al Aqsa Martyrs’ Hospital in Deir El Balah, Central Gaza, is one of the luckier ones. He gets paid a small stipend of $300 a month, despite working shifts that exceed 12 hours. Responsible for both his own daughter and his orphaned nieces and nephews, Abu Hasnain says the money is barely enough to buy milk and does not cover his travel expenses, but he keeps going.

“The war has destroyed everything — homes, families, and futures — even our healthcare sector,” he says. “Doctors and nurses are working without equipment, without salaries and without rest. Yet, we are trying to prove that humanity does not die, even amid the rubble. We can’t abandon the patients.”

MAKING MEDICAL SUPPLIES STRETCH

With the limited availability and flow of cash, healthcare workers have created an informal health economy, sharing and bartering medical supplies, recycling disposables and sharing resources across hospital departments. In some instances, doctors report having to dilute medication to make supplies stretch. 38-year-old Dr. Nadia Hamdan works as a gynaecologist at Al-Shifa Medical Complex in North Gaza. Before the war, Al Shifa Medical Complex in the Rimal neighborhood of Gaza City was Gaza’s largest hospital. After suffering repeated bombing and a ground incursion which left it half-ruined, the hospital now runs limited services, including a makeshift outpatients department and emergency ward.

On top of treating her female patients, Dr Hamdan says she has the additional burden of finding new ways to be resourceful with the limited medical supplies and equipment on offer. Being able to just practice medicine is now a luxury.

“Oxygen runs out, sterile gauze is absent and essential medications are limited,” she says. “We disinfect and reuse instruments because electricity is unreliable and the generator cannot power all equipment. Every patient encounter is also a management exercise — we ration, prioritize and improvise constantly.”

HARBOURING INNOVATION AND TECHNOLOGY

Adapting through the use of innovation and technology is essential for the survival of Gaza’s fragile healthcare system. Solar panels, improvised incubators and remote training reduce costs and sustain operations. Medical students assist under supervision and NGOs provide healthcare workers with workshops on resilience, resource management and multi-role competencies. Doctors and healthcare workers utilise social media and digital platforms to carry out consultations or fundraising efforts.

“We cannot wait for suppliers,” says Ahmed Barakat, a bio medical technician at the European Hospital in South Gaza. “Spare parts are unavailable, so we improvise. Sometimes we use a 3D printer to print replacement parts, or we repurpose older equipment or repair machinery with locally sourced materials. Each solution saves money and prevents further strain on the health system.”

> 30-year-old nurse Khalid Abu Hasnain ... is one of the luckier ones. He gets paid a small stipend of USD $300 a month, despite working shifts that exceed 12 hours.

HOSPITALS STRUGGLING TO OPERATE IN THE ABSENCE OF FUEL AND ELECTRICITY

Before the war, 57-year-old Dr Naji Al-Qarshli used to work as an obstetrician and gynecologist at Kamal Adwan Hospital in Beit Lahia, North Gaza. He was displaced to the west of North Gaza after the area he lived in was completely destroyed, where he now works at the Patient Friend’s Benevolent Society Hospital.

Patient Friend’s Benevolent Society Hospital has now become the Gaza Strip’s main maternity and pediatric hospital according to an interview that Medical Aid for Palestinians conducted with its medical director in March of 2025. Dr Al-Qarshli and his colleagues work tirelessly to treat a never-ending stream of women who go there to give birth. It is also one of only a few remaining hospitals in Gaza to have a NICU (neonatal intensive care unit). At the height of the war, Dr Al-Qarshli says maternity wards were being transformed into multi-use emergency rooms for the injured, alongside those who had come to give birth.

“When the electricity cut, we delivered babies by the light of our cell phones, searching for sterile gloves as if we were hunting for treasure,” he shares. “Our psychological state deteriorated, we lost a lot of weight and we were treating patients in a state of panic. Many of our pregnant patients arrived to the hospital after hours of walking, having

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COMMENT

"At 3am one morning, an incubator failed. We manually ventilated infants before the generator died. Hospitals rely on ten hours of full power daily; at night, mmany units become nonfunctional."

been displaced from their homes. We were trying to preserve the lives of mothers and fetuses amidst an unforgiving reality."

During a neonatal emergency, Barakat of European Hospital recalls being among staff that had to manually ventilate infants in order to keep them alive because the generator had stopped working.

"At 3am one morning, an incubator failed. We manually ventilated infants before the generator died. Hospitals rely on ten hours of full power daily; at night, many units become non-functional, impacting both health outcomes and operational budgets."

FROM FULL-TIME GYNECOLOGIST TO VOLUNTEER MEDIC: HOW GAZA'S WAR FORCED ME TO ADAPT

During the past six months, I personally lived and worked across North and South Gaza, experiencing both displacement and professional upheaval. My private gynaecology clinic was destroyed in the bombardment. I pivoted to volunteer work in public hospitals and field clinics, where demand exceeded available resources.

To reach women unable to travel to hospitals, I launched remote consultations via social media platforms, providing guidance and follow-up care. This digital approach functioned as both a clinical lifeline and an economic solution, extending limited resources without adding infrastructure costs.

Recognizing the ongoing material and financial scarcity, I established a free medical tent supported by online fundraising campaigns. Donations funded essential medications, medical supplies and operational logistics, creating a micro-healthcare economy sustained by community contributions and volunteer hours.

Maintaining services amid destroyed infrastructure, unpaid staff and scarce resources demanded strategic allocation, financial ingenuity and creative problem-solving. Through volunteer coordination, digital outreach and fundraising, I was able to continue delivering critical care to pregnant and nursing women, mitigating economic loss and sustaining the fragile healthcare ecosystem in Gaza.

ECONOMIC RESILIENCE AT THE HEART OF GAZA'S HEALTHCARE SYSTEM

Gaza's healthcare system today illustrates the inseparable link between economic resilience and medical care. Each ward, each procedure and each hour worked by a volunteer is not only a clinical intervention but also a strategic economic decision. Hospitals operate as micro-economies, where budgeting, resource allocation and improvisation determine survival both for patients and for the system itself.

Sustaining Gaza's healthcare requires more than humanitarian aid. It demands structured economic planning, local manufacturing and coordinated community support. Investing in staff, creating emergency financial reserves and training multiskilled personnel not only secures health outcomes but also strengthens the broader economy.

Ultimately, the story of Gaza's healthcare system is a story of human ingenuity at the intersection of crisis, health and economy. The resilience demonstrated by healthcare workers, volunteers and communities proves in my experience of the past three years, that even amidst profound economic collapse, strategic innovation and human dedication can sustain life, preserve livelihoods and build a foundation for a more robust, self-reliant healthcare system.

The cost of war

BY ALINE NASSAR

HUMAN AND ECONOMIC TOLLS ACROSS SIX POLITIES

The conflicts reshaping the Middle East between October 7th, 2023 and December 2025, have exacted a staggering toll, most importantly in lives lost, as well as in economic losses and damages that will take generations to repair. Below is a mapping of the human and financial cost of war across six polities: Egypt,, Israel, Jordan, Lebanon, Palestine and Syria.

ECONOMIC IMPACT OF CONFLICT (DAMAGES AND ECONOMIC LOSSES)

2023

Palestine
1.5 Billion USD
(Gaza) damages

2024

Jordan
100-200 Million USD
economic loss

Lebanon
11 Billion USD
damages and economic loss

Palestine (Gaza)
18.5 Billion USD
damages and economic loss

2025

Egypt
5.6-19.8 Billion USD
economic loss

Israel**
68 Billion USD
economic loss

Jordan
100-200 Million USD
economic loss

Palestine (Gaza)
53 Billion USD
damages and economic loss

Syria*
800 Billion USD
GDP loss

216 Billion USD
damages (around 60 billion in annual costs)

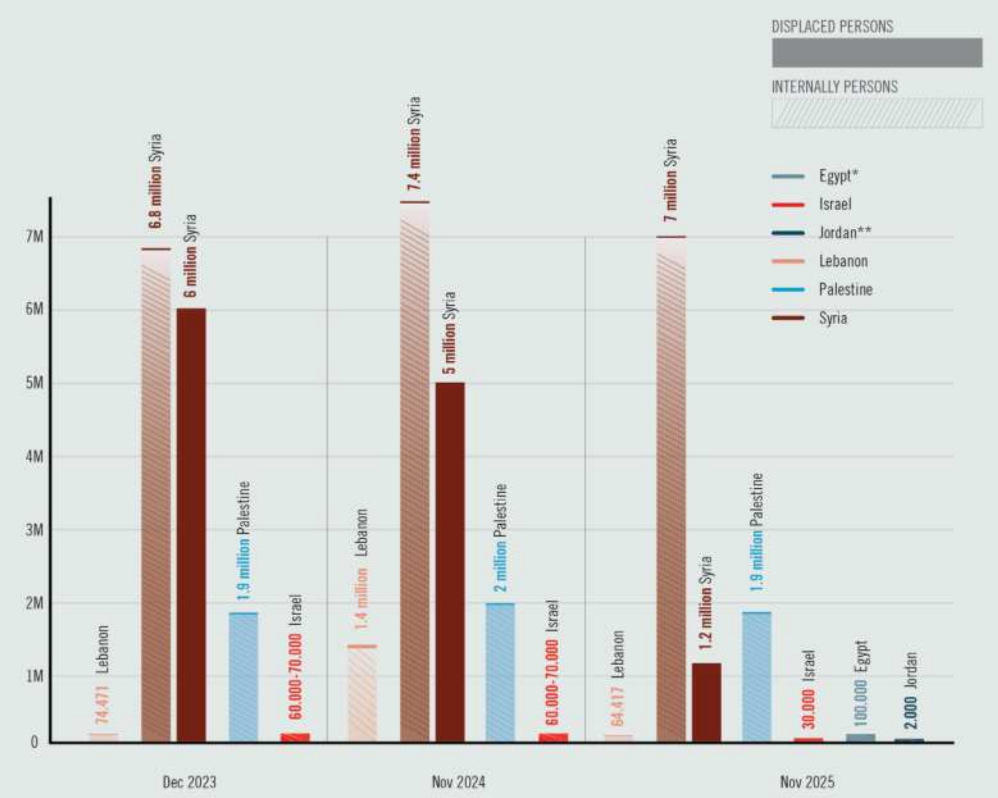
*This number reflects economic losses and damages between 2014 and 2024
**As estimated by the central bank of Israel

Sources: World Bank, UNDP, Israeli central bank, Executive Magazine estimates

ECONOMIC REVEBARATIONS OF WAR

INFOGRAPHICS

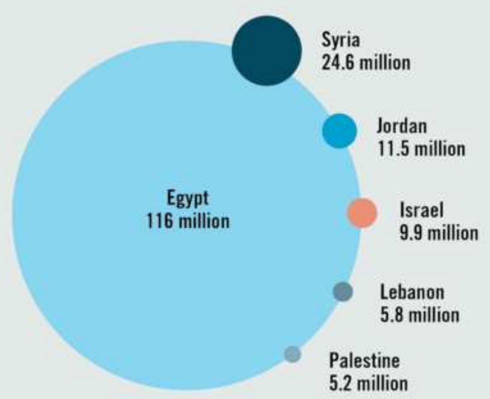
TOTAL NUMBERS OF DISPLACED PEOPLE AND REFUGEES (DPs and IDPs)



*A May 2024 estimate by Diab al Louh, Palestinian Ambassador to Egypt
** Number of Palestinians admitted to Jordan for medical treatment
*** 2023 and 2024 numbers of Palestinians entering Egypt through the Rafah crossing are not available

Sources: UNHCR, UNWRA, ICRC

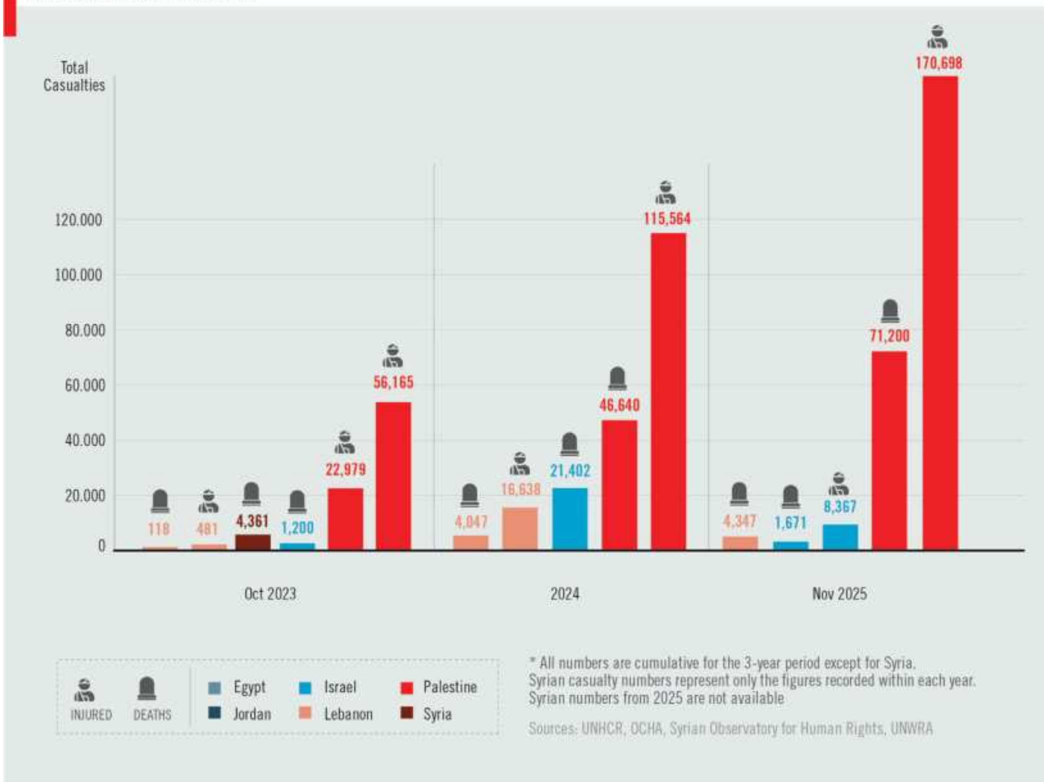
TOTAL POPULATION



Sources: World Bank, UN ECOSOC

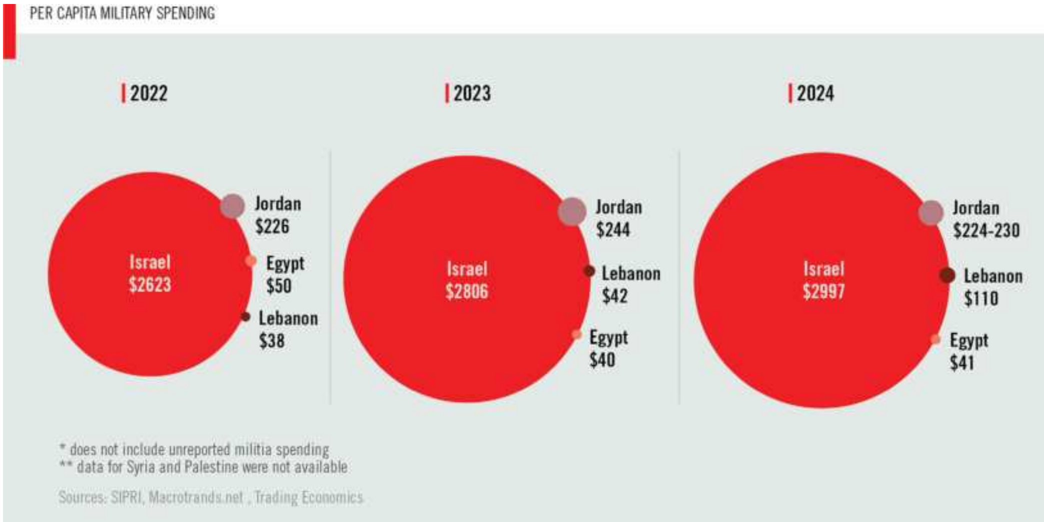
Syria remains the region's largest displacement crisis, but Palestine and Lebanon have seen dramatic surges since late 2023. By late 2025, nearly 1.4 million people remained displaced within Lebanon alone--a country of only 5.8 million, while nearly the entire population of Gaza saw multiple forced displacements.

TOTAL CONFLICT-RELATED CASUALTIES



Israel's per capita military spending has grown to nearly $3000 in 2024, nearly 27 times that of Lebanon and 73 times that of Egypt, reflecting the assymmetry across the region's security landscape.

PER CAPITA MILITARY SPENDING



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Lebanon's strategic sectors

BY MARIE MURRAY AND THOMAS SCHELLEN

A TALE OF TWO NARRATIVES

Two narrative strands of economic disintegration and destruction have been woven into a, very much negatively biased, tale of Lebanon's battered national identity. The dominant strand is the meltdown of liquidity, finance, jobs, the formal economy, livelihoods, old-age savings and social security, partially rooted in the allegedly intentional "Ponzi Scheme" formed in the country's highest politico-financial-oligopolistic echelons as far back as the 1990s. The junior but even more virulent strand of the narrative is willful destruction of Lebanese assets and infliction of economic losses that has been estimated at been $14 billion as of spring 2025, with detrimental violations of Lebanese sovereignty that have been continuing up to the time of this report, one year after a ceasefire agreement which remains quite fragile due to near-daily violations by Israel.

The immense detriment of wartime destruction and ongoing violations to Lebanon and Lebanese livelihoods, reflected in contraction of GDP by 6.4 percent in 2024, is still only a fraction of the economic losses from homegrown systemic mismanagement and self-harm. If one accepts the idea of a combined 33 percent GDP drop in 2020 and 2021, one can estimate the recovery need as $20 billion in economic productivity and multiples of this amount for restoration of destroyed popular wealth. Restitution of the latter is imaginable in this magnitude only if the state accepts the responsibility for its liabilities owed, via the central bank and commercial banks, to savers. Without public sector accountability, the destroyed financial wealth of the very few, the previously influential, and the vast headcount of triply poor sods that have worked and saved for one to four or more decades, can be transcribed into a debt mountain whose elimination is facilitated by "haircuts" after monetary value depreciation to the tune of 99 percent.

The economic equation of Lebanon has thus seen a forced, and exceedingly brutal, correction that shifted the formula away from a rentier system under impetus of cronyism, excessive debt finance of public consumption and private consumerism, and capex paucity in a narrow services envelop dominated by banking. Overbalancing the policy focus in direction of the real economy was a fleeting attempt of a short-lived administration that was instituted in January 2020 and was aborted in the aftermath of the Beirut Blast shock and resignation of the council of ministers under premier Hassan Diab.

LOOKING OUT OVER RUINS

Lebanon's economic outlook remains acutely fragile as the country absorbs the compounded shocks of prolonged financial collapse and conflict-related destruction. According to the World Bank's Rapid Damage and Needs Assessment (RDNA), the total economic cost of the conflict is estimated at approximately US$14 billion, comprising US$6.8 billion in physical damage and US$7.2 billion in economic losses stemming from disrupted activity, reduced productivity, and service interruptions. Importantly, these figures are explicitly conservative: the RDNA covers a 26-month assessment period and does not include damages or losses incurred during 2025, implying that the true economic toll is already materially higher than reported. Recovery needs, estimated at $11 billion pre-2025, can be combined with existing crisis-era public debts of over $70 billion for a cumulative estimate reaching between $80-$90 billion (see Q&A on xxx and infographic on xxz).

At the macroeconomic level, the conflict has sharply deteriorated growth dynamics. The RDNA estimates GDP to have contracted by 7.1 percent in 2024 (70 basis points over the latest central bank estimates), compared to the year's pre-conflict expectations of marginal growth, pushing Lebanon's cumulative output loss since 2019 to 40 percent. This contraction reflects both direct conflict disruptions and the erosion of already-weakened demand, investment, and labor market conditions. With fiscal space virtually exhausted and monetary stability still fragile, near-term growth prospects remain tightly constrained by reconstruction capacity and external financing availability.

Sectoral impacts reveal a highly asymmetric damage profile. Housing and civil infrastructure account for roughly two-thirds of total physical damage, or around US $4.6 billion, driven by the destruction or partial damage of tens of thousands of housing units, particularly in southern districts. Beyond the immediate humanitarian implications, housing damage represents a long-term drag on household wealth, labor mobility, and domestic demand, while placing significant pressure on reconstruction financing needs relative to other sectors.

Economic losses are most pronounced in three sectors that the WB's RDNA—undertaken "rapidly" after all—aggregates into one group: commerce, industry, and tourism. The RDNA estimates sectoral losses of approximately US$3.4 billion, reflecting sharp declines in tourism inflows, retail and wholesale trade disruptions, factory shutdowns, and weakened professional services activity. These losses, spatially concentrated in Beirut, Nabatiyeh, and Tyre, indicate how war has disrupted Lebanon's primary commercial nodes and urban service economies rather than remaining confined to frontline areas.

Conflict-related damage to transport and logistics infrastructure, including nearly 930 kilometers of affected roads, compounds these losses by weakening inter-regional connectivity and raising transaction costs across the economy. Meanwhile, agriculture and food systems—though accounting for a smaller share of physical damage—have suffered over US$1 billion in losses—certainly a far higher number following a full year of near-daily attacks in the south and Bekaa/Hermel regions specifically (see story on page xxx)—due to destroyed crops, livestock losses, and farmer displacement.

Sectoral impacts reveal a highly asymmetric damage profile. Housing and infrastructure account for roughly two-thirds of total physical damage, or around US $4.6 billion, driven by destruction or partial damage of tens of thousands of housing units.

Regionally, the South and Nabatiyeh governorates are reported as the most heavily impacted in both damage and loss terms, while Mount Lebanon and Beirut bear substantial indirect economic losses due to their concentration of services, trade, and tourism activity. The geographic distribution of impacts include both localized physical destruction alongside nationwide economic reverberations.

With the current pivot to assurance of sovereignty and security under an internationally tested model of the state's control over territory and monopoly over violence, which has been initiated in early 2025 and reached the point of implementing direct diplomacy in the search of coexistence with

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■ Sectors deemed strategic development priorities for private and public stakeholders at the end of 2025 are reconstruction and construction of infrastructctures and real estat.

neighbors Israel and Syria in December, comes an imperative to reshape the economic sectors not so much in their macroeconomic order but their governance and development orientation.

Whereas rebuilding of the financial services sector remains as cornerstone requirement in the economy, it is not yet at the stage where unity of policy visions and acceptance of liabilities has matured to the level of facilitating quick growth. Doubts over the state's sincerity and the reformist government's effectiveness were raised by impressions of unrealistic promises and ministerial drag, from some ministers down.

Other sectors, such as the political economy of state-owned enterprises, is also in need of agreeing on a secure policy and legal foundation. In actuality, there does not appear to be a single sector in the country that isn't in need of investments and rebuilding, new direction, and reform.

But sectors deemed strategic development priorities for private and public stakeholders at the end of 2025 are reconstruction and construction of infrastructures and productively taxed real estate up to the level of urbanity design under a governance direction of climate impact mitigation and sustainability that is aligned with the country's climate and environmental protection goals (which includes the energy sector); the digital transition and tech sector inclusive of the creative and cultural industries (CCI); niches in manufacturing that range from tech and pharma to healthy beauty products; agriculture and the agro-food industry, and tourism in a regional integration context.

The mix of strategic sectors is new but not rooted in long-existing strengths of the Lebanese economy. More than ever before, however, it demands wise balancing between capital investment in the real economy and development of the services economy. A binding component, or glue, needs to come from the entrepreneurship ecosystem that needs to recover further after falling into paralysis early during the economic and social crisis.

CONSTRUCTION & URBAN DEVELOPMENT

The property sector, which is foundational to the concepts of wealth and security and which since the pre-industrial age ranks with trade and agriculture as pillars of societal sustenance and stability, was distorted by wars and disorder in the past century. Unregulated and poorly managed urbanization turned once-charming cities into hardly sustainable behemoths, traffic corridors into productivity barriers and many rural villages into eyesores.

The latest war on Lebanon – which caused more than $4.6 billion in damages and destruction of residential dwellings – and the growing understanding of climate, environmental, and social risks have led to a new turn in the role of Lebanon's highly urbanized property fabric. Construction, real estate and urban development has been turned into a meta-sector that is vital for recovery of livelihoods and restoration of social fabrics, for property and infrastructure development under environmental and climate as well as social, heritage preservation, and economic productivity priorities.

This multi-faceted sector, augmented with sustainability is critical for rebuilding residential dwellings that have been destroyed and damaged in Lebanon and Syria over the past two and the past 14 years (the need for building reconstruction in Syria was estimated at 100 to 300 billion USD already in 2018), for cleaning and recycling rubble left by 2024 and 2025 Israeli aggressions, for implementing infrastructures from external gateways to road and utility networks, for turning the cityscapes of Beirut, Tripoli, and Sidon into urban productivity hubs, and for making Lebanese cities climate-proof.

DIGITALIZED KNOWLEDGE ECONOMY

Another strategic meta-activity for Lebanon (and the entire region) covers the category of the digital knowledge economy, which entails information technology sectors (software and hardware), cultural and creative industries (CCI), and adjacent fields of automation and machine learning.

Attempts to roll out ICT, regulate the sector, or foster tech startup companies by encouraging an entrepreneurship ecosystem, remained fragile and vulnerable throughout the 1990s and 2000s. Until Banque du Liban (BDL), the central bank, stepped in with a financing support package – known as Circular 331 – in 2012, the country's entrepreneurship ecosystem and the tech startups that are vital for the sector were not seeing much strategic government support.

The knowledge economy thrust by BDL into the national economy spotlight sputtered and nearly stopped with the onset of the troubled 2020s. As Kamal Shehadi, the minister of displaced and minister of state at the recently declared office for the Ministry for Information Technology and Artificial Intelligence (MITAI), told an inaugural Beirut AI Summit in November, tech startup investments that had been worth about $500 under BDL Circular 331 up to 2019 dropped $5 million in the last five years. This explains the paradox of a sector that has shaped many entrepreneurial ventures – the usual high portion of failures but also some astonishing success stories – over some three decades.

Aims of the new ministry include innovation partnerships with academic institutions, seeing tripling of tertiary education graduates with AI-relevant skills to 10,000 by 2030, and a digital tech contribution to Lebanese GDP at around 10 percent. A sector that has become intertwined with expectations of increasing AI usage is moreover the media and creative production sphere. Cultural and creative industries, or CCI, could according to several well-known CCI stakeholders rise to contribute similar percentages to Lebanese GDP as before the economic crisis when almost 5 percent of GDP came from companies and individuals with cultural and creative profiles.

Whereas direct and indirect war impacts on the knowledge economy were not as high as impacts on the housing and agricultural sectors, economic losses were recorded for education and thus implied for human capital formation but the negative effects of the economic crisis years, including the Covid dampener, must be regarded to number multiples of the war Lebanon was subjected to in 2024.

The demises of startups that suddenly saw their funding vanish, destruction of banking links, outmigration of creatives and tech talents, relocation or withdrawal of ecosystem players, forced cancellation of festivals, foregone income because of performers' staying away, detriments in the urban quality of life and increased inability to attract needed specialists, breakdown of advertising income and cultural and commercial sponsorships, temporary creativity impairments of mentally anguished singers, designers, poets, producers, and hyper-sensitive editors, and other economic detriments were all reported from the tech entrepreneurial and CCI spheres, with no complete assessment of cumulative losses and long-term economic effects.

Whereas direct and indirect war impacts on the knowledge economy were not as high as impacts on housing and agriculture, economic losses were recorded for education and this implied for human capital formation.

Whatever the expectations and projections are in the broad landscape ranging from arts and crafts to digital services and machine learning, and whatever downside risks, intellectual property ambiguities, and implosion possibilities of a new global to local tech bubble are, the local tech sector and digi-

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tal empowerment of Lebanon is the primary, and broad, field that has to be included in any strategic economic growth plan, with stable institutional provisions for supporting the confluence of real and services economies, public policy and regulatory development and oversight, and top-notch requisite skills development through academia.

AGRICULTURE AND AGRO-INDUSTRY

Being a breadbasket of old and a culinary basket of Mediterranean cuisine are two beacons that signal the economic importance of the real economy fundamental of agriculture and agro-industry in Lebanon – beyond all concerns over equitable access to balanced nutrients under food security paradigms. The war impact on agriculture, especially small operators and artisanal processors, was brutal.

Judging by 2025 discussions among sector stakeholders, the progress of the sector in matters ranging from reduction of food loss and food waste to circularity, quality testing, and improved alignment with international market standards, and thus sustainability of agricultural production and exportability of agro-food products, may be glacial. But the importance of improving sector formality and productivity in context of the right to dignified work, the water-energy-food nexus, the availability, quality, and rapidity of testing, etcetera, becomes only more urgent with each season where achievements in the agro-food sector's regulatory, environment, social, and economic matters ae absent or sub-par.

MANUFACTURING NICHES

The knowledge of manufacturing industry's crucial function in an internationally competitive economy is present in Lebanon – at least among industrialists, the venture capital community, and concerned international agencies such as UNIDO and UNDP. While economies of scale

■ The tourism impact of the 2023-24 conflagrations confirmed the sector's vulnerability to security problems with a vengeance, even as Beirut airport remained operational.

are illusory in the small country, the complexity of the Lebanese economy and the entrepreneurial ingenuity open doors for growth in non-agro-industry niches such as healthy cosmetics, pharmaceuticals, select chemicals, prefabricated housing units, and specialized IT.

The destruction of manufacturing plants during the 2024 war was manageable, even as economic losses did accumulate through forced company displacements and temporary closures. However, the sector's mettle was already at a peak because of industrialists' extensive resilience training by the barrage of hard lessons that had been running for decades of governmental ill-treatment and corruption and been escalated by many notches in the economic crisis years.

REGIONALLY FORTIFIED TOURISM

Tourism is vital for the next phase of Lebanon's economic development. Based on the country's natural and cultural savoir vivre appeal of the 1960s, the hospitality sector was nonetheless a no-brainer as development focus from the moment that the 16-year Lebanese conflict was superseded by (relative and deceptive) calm and reconstruction attempts under administrations led by the late Prime Minister Rafic Hairiri.

But it was a strategic sector in a disjointed form, being as important for GDP and livelihoods as it was underrepresented in strategic policy considerations and malnourished in terms of governmental coordination and promotional efforts. Externally, it was curtailed by shifting demand factors in narrow source markets for regional, religious, cultural, and expatriate holidaymakers.

Repetitive conflict impacts on the sector came from heavy disturbances of peace and threats of terror in the Levant and also from concerning events as far away as Egyptian destinations on the Red Sea and the Anatolian Rivera. The tourism impact of the 2023-24 conflagrations confirmed the sector's vulnerability to security problems with a vengeance, even as Beirut airport remained operational.

Still, even during the economic crisis years of 2022 and 2023, the seasonal expatriate Lebanese and other visitor inflows were life buoys for the economy. This notwithstanding, neither a satisfactory budget allocation nor a coherent strategy for tourism was evident from the reformist government of 2025.

Hospitality sector representatives from the start of 2025 told Executive once again of the opportunity, albeit thus far not visibly improved or better monetized during the course of the year, that regional integration of destinations and attractions as well as improved alignment of cultural, religious, green, blue, rural and MICE (meetings, incentives, conferences & exhibitions) offerings in both national and cross-border terms.

All in all, global tourism expectations for the digital era point to still more quantitative growth and activities that cross into trillion-dollar territory by start of the next decade. Lebanon may well remain a tourism dwarf when compared with MENA markets like Turkey and Egypt and the giant destination countries to the north of the Mediterranean. This baseline, however, only affirms the importance of hospitality as the country's paradigmatic services industry and makes investments into the sector's quality and diversity paramount for Lebanon.

Moreover, the systemic, social and economic, weaknesses that have begun to inform the global tourism trade drive home the message that this country needs more than fancy tourism strategy documents. It needs not only safety and regional calm but also regional integration of offerings and, above all, a sustainable and environmentally responsible development direction.

Even during the economic crisis years of 2022 and 2023, the seasonal expatriate Lebanese and other visitor inflows were life buoys for the economy.

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Syria's precarious reawakening

BY MARIE MURRAY AND MARYAM ALAOUIE

INSECURITY, INVESTMENTS, AND THE BATTLE FOR STABILITY

In the attempt to assess the regional economic reverberations echoing out from two years of conflict triggered on October 7, 2023, Syria stands apart as somewhat of an outlier. Given that in the year 2023, the country was not only twelve years deep in civil conflict but had also become a battleground by proxy for battling external nations, it is nearly impossible to separate direct macro-economic impacts of the Gaza war from the economic shocks of over a decade of conflict, out-migration, and a crippling international sanctions regime.

The event that snowballed into far more impactful economic changes, namely the fall of the Bashar al Assad regime, the rise of al- Nusra Front founder and Hay'at Tahrir al Sham leader Abu Mohammad Jolani-turned-President Ahmad al Sharaa, and the partial lifting of the 2019 Caesar Act Sanctions by the US, is separate from but certainly not unrelated to the regional fallout post- October 7. Syria's astonishing regime shift was spurred by shifting internal and external political conditions. But attempting to trace the steps of which action was orchestrated by which party on which timeline, and as a result of which other event leads one quickly into mirky territory that is speculative at best and can veer towards conspiracy at worst. What is clear is that the weakening of Hezbollah during its war with Israel, particularly in Israel's open war phase on alleged Hezbollah targets in Lebanon from September-November 2024, weakened the Syrian regime and created opportunity for Assad's ousting and the fall of his regime during an eleven-day period that culminated on December 8, 2024.

On that day, eleven days after a ceasefire was declared in Lebanon, Israel broke the 1974 Disengagement Agreement and invaded southern Syria from the occupied Golan Heights in a seizure dubbed by Netanyahu as a "temporary buffer zone." The expanded occupied territory includes the strategic high point of Mount Hermon, or Jabal al Sheikh, which also supplies water to Damascus via the Fijeh spring and Barada river. Both are strategic freshwater sources that moreover dropped to critical lows due to a 2024 drought, resulting in detrimental effects for 70 percent of Damascus water according to an August 2025 drought report by the International Federation of the Red Cross. Nonetheless, the restitution of Jabal al Sheikh to Syrian control seems not to be intended. On November 26, 2025, Israeli Minister of Defense, Yisrael Katz, stated that, "We will not withdraw from Mount Hermon and we will not leave Syria," and the Israeli prime minister reiterated in February 2025 that "we will not allow Syrian army forces to enter the region south of Damascus." On top of its seizure of Damascus' main water source in course of its presumed fortification of its security and economic positions, Israel has been conducting a one-sided air campaign against targets in Syria, which it intensified on December 9, 2024, with approximately 350 airstrikes over a 48-hour period, devastating strategic infrastructure, destroying weapons stockpiles, airbases, missile depots, and naval facilities.

NO WAY TO GO BUT UP?

Syria's post-conflict economic outlook is defined by a very weak starting point and a narrow path to recovery. After an estimated 1.5 percent contraction in 2024, Gross National Product (GDP) is projected to grow by just 1 percent in 2025, according to the World Bank's June 2025 macro-fiscal assessment. This growth is just a drop in the bucket in needing to offset a cumulative GDP loss exceeding 50 percent since 2010. According to this same report, extreme poverty is rising, public services continue to deteriorate, and Gross National Income (GNI) per capita has fallen to roughly $830 USD, placing Syria among the world's poorest economies.

Although the World Bank estimates a GDP loss of about $800 billion USD over a decade of conflict, the United Nations Development Programme (UNDP)'s February 2025 report on the impact of conflict in Syria estimated an economic and financial loss of $923 billion USD by the end of 2024. The World Bank's "conservative" estimate for reconstruction costs accumulated between 2014 and 2024 comes to $216 billion USD. The fiscal position is deeply strained: budget deficits hover around 6

> Entrenched informality, continued security risks, and war-era illicit networks hinder the revivial of formal economic activity and deter private investment. The transitional regime led by President Ahmad el Sharaa has brought both economic optimism as well as a good deal of uncertainty and fear.

percent of GDP and public revenues remain depressed. External public debt, which is unreported but owed primarily to Iran and Russia, has climbed to over 100 percent of GDP, leaving the state with almost no fiscal space. In May 2025, Saudi Arabia and Qatar paid off Syria's $15.5 million USD outstanding debt to the World Bank, prompting the global finance institution to recommence engagement with Syria. In June 2025, the World Bank approved a $146 million USD grant to rehabilitate Syria's electricity network.

Entrenched informality and continued security risks hinder the revival of formal economic activity and deter private investment. The transitional regime led by President Ahmed al Sharaa has brought both economic optimism as well as a good deal of uncertainty and fear.

Sprees of violent clashes—such as the bloody March 2025 clashes in Latakia between Alawite populations and Sharaa's transitional government forces that killed around 2000, or the June 2025 suicide bombing at a Damascus church that killed 25—have called into question whether the regime can bring about a positive new chapter for all Syrians. The April 2025 clashes between Syrian forces and members of the Druze community outside Damascus—ignited by what later seemed to be a

ECONOMIC REVERBARATIONS OF WAR

ANALYSIS

Since the beginning of the war on Gaza, Israel has escalated their military aggressions in Syria, turning it into a key proxy battleground of Israeli-Iranian confrontation.

misunderstanding—and the July 2025 clashes in Latakia between Bedouin tribes, Syrian forces and Druze which resulted in the deaths of over 1000 as reported by the UK-based Syrian Observatory for Human Rights, many of them Druze civilians, were seized as a intervention pretext by Israel, prompting air strikes and statements justifying continued occupation and retaliation.

In May 2025, US President Donald Trump issued a waiver that eased the sanctions imposed by the Caesar Syria Civilian Protection Act of 2019 (which he had signed into law during his first term), and then extended the same waiver during Sharaa's November 2025 visit to Washington. International investors—particularly multilateral partnerships—have shown a cautious optimism towards embarking on infrastructure rehabilitation projects, while the return of displaced Syrians could expand the labor force and boost domestic consumption. The Syria Report, an economic database for Syria, reported in November 2025 that Syrian Minister of Finance Yisr Barnieh predicts a 12 to 15 percent GDP growth in the next few years.

Given the 2025 convergence of a new, and in economic terms still little-tested government, removal of sanctions that had been crippling the Syrian real economy and legal economy, and a rush of development contracts in critical energy, transport, and trade infrastructure that cannot yet be assessed for their efficacy and resistance to corruption, other distortions and disruptions by armed conflict, outlooks for legitimate developments of strategic economic sectors are mired in uncertainty. Sectors that appear crucial for national development are in the short to medium term agriculture and legal agro-industry, energy, transport, and infrastructure. In the medium to longer term, critical assets to be developed are human capital – through repatriation but more fundamentally through new educational institutions, and digital capacities.

The creation of a tech sector and digital infrastructure, named by Abdulsalam Haykal, the Minister of Communications and Information Technology, Syria's "Digital Silk Road," would according to media reports from November 2025 mean deploying a 4,500-kilometer network of fiber-optic lines and submarine cables seeking to establish the country as the Middle East's alternative international data corridor. The national backbone cost alone is estimated by Haykal at up to $500 million.

However, without political stabilization, large-scale reconstruction funding, and structural reforms, the projected recovery will remain shallow, and per-capita income is unlikely to rise meaningfully in the medium term.

THE ECONOMIC TOLL OF ONGOING ATTACKS

Since the start of the war on Gaza, Israel has intensified military operations in Syria, transforming the country into a key arena of Israeli-Iranian proxy confrontation. According to the Syrian Observatory for Human Rights (SOHR), Israel carried out 104 attacks between October 2023 and August 2024, largely targeting Iranian-linked military assets, including weapons depots, research centers, and bases. These strikes killed 259 combatants and injured 147 others, most of them Iranian-backed Syrian fighters and members of Hezbollah.

Major attacks continued through late 2024 and 2025, including the destruction of a missile production facility in Masyaf in September 2024 and a deadly airstrike near Palmyra in November that killed 108 civilians. SOHR reports that Israeli strikes surged further in 2025, with at least 95 attacks recorded by August and over 1,000 by November. Israel frames these operations within its Mivtzot Bein-Milhamot (MABAM) doctrine, a strategy of calibrated strikes intended to weaken adversaries while avoiding full-scale war.

Beyond their military objectives, these sustained attacks have deepened Syria's economic crisis by damaging critical infrastructure, disrupting industrial and logistics networks, deterring investment, and compounding the strain on an economy already weakened by years of conflict and sanctions.

NO LONGER CAPTAGON CENTRAL

For well over a decade, Syrian export revenues have been boosted by, and in recent years largely consisted of, illegal drugs chemically produced from easy-to-synthesize, cheap components. Latest after the beginning of the civil war in Syria, sanctions and economic isolation created a vacuum that fostered the production of fenethylline, a psychostimulant drug that is widely prohibited and best known by the discontinued brand name Captagon. Consumption and production is concentrated in the Middle East region, with major consumption in countries that supplied by Syrian producers, with Saudi Arabia standing as the largest consumer followed by other Gulf countries.

According to the World Bank's 2024 report, the total market value of Captagon was between USD 1.9 billion to USD 5.6 billion a year, almost equal to the country's acknowledged GDP in 2023. Being a minor illegal drug business turned into a pillar of Syria's Bashar al-Assad war economy, and the production and distribution of Captagon generated USD 1.8 billion a year in revenue, the report states.

However, after the fall of the Assad regime, the reality around Syria's Captagon empire changed drastically. In June 2025 the new Interior Minister, Anas Khattab, stated that all labs that were responsible for producing Captagon were confiscated and permanently seized. However, Syrian local media reports signal that the trade has not fully ended, but is still actively operating in northern Syria, in the areas that are outside full central control, indicating that it has been fragmented and decentralized rather than eliminated entirely. In March 2025, Iraqi authorities published a statement claiming to have confiscated 1.1 tons of Captagon smuggled into Iraq from Syria through Turkiye.

Thus, while weakened and losing its prominent status as the major former regime-funder, production is still continuing in areas out of state control and smuggling routes remain.

ENERGY SECTOR LIT UP BY ATTACKS AND INVESTMENTS

The energy sector, including production of electricity, is strategic for Syrian reconstruction. After more than 14 years of civil war, internal conflicts, and Israeli aggressions, Syria's electricity network has collapsed, with most energy infrastructure left in ruins. Syria produces around 2,200 megawatts (MW) of electricity, though its electricity needs come to about 7,000 MW. This has left millions of families dependent on expensive private generators for their essential electricity needs.

In the World Bank's 2017 'The Toll of War' report, it was stated that nearly two-thirds of water treatment plants and half of all pumping stations had been destroyed. The report proves that the water infrastructure in Syria was already fragile during the civil war, and completely collapsed in recent years. In 2025, the United Nations Development Programme (UNPD) reported that 50 percent of the country's entire infrastructure has been "destroyed and rendered dysfunctional" due to internal conflicts and external attacks.

Ghassan Al-Zamel, Syria's minister of electricity from 2022 to 24, estimated the sector as having suffered direct losses of $40 billion and indirect losses at $80 billion. More than half of the country's electrical grid has been rendered inoperative through the continuous destruction of power plants and transmission lines. The crisis was intensified by gas and fuel shortages. "The Ministry requires 23 million cubic meters of gas daily but receives only 6.5 million," he said in a May 2024 interview with Arabic News. As of 2025, major assets including

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ECONOMIC REVERBARATIONS OF WAR

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The sector of aerial and maritime transport is another vital component of Syria's recovery and development strategy.

the Alouk Water Station and Tishreen Dam were reported out of service, thus causing a great disruption to water supply.

Having consolidated the electricity ministry and two other ministries into a single entity, the Ministry of Energy, in March of 2025, the Syrian government signed a $7 billion USD electricity deal with a consortium of companies from Qatar, Turkiye, and the US. According to the Ministry of Energy, the deal will see the development of four combined-cycle gas turbine power plants in Deir al Zur, Homs, and Hama, plus a 1000 megawatts solar power project in southern Syria. The agreement is expected to result in 5000 megawatts of capacity for generating electricity from natural gas (80 percent) and solar energy. The following month, the Syria Electricity Emergency Project, the World Bank's $146 million USD project aimed at rebuilding Syria's electricity networks and rehabilitating connectivity with Turkiye and Jordan, was approved.

Extraction of oil and gas is a part of Syria's strategic energy sector that, due to resource degradation or exhaustion, had been diminishing in value long before the country's internal unrest erupted into civil war. In 2010, before the start of the civil war, the US Energy Information Administration had reported that Syria's oil and gas sectors had accounted for a fourth of its revenues. From 2010 until 2024, Syria's oil production dropped by over 75 percent, according to the World Bank's 2024 fiscal report.

But new signs of life in Syria's oil production—and international entities who want a share in it—are evident in 2025. According to media reports from November, the Ministry of Energy is stepping up efforts to attract foreign investment, holding discussions with U.S. energy giant Chevron and signing Memorandums of Understanding with ConocoPhillips and US-based gas and Renewable Energy specialist company Novaterra Energy to both rehabilitate existing gas assets and explore new fields. The outreach extends beyond U.S. firms: UAE-based Dana Gas has also signed an MoU for natural-gas exploration, while Serbia's Elixir Group is positioning itself to enter the phosphate sector. Taken together, these moves reflect Damascus' push to revive its weakened extractives industry amid prolonged infrastructure damage and ongoing economic strain.

NEW OPENINGS: TARTOUS PORT AND DAMASCUS AIRPORT

The sector of aerial and maritime transport is another vital component of Syria's recovery and development strategy. Even though the rapid regime change caused a fragmented political landscape in the country, it opened new investment opportunities with the goal of stabilizing vital services that were disrupted during times of conflict.

One of these deals is that of the Tartous Port, a deal the Government of Dubai media office called 'a major milestone'. The 30-year concession deal between Syria and UAE-based company DP World, includes a planned USD 800 million investment, one of the largest investments in Syria in recent years. The agreement was signed in July and DP World commenced activity in November with the transfer of a tugboat.

The country's other gateway of maritime transport, Latakia, has in May 2025 seen a partnership agreement between French (with Syrian roots) shipping giant CMA CGM and the Syrian state about developing the container terminal in this port that is located some 90 kilometers to the north of Tartous. The agreement, consisting of an initial €30 million investment and a quick follow-up commitment of €200 million agreed on in

August, wrote further news through a 20 percent buy-in of Abu Dhabi-owned AD Port. The company will have a 30-year concession as operator of the Latakia container terminal.

Through an international consortium led by UCC Holding, a Qatari-based electricity, concessions and construction company, the General Authority of Civil Aviation in the Syrian Arab Republic signed a $4 billion USD contract in August 2025 for the development, construction, and expansion of the Damascus International Airport. With the participation of Cengiz Insaat of Turkey and Assets Investments of the US, the airport's capacity is projected to increase to 31 million passengers annually, as reported by online trade publication SaudiGulf Projects. In addition to that, the investment will potentially provide more than 90,000 direct and indirect job opportunities in the fields of construction, engineering, logistic trade, air operations, and hospitality.

RETURN MIGRATION AND A SLOW COMEBACK FOR EDUCATION

During the civil war, 6.1 million Syrians fled from the Assad regime according to a December 2024 UNHCR report, while as of 2025, 7.4 million remain internally displaced. Furthermore, the fall of the regime in December 2024, marks a qualitative shift: hundreds of thousands to a million of Syrians have returned to Syria since December 2024. According to UNHCR's Flash Update from November 8th, 2025, 1.2 million Syrians have returned from outside the country since December 2024, mostly from Turkiye, Lebanon and Jordan, while over 1.9 million internally displaced Syrians have returned to their "places of origin or intended return." The main cities of return were Aleppo, Damascus, rural Damascus, and Idlib.

In another report conducted by UNHCR summarizing refugee movements in June 2025, records that there have been new arrivals from Syria to Lebanon, indicating there has been waves of migration in both directions, in part due to the waves of violence including the March 2025 Latakia massacres of Syrian Alawites.

Reintegration of returning refugees and exiles is a humongous task that is crucial for the infusion of new skills and vigor into the Syrian economy. The bigger challenge, however, is reengineering and developing educational infrastructures and institutions. In 2025, Syria's education sector is straining under the compounded weight of infrastructure loss, displacement, and chronic underinvestment. An estimated 4.2 million students returned to classrooms for the 2025–2026 school year, according to reporting on nationwide enrollment trends, yet this recovery masks the scale of structural damage.

Of roughly 19,400 schools that existed before the war, around 7,900 remain partially or completely destroyed, leaving nearly 40 percent of educational facilities unusable. UNICEF estimates that 2.4 million school-age children are still out of school, a figure that underscores the depth of the learning crisis. Despite these gaps, UN agencies have expanded emergency education responses: UNICEF reports supporting 458,000 children in 2025 through formal schooling, accelerated learning, early childhood programs, and catch-up initiatives, while UNESCO training programs have reached more than 600 teachers and school leaders to improve school safety and inclusivity. The result is a sector showing signs of reactivation but still defined by uneven access, inadequate infrastructure, and heavy dependence on international support.

Of roughly 19,400 schools that existed before the war, around 7,900 remain partially or completely destroyed leaving nearly 40 percent of educational facilities unusable.

185,000 SQUARE KILOMETERS OF GUARDED OPTIMISM

Syria's new chapter is unfolding under extraordinary strain. The fall of the Assad regime created openings for investment, reconstruction, and a reshaping of state institutions, yet these opportunities are repeatedly undercut by persistent external attacks and repeated internal clashes, fragmented governance, and the enduring weight of economic collapse. First-year achievements of the new Damascene government include diplomatic breakthroughs with Arab partner countries, Europe, and the US. First-year cooperation and investment agreements, however, will have to prove their resilience to unfavorable terms of public-private partnerships and multi-decade operator concessions, not to mention the exorbitant challenge of activating international investment and financial lifelines. Whether Syria can shift from survival to genuine reconstruction depends not only on political stabilization and sustained external support, but on its ability to rebuild public trust, restore basic services, and integrate millions of displaced Syrians back into an economy that has been hollowed out for more than a decade.

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An economy of future peace

BY EXECUTIVE EDITORS

A Q&A WITH PAUL SALEM

In order to gain a better sense of the real economic costs of conflict in the region, and the risks and benefits of US-led attempts at regional integration, Executive spoke with former Middle East Institute president Paul Salem.

E *In terms of number estimates, what do you see as the total cost of Lebanon's recovery from war damages and economic meltdown, and what would you say the opportunity costs of conflict (the foregone development in Lebanon, Israel-Palestine, Jordan, Egypt, and Syria because of money spent on military expenses) were?*

Obviously for Lebanon there's the immediate cost of the devastation and destruction over the last two years relating to the war, which is estimated at around USD $11 billion. And then of course there's the entire collapse of 2019, USD $70 billion losses and so on, but that's a broader perspective. In terms of opportunity costs in the region, the countries that were affected—obviously Lebanon, obviously the Palestinian economy—very devasted. The Jordanian, UAE, Saudi [states] were not involved in the war so they did not have huge opportunity costs in that sense. Egypt had significant losses because of the Houthis and their attacks on the Red Sea. So Egypt was a significant loser as well. Syria was already shut down as an economy and is hoping to recover. I'm not sure it shut down even more, but their situation is different.

The main point [for Lebanon] here is that Lebanon's economy has suffered for over 50 years from having an active front with Israel. It's good to look back between 1949 and 1967-68. Lebanon had an armistice agreement with Israel. There was no military activity across the border and obviously Lebanon saw a tremendous boom, tremendous investment in the 50's and the first two thirds of the 60's. That was really the golden age. The armistice agreement held and there was really no active front with Israel. Then beginning in '68 and then the Cairo Agreement in '69, the PLO (Palestinian Liberation Organization) opened a front from Lebanon on Israel and that started [a period of] over 50 years in which Lebanon was a front, an arena. Where Arab countries—Syria and Egypt initially, and then others, Libya and others, and eventually Iran used Lebanon as a front against Israel. So from '68-'69 up until 2024-2025, going on up until today, you can see the enormous cost of Lebanon being an active front. So from the early 70s, then the collapse of the mid-70s, and what we've seen in the last decades, really an inability to fully recover after the war. And then further losses along the way in the past years.

There's no doubt that ending the state of war and [entering] a cessation of hostilities would be a very important turning point.

E *What is your assessment of the direct talks that started in Naqoura?*

The talks on the border through the mechanism right now are a very important symbolic step. Right now they're quite limited conversations relating to the cessation of hostilities agreement, relating to Lebanon wanting to secure an Israeli withdrawal from south Lebanon, wanting to return captives that are in Israel to Lebanon, wanting to stop Israeli attacks inside Lebanon. On the Israeli side they want to see that the area south of the Litani is completely free of Hezbollah weapons and fighting capacity. They want clarity on what the plan is north of the Litani. That's the scope of the talks right now, quite narrow in that sense. Broader talks would have to await a different time or different system.

E *How long could the process take?*

It's hard to say how long the process could take, but it's possible to say that the process might fail because Israel has very clear demands on Lebanon which include the disarmament of Hezbollah. How urgently they press that demand if Lebanon cannot fully disarm Hezbollah in the near future, Israel might say well the talks are off. Lebanon has demands on Israel to withdraw from five points, stop its attacks on Lebanon and so forth. One can see from Israeli officials that they don't seem to be in a mood to give those concessions so we will see what the talks bring. Maybe there will be positive surprises but they do look difficult for now. The risk of a continued war or significant escalation maybe is postponed a bit but is still there.

E *What are the risks and benefits? Are there economc benefits that came from peace agreements between Israel and Jordan or Israel and Egypt?*

It's important to know that the peace agreements or the Abraham Accords are first and foremost political agreements in the sense that Egypt on its side obviously wanted to get the Sinai back, which is a huge success for it. They could not afford to remain in open warfare with Israel. That's the essence of the agreement. Egypt and Israel did not develop significant economic agreements; that was not the Egyptian point. They maintained sort of a cold peace as it were. Jordan as well did not want to be in a state of war with Israel. That would be very costly for it. So for both countries, Egypt and Jordan, they know that if they make peace with Israel they get tremendous US support. Effectively guarantees of US support because the US would be pleased with them and the pro-Israel lobby in the US would vouch for them, would support them. So by making peace with Israel they lock in US support.

E *What have been the GDP gains of the Abraham accords over the past five years to the initial signatory countries, what could the economic gains be for Leb and would the Abraham Accords be the only way for reaching such outcomes?*

On the economic gains on the Abraham Accords I don't have significant data, I'm not an economist, but again when you look at the four countries that signed the Abraham Accords they did it for largely political and security reasons. The UAE wanted to cement its strategic relationship with the US. They wanted Israeli support in Washington, particularly to push through its F-45 deals and other major agreements it wants to build with the US, leading up to the recent agreements on Artificial Intelligence. So again, making peace with Israel the UAE gets tremendous US support indefinitely. Bahrain similarly in a very precarious security situation—high risk from Iran—absolutely needs deep US support. So that again was one of the main reasons there. Morocco wanted US support for its claim on the Western Sahara. They got it; that was its main advantage. Morocco has no security concerns with Israel. And on the case of the fourth country, Sudan, they wanted to get off the tariff list from the US and that is indeed what happened. So the main reasons were mainly political, security and so on. Of the four, the UAE does look at economic benefits more than the others. It had maintained a very warm normalization with Israel until October 7th. And there's investments going back and forth—maybe not huge,

> "Obviously for Lebanon there's the immediate cost of the devastation and destruction ...which is estimated at around USD $11 billion. And then of course there's the entire collapse of 2019,of USD $70 billion losses."

but the UAE certainly does see high tech and research and other advanced technology partnerships as well as security partnerships in high tech security issues between the UAE and Israel.

For the others, Bahrain, Morocco, Sudan –of course Sudan is in civil war—but they don't have any major economic gains.

In terms of possible effects for Lebanon, I would say two things. If Lebanon was able simply to reestablish the armistice with Israel or even a cessation of hostilities that is permanent and the Lebanese Army fully took over the country, Hezbollah no longer puts the country at risk or is disarmed, and regional investors and global investors really see Lebanon as now stable, sovereign and secure, that would definitely be a huge economic boost for Lebanon. Obviously provided also that Lebanon went through the [necessary] banking reforms so that the system would be functioning. The first scenario is to go back to the status quo before 1967. There was huge investment, and you could reap huge benefits. If one went into an Abraham Accords with Israel, you would get huge benefits. One benefit is that Lebanon would be no longer a country at war, no longer a risky place. Investors would feel confident, but also you would get the benefit of exchanges with one of the biggest economies in the Middle East, the Israeli economy. That could be in many sectors—information, technology, tourism, real estate, agriculture. There's no doubt that there would be benefits. What the numbers would be is hard to say.

This interview was conducted via Whatsapp voice notes
Paul Salem is a senior fellow and former president of the Middle East Institute

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The missing link

BY JAMILE YOUSSEF

CONNECTING DATA AND POLICY IN LEBANON

Before March 2026, the obstacles to recovery for Lebanon's fractured economy were Herculean, but not completely hopeless. Standing in the way of reform were entrenched corruption and the ongoing aggression from Israel under the guise of a ceasefire following the 2024 conflict which displaced over a million people and inflicted billions in infrastructure damage. Following the February 28 unprovoked US and Israeli attack on Iran, a renewal of that active conflict in Lebanon quickly escalated into a threat scenario where the human costs and infrastructure damage of the past two years could be exceeded and distrust and social tensions brought to new heights.

While the decisions over the new war and its regional escalation could at no time be influenced by the government in Beirut, the potentially world-changing conflict drives home a lesson on the importance of complete sovereignty. Governing a country in compounding crisis requires decisions made quickly, often under pressure, and with incomplete information. Yet Lebanon's capacity to measure its own economy — to count what it produces, what it owes, who is working, and who is not — has severe limitations. This is a story about what happens when a state in crisis cannot reliably count.

MAKING THE DATA WORK

Data collection in Lebanon does not operate through a single integrated system, and not all datasets are systematically published for public access. There is no single centralized platform where all relevant economic data can be accessed in one place. Cooperation generally exists, but standardization, accessibility, and consolidation remain limited. The system functions, yet it relies heavily on administrative effort.

From a public finance perspective, access to information is generally available. Obtaining budgetary and fiscal data often begins with formal requests. "Through my personal experience, never the data was not received," says Tonia Salameh, economist and data analyst at the Institut des Finances Basil Fuleihan (IOF). "Sometimes the data is received very fast and sometimes not, but we receive it."

Institutions generally cooperate. The challenge begins after the data arrives.

Rather than flowing through standardized digital systems, information may come in scanned PDFs, non-tabular Excel sheets, or even printed documents requiring manual entry. "Each institution has its own format. There is no unified format that everyone is using," Salameh explains. "Sometimes we even receive papers, and we do the data entry."

As a result, analysts spent significant time transforming and cleaning datasets before meaningful analysis can begin. Immediately focusing immediately on interpretation, analysts are required to standardize and reconcile raw data, increasing delays and creating room for inconsistencies. Salameh refers to the underlying administrative and digital infrastructure. "If the system is not available, you can't gather high-quality data. If the system is old and not everything is automated, how will you gather the data?"

From the private sector perspective, the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon compile economic reports by drawing from multiple official sources: the Central Administration of Statistics, Banque du Liban, the Ministry of Finance, customs authorities, and international institutions, each operating within its own reporting framework. Executive spoke with two representatives from the Chamber of Commerce who chose to remain anonymous. "We always get data from the main sources to ensure accuracy," one representative explains. "But sometimes figures do not match."

GDP estimates may differ significantly between domestic and international organizations, because of different methodologies. According to one anonymous representative from the Chamber of Commerce, the variance was "around 2 billion dollars" for nominal GDP in 2023 (IMF estimates were $23.6 to 24 billion). Additionally, the growth projection revealed a wide gap, the representative notes: "Even the IMF reports 3.5 percent growth, whereas the government says 5 percent."

These discrepancies do not necessarily imply manipulation. They reflect methodological differences and the absence of a centralized consolidation and validation mechanism. Without institutional reconciliation, cross-verification becomes the responsibility of external analysts rather than the state itself. Similar challenges appear in labor statistics. Unemployment estimates vary widely across reports ranging from around 30 percent to over 40 percent. Additionally, the most recent comprehensive labor update dates back to 2022.

In agriculture, the Centre de Recherches et d'Études Agricoles Libanais (CREAL) presents a third model, one built on continuous field data collection rather than episodic surveys. "Statistics are continuous," says Riad Saade, president of CREAL. "That's the difference."

CREAL's system is self-funded and developed over decades. It tracks agricultural production across seasons, regions, and micro-economic variables. "We don't study a product; we study the season," Saade explains. Agricultural output varies by region, climate, irrigation methods, and production cycles, making seasonal monitoring more accurate than broad national averages.

CREAL relies on field engineers embedded in local communities to track planted areas, productive areas, yields, irrigation methods, production costs, and farmers' prices. Data is double-checked and continuously updated, producing a detailed picture of agricultural performance.

Yet when asked whether the Ministry of Agriculture systematically relies on this data for policymaking, Saade's answer is clear: "No, not at all." CREAL's ongoing assessment further suggests that while Lebanon's agriculture sector has received substantial external funding over the past decades, output has not grown in proportion to

> "Each institution has its own format. There is no unified format that everyone is using. Sometimes we even receive papers, and we do the data entry."

that investment. According to Saade, one reason for this is that many projects have not been effectively adapted to the Lebanese context or informed by local data. Instead, they often follow standardized international models led by foreigner project managers.

Across sectors, the pattern is consistent. Data exists. It is collected with effort. It is considered credible. But it is not systematically integrated into policy decisions.

STRUCTURAL WEAKNESSES BENEATH THE NUMBERS

A deeper constraint lies in digital infrastructure itself. Not all government data is fully digitalized. In some cases, datasets exist but are stored in outdated systems or paper archives. Without full automation, systematic extraction and aggregation become difficult. Lebanon's statistical challenges extend beyond formatting issues. They reflect deeper structural realities.

A significant share of economic activity operates informally. Businesses remain unregistered. Labor is undeclared. Income is partially unreported. Even the most sophisticated statistical system cannot fully capture activity that escapes formal oversight. "Yes, the share of the informal sector in Lebanon is very high," IOF's Salameh acknowledges. "So, part of the data is not available to be analyzed."

Political instability further disrupts continuity. During years when parliament failed to approve annual budget laws, fiscal reporting lost consistency. "We have data for some years, then not for others," Salameh explains. "For instance, in 2021 and 2023, the budget law was not approved. We had the draft, but not the law." Spending continued, but the annual budget was not formally approved by parliament. The issue was not the absence of figures, but the breakdown of institutional rhythm.

Exchange rate volatility added another layer of disruption. During periods of multiple exchange rates, economic values lacked a single reference point. Analysts were forced to calculate currency components separately. "With multi-pricing, you can't build a strong economy," a Chamber representative says. Currency inconsistency complicates not only markets but measurement. When prices, wages, and public accounts operate under different benchmarks, statistical comparability weakens.

CREAL raises a different but related critique: the design of donor-funded statistical projects.

"The project managers usually are international staff, and apply the standard methodology by the book," Saade says. "The project is not usually adapted based on knowledge of Lebanon and its context." His argument is methodological. Statistical models, he asserts, must reflect local diversity, production patterns, and socio-economic realities rather than rely exclusively on standardized international templates.

Informality, political instability and national insecurity, and exchange rate volatility are constraints that are mutually reinforcing: a large informal economy shrinks the tax base, which weakens institutional capacity, which reduces the quality of statistics, which makes it harder to design policies that bring informal activity into the formal economy.

IF DATA EXISTS, HOW MUCH DOES IT SHAPE POLICYMAKING?

At the IOF, Salameh sees growing demand for evidence-based analysis. "Now there are more requests for data," she says. "Everyone is realizing that we need evidence-based information to make decisions." She adds, "Everyone is affected if a decision is not based on facts."

From the Chamber of Commerce, the tone is less reserved. "If decisions were fully based on figures, we wouldn't have been in this situation for six years," said one representative who asked to remain anonymous, referring to the multi-layered economic crisis. At the same time, the Chamber noted that in areas such as port revenue and taxation monitoring, improvements have been planned. Efforts to strengthen revenue collection and reduce leakage show that data and oversight can support specific reforms, particularly in the context of fiscal collapse. However, these improvements remain limited rather than part of a broader systemic change.

Saade had another view. "Decisions are based on either incomplete data or incorrect data."

The divergence in tone reflects a deeper uncertainty: data may be requested, but its integration into structured policy design remains inconsistent.

When decisions move ahead without reliable measurement, consequences accumulate gradually. Businesses may misjudge investment conditions. Citizens may face poorly adjusted tax or subsidy measures. Public spending may be misallocated. Reform sequencing may weaken. Inaccurate or incomplete data does not isolate risk; it spreads it across the system.

At the same time, economic figures now circulate rapidly in a politically charged digital environment. Salameh notes: "We are in an era of social media and technology, it is very easy for someone to publish any number, and it goes viral whether it is true or not."

For example, at the beginning of the economic crisis, claims circulated online that Lebanon ranks first globally in gold reserves, a statement later shown to be misleading. While the country holds large gold reserves, it does not rank among the top holders worldwide.

She stresses the importance of verifying sources. Not every figure shared on social media or television can be trusted, and reliable data should be drawn from recognized institutions. Yet accessibility remains uneven. "Not everyone knows where to find these data," she adds. While official statistics may be published, they are not always easily located or widely communicated to the public.

The Chamber representative agrees that media scope often includes selective or misinterpreted statistics, though he maintains that official figures from recognized institutions remain broadly reliable.

The problem is not necessarily data production. It is interpretation and the absence of consolidation. When multiple figures circulate without clear reconciliation, confusion can replace clarity, even when underlying data is credible.

BEYOND COUNTING: WHAT REFORM REQUIRES

Lebanon's economic challenge is the absence of institutional integration that allows experts to operate and datasets to inform policy. Reform must begin with strengthening the statistical system itself. Ministries and public institutions require harmonized methodologies, standardized digital formats, and predictable publication schedules. Data collection should follow clear institutional mandates rather than depend primarily on temporary projects or external funding. Stable budgets and technical investment are essential for continuity.

Equally important is linking statistical production to structured policy evaluation. Lebanon lacks a permanent macro-fiscal modeling capacity within the government. Major policy decisions including budget proposals, tax measures, subsidy reforms, and public wage

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adjustments should be assessed against transparent economic projections before implementation. In Lebanon, there is no formal mechanism obliging policymakers to demonstrate that decisions were informed by available evidence. That absence is itself a policy choice.

Institutional leadership must come from the government, particularly through research and statistical authorities. But coordination should extend beyond government. The private sector, research institutions, and specialized agencies should operate within a structured ecosystem where data production, analysis, and policy design are aligned and available for all.

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From Data to Decision

BY JAMILE YOUSSEF

WHY LEBANON NEEDS ECONOMIC INTELLIGENCE

The Lebanese people's suffering and misery is a seemingly never-ending story. Its latest data point is February 28, 2026. The day when a "pre-emptive" attack pitted Israeli and US aggressors against Iranian ideological theocrats in mutual acts of war which UN Secretary General Antonio Guterres, immediately and emphatically, condemned as violations of Article 2 of the UN Charta by the three conflict actors.

But regardless of all words and better knowledge, Hezbollah's missiles and drones, and soon the much more destructive IDF military inventories started being deployed from and against Lebanon. From a March 1 perspective, the only predictable outcome is the horrid civilian body counts and massive economic destruction on the Lebanese side that are in no way proportional correlation to the Arab instigators of "retaliation".

Again. And again. And again, Lebanon's diverse residents will not only suffer immediate pains beyond measure but economic growth will be regressing and investors' justified fears will paralyse all economic development plans of another, hapless, Lebanese government. If, by Executive editors' educated guestimate, a virtuous cycle of real and sustainable economic growth would take x, y, and z (x years, y overdue systemic reforms and innovations, and $80 to 100 million in capital expenditure) the first variable has moved to x+1 (or more) years, and $90 to 120 million capex.

However, when intoning the latest dire over the local fortunes, it must not be forgotten that regional instability and deliberate aggressions are not the only causes of the country's perennial malaise. One particular structural weakness (among a plethora of systemic problems) that lies beneath Lebanon's economic crisis and financial collapse is the absence of institutionalized economic intelligence to guide decision-making. This shall be the focus of this analysis, because it might be the only ingredient in the cauldron of current disasters that the Lebanese people can mitigate and counteract.

For decades, Lebanon operated without a systematic framework to anticipate economic risks, simulate policy outcomes, or align fiscal, monetary, and sectoral policies. To immediately rectify a common misperception of local stakeholders: this structural weakness is not due to a total absence of data collection and analysis. Banque du Liban (BDL), the Lebanese central bank, continues to publish monetary and financial indicators; however, certain components have not been updated in recent years. The two ministries of finance and of economy equally have released reports and statistics, but publication has been absent in recent years. The Central Administration of Statistics has maintained monthly publication of the Consumer Price Index (increased from quarterly publication in 2007), yet other critical datasets have not been updated with the same frequency.

The issue, therefore, is not the complete absence of data, but uneven publication cycles and the lack of consistency and continuity across institutions. As a result, decisions have often been taken under pressure, without assessing broader economic trade-offs or long-term consequences.

In the Lebanese case, data informs intellectual insight, arguments, debates and roadmaps – and Executive's economic roadmap is as much a proof in this pudding and other consultancy papers and civil society studies – but the local lesson is that it does not guide decisions. What is missing is not technical expertise, but an institutional system that connects data, analysis, and policy in a structured way. Economic intelligence is that system. It is the capacity to transform data into analysis, analysis into scenarios, and scenarios into informed policy choices.

WHAT IS ECONOMIC INTELLIGENCE?

The government's decision in mid-February of this year to raise public sector wages and finance it through higher fuel prices and value added taxes, is an example for a fiscal decision, taken under pressure, that affects the entire economic system. Such measures influence inflation, household purchasing power, and business costs. These decisions cannot be treated as isolated fiscal adjustments. They require careful assessment of risks, projected outcomes, and trade-offs before implementation. That structured capacity to anticipate impacts and align policy with economic conditions is what defines economic intelligence.

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Economic intelligence is a core function of modern governance. It strengthens economic resilience and enables informed decision-making, particularly in periods of uncertainty. While the term is not commonly used in Lebanon, the concept is central to how effective governments manage their economies.

Data alone does not generate clarity. Statistics describe what is happening, but they do not explain why it is happening, how variables interact, or what the consequences of policy changes may be. Inflation, for example, cannot be analyzed and understood alone. A rise in prices may result from currency depreciation, supply shortages, monetary policy, fiscal expansion, or global commodity shocks. Without a framework that maps these relationships, policymakers operate with separate data points rather than an interconnected system. At its foundation, economic intelligence is the systematic collection and analysis of economic information to inform public policy. It requires observing variables across months and years, to allow policymakers to identify trends and cycles.

Beyond data, economic intelligence demands technical and institutional capacity. Governments must be able to construct and interpret economic models. Economic models are the analytical tools that simulate how key variables interact and how policy interventions may influence outcomes. These models build relationships between different variables and enable authorities to test alternative scenarios before reforms are implemented.

However, this alone is insufficient. Statistical agencies, ministries of finance, central banks, and planning entities must coordinate to operate within an integrated system were analysis flows directly into policy decision-making. Transnational entities such as the International Monetary Fund, the World Bank, or the Organisation for Economic Co-operation and Development, as well as governments in developed and developing nations around the world, usually through either capacious ministries and central banks or independent economic expert councils, rely on structured modelling frameworks to produce macroeconomic forecasts and analysis. These exercises are not only statistical reports, but they also evaluate current situations and adverse scenarios, quantify risks, and help policymakers understand the consequences of different policy choices.

HOW ECONOMIC MODELS ARE BUILT

Economic models may appear complex or technical. In reality, they are built through a logical and structured sequence. The process begins with reliable data. Governments and institutions gather information such as national income, inflation, employment, public finances, trade flows, interest rates, and sectoral performance. However, raw data alone is only descriptive and insufficient. It tells us what is happening, but not why it is happening or what may come. The next step involves asking the right questions about how impactful variables interact. For instance, how does inflation respond to changes in the national exchange rate, how might changes in taxation influence revenues, investment behaviour, and distributional outcomes, or how will energy prices affect production costs across sectors?

These relationships are not assumed; they are estimated using historical patterns and empirical analysis. From there, models include assumptions. Assumptions reflect expected trends in growth, fiscal policy, monetary conditions, demographic shifts, or external factors such as global commodity prices. Assumptions also often determine the direction of projections.

Once relationships and assumptions are defined, models generate scenarios. Scenarios may reflect current policies and expected trends. It may also project fiscal adjustment, economic reform, or an external shock. By comparing these outcomes, policymakers can assess potential consequences before decisions are made and implemented. The economic modelling results must be interpreted within institutional, political, and social contexts.

Economic intelligence shifts policymaking from reacting to problems toward planning. The difference does not lie in the amount of data available, but in the ability to use that data in a structured way. Economic models are tools that help governments project future deficits and assess, for example, whether public debt is becoming unsustainable or how shocks may affect different sectors. Their effectiveness, however, depends on whether institutions are capable of interpreting outcomes and integrating its findings into policy decision-making.

> Many countries that have undergone structural transformation share a common trait: they built systems that allowed them to anticipate economic developments rather than respond only after crises.

LESSONS IN ECONOMIC INTELLIGENCE

Economic intelligence is not exclusive to advanced economies. Many countries that have undergone structural transformation share a common institutional trait: they built systems that allowed them to anticipate economic developments rather than respond only after crises. Their success did not come from having more data, but from organizing that data into structured forecasting, coordinated planning, and scenario-based decision-making.

Japan is widely considered as one of the most advanced and coherent economic intelligence systems in the world. The Ministry of International Trade and Industry played a central role in shaping Japan's economic strategy by aligning trade policy, technological development, and macroeconomic planning. Sectoral data, export performance, and global market trends were continuously assessed to guide strategic economic decisions. Economic intelligence was embedded across institutions: government agencies gathered and analysed macroeconomic indicators, corporations contributed real-time market information, and research institutions supported forecasting methodologies. This institutional coordination created an environment in which policy decisions were informed by forward-looking analysis rather than reactive adjustments.

The United Arab Emirates (UAE) represents a different but equally instructive model. Aware of the risk of long-term oil dependency, the UAE embedded scenario planning and fiscal sustainability into its national development strategies. Diversification into logistics, aviation, tourism, financial services, and renewable energy did not emerge spontaneously, it was guided by structured assessments of global trade flows, demographic changes, fiscal projections, and energy price volatility. Oil revenues were treated as uncertain variables within macro-fiscal scenarios rather than permanent guarantees of growth. Economic intelligence, in this context, became a mechanism for risk management. By modelling revenue fluctuations and expenditure pressures, authorities align investment decisions with long-term resilience rather than short-term expansion.

Saudi Arabia provides another economic intelligence case through its Vision 2030 program, launched in 2016 as a national transformation strategy aimed at reducing reliance on oil revenues and expanding non-oil economic sectors. Vision 2030 is accompanied by detailed reform programs focused on fiscal sustainability, subsidy restructuring, labor market reform, and private sector development. Within this framework, economic modelling capacity expanded across ministries and public institutions. Fiscal sustainability analyses, energy price reform simulations, and labor market projections were used to guide the timing and sequencing of reforms. In this framework, economic intelligence became central to managing the transition from hydrocarbon dependence toward a diversified economic base.

In each of these cases, economic intelligence did not eliminate uncertainty. Japan experienced financial bubbles and economic slowdown. The UAE navigated oil price collapses and was heavily influenced by external shocks, notably the worldwide financial shock that translated into the Dubai experience of the Great Recession of 2007-9 and the just unleashed shock of war over the region. Saudi Arabia continues to face external volatility.

What distinguishes countries with economic intelligence capacities is not immunity from shocks, but the existence of institutional mechanisms designed to anticipate, model, and absorb them. Economic intelligence reduces strategic blindness, it allows governments to examine trade-offs before crises escalate, to test reform paths before implementation, and to connect long-term ambitions with measurable economic constraints. Save for the latest eruption of global and regional uncertainty by the ongoing rise in bloody, economically destructive, and by rational assessments needless warfare, the experiences of the most developed Arab peer countries in the past three or four decades illustrate how economic intelligence can shape economic strategy. The question, then is, where Lebanon stands.

WHERE IS LEBANON TODAY?

Lebanon's economic landscape is characterized by high levels of informality, persistent political interference, and recurrent external and domestic shocks, from financial collapse to regional and internal instability. These conditions complicate policymaking and make anticipatory governance difficult. A significant share of labor and business activity operates outside the formal regulatory framework. When large segments of the economy are unrecorded or underreported, information and statistical pictures become incomplete. Hence, modelling and forecasting foundations are weakened as they depend on reliable and comprehensive data

Across different ministries and public institutions, key indicators are published, including Gross Domestic Product, the Consumer Price Index, B|DL balance sheets and money supply statistics. However, statistical methodologies are not always consistent, reports are not published regularly, and data updates can be delayed. Key datasets such as national accounts, labor, housing and educational statistics, and sectoral indicators often come with time lags that limit their usefulness for real-time planning and forecasting. Lebanon does not lack data, nor does it lack expertise but it may lack continuity in certain statistical series.

> The country has capable economists, researchers, and skilled professionals across universities, international organizations and public institutions. What it lacks is institutionalization.

The country has capable economists, researchers, and skilled professionals across universities, public institutions, and international organizations. What is missing is institutionalization. Data may support discussions and debates, but it does not consistently drive decisions. Economic intelligence is not organized as a state-level system that systematically links data collection, analytical modelling, and policy decision-making. Neither in public institutions and the administration nor in independent private or civil organizations, one can find any permanent macro-fiscal modelling framework that regularly produces projections and reform or shock scenarios to guide medium and long-term planning.

The financial collapse intensified

these structural gaps and exacerbated the use of short-sighted "fixes". Multiple exchange rates emerged, and subsidies were reduced suddenly and without coordination, and fiscal measures were introduced separately and without a clear plan. This reflected not only political pressures, but also the absence of an integrated mechanism to assess economic tradeoffs before policies were adopted. Crucial decisions, if they were not deferred endlessly and detrimentally because of political indecision or corrupt influences, were taken under urgency, often addressing immediate constraints without fully evaluating broader consequences.

Lebanon's crisis, therefore, cannot be explained solely by misguided policy choices. It also reflects a deeper structural deficit: economic intelligence was not institutionalized in the past, and it remains absent today as a core function of governance. Without integrated data systems, consistent modelling capacity, and structured links between analysis and policy, reform becomes short-term and fragmented. And when reform is short-term and uncoordinated, instability tends to intensify rather than to ease.

INSTITUTIONAL REFORM

Lebanon's economic collapse was not only the result of inadequate policy choices or external shocks. It was a result of a deeper institutional weakness, corruption, and absence of a coordinated system capable of transforming data into future planning. Without integrated statistics, consistent modelling frameworks, and structured links between analysis and policymaking, reforms are mismanaged, reactive, and short-term.

The way out of this misery begins by making economic intelligence a core function of how the state operates. This starts with improving the country's data system. Lebanon needs harmonized statistical methods across ministries and public institutions, regular and predictable data releases, and better digital integration of administrative records such as tax and customs data, social security information, and sectoral reporting. Data production should not rely on temporary projects or external funding. It must be supported by clear institutional mandates, stable structures, and adequate resources. Strengthening the independence and technical capacity of the national statistical system is essential to restore credibility and rebuild trust in economic policymaking.

But data reform alone is insufficient. Economic intelligence also requires the establishment of permanent macro-fiscal modelling capacity within the public sector. This includes regularly produced projections, reform scenarios, and shock simulations that guide medium and long-term planning. Budget proposals, tax and public salary adjustments, subsidy reforms, and public investment strategies should be evaluated against transparent economic projections before being adapted and put into effect. Institutional coordination mechanisms must ensure that analysis informs decisions in a systematic rather than inconsistent manner.

Stronger data systems and modelling would improve fiscal planning, reduce uncertainty, and enhance policy credibility. They would also strengthen Lebanon's negotiating position with international partners by grounding discussions in coherent and transparent projections, while encouraging both domestic and foreign investment. Economic intelligence is not an abstract concept and does not eliminate uncertainty nor guarantee stability; it lowers risk, improves policy sequencing, and increases accountability. Not institutionalizing economic intelligence, on the other hand, is an assurance of economic stupidity and can only indicate that inducing the Lebanese people's misery is not only a foreign tool of violent aggression and oppression but also a local method.

> The way out of this misery begins by making economic intelligence a core function of how the state operates.

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Woman against local odds

BY RAWAN AL SAYAD

REDEFINING MARKETING IN TRIPOLI

When I launched Becoming Social in the summer of 2024 in Tripoli, the economic hub of North Lebanon, I knew the odds weren't in my favor. Tripoli wasn't exactly known for being a marketing hub — and definitely not one led by a woman. But I also knew that change had to start somewhere, and I wanted to be part of that shift.

A year later, what began as a leap of faith has turned into a growing agency that's helping redefine what modern marketing can look like in northern Lebanon. We've grown from a one-woman operation to a small but dynamic team handling over 15 clients across different sectors from hospitality and retail to beauty and tech, and that's just the beginning.

FROM GLOBAL EXPERIENCE TO LOCAL PURPOSE

After my graduation from The American University of Beirut in 2017, I joined large multinational agencies like M&C Saatchi and Omnicom Media Group working as a full-time employee and learning the ins and outs of the business. Later in 2021, I left for Paris, France where I earned my MBA from Université Paris-Saclay and worked with marketing teams handling European luxury and tech giants such as LVMH & SAP. Those years taught me discipline, structure, and the power of data-driven storytelling. I learned how to read markets through insights, how to translate numbers into creative impact, and how brands can build emotion even in hyper-competitive environments.

But while my career was growing, I felt a persistent pull toward home. Every visit back to Tripoli made me realize how much potential the city had — creative entrepreneurs, ambitious youth, and family-run businesses ready to grow — yet how little access they had to strategic marketing support. I didn't want to keep contributing my expertise to already-established global brands when I could use it to build something new and impactful back home.

So, I made the decision to return and to exchange skyscrapers for seaside streets and international clients for local potential.

A LEAP OF FAITH — AND A REALITY CHECK

Transitioning back wasn't easy. Tripoli's market operates very differently from the structured, fast-paced corporate world I came from. Here, marketing budgets are modest, word-of-mouth still drives many decisions, and clients often expect immediate results without understanding the long-term value of brand building.

In the first few months, I found myself explaining concepts that had become second nature abroad, from why a consistent content strategy matters to how paid advertising works. It wasn't frustration that kept me going; it was curiosity. I wanted to understand why the market functioned this way and how I could adapt to it instead of trying to force it into a model that didn't fit.

MEASURABLE GROWTH — ONE RELATIONSHIP AT A TIME

Our first clients came through referrals, mostly small businesses testing the waters of digital marketing. But by the end of our first year, Becoming Social had grown to handle a client portfolio of over 15 brands, we tripled our initial monthly revenue, and expanded services to include branding, paid advertising, influencer collaborations, and outdoor marketing.

Today, about 70 percent of our clients are based in Tripoli, while the rest were projects that came from Beirut, Dubai, and even Paris — a sign that the quality of work coming from Tripoli is starting to attract attention beyond the city.

This growth didn't happen overnight. It came from listening — really listening — to what business owners were struggling with. Whether it was a family-owned mattress manufacturing company trying to modernize and globalize its image without losing authenticity, or a new coffee shop unsure how to position itself, we approached each project as a partnership, not a transaction.

FACING CHALLENGES HEAD-ON

Of course, running a female-led agency in a conservative, male-dominated environment comes with its own set of challenges. Early on, I often found myself being second-guessed in meetings or having to "prove" my credibility to male clients.

There were also logistical challenges in the form of delayed payments, fluctuating exchange rates, and clients hesitant to commit to long-term retainers because of Lebanon's economic uncertainty.

To navigate this, I built flexibility into our business model. We started offering phased strategies that allowed clients to test results before scaling. We also relied heavily on measurable KPIs showing clear before-and-after metrics on engagement, reach, and conversion.

That data became my armor. Once clients saw the numbers, the skepticism faded.

BALANCING EMPATHY AND DATA

One of the biggest lessons I've learned is that marketing isn't just about algorithms or aesthetics; it's about empathy. Understanding what people need, fear, and aspire to is what turns a strategy into a story.

At Becoming Social, we combine analytics with intuition. For instance, when we worked with a local café that had been struggling post-pandemic, we didn't just focus on boosting followers. We told their story of resilience, community, and the simple joy of sharing a cup of coffee with friends. The result? Their customer visits doubled within three months, and their brand became part of the city's cultural fabric.

THOSE ARE THE WINS THAT MATTER TO ME MOST.

If there's one thing entrepreneurship has taught me, it's that growth is rarely linear. You'll face setbacks, self-doubt, and sleepless nights. There were times I wondered if I'd made the right choice — if I should've stayed abroad where things were "easier."

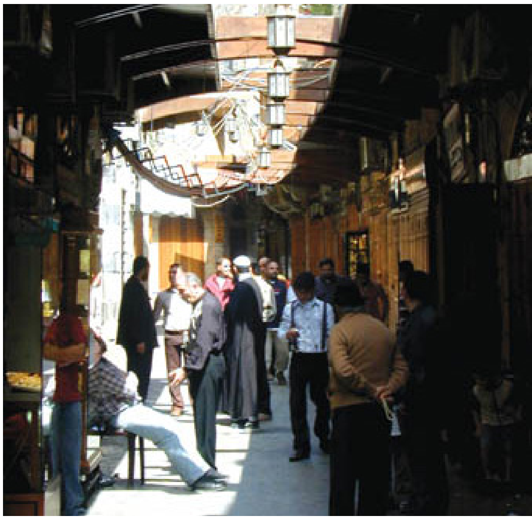
But every time a local business tells me, "You helped us see our value," I'm reminded why I came back.

I've learned to celebrate progress, not perfection. To embrace mentorship — both giving and receiving. And to surround myself with people who share the same vision: that Tripoli's story is worth telling.

WHY TRIPOLI, WHY NOW?

Tripoli is often underestimated — but it's a city brimming with ideas and creativity. The youth here are digitally savvy and hungry to learn, yet they lack platforms to showcase their talent. That's why I've started collaborating with local universities and creative hubs to mentor students in digital strategy and branding.

The goal isn't just to grow my agency; it's to build an ecosystem where marketing talent can thrive locally instead of seeking every opportunity abroad.



Today, about 70 percent of our clients are based in Tripoli, while the rest were projects that came from Beirut, Dubai, and even Paris--a sign that the quality of the work coming from Tripoli is starting to attract attention beyond the city.

As a woman leading an agency in Tripoli, I often get asked if it's difficult. My answer? Yes, but it's worth it. Because every challenge is also a chance to redefine what leadership looks like.

I'm no longer just building a business. I'm building a belief that women can lead agencies, shape narratives, and create economic value in their own cities.

The journey of Becoming Social has only just begun. But if this first year has proven anything, it's that Tripoli is ready for transformation — and so are we.

Our mission remains simple yet ambitious: to break barriers, elevate marketing, and help Tripoli's businesses shine as brightly as they deserve.

Rawan el Sayed is the founder of Becoming Social

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A war on reconstruction and return

BY MARYAM ALAOUIE

ISRAEL'S ACTIONS EXPOSE BIGGER AMBITIONS IN LEBANON

The recent Israeli airstrikes on the south of Lebanon have revealed a calculated shift in Israel's military strategy. The deliberate targeting of civilian infrastructure and attempts at reconstruction, from excavators and asphalt factories to olive trees and beehives, sends one clear message: there is no return to the south of Lebanon.

Since the ceasefire deal was announced on the 26th of November of last year, the Lebanese government has shown limited involvement in any post-war reconstruction efforts in the South. Today, almost a year later, according to Lebanese authorities, Israel has breached the deal over 2,500 times, yet the government has taken no action ¬– a reality that has pushed many in the south to take matters into their own hands.

MACHINERY YARDS AND CEMENT FACTORIES TARGETED IN MSAYLEH

Israel's escalating airstrikes in October 2025 reveal a clear aim at disrupting infrastructure and reconstruction in the south of Lebanon. On the 11th, in the village of Msayleh, six heavy machinery yards that included 300 reconstruction vehicles such as bulldozers, excavators, trucks, and rollers, were targeted and destroyed by Israeli airstrikes.

Following the attack, Ahmad Tabaja, the owner of one of the warehouses affected, Tabaja Equipment Inc., issued a statement denouncing the attack and stating that Israel's goal is to "prevent the reconstruction of towns and villages in the south of Lebanon," adding that he does not belong to or work with any political party, as Israel claims to only target members of Hezbollah.

Furthermore, in another attempt to cripple reconstruction on the south of Lebanon, on the 17th of October, the Israeli army committed one of its heaviest airstrikes since the ceasefire deal, destroying an asphalt and cement manufacturing site near Ansar, in the district of Nabatiyeh. This attack, carried out by 12 Israeli air raids, as reported by the Lebanese National News Agency, destroyed concrete mixers, pumps, fuel tanks, and cranes. The site workers report that they lost the work of a lifetime.

"This is a war on construction, this is a war on the people of the south... they're going to hit everything related to reconstruction, this is just the beginning, the worst is yet to come," another factory worker in Ansar told local media.

HITTING THE HEART OF THE WATER SUPPLY

On the same day, Israel targeted one of the main sources of livelihood for every southerner: water. A fuel depot that belongs to the South Lebanon Water Establishment (SLWE), the official public utility responsible for water distribution across all of southern Lebanon, was struck by Israeli airstrikes and lost more than 500,000 liters of fuel.

The Israeli attacks on essential water sources left 25 border towns without water after their networks were completely destroyed. According to SLWE, the estimated cost of repair is around 100,000,000 USD.

"It did not stop there," Dr. Wassim Daher, President and General Director of SLWE, tells Executive. "Around 25 local pumping stations and 45 solar power systems used to operate these stations in the south were affected, in addition to major pumping stations that supply water to multiple towns, some serving more than 40 towns, such as the Taybeh, Wazzani, and Nabaa Al-Tasseh stations" he added.

> The scale of destruction and widespread displacement has necessitated urgent support from the government and its institutions, yet teh near total absence of it has been all the more frustrating for souterners.

Despite the continuous efforts of SLWE to provide water to the citizens in the south and carry out its daily tasks, the war has also impacted the mobility of its employees particularly maintenance workers.

"There has been an increased demand for water in certain areas north of the Litani River due to the displacement of residents from areas south of the river," says Daher. "This situation has required extended pumping hours and higher water production, as well as the establishment of temporary water points in shelter centers, in coordination with governmental and non-governmental organizations and associations."

The shortage of water supply in the south has made it harder for the people to return to their houses after the war, according to Daher. "Because," he explains, "this directly affects the lives of citizens and, consequently, influences their decision to return to their towns and resume their activities, especially since many residents of border villages rely on agriculture."

"HE GOVERNMENT IS AS GOOD AS NOTHING

The crippling of the water infrastructure has contributed to the high displacement numbers reported. According to the United Nations Office for the Coordination of Humanitarian Affairs, as of December 2024, roughly 178,817 civilians remain displaced and are unable to return to their homes in the south of Lebanon.

The scale of destruction and widespread displacement has necessitated urgent support from the government and its institutions, yet the near total absence of it has been all the more frustrating for southerners.

"Assistance from the government?" laughs Ahmad Hmadi – a young chef from the South whose family is trying to rebuild their home in Shabriha – when asked if they had received any help for the reconstruction process. "We did not receive assistance from anyone, the government is as good as nothing. The house my dad worked all his life to build in our village, Maroun Al -Ras, and cost him about 500,000 USD, is gone. We had another house in Shabriha, a village near Tyre, also gone. Our apartment in Dahye, in the area of Jamous is also gone."

The family is now waiting for a government permit to excavate their land in order to rebuild. "We don't know when – or if – we will get it, the government always seems to make things harder for the people instead of easier," Hmadi says.

When asked why the family did not build in their own border village Maroun Al Ras, he explains, "The Israelis do not want us to rebuild — they are not even allowing us to excavate the land and remove the rubbles."

THE ECOLOGICAL BACKBONE OF THE SOUTH

Houses, water, and roads are not the only forms of infrastructure Israel has been targeting; the ecological and agricultural infrastructure of the South—olive trees and beehives—have also been among the focuses. In June 2025, Israeli troops bulldozed olive groves in Meis El Jabal. The municipal leader in the village told local media, "they don't want any signs of life...including olive harvest operations."

Israel's frequent use of white phosphorous has led to the destruction of thousands of olive trees. According to a report conducted by the Lebanese Ministry of Agriculture and UN-ESCWA, between 6 October and 24 November 2023, over 53,000 olive trees were destroyed in 53 villages. What the olive trees represent to the southerners is not only a source of income, but a part of their environmental culture and heritage.

"My father has been growing olive trees with his bare hands for 40 years now, he lost more than 400 olive trees by Israeli strikes" Hmadi tells Executive.

The bees have not been spared either. The Lebanese Ministry of Agriculture reports that around 3,500 beehives were completely or partially damaged, putting the entire region's apiculture at risk. It does not stop at the bees themselves – those who care for them have also become targets. In June 2025, Israel killed a beekeeper in the village of Houla.

"FROM THE PEOPLE TO THE PEOPLE"

Since the beginning of the war, residents of the south have lost all confidence in the government and its institutions to help them get back on their feet. This factor contributes to the existing solidarity between the people, making them rely even more on each other, help each other, and pull each other up through community-driven initiatives.

These initiatives come in different forms. In Ramyeh, Hussein Saleh, an activist and municipal council member in the Ramyeh Municipality, fled to the north during the war and started a grassroots campaign that helped more than 4000 southerners, through what he calls "The One Dollar Campaign."

The name of the campaign was inspired by the monthly funding project 'One Lebanese Pound' launched by Sayed Mousa Sadr in the early 1960s as a part of his work on social welfare in the south of Lebanon.

The One Dollar campaign is made to help the people that are living in southern border villages. "It is for the people that stayed in their land, that are living with broken windows, collapsed walls and roofs ruptured by Israeli missiles. Being a one-dollar campaign encouraged people to collectively participate and pay even more than a dollar" explains Saleh. It helps with providing basic utilities like solar power panels, glass restoration, walls, roofs, and doors, before the winter arrives. The campaign includes other initiatives like collecting unwanted furniture and distributing them to those in need, through Saleh's own means.

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"Just imagine, some of them are living across from the Israelis without even having electricity. I am not claiming to have 'saved the south,'" adds Saleh. "The south needs billions of dollars to be rebuilt, but I refuse to sit and do nothing. I care about the people and these small acts have had a huge positive impact on their lives and spirits."

IT WAS WORK DONE FROM THE PEOPLE TO THE PEOPLE, ACCORDING TO SALEH.

But how many One-dollar Campaigns would it take to rebuild the South? In the March 2025 Rapid Damage and Needs Assessment report released by the World Bank, South Lebanon's recovery and reconstruction costs are estimated at 11 billion USD, with 4.6 billion USD needed for the housing sector alone – much of this concentrated in the border villages and Nabatiyeh district.

THE STRATEGY OF ATTRITION

Beyond the physical losses of houses and loved ones, the war has taken a psychological toll. The evidence suggests that the pattern of relentless flows of attacks are not only for military control but have been designed to undermine the morale of the people and their power to resist. By systematically targeting different forms of infrastructure, the livelihood of southerners has deteriorated drastically.

Ramyeh, the village Saleh comes from, is among the five points where the IDF maintains illegal military presence. He explains that it is not fear that stops people from rebuilding, but common sense. "How can you rebuild under occupation? The Israelis are destroying every wall we try to build, but despite that, people in the south remain resilient and are fueled by the power of resistance."

As the attacks continue on a daily basis and reconstruction is at a halt, the question remains: until when will the people in the south remain resilient and patient? And when will the government take action and prioritize the return and safety of the southerners from Israel's occupation?

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New hope for Lebanon's cultural industries sector?

BY HELENA PORSBURG

A TIMELY, NECESSARY AND (OVERLY) AMBITIOUS STRATEGY

The Ministry of Culture (MoC) has launched a new strategy for Lebanon's creative and cultural industries (CCI). Based on inhouse research and stakeholder interaction, the surprisingly extensive document is as economic as it is cultural. As it stands, it seems the strategy is intended to diagnose and invigorate a struggling sector, but also to signal a more proactive, collaborative, facilitating, and ultimately powerful role for the ministry itself.

As stated in the strategy, it aims to "strengthen the cultural and creative ecosystem so that it can contribute to its full potential to economic recovery, social cohesion, and better positioning of our country in the region and the world." Presenting this ambitious framework to ministerial colleagues, stakeholders and media on February 10 (almost exactly one year since ascension of the current council of ministers), Ghassan Salameh, the minister of culture, repeatedly described the plan as "ambitious." It is difficult to disagree. The question is whether the level of ambition exceeds reality.

IDENTIFYING THE CHALLENGES

Nearly a year in the making, the strategy is the product of a bottom-up process in which over 500 professionals from the subsectors of the CCI have been invited to focus groups, questionnaires and workshops. These sectors include film/audiovisual, music, heritage, museums, performing arts, visual arts, public libraries and design. Additionally, a representative has been chosen from each sector to act as a link between the respective subsector and the ministry.

Even newer creative and content spheres in the digital realms, which are deemed by economists crucial for future wealth, are however not given an own category in the CCI strategy as provided on the ministry's website. There are over a dozen references to digital issues sprinkled across the almost 50 content slides of the strategy, including reference to a strategic imperative of "investing selectively in cultural infrastructure and digital capabilities". Nonetheless, the strategy does not elaborate on how and whether the required public policy safeguards or capital expenditures would be implemented for such a demanding endeavor.

Despite these omissions, the final document identifies wide-ranging interventions recommended for each sector – such as improving the legal status of designers, drafting a new heritage law, advocating the removal of taxation on non-commercial performances and many more. In total, the strategy contains 162 initiatives throughout the nine subsectors.

The obstacles facing Lebanon's cultural industries are extensive: outdated laws, years of underinvestment, underdeveloped digitalization, lack of data collection and talent flight – just to name a few that have been on the minds of stakeholders for several decades. And since 2019 the CCI has been shaken badly by the succession of economic crises, COVID-19 pandemic, Beirut Port explosion and the latest regional conflicts. During the pandemic, which means early during these years of intertwined social, economic, and creative calamities, full-time employment in the CCI fell by more than two-thirds and unemployment or underemployment increased by nearly 1,000 percent, according to a 2021 survey commissioned by GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit).

Not explicitly stated but reverberating throughout the presentations and debates of the MoC launch event was the subliminal message that the quagmires of CCI stakeholders are mirrored in challenges faced by the institution that produced the strategy. Beneath the splash of aspiration to make CCI succeed as economic growth drivers in a new Lebanon, is a message that the MoC has set its sights on ploughing more extensive economic grounds than in the past.

Not only does the culture ministry seem to in this way be departing from the pre-crisis economic paradigm where financial services were perceived as the sole services sector worthy of serious administrative and strategic attention but it appears determined to jump over its shadows of having a lesser weight than the line ministries that were in control of cash cows and fiscally attractive portfolios.

But while the ministry's domicile at the National Library is, from several cultural perspectives, awe inspiring, the ostentatious dignity of the venue cannot hide the fact that the MoC is still constrained by a financially exhausted government. Remarks by MoC staffers and the minister reveal that underfunding and understaffing in the budget year of 2025-26 are even greater challenges for the MoC today than they were in the less fiscally desperate years before the crisis. Still more troubling could be the still lingering stigmata of being a government unit beset with crumbling building assets, issues of censorship, and polarized and arduous disagreements over Lebanon's true cultural identity.

STRATEGY BY ESTIMATION

That the path of CCI development will not be as easy as one can make it look in a slide presentation becomes unmistakable when delving deeper into the document. The strategy's many specified recommended interventions are a timely analysis of what needs to be done to support the growth of the CCI. But there is a gap between idea and execution – and here the strategy becomes more unspecific.

With 162 initiatives, it could be rather difficult to choose where to start. Therefore, the strategy classifies initiatives into three categories according to feasibility, sequencing and dependencies, allowing priority to be given to the most realistic and urgent implementation recommendations. These 162 initiatives range in size with one of broadest reaching being the establishment of "a cultural incubator program through select partners," while others reach a smaller interface like reopening the National Cinémathèque or developing and publishing the archaeological review BAAL online. All these are called "recommended interventions", which – even with the prioritizing – makes it difficult to identify which parts of the strategy are promised and which are just recommendations for what could be done.

The only real benchmark presented by the minister at the launch was the goal of the CCI to contribute 7 percent to GDP by 2031. But this goal is not written in the final strategy document, nor supported by any micro- or macroeconomic data projections. Yasmine Helou, Chief of Staff at the Ministry of Culture, tells Executive that the minister's statement indicates the institution's hopes for having a role in fortifying the council of ministers' economic growth program and that implementation of the CCI strategy could help, five years down the road, the currently much lower CCI share in GDP recover to 5 percent – or even reach 7 percent.

When asked about how the calculation for this "hope" was done, Helou explains: "It is a projection based on the limited pre-crisis data available on the economic performance of the CCIs. It is based on their documented contribution to GDP prior to the crises, combined with an assessment of sectoral resilience and recovery potential. Given existing data constraints, this figure is an indicative estimate rather than a formally adopted target within the strategy."

While it is acknowledged that the CCI has a high value for the Lebanese economy, there is no denying that such hopes are running up against multiple walls of economic uncertainty.

BETWEEN VISION AND IMPLEMENTATION

To be fair, the specific interventions are clearly defined. And it is commendable that the sector stakeholders have been thoroughly included. But the road to implementation seems more uncertain, which is deeply discontenting because the two systemic weaknesses that presently still obstruct any governmental economic aspirations are failure

> Still more troubling could be the lingering stigmata of being a government unit beset with crumbling building assets, issues of censorship, and polarized and arduous disagreements over Lebanon's true cultural identity.

to implement and failure to collaborate among ministries with adjacent and overlapping realms of authority.

The strategy's breadth poses its own risks. In total, the interventions require multi-year efforts and dedicated institutional capacity – resources the ministry simply does not possess at present.

In practice, the ministry has relied heavily on voluntary contributions.

"We've seen in the past year how

willing volunteers in this country are to help, to get involved and to actually work. So, the idea arose to establish commissions where we name people from the private sector who want to get involved and allow us to link and follow up with the ministry in a more institutional way without having to go through the whole hiring process. This is one thing we're trying to find," Helou says.

Besides acting effectively by virtue of harmonious inter-ministerial collaborations, securing institutional continuity within ministries has a poor track record. Achieving trustworthy institutional continuity at the Ministry of Culture would in this light be an amazing and laudable feat once the next council of ministers comes into their own at an indeterminate time point after the parliamentary elections scheduled for this spring.

But this feat seems easy when the ambition is to become an economic enabler of unprecedented dimensions. To name one example, the establishment of a "cultural incubator program," which the CCI strategy lists as primary core cross-sectoral need (i.e. spanning several sectors identified as constituting CCI) must be read in the economic context of entrepreneurship and entrepreneurship ecosystems.

According to Helou, the program would have to be "very big". Also, it would best be run by an institution with significant capacities in coaching and mentoring on business plans, financial sourcing and management, legal compliance, best practices in corporate governance, and subsector-specific operational priorities for varied CCI startups or young enterprises. The MoC has not yet designed and developed the incubation idea to a point of having set a target number on how many cultural entrepreneurs it wants to enroll per cohort, nor to a maturity of having scored a commitment from an existing provider of business incubation services.

Finding a financially and culturally capacious provider with sustainable appetite for becoming involved in what effectively would not so much be the "strengthening" of a Lebanese cultural and creative ecosystem as the construction, from below ground, of a CCI ecosystem that combines being cultural and creative with prospects of economic sustainability. Helou notes, "I think that CCI has a lot of incubation potential but many of those [cultural institutions] that we have covered did not actually become economically viable."

The vague idea for an incubation program reinforces the ruling image of previous Lebanese administrations that the ministry of culture has historically promulgated state positions regarding cultural affairs but has not been a central actor in fostering viable subsidies for cultural actors, let alone economic markets for CCI. Local experience of entrepreneurship ecosystems confirms that an incubation program with all the bells and whistles for supporting startup entrepreneurs, will embellish the potential of CCI to deliver an aspirational slice to GDP, however large the slice might be in five or ten years' time.

> The recent practice of depending heavily on unpaid labor introduces both continuity risks and increasing likelihood of conflicts of interest and outright corruptibility.

TRY AND HOPE

It further confirms, however, that a state-supported or internationally sponsored incubator program does not an ecosystem make. The task of establishing an ecosystem actually is complex and has proven anything but pitfall-free or fast in the two primary efforts of fostering entrepreneurship in the Lebanese context: the tech incubators and accelerators under the knowledge economy imperatives of the Lebanese central bank's massive push in the 2010s ("circular 331") and the Agrytech entrepreneurship development push for inclusive and productive agriculture ventures spearheaded by Berytech where first, in GDP terms quantifiable, success came years after it was kicked off with considerable foreign sponsorship / donor support.

For the time being, dedicated human and financial capital, or vulgo, quality employees and money, is not what the ministry of culture can be expected to have reliably at its disposal.

In principle, the recent practice of depending heavily on unpaid labor introduces both continuity risks and increasing likelihood of emergent conflicts of interest and outright corruptibility. The political uncertainty after the next elections further calls into question the durability of the strategy. The ministry is attempting to finalize as many agreements as possible, but implementation of the full strategy clearly extends well beyond the current political cycle.

And all that does not touch on the question how digital Lebanon will define its cultural identity in a global and regionally polarizing environment of divergent desires and external pressures. The future will be digital, or nothing, but who will design it?

You could wonder how sustainable these preconditions are for implementing all the various pillars of the strategy. But the ministry is aiming to do as much as possible with the resources they have at hand. They have already started the implementation of some interventions, like the digitization and standardization of the national libraries. This indicates a shift in progression. However, attempting to address all the issues outlined in the strategy appears to be an overreach. One could even wonder whether the minister's explicit acknowledgment of the strategy's level of ambition is a way of admitting that the goals may not all be attainable. It seems as the ministry itself is aware of the uncertainty:

"You try for the best and then you do as much as you can," says Helou.

With contributions by Thomas Schellen

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The Middle East Is Being Reshaped

BY ELIAS NAIM

WHERE DOES LEBANON STAND?

The world is undergoing a profound reordering, and nowhere is this more visible than in the Middle East. Over the past two and a half years, the region has experienced rapid developments that would normally take decades to unfold. While public discourse often frames these changes in terms of religion, ideology, or terrorism, these factors largely serve as a cover for deeper dynamics: the real struggle revolves around national interests, access to resources, and the ability to build influence. The region can best be understood not only through its political borders but through its position within global connectivity networks. In this context economic and energy corridors are—as perhaps they have always been—instruments of redistribution of influence and power.

To understand this shift, one key moment stands out. In September 2023 during the G20 summit in New Delhi, the India–Middle East–Europe Economic Corridor (IMEC) was launched. This ambitious initiative aims to link India to Europe via the Gulf and the Eastern Mediterranean through an integrated network of ports, railways, and logistics. Beyond its economic significance, the project represents a strategic response by the U.S. to Russia's north-south transit routes which enables Russia to circumvent Western sanctions, and to the Chinese Belt and Road Initiative (BRI), which seeks to redraw the map of influence in Eurasia. It was in this context that Washington actively pushed for normalization between Israel and the Gulf states, as the corridor's viability depended on it. Less than a month later, the region was drawn into a new cycle of conflict following the events of October 7. The tensions surrounding Israel appeared not to be entirely disconnected from the corridor announcements, particularly after U.S. President Joe Biden hinted in an October 25th, 2023 press conference that the India–Middle East–Europe Economic Corridor (IMEC) may have been among the factors behind the attack. This comes as Iran and Turkiye continue to view ongoing instability as an opportunity to strengthen alternative transit routes and sideline corridors that bypass their territories.

A STRATEGIC RESHAPING

What we are witnessing this spring 2026 is a continuous process of a broader reshaping of the region, where military force is one of several tools used to secure influence, domination and strategic positioning. This reality is particularly visible in the Strait of Hormuz, which the International Energy Agency described in February 2026 as "one of the world's most critical oil transit chokepoints," with nearly 25 percent of global seaborne oil trade passing through it and few viable alternatives available in the event of disruption. For Iran, the ability to threaten or disrupt this passage is both a military tool and strategic lever that grants Tehran significant regional influence and ensures it cannot be excluded from any future regional order. At the same time, alternative routes designed to bypass these chokepoints have increasingly emerged. In an interview with Newsmax, an American television channel for political commentary, on March 30, 2026, during the ongoing war, Israeli Prime Minister Benjamin Netanyahu argued that a long-term solution to the Strait of Hormuz crisis would involve rerouting Gulf oil and gas westward through pipelines crossing Saudi Arabia toward the Mediterranean, thereby bypassing Iran's geographic leverage over Hormuz. If realized, such a corridor would significantly reshape the region's energy map.

In this environment, smaller countries risk being marginalized. The emerging regional order leaves little room for states without clear strategic relevance or a defined role. Here, the biggest challenge facing Lebanon emerges most clearly. Increasingly, the region is shifting from identity-based alliances to interest-based alliances where leverage is critical. It is not military strength or resources alone that can influence these alliances, but the productive capacity of society and the strength of its economy. And Lebanese geography is no longer sufficient; Beirut no longer enjoys the exclusive transit role it held in the twentieth century when regional rivals were limited and neighboring ports underdeveloped.

In this regard, President Joseph Aoun expressed interest in Lebanon's inclusion within the IMEC initiative during his meeting on February 25, 2026, with Gérard Mestrallet, the French President's Special Envoy for the IMEC corridor. According to statements released following the meeting, Aoun affirmed Lebanon's "readiness to engage within the framework of the initiative, in a manner that serves its national interests and strengthens its logistical position in the region." Yet a fundamental question remains unanswered: can such integration realistically occur given Israel's central role in the project, with Haifa serving as its primary logistical hub?

Securing a meaningful role for Lebanon within the region requires mobilizing and strategically employing the country's available assets and resources. For example, organizing and leveraging Lebanese networks spread across the world could provide Lebanon with a genuine competitive advantage and stronger negotiating leverage with countries seeking access to external markets. However, this alone remains insufficient. A critical priority is limiting the outflow of human capital. Hundreds of thousands of young Lebanese, many highly skilled, have emigrated in recent years. Their retention and productive engagement are essential if Lebanon is to transform into a capable, productivity-driven economy able to claim a seat at the regional table rather than remain a passive observer. At the same time, Lebanon's ability to become a stronger regional economic actor is increasingly constrained by the economic and social costs resulting from the ongoing destruction in the south. Damage to infrastructure, businesses, agricultural sectors, and local economies weakens national productivity and diverts scarce resources away from development and investment toward reconstruction and crisis response. In many ways, these developments themselves reflect the broader reshaping of the region through Israel's buffer zone and territorial security/expansionist approach along its northern frontier, making Lebanon's integration into emerging regional economic corridors significantly more difficult.

> It is not military strength or resources alone that can influence these alliances, but the productive capacity of society and the strength of its economy.

LEVERAGING LEBANON

Any potential Lebanese role cannot be read independently of Syria, which constitutes a key point in any regional positioning for Beirut. The relationship with Damascus is critically structural, and requires serious negotiation on practical issues, starting with the land border crossings whose status remains ambiguous, as the conditions for their full opening and the mechanisms that will govern the movement of goods through them have not yet become clear, which makes any talk about a Lebanese role in regional trade routes based on unstable foundations. This equation becomes even more complex as Syria itself turns into a new arena for competition over energy corridors. The current American vision relies on a stable Syria functioning as an alternative corridor for regional energy flows that reduces dependence on disputed maritime routes and opens a new phase of regional integration. During the "U.S.-Syria Energy Symposium" organized by the Atlantic Council in Washington on March 26, 2026, U.S. Ambassador to Türkiye and Special Envoy for Syria Tom Barrack emphasized that the region is undergoing major structural transformations in energy and connectivity, with Syria potentially occupying an increasingly important position within this evolving regional framework.

Ultimately, Lebanon must redefine itself as a fully sovereign state capable of decisive action. Without a functioning state, the country risks continued dependence on external actors, waiting for solutions designed elsewhere rather than shaping its own future. The choice is therefore clear: Lebanon can either become an active participant in the emerging regional order or remain on the margins while others determine its role on its behalf, whether it chooses to or not.

Elias Naim is an AUB-trained economist specializing in public policy, economic diplomacy, and digital transformation


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SPECIAL REPORT

REPERCUSSIONS OF CONFLICT

> Lebanon's economic sectors under siege
> Syria's relative insulation
> Taking stock of the global disruptions, and economic winners and losers of conflict

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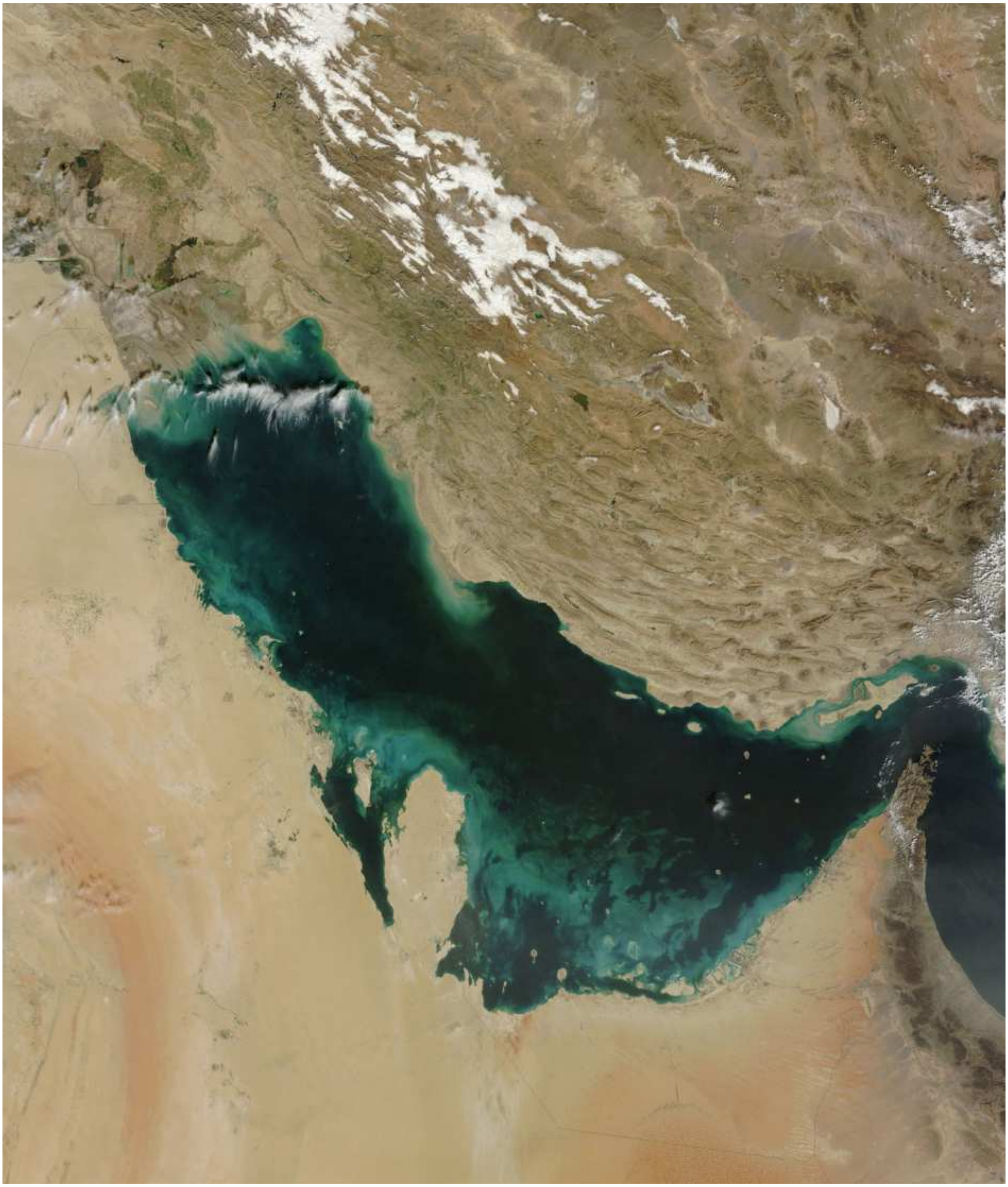
The new geopolitical economy

BY THOMAS SCHELLEN



TRACING A WAR'S RIPPLE THROUGH OIL, INFLATION, AND THE SUSTAINABLE DEVELOPMENT GOALS

For a group that is as notoriously divisive in their analyses and divided in their predictions as the global top-gun advisory class of economists, the consensus is glorious. The current global economic climate worries all expert voices into pointing to gathering storms of universal uncertainty. But this unanimity on the global economy in spring of 2026 is nothing glowing. It is only gloriously universal. The analogy? Everyone takes notice of a deliberate mega-truck crash.

The economic hurricanes of spring 2026 have been attributed overwhelmingly to one pivotal event and a single point of origin: the US-Israeli "preemptive" war on Iran and the resultant and predictable confrontation in Arabian Gulf maritime trade with its bottleneck at the Strait of Hormuz. Beginning with the strike against the Iranian supreme leader and the short-lived justification of targeting regime change for the liberation of the Iranian people, analysts of short-term economic estimations and predictions into a cacophonic chorus chanting "risk".

Most of these downward risk alerts stem from the underestimated economic impact of war in the Middle East. Some, however, carry over from warnings already raised last year.

In this multi-year context, the outlook carries different weight for different economies. High-income countries — around 65 UN members and 20+ small territories — will feel the strain but are better positioned to cope. For low-income and least-developed nations, the outlook reads like a horror story. And for the more than 100 countries stuck in the 'Middle Income Trap' for two decades or more, it is deeply alarming."

The message for the last group of countries appears to be that their inclement geoeconomic climate outlooks of the 2020s have been further negatively accentuated in March and April of this year by sudden, unpredictable and often contradictory swings of hyper-sensitive economic indicators that will badly affect them. This is the case even though these were distant swings driven by actions and harsh threats entirely out of their control.

THE GRANULAR PICTURE

In step one of shock impacts from the Iran war, global markets internalized their uncertainty by fluctuating. The first big swings were seen in markets for crude oil and gas, with leading oil prices surging month-on-month from end February to end March by around $35 and $23 for the two benchmark categories Brent & West Texas Intermediary (WTI). By the end of March, and specifically in the wake of political remarks at that time, crude oil prices leapt up about 40 (WTI 30) percent per barrel (bbl).

Moreover, the volatility continued throughout the month of April. Not only were crude oil prices skyrocketing by approximately 20 further percentage points over the course of the full 61 days from Feb 28 to Apr 30, vacuous political and security rhetoric was additionally mirrored in two temporary price drops from more than $100 bbl to less than $90 (and back up again) in March, and two further massive swings in April.

That rigmarole was enough to ring inflation alert bells in global oil markets and it did, loudly. But already before the first bells over the price increases of March 2026 even stopped ringing, international crude prices reverberated in the form of inflationary influences across developing and developed, national energy and transportation sectors. In the developed world, notorious price jumps were flagged by media from gasoline at the pump in the US to heating oil prices predictions for the UK winter that is at least half a year away. Yet, such sensational developed market consumer shocks were just the starting shots of serial worry signals ringing out perhaps more quietly but also more seriously from countries around the world.

> The economic hurricanes of spring 2026 have been attributed overwhelmingly to one pivotal event and a single point of origin: the US-Israeli "preemptive" war on Iran and the resultant and predictable confrontation in the Arabian Gulf maritime trade.

Normally attracting at best minor attention in daily reporting, prices for industrial feedstocks and chemicals, as well as the rare gas helium produced as sideline by-product of natural gas extraction, rose at varying speeds and peaks. Apart from helium that is crucially required in medical and technical manufacturing, industrial manufacturing commodities such as ammonium, naphtha and Sulphur, benzene, and styrene, ethylene, propylene

REPERCUSSIONS OF CONFLICT
ANALYSIS


US Marines in the Gulf of Oman

and methanol suffered inflationary pressures. All this extreme volatility and peaking of source prices, which occurred in tandem with Strait-of-Hormuz related supply disruptions, continued on international markets through the month of April and into May as of the time of this writing.

National-level repercussions were felt, with wide differences, across countries on all six permanently populated continents, in sectors from travel to healthcare, hospitality to manufacturing, mortgage finance to agriculture. Quickly, international organizations engaged in the fight of improving food security for the global precariat, rang their own alarm bells. International NGO Mercy Corps warned in mid-April "The food security consequences of this war are already written into harvests that have not yet been planted."

Price inflation in energy markets drew the heaviest attention but price spikes and supply disruptions for commodities swapped further: they surfaced as volatility across equities markets, drove up costly bond yields, impaired mortgage rate outlooks, impacted currency markets and consumer price trends. In the two-month bottom line, inflation pressures and economic demand-supply twists since outbreak of the Iran war have by end of April hurt many economic actors and favored some.

The lesson of it all might forcefully remind the peoples of the world of the intense interdependence and interconnections of the globalized economy. After a month of war, immediate inflationary pressures and turnover contractions were reported from the most ostentatious boudoir of the rich as well as the most private bedrooms. Specifically, the CEO of a leading global market producer of condoms in Malaysia warned in late April of impending 20 to 30 percent price increases for their products that would obstruct household family planning mostly in poor populations. About a week earlier, the head of conglomerate LVMH warned of an impending crisis of the group – under whose umbrella such symbols of wealth as Bulgari, Dior, Givenchy, distillery Hennessy, Kenzo, Louis-Vuitton, winery Moet, Tiffany, etcetera are held – if the Iran war does not find its end quickly.

Profiteers of the Iran conflict include energy companies, defense exporters, stock exchanges, investment banks, financial advisors, management consultants, currency and commodity traders, prediction market platforms, and renewable energy firms — though their gains stem from a mix of causes, not solely the conflict itself.

"It's clear that artificial intelligence, global fragmentation and inflation will continue to permeate through economies and the markets," comments financial group JP Morgan, one of the large banks writing extraordinary profits in the first quarter of this year (net income was up 13 percent year-on-year to $16.5 billion), says in its 2026 mid-year outlook. Premiums on security and technology moreover are expected to persist and governments, corporations, and wealthy citizens are demonstrating their willingness to pay extra for being warned against an economic shock, according to JP Morgan's May 8th statement.

According to Kriti Gupta, global investment strategist at JP Morgan Private Bank, energy risk premiums, unrelenting inflation ranges, and security-driven rerouting of supply chains are likely to sick to markets over long term.

In its dichotomous way, the story of the Middle East 2026 shock thus reiterates how the value of the markets is that of a universal decentralized computer with an operating system coded by utility and profit. Thus, as much as the logic of social values and human priorities has been impaired by all that was instigated by each and every conflict actor, large and small, state and non-state, in the Iran war, the capitalist logic of the markets emerges unscathed.

A STRONG VOICE IN THE MIDST OF EVEN STRONGER WINDS

It would be spurious to assume that this narrative unfolded without throwing its shadows ahead. At time of this writing, the assessment of impending risk accumulations of inflation, technology, global competition and even trade wars are confirmed by the International Monetary Fund (IMF), arguably the world's most vocal and best-reputed public economy powerhouse. But already in advance of the IMF 2026 spring meetings, three international agencies of import – IMF, World Bank, and the International Energy Agency – announced the formation of an action group to monitor developments, align analysis, and coordinate support to policymakers to navigate this crisis.

"At these times of high uncertainty, it is paramount that our institutions join forces to monitor developments, align analysis, and coordinate support to policymakers to navigate this crisis," a joint statement of IMF, WB, and IEA said on April 1.

The IMF's latest analysis of the world economy is augmented by a critical term that puts the situation in context of uncertainty. "After withstanding higher trade barriers and elevated uncertainty last year, global activity faces a major test from the outbreak of war in the Middle East," reads the laconic opening statement of the April 2026 World Economic Outlook (WEO) on the IMF homepage.

Uncertainty is the huge caveat in the IMF's scenarios for 2026. Even the WEO's less pessimistic scenario, described as a reference forecast and apparently based on a lot of hopeful assumptions, predicts a slowing of global growth to 3.1 percent – modestly revised downward versus a scenario of 3.3 percent not even six months ago. Twenty basis points may sound inconspicuous but comes to an amount north of $250 billion over a World Bank/IMF global nominal GDP estimate of $126 trillion at the end of this year. Headline inflation is expected to rise to 4.4 percent, in the best case.

On top of representing a lower growth expectation than economies achieved in the past two years, this prediction acknowledges that pressures of inflation and growth constrict loom most painfully over emerging markets and developing economies.

Moreover, this already subdued growth picture is stuffed with massive downside risks, the dominant and most severe risk being a prolonged and/or expanding Middle East war. More intense and longer war could slice between estimated 0.6 and 1.1 percentage points from 2026 growth and speed inflation up by 1 to 1.5 percentage points, the IMF says.

Other looming risks – worsening trade conflicts, increasing geopolitical fragmentation, and disappointing productivity gains from the global AI hype – are in line with consensus views of economists even as they are denied in political discourses. Future disruptions in an increasingly uncertain global environment need to be prepared for, the fund advises. In short, the ominous truth of uncertainty seems to settle in as operative geo-economic term.

In the words of unflappably enthusiastic IMF Executive Director Kristalina Georgieva at her curtain-raiser speech for the 2026 spring meeting, the assembled governments would have to focus on weathering the latest, war-induced shocks to the global economy and ease the pain of the people. She follows this up by warning the 191 IMF member countries to "get their house in good order, because when this shock [of the Iran war] dissipates, there will be another one to come".

> ■ As much as the logic of social value and human priorities has been impaired by the Iran War, the capitalist logic of the markets emerges unscathed.

Her cautious note of hope against the miasma of war, trade conflict and uncertainty calls for member countries' cooperation. Despite all tensions and fragmentation, "there is so much potential in working together within regions, across the globe," she enthuses.

SHOCKS, AFTERSHOCKS AND RIPPLES ACROSS THE REGION

Across the vast Middle East – Central Asia territory (comprising 32 countries in the Middle East, North Africa, Pakistan, Afghanistan – MENAP – as well as the Caucasus and Central Asia, or CCA), the shock of the Iran war affected Arab countries, especially GCC economies, in vastly divergent ways. GCC member Qatar experienced the largest downward correction for the year, at 14.7 percentage points, whereas GCC peers Saudi Arabia and Oman saw their predictions contract by 1.4 and 0.5 percentage points.

On Lebanon, no comparable numerical impact estimation of the regional downturn is available. "For Lebanon, the ongoing war poses acute risks by intensifying pressures on trade, foreign reserves, and humanitarian conditions, for example, stemming from internally displaced people, while further heightening uncertainty", is the single whole sentence dedicated to the country in the 22-page update.

In regional terms, the fog of uncertainty was so dense for so many weeks that the leading heads of the IMF's Middle East and Central Asia department concede at the end of this year's spring meeting that economic trajectories appear to be vacillating in deeply uncertain territory between the WEO's "reference" and "adverse" scenarios.

The regional outlook by IMF estimates and projections is now 1.4 percent GDP growth in 2026, says Middle East and Central Asia department head Jihad Azour. According to Azour, this downward adjustment of 2.3 percentage points in the space of only a few months marks a record for such region-wide revisions.

Announcing gravely that "the shock is deep, broad and still unfolding" at time of the discussion with media on April 16, Azour and his deputy Roberto Cardarelli explain that their latest findings' level of uncertainty is high and tilted towards downside risks. They also argue that non-energy scars left by the war's disruptions in the regional economy could be bigger and more difficult to read than the scars inflicted on the energy sector.

What they can state with confidence in press briefing on the newly updated regional development report is the very uncomfortable observation that, in the words of Azour, the war outbreak on February 28 "disrupted three pillars of stability" that are vital for the regional and global economy – namely energy markets, trade routes, and business confidence.

A VOLATILE GEOECONOMIC OUTLOOK

In sum, the IMF's expectations for economic growth across the diverse and dichotomous region have been lowered by an astounding two thirds essentially because of the single, but massive, war shock – but even this downward revision is not a confirmed last word on the multi-actor confrontation's economic fallout. The WEO overall reinforces widely shared expectations in the global mind-spheres are that the tremors will linger, perhaps even for years, and that the global impacts will be worse for the planet's poorest nations.

The first expectation could become a self-fulfilling prophecy and the second is wholly unsurprising. But in any case, notwithstanding the apparent resilience of the capitalist system under pressures of wars and trade conflicts, the results of the Middle East war appear by May 2026 to be coalescing into a global recession that in opinion of many experts is rivaling the Great Recession of 2007-8.

But reliable analysis is nearly impossible to produce. There have simply been too many reversals or inconsistencies in the war actors' initiatives and thus too many contradictory signals by respective commanders-in-chief. In the economic realm there is too little reliable data, too little time for reliable analyses, and far too much deliberate opacity.

Without all the needed data, the volatility of political minds and associated propaganda – predominantly in form of ethically uncommitted but vague statements with perfect deniability alongside some VERY BIG LIES – converges with the unpredictability of war and the overwhelming complexity of economic relationships into supply chain disturbances, economic uncertainty and market volatility.

A recession risk is being built from two converging forces: runaway military spending and an AI bubble marked by massive infrastructure investment, workforce upheaval, and valuations not yet backed by real profits. On top of this, trade wars and populist governments redirecting money from social spending into arms races could deepen and spread any downturn, especially in an already fragmented global economy.

THE SOCIAL FLIP-SIDE OF THE CONFLICT COIN

Ordinary people don't live in stock markets or tax havens — and for them, the global community created a shared yardstick of progress. First launched at the UN around 2000 as the Millennium Development Goals, and renamed in 2015 the Sustainable Development Goals (SDGs), these frameworks measure how well societies are developing and whether everyday life is becoming more sustainable for the world's majority.

The SDGs are targeting and measuring sustainability creation. Although the transmission of the SDGs happens largely via measurable economic vectors, the SDGs do not follow the swings of the markets or incorporate the paradigm of creative destructive.

Sustainable development, after generating several decades of encouraging signals, has been hit by a series of regressions. The heaviest impacts of the pandemic of 2020-21, the Ukraine conflict that rages since 2022, the Gaza war and Middle East conflicts of 2023-24, and the ongoing Iran crisis and regional violence can be seen through the SDG lens. And in terms of sustainable development, the

impact of the Iran war is the next nail in the coffin of timely realization of SDGs.

This is made crystal clear by studies of the impact of the Iran crisis on first the Gaza strip and secondly African economies. In Palestine, the government's central bureau of statistics (PCBS) established a directorate of records and statistical monitoring to surveil progress of SDG achievements.

A national review on the implementation of the 2030 SDG agenda was issued in preparation of Palestine's participation in the UN's high-level policy forum in 2018. While cautioning that the 2030 agenda slogan to leave no one behind "cannot be realized in a country that the whole world is leaving behind", the paper reported modest national improvements for several SDGs in the years 2009 to 2017, disclosing that 109 of 244 SDG indicators were being, albeit imperfectly, monitored.

New reports on the situation of all SDGs in the first quarter of 2026 appear unavailable. Yet a 2025 UNDP assessment of Gazan food sustainability in the SDG envelope sees "growing evidence" that reaching the sustainability goals is difficult in circumstances that are "characterized by both unprecedented natural and human-made extraordinary challenges".

According to the study, 15 SDGs in the social, environmental, and economic sustainability pillars have been damaged across Gaza in the conflicts that started in October of 2023, which contributed to destabilization of neighboring countries and their SDG processes. "The economic collapse in Gaza has far-reaching regional and global implications. Environmental degradation caused by the war, including pollution and soil contamination, does not respect borders and poses significant risks to neighboring regions," the report elaborates.

On the local SDG front, sustainability achievements have indeed been impeded. “In terms of SDG country positioning, Lebanon as of 2025 was ranked 134th over 167 countries, but I think that we today honestly rank [lower] than that,” Deenah Fakhoury, executive director of Global Compact Network Lebanon, tells Executive.

She explains that SDG impacts of the Iran conflict on Lebanon and the world are two different things. “If I talk globally, the UN is warning that the current war and systemic shock is reversing development gains. We are in reverse action in terms of poverty, we are in slowdown in terms of economic growth, and we have a widening gap in terms of equality,” she says and adds, “In Lebanon, conflict here is damaging the ecosystem, life on land and life under water, and infrastructure. It also is felt in the pillar addressing social cohesion and governance, which means SDGs 10 and 16. “

In evaluating the SDG dimension of Iran war, it must be remembered that the 2030 agenda was a third millennial milestone and focal point of education, promoted proudly by UNICEF as “the world’s largest lesson” to pupils and student cohorts in thousands of schools around the globe. According to the eponymous UNICEF programs home page, from 2015 8 million children in over 13 countries were made familiar with the 2030 SDG agenda each year.

But broken promises and deferred hopes notoriously destroy trust and can even literally sicken mind and body. That unfortunate truth has especially been proven when the trust of young minds in their leaders was turned into disappointment over a fake promise or surreal societal goal.

Young people — the first truly digital generation — are losing faith in global institutions that promised sustainability, democracy, and equality while delivering little. That loss of trust may be the decade’s biggest hidden economic cost: the slow collapse of the United Nations’ credibility and the democratic world order it represents.

Which leaves the central question: Is this just another rough economic cycle? A slow-motion disaster for poorer nations? Or could the collision of so many competing crises finally shake the global system hard enough that a genuinely more sustainable order — environmentally, socially, and economically — actually takes hold?

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Improbably spared

BY MARIE MURRAY

SYRIA AS INVESTMENT HUB IN A NEW REGIONAL ORDER

On March 30, 2026, acting president of Syria Ahmed al-Sharaa, flew to Germany to discuss the return of Syrian refugees, post-war reconstruction, and economic cooperation with Chancellor Friedrich Merz and President Frank-Walter Steinmeier in a visit aimed to strengthen bilateral relations and secure investment, focusing on Syria's economic stabilization.

It was only the second visit of a Syrian head of state to Germany after then-chancellor Gerhard Schroeder afforded a controversial welcome to Syria's now-deposed Bachar Al-Assad to Berlin in 2001. At the time, a German proposal for "change through [economic] collaboration" and a peace plan for the "Near East" were discussed amidst ruckus over reported anti-Semitic ranting by the Syrian ruler. In hindsight, there can be no denying that subsequent progress towards peace through an immediate halt to violence and "essential" restoration of trust between the government of Israel and the Palestinian Authority along the lines of a Sharm-El Sheikh agreement from 2001 (referred to in Germany as Mitchell plan) didn't come to be. Instead, the official German ambassadorial presence in Damascus was suspended from 2011 to 2025 and economic sanctions were imposed in response to brutal oppression of the Syrian population by the Assad regime.

This time, the hope was for a very different outcome, even as the regional context was deteriorating from severe to disastrous. Around the time of al-Sharaa's Berlin visit, US President Donald Trump started threatening Iran with a bombardment "into the stone age" and an erasure of Iranian civilization overnight. Closer to Syria, the Israeli settler assaults against their Arab neighbors in the West Bank were reaching fever pitch. The number of civilian casualties under the Gaza ceasefire remained unconscionable. The IDF targeting of Hezbollah operatives in Lebanon was relentless and far beyond the scope of international law precedents with destruction and damage of 62,000 housing units between March 2nd and April 22nd, according to the Lebanese

National Council for Scientific Research (this is in addition to the Ministry of Environment's estimate of 200,000 damaged and decimated homes between 2023-2025) and mounting civilian casualties beyond measure. And Iran tightened its grip on Hezbollah decision-making in Lebanon.

From a big picture perspective, things this April 2026 look very different for al-Sharaa's Syria, in sharp contrast to the regional turmoil. The country was mostly spared not only cross-border military assaults; the risks of new conflict seem subdued and the investment climate appears the most benign in many decades.

The new narrative of Syria is, however, still untested. When the Assad regime collapsed on 8 December 2024, Syria stepped out of 13 years of civil war and economic isolation and into what its transitional president has hyperbolically called "a land of opportunities." Prospective investors, primarily from the Gulf states, are presumably well aware that the gap between the promise and the reality of Syria's economic reconstruction is vast. Moreover, so far there are no signals of Arab investor reticence in face of a regional context that has become increasingly complicated, as a result of the joint US-Israeli war on Iran and its complexification of the very regional dynamics that were supposed to hasten the development opportunities for the new friends of the hegemonic power axis Washington-Tel Aviv-Riyadh.

Meanwhile, prospects for regional integration with Lebanon are simultaneously and paradoxically poised for growth and weighed down by the Israel-Hezbollah war systematically demolishing its south, devastating more than just the southern suburbs of its capital city, and shoving the country towards deeper internal divisions amid mass displacement and extreme loss of lives, land and livelihoods. Geography and history indicate that future investments into Syria will have massive implications for the – significantly smaller but also significantly more mature – Lebanese economy. This suggests that Israel's actions in Lebanon make for an additional complication of any Syria investment gambit. Syria's position of cautious neutrality might be safeguarding new investments, but the turbulence of the region at large is raging ever closer.

THE GULF BET

One challenge for investors looking to gauge the Syrian economy is that it cannot be confidently measured. A March 2026 policy brief released by the Syrian Center for Policy Research (SCPR) found that the Sharaa government presents indicators of economic performance which imply a rapid recovery of GDP and an imminent return to pre-conflict levels. These governmental data, published without a clear methodology, did not distinguish between GDP at current prices and constant prices, or clarifying the effect of multiple exchange rates and inflation on the announced value. According to SCPR, the use of undocumented macroeconomic indicators hints at possible exaggeration of potential investment returns. It reveals the marginalization of the national data system and the treatment of GDP as an instrument of political discourse, which is not likely to improve investor confidence or public trust.

The SCPR estimates that real GDP in 2025 achieved only nominal growth of about 0.3 percent compared with 2024, while real GDP per capita declined by about 6 percent. The less than impressive bottom-line performance of the first full year under a new government is owing to weak organic growth combined with strong population growth associated with the return of refugees. The actual size of GDP in 2025 did not exceed about 45 percent of its 2010 level at constant prices.

Geography and history indicate that future investments into Syria will have massive implications for the - significantly smaller but also significantly more mature - Lebanese economy.

Absence of recent organic growth (coming from investments of domestic savings and/or governmental budgets and economic stimuli), expanding, youth driven market size, and massive demand for anything from housing and infrastructure to consumables in principle denotes both a vacuum of unmet household needs and a fantasy scenario of virgin investment. Into this void, Gulf states have moved in speedily and ambitiously. Qatar, Saudi Arabia, and the UAE were among the first nations to endorse Syria's new leadership, with President al-Sharaa invited to visit all three countries multiple times since taking office in a bid to secure economic support. Major commitments include a $7 billion energy infrastructure deal led by Qatar's UCC Holding, a $6.5 billion aid pledge from international donors, and an $800 million port development agreement with Dubai-based DP World.

Already in the first half of last year, Syrian investment projects by potent Arab economies were piling up impressively into aggregate numbers not previously reported from Syria. At the Syrian-Saudi Investment Forum in Damascus in July 2025, 47

initial agreements and MoUs were signed between Syrian state institutions and Saudi companies, with a total value of $6.4 billion, covering infrastructure and real estate development, telecommunications, information technology, industry, tourism, and health. This is according to a September 2025 report by the New Zealand-based consultancy Karam Shaar, which covers Syria's political economy.

Not only Gulf governments but also Arab-led transnational development action forums such as the Future Investment Initiative (FII), a sort of desert power play on the tiring Davos paradigm of the World Economic Forum, have shifted into high investment promotion and readiness gear. At the FII conference in Riyadh in October 2025, al-Sharaa announced that Syria had attracted foreign investment pledges estimated at around $28 billion during the year, with signed contracts nearing $14 billion, focusing on infrastructure, transport, and several major development sectors according to North Press Agency.

THE WAR ON IRAN, SYRIA'S PRECARIOUS INSULATION, AND GULF DISILLUSIONMENT

No factor has more immediately reshuffled Syria's investment calculus than the US-Israeli war on Iran, which erupted in early 2026. But already before this regional and global shock event, Sharaa-led Syria has taken steps to curtail Tehran's influence within and without its territory, including limiting Iran-aligned armed groups, tightening controls along Lebanese and Iraqi borders, and cracking down on smuggling networks long used to move weapons, cash, and supplies to Hezbollah.

Caution was also evident on the part of prospective Arab partner states such as the Gulf Cooperation Council (GCC). The GCC's approach has been deliberately conditioned: the first GCC-Syria joint ministerial meeting in Makkah in March 2025 emphasized that disarming militias and concentrating weapons in state hands would be an important part of Syria's reintegration into the Gulf's security architecture. Gulf investment is based on a wager that a stable, Gulf-oriented Syria is worth the political risk. It must not be forgotten that Syria's relations with many Arab states have historically been no less complicated than those with states in the EU, such as Germany.

While the successful recalibration of Syrian external relations cannot be seen as a cut and dry affair – far from it – there are signs that this rapprochement strategy is bearing fruits not only in big infrastructure projects but also in vital services, such as the financial services sector. Lebanese banker Riad Obegi, a senior executive at Bank Bemo Saudi Fransi — Syria's largest private conventional bank — offers a banker's reading of Damascus's position in the regional constellation. "Apparently, the Americans have said that the Syrians should be left out [of the conflict]," he tells Executive. "The whole region is in turmoil but Syria — it is as if it is in Europe." From his vantage point, Syria's deliberate distancing from the Iran axis, and the tacit US endorsement of the transitional government, is providing a degree of fortuitous geopolitical insulation.

The economic disturbances from the Iran conflict, however, are harder to insulate against. The conflict has driven a sharp rise in global energy prices and disrupted key shipping routes through the Strait of Hormuz. But old export routes for Syrian hydrocarbons, which could ride profitably on the Hormuz conundrum, have been degraded over the decades that the Assad regime had been sanctioned and negligent in preserving fossil fuel assets. Amid this maelstorm, Syrian media organization Enab Baladi reported that as of March 31, 2026, Iraq has reopened the al-Waleed border crossing with Syria, enabling crude oil to be transported across Syrian territory to the Mediterranean, with an estimated 500 tankers expected to pass daily via the al-Tanf crossing towards the Baniyas terminal for onward export.

Activation of Syrian oil was also proposed in a presentation by US Special Envoy to Syria (and US ambassador in Ankara) Tom Barrack during a March 26 conference in Washington hosted by the Atlantic Council and Syrian American Business Council. The

DAMASCUS INERNATIONAL AIPORT: IINVESTMENT CASE STUDY

Perhaps the ambitious scope of Arab corporate investment into future Syria is most physically visible at Damascus International Airport, the country's primary gateway. Qatar-based conglomerate UCC Holdings' $4 billion redevelopment and expansion program of the crucial aviation facility — one of the flagship deals anchoring the investment surge — is already underway. Younes Sayed, a Paris-based architect who is serving as program manager and lead architect on the project, describes an endeavour that is self-consciously about more than runways and terminals.

"The objective is not only to re-establish Damascus as a regional hub, but to position it at a continental and even international level, by aligning with global standards in terms of capacity, connectivity, and passenger experience," Sayed tells Executive.

The project is a phased modernization of Terminals 1 and 2, with a future Terminal 3 designed in collaboration with Zaha Hadid Architects and Dutch aviation consultancy NACO — a pairing that signals the al-Sharaa government's intention to project international-class ambition to potential investors and diaspora returnees alike.

Sayed acknowledges that the project is "evolving in a complex environment," deploying a fast-track approach that runs design and construction in parallel to maintain momentum despite what he calls "ongoing changes," an understatement for the US-Israel war on Iran which is hurting Gulf Cooperation Council (GCC) economies and could threaten their investment commitments. He is pragmatic about timelines: "All stakeholders are making every effort to ensure that the current situation does not lead to delays. We are continuously adapting to evolving conditions and adjusting our planning as needed." Asked about the project's connection to the country's broader reopening, Sayed is optimistic, stating that the airport's renovation and expansion is "a strategic catalyst that, if aligned with broader stabilization, can significantly contribute to reviving tourism and restoring Syria's position internationally." But, he emphasizes, that outcome depends on a set of preconditions — stability and security, resumed airline connectivity, and, crucially, restored investor confidence in tourism, hospitality, and services.

The issue of underdeveloped economic infrastructure is a heavy caveat. The scale of announced investments far exceeds Syria's underlying economic capacity: the value of MoUs ($25.4 billion) dwarfs total government investment expenditures between 2010 and 2024, which, according to Karam Shaar's September 2025 report, stood at $16.6 billion. These are not the conditions of an economy on the cusp of absorbing tens of billions in foreign investment.

idea floated by Barrack – and also reported by Enab Baladi – was to revive the concept of Syria and Turkiye as joint energy centers in The Four Seas corridor first theorized in 2009. A dual Turkish-Syrian hub for transporting crude oil and gas would theoretically link the Arabian Gulf, the Mediterranean Sea, the Caspian Sea and the Black Sea, and—conveniently for Washington-affiliated opportunists—serve as an alternative to the Strait of Hormuz.

The broader context of the Iran conflagration is not only major hits to GCC economies, but also a fracturing of the strategic architecture that ties Gulf states to the US government and, by extension, to American-backed regional security. With the launch of the first missiles and bombs on February 28 of this year, Gulf states were dragged into a war they never chose, to serve an agenda that was never theirs, while their security was traded away to protect Israel rather than them — a reality that has fundamentally exposed the true nature of Washington's alliances in the region. This erosion of trust in American reliability might be, paradoxically, a structural tailwind for Gulf investment in Syria. As the US security umbrella proves unreliable and Israeli aggression generates its own blowback, the Gulf states' incentive to build self-sustaining regional economic architectures — with Syria as a key node — has intensified.

A duel Turkish-Syrian hub for transporting crude oil and gas would theoretically link the Arabian Gulf, Mediterranean, Caspian and Black Seas, and - conveniently for Washington-affiliated opportunits - serve as an alternative to the Strait of Hormuz.

SYRIA'S BANKING SYSTEM: THE FOUNDATIONAL BOTTLENECK

If geopolitics frames the macro-context, the banking system is one of Syria's most immediate structural bottlenecks. No reconstruction investment can be effectively deployed, and no investor can repatriate returns, without a financial sector that meets international compliance standards. The International Monetary Fund (IMF) warns that lifting legal sanctions does not automatically translate into Syria's return to the global financial system — due to ongoing de-risking policies whereby international banks avoid dealings with post-conflict countries because of weak compliance systems, money-laundering risks, and a lack of institutional transparency. The IMF's February 2026 staff visit to Syria cited a small fiscal surplus and tentative

stabilization, as well as improved exchange-rate conditions alongside authorities' steps toward introducing a new currency framework to address distortions in the monetary system.

Bank Bemo Saudi-Fransi's Obegi has a front-row seat to this transition. Bank Bemo Saudi Fransi — a joint venture between Lebanon's Bank Bemo, Saudi Arabia's Banque Saudi Fransi, and Syrian shareholders — is the largest private conventional bank in Syria, and holds stakes in two other Syrian banks. His assessment of the current landscape is guardedly optimistic. "Syria is no more sanctioned. The Caesar Act has been withdrawn," he says. "It is true that international banks are not yet coming; they are waiting a little bit. But things are improving by the day." He draws an analogy that practitioners will recognise from any frontier banking market: "We take our decisions quite slowly, but the day we take the decision we like to act fast. It is a necessary inertia, but it will come. International banks are going to come in droves to Syria."

"The regulations are much better in Syria than they are in Lebanon," says Obegi, who is intimately familiar with both regulatory regimes. "You do not have as much professionalism [in Syrian banks] as in the banks in Lebanon. And what is strange is that on the other hand, the regulations are much better in Syria than they are in Lebanon." The implication is that Syria's banking framework, while underdeveloped in human capital and balance sheet depth, has not been embroiled in a state level corruption scheme the way Lebanese banks have. Crucially, he notes that Syrian depositors, unlike their Lebanese counterparts, "did not lose any deposits" in the crisis — a distinction that preserves a baseline of institutional trust that Lebanon has catastrophically squandered.

Syria's reconnection to global payment system SWIFT in November 2025 after a 14-year suspension is also a step forward. The demand side of the equation, however, is a work in progress. "The Syrian clients were not accustomed to working with banks," Obegi explains. "Until 2004, there were very few banks. Syrian clients preferred either to be their own bankers or to bank in Lebanon. After 2004, Syrians began to work with banks but the rate of bancarisation was not very high." He sees mobile telephony as the accelerant that will compress the timeline for broader financial inclusion: "If you look at the penetration of mobile phones in Syria, it happened relatively fast. You have to expect that banking will follow. It will take maybe 4-5 years before bancarisation is comparable to Lebanon."

His broader prediction, taking stock of Gulf investment movement into Syria is that,"what is going to happen to the banking sector in Syria is going to be the locomotive for the finances in the Levant." According to SCPR's March 2026 report, gaining sustained investor confidence will require a credible anti-money laundering framework that is implemented rather than merely promulgated; transparent and enforceable property and contract rights backed by a genuinely independent judiciary; consistent regulatory practice by the central bank freed from political interference; and the reconstruction of an independent and transparent national data system as a primary precondition for recovery.

GLOBAL COMPETITION, REGIONAL INTEGRATION, AND LEBANON

Syria in April 2026 occupies a paradoxical position: simultaneously the most talked-about investment frontier in the Arab world and one of the least investor-ready economies on earth. The SCPR's data are unsparing: real GDP at 45 percent of its 2010 level, agricultural output in near-collapse, manufacturing at one-fifth of pre-war capacity, and governance structures treating economic statistics as propaganda instruments. The $28 billion in pledged investment is a signal of regional intent, though not necessarily a bankable pipeline.

What Syria has working in its favor is a convergence of factors that did not exist three years ago: full sanctions relief, Gulf patronage now marked by deepening disillusionment with American reliability, a transitional government that has adopted the rhetoric and some of the substance of reform, and a regional conflict that has, so far, spared Syrian territory while possibly elevating its value as a transit corridor. Flagship projects like the Damascus airport expansion demonstrate that serious international professionals are betting on Syrian recovery, even while managing the contradictions of a fast-track approach in a still-fragile state.

Factors of attractive investment return potentials, strategic territorial alliances, and cultural affinity have visibly positioned public and private (and public-private) Arab investments on advantageous starting blocks for capitalizing on the Syrian economy. Within the opacity of conflict timelines, what can be predicted is that competitors for the Syria-plus development opportunity will hit the ground running from the moment that the lose-lose logic of regional war will be overtaken by the more pragmatic logic of economic competition and political coexistence. The question of whether political signals by European governments will be strong enough to overcome perception risks on the Syrian side and old or new colonial attitude barriers on the European side, cannot be reliably gauged.

Syria's most consequential if not deeply complex near-term economic relationship is with Lebanon, and both Sayed and Obegi point to signs of pragmatic re-engagement even amid political complexity. Strictly segregated development paths in the face of synergetic development needs do not seem to make sense. Banking and financial services on the other hand could offer entry points.

Obegi notes that Lebanese banks were the dominant private foreign players in Syria after the 2004 liberalization — Bank Byblos, Bemo, and others moved in on the assumption that Syria was Lebanon's natural hinterland for financial services. For the experienced banker, this historical flow of financial interest is now on the cusp of being inverted.

Sayed, working on the Damascus airport project, describes what he sees from the ground level of a practical cross-border professional: "There are clear signs of a gradual and pragmatic re-engagement between Lebanon and Syria, although it remains complex and cautious. Recent dynamics suggest a willingness on both sides to rebuild more institutional, state-to-state relations based on mutual interests such as border management, economic exchange, and security coordination." He qualifies this carefully: "At this stage, it is more a form of pragmatic cooperation than a fully structured strategic alignment."

Obegi, whose bank sits at the intersection of Lebanese, Saudi, and Syrian capital, points to the deep financial interdependencies that predate the political rapprochement. "There is a lot of closeness between Lebanon and Syria. In the banking sector, if you look at the 40 banks in Lebanon, you have at least five banks owned by Syrian-origin people. There are also a lot of trading companies in Lebanon that are Syrian-owned." The directional flow of capital, he suggests, is about to reverse: "Before the problems in Lebanon, Syrians banked in Lebanon. I guess now Lebanese will bank in Syria."

Energy integration may be the most tractable entry point. Lebanon, currently deadlocked by bombardment and delayed reform, could, in a so far still distant peaceful future, explore the potential of joining interconnection initiatives with Syria, Jordan, and Egypt, and reviving negotiations on electricity connectivity — projects previously strangled by Caesar Act sanctions that penalised any entity transiting Syrian territory.

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Meetings between Lebanese Prime Minister Nawaf Salam and President Sharaa in April 2025 in Damascus and July 2025 in Qatar, as well as a September 2025 meeting with Lebanese President Joseph Aoun, among other phone calls and videoconferences, have convened on border management, refugee affairs, and economic cooperation, reflecting a strategy of pragmatism and institutionalism focused on practical issues directly affecting security, economy, and society. Unresolved grievances persist, such as the over 2,000 Syrian detainees held in Lebanese jails, though local news reported that Lebanon has begun a process of returning around 300 of them in mid March 2026.

Obegi flags a macro constraint that overhangs all of these dynamics: "The war with Iran is not a small thing. Not only because Iran is a large country of 100 million inhabitants with a lot of natural resources, but also because it has repercussions with China. As long as this is not resolved, we are not going to have clear-cut advances."

REPERCUSSIONS OF CONFLICT
ANALYSIS

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The violent bending of Lebanon's backbone

BY JAMILE YOUSSEF

A SECTORAL OUTLOOK

Lebanon is a country famously burdened by a culture of corruption, financial collapse, institutional paralysis, and years of imported conflict. But entering 2026, there were tentative signs of stabilization: a modest rebound in tourism, some renewed political momentum, and cautious hopes for a new virtuous cycle in the economy.

The escalation of war in April 2026 between Israel and Hezbollah interrupted this fragile recovery, shifting pressure again to the most immediate dimensions of economic life: energy supply, consumer prices, and environmental conditions. Economic pressures in Lebanon never unfold in isolation. But in the unfolding of two overlapping and interrelated conflicts, the first the was between the US/Israel and Iran, the second between Israel and Hezbollah, three intertwined core pillars of the economy were dislocated – energy, agriculture, and the environment.

Rising fuel costs increase transportation and operating expenses all along the supply chains. The badly insufficient electricity provision forces households and businesses to heavily rely on private generators which depend on imported, highly polluting fuel. Agricultural producers have to cope with a range of higher costs in conjunction with deliberate destruction of lands. Retail prices increase and inflation hits households from the working poor to a nominal middle class that is barely hanging on. Environmental consequences of two consecutive Lebanese wars waged from the air and on the ground are becoming more pronounced.

Lebanon has become adept, in a manner of speaking, at switching from a marginal peace economy with a high rate of informality to a war economy that survives by merit of informality and ingenuity. The result of the concurrent regional and cross-border wars at this time, however, is not simply a war economy in the abstract, but a spiral of daily deteriorating livelihoods. Economic, social, and environmental conditions are being degraded by a series of multi-source shocks, a chain disruption in which each shock reinforces the other.

CONFLICT IS RESHAPING DAILY AND FUTURE LIFE

Inflation in Lebanon cannot be explained by the current crisis and fuel prices alone. It reflects the interaction of domestic structural weaknesses, global inflationary pressures, and continuous uncertainty. Alissar Nasser, team leader of the Consumer Price Index at the Central Administration of Statistics (CAS), tells Executive that food prices had begun rising already before the regional escalation, driven in part by seasonal demand during Ramadan and Easter.

According to CAS, Lebanon's Consumer Price Index increased by 6.9 percent between January and March 2026. The sharpest increase was recorded in transportation, which rose by 21.6 percent, reflecting the direct effect of higher fuel costs. Prices for water, electricity, gas, and other fuels increased by 17.6 percent. The index for food and non-alcoholic beverages rose by 8.4 percent. Within food categories, the lowest inflation of 5.1 percent was recorded for bread and cereals, but meat, vegetable, and fruit prices increased by margins of almost 14 to over 16 percent.

AGRICULTURAL LAND UNDER FIRE

These economic and social pressures are being intensified by conflict damage to the agricultural sector. Southern Lebanon, one of the country's most important farming regions, has experienced extensive fires, soil degradation, and direct damage to farmland, greenhouses, and irrigation systems. According to the Ministry of Agriculture's weekly report released on March 27th, 22 percent of the country's agricultural land has been affected by the bombing, though the report did not specify whether this includes damages accrued since October 2023 or during the current escalation since March 2026.

Both environmental experts interviewed for this article stress that the March 2026 escalation did not create a new environmental crisis; it added to existing environmental degradation. "We barely got out of the [last] war," says Christina Abi Haidar, a lawyer who is specialized on energy and governance. "We did not recover, and the March escalation increased the burden."

Beyond agricultural losses, the new war forces the transformation of entire communities. In places such as Bint Jbeil, Abi Haidar says, "you cannot recognize the village at all." She explains that some areas in South Lebanon have been damaged to the point that familiar landmarks in several municipalities are no longer recognizable.

For farmers, the consequences are both immediate and long term. In addition to direct damage, many were unable to access their land to harvest crops. Olive growers in particular, lost an important production season. Nadim Farajallah, chief sustainability officer at the Lebanese American University, explains that in orchards the loss extends well beyond one year. "It takes four to five years for a tree to resume its production," he says.

The use of white phosphorus, documented extensively by human rights and aid groups, experts, and international media, has heightened concern about long-term contamination. Farajallah offers an important distinction: "White phosphorus is not an issue in the soil. It is an issue of burning." In other words, the main damage comes from the immediate destruction of crops, trees, and vegetation rather than persistent soil toxicity.

The economic implications extend beyond agriculture itself. Damage to agricultural land reduces domestic production, increasing Lebanon's reliance on imports at a time when shipping, insurance, and transportation costs are also rising, according to the World Bank's 2026 Lebanon Overview. Lebanon's Central Administration for Statistics (CAS) recorded a 14.19 percent annual inflation, a 24.81 percent jump in transportation costs and a 20 percent rise in energy costs in March 2026. The result is a reinforcing cycle: environmental damage lowers

Damage to agricultural lands reduces domestic production, increasing Lebanon's reliance on imports at a time when shipping, insurance, and transportation costs are also rising.

Bombing also destroys wells, pumps, reservoirs, and irrigation pipes, preventing cultivation even after the fighting ends. Greenhouses may need to be rebuilt entirely. Livestock and poultry operations are also highly vulnerable.

local output, greater dependence on imports raises costs, and higher prices squeeze both households and farmers. With fewer resources to replant, repair infrastructure, or replace lost assets, the capacity to recover becomes increasingly constrained.

In much wider damage impacts, bombing can destroy wells, pumps, reservoirs, and irrigation pipes, preventing cultivation even after the fighting ends. Greenhouses may need to be rebuilt entirely. Livestock and poultry operations are also highly vulnerable. Dairy cows must be milked daily, and poultry are sensitive to stress. "We only think of crops and trees," Farajallah says. "But we also have dairy production, meat production, and poultry production."

WATER INFRASTRUCTURE AND SYSTEMIC VULNERABILITY

Water systems are among the most structurally fragile components of Lebanon's economy, and the current conflict has exposed the extent of that vulnerability. Even before the 2026 escalation, the sector was under strain from decades of underinvestment, weak governance, and the financial collapse.

Farajalla notes that the 2019 economic crisis severely weakened the water sector by cutting the value of revenues and reducing the ability of utilities to cover operating costs. "We had to rely on donors just to keep the sector afloat, barely functional," he says.

The recent conflict has added direct physical damage to an already weakened system. Oxfam International reports that at least seven critical water facilities, including reservoirs, pumping stations, and distribution networks, were damaged in the early days of the escalation in 2026.

Additionally, the significance of this damage lies in the close link between water and energy. Water systems depend heavily on electricity and fuel to operate pumps and treatment facilities. As a result, disruptions to energy supply can interrupt water access even when infrastructure remains physically intact.

Abi Haidar notes that many solar-powered pumping systems installed in recent years were also damaged, particularly in southern Lebanon. These systems had helped municipalities and farmers reduce dependence on diesel generators. For businesses, especially in agriculture, food processing, and small-scale manufacturing, water insecurity directly affects productivity and cost.

DEBRIS, POLLUTION, AND LONG-TERM HEALTH RISKS

The accumulation of debris and hazardous waste is another major consequence of the conflict for natural environments and human habitats. Airstrikes and widespread destruction generate large amounts of rubble, including broken concrete, metal, dust, and other materials that must be safely managed.

Farajallah emphasizes that Lebanon is still struggling to manage debris from previous crises. Rubble from the 2020 Beirut port explosion remains stored near Electricité du Liban, underscoring the country's limited capacity to process large volumes of waste. "The problem of the debris is the immense amount of volume that we have," he says.

The disruption of waste collection adds another layer of strain. As displaced populations move into host communities, the volume of waste can exceed the capacity of municipal contractors, leading to garbage accumulating in public spaces. At the same time, dust generated by damaged buildings and debris can worsen air quality, increasing health risks, particularly for children and older people.

Abi Haidar warns that these environmental effects may have lasting consequences for public health. Lebanon already faces elevated rates of pollution-related illnesses, including respiratory diseases and certain cancers linked to poor air quality, waste mismanagement, and environmental contamination. Additional pollution from debris, damaged infrastructure, and contamination of soil, water, and air could further increase these risks over time. Even after the fighting ends, the health impacts may persist for years, creating a less visible but potentially significant burden on the country's recovery.

THE FISCAL COST OF ENERGY DISRUPTION

The conflict has also exposed other layers of Lebanon's energy vulnerability. Abi Haidar distinguishes between other layers of losses.

The first is direct physical damage to substations, transformers, transmission lines, and distribution networks. The World Bank estimated that energy sector damage from the previous war reached approximately 200 million U.S. dollars. Because reconstruction has been limited and some facilities that were repaired have since been damaged again, current losses are likely to be substantially higher.

The second is indirect domestic losses, particularly unpaid electricity bills from households that were displaced or can no longer afford to pay. Abi Haidar estimates that unpaid bills linked to the conflict may have reached between 42 million and 45 million U.S. dollars.

"Lebanon had a bouquet of everything," Abi Haidar says. The country is absorbing the direct costs of bombing, including the destruction of infrastructure and productive assets, while simultaneously facing the inflationary effects of higher global energy prices.

WHO BEARS THE COST?

In legal terms, both experts are clear: responsibility rests with the party causing the damage. In practice, however, compensation remains uncertain, and the economic burden is largely absorbed within Lebanon itself.

"Farmers have been bearing the cost," says Farajallah. For agricultural producers, losses include destroyed crops, damaged orchards, irrigation systems, and farm infrastructure, as well as years of lost income while productive assets recover. Consumers bear the cost as well through higher food, water, and energy prices. Public institutions face rising reconstruction needs at a time when state resources remain severely constrained.

Reconstruction is likely to depend on a combination of donor financing, public borrowing, and private losses, shifting much of the burden to households and future generations.

Both experts emphasize that systematic documentation is essential. Lebanon should quantify agricultural, environmental, and infrastructure losses and formally pursue reparations. Damage to farmland, water systems, electricity infrastructure, and public health should be documented and submitted through international channels, including the United Nations.

Yet this process remains inadequate. Despite repeated cycles of conflict, Lebanon has not consistently documented losses into effective international claims or compensation. Without rigorous documentation and sustained legal follow-up, environmental and economic losses risk becoming another unrecorded cost of conflict, absorbed domestically and financed through debt, aid, and reduced living standards.

A STRUCTURAL DIMENSION OF THE CRISIS

The surge in global oil prices is one of the clearest channels through which the regional conflict is affecting Lebanon. In an economy that depends almost entirely on imported fuel, higher oil prices quickly translate into higher transportation costs, more expensive electricity generation, and rising prices for food and other essential goods. According to CAS data from March 2026, transportation prices rose 25 percent year-on-year in March 2026, while housing, water, electricity, gas and other fuels — the largest category in the CPI basket — rose 20 percent over the same period. This pass-through was direct: fuel accounts for roughly 82 percent of private diesel-generation costs in Lebanon, and the official generator tariff jumped from USD 0.34/kWh in February 2026 to USD 0.45/kWh in March 2026 as diesel prices spiked according to an April 2026 report by Arab Reform Initiative.

> The surge of global oil prices is one of the clearest channels through which the regional conflict is affecting Lebanon.

These effects are amplified by direct damage to agricultural land, water facilities, and energy infrastructure. Lower domestic production increases reliance on imports, while damaged public services raise operating costs for households, farmers, and businesses.

The burden of these shocks is largely absorbed within Lebanon. Farmers lose productive assets that may take years to restore. Public institutions face growing reconstruction needs with limited resources. Households confront higher costs for food, electricity, water, and transportation, while health risks associated with pollution and environmental contamination may persist long after the fighting ends.

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Liability and legitimacy

BY YASSER AKKAOUI

THE UNPAID DEBT TO THE LEBANESE PEOPLE

A government's highest duty is the dignified sustenance of its polity. Governments empowered by their people are accountable to them, and the Lebanese state has a profound reckoning ahead. The reformist government—elected under the banner of rescuing a country gutted by external aggression and catastrophic internal mismanagement—has yet to take the first essential step toward restoration: acknowledging the scale of its responsibility. On the contrary, during a November 2025 conference, Prime Minister Nawaf Salam told a crowd of over 700 participants that the money owed to depositors would not be repaid but written off.

Every delay in accepting liability for the losses imposed on depositors deepens not only material deprivation but also a crisis of democratic legitimacy. In the absence of a coherent resolution framework, Lebanon is drifting further into a fragmented, cash-based economy that echoes the dysfunction of state-owned sectors such as electricity and water: systems in which public failure creates private hardship while well-connected actors benefit from opacity and scarcity.

Just as state assets belong to the Lebanese people, so too do the state's liabilities. And yet, decades of fiscal mismanagement, coupled with a refusal to assign responsibility within the establishment, have left the private sector—long the country's sole engine of productive growth—exposed to paralysis and collapse. The choice now is simple: either Lebanon undertakes a credible restructuring process that protects households and restores confidence, or it continues along a path where economic life is conducted outside institutions altogether.

With both the stakes and the costs rising, Lebanon must approach its upcoming meetings with the International Monetary Fund (IMF) not as an agent of international institutions and foreign powers, but as a governing body in need of its own vision that serves the national common good. The credibility of that vision will be measured by whether the state finally confronts the truth it has avoided.

THE PROBLEM OF THE IMF

The International Monetary Fund (IMF), devised for a global trade system informed by the economic theories at time of its establishment, has changed in many respects over the past 80 years. But the fund and entire World Bank system of today is still not the entity that the Lebanese government is accountable to.

The IMF has its governing principles and operational mandates, however controversial, including the mandate of lending money to member countries exclusively on grounds of feasible prospects for repayment of funds injected into an economy and a state's emergency funding needs. It has its formulas and models for determining a state's ability to service debts owed to the IMF.

These rules include disbursement ceilings when entering funding agreements and the requirement that the borrowing country's debt to the IMF does not remain unpaid. A big part of the repayment capacity matrix is the imperative that debt to income ratios are within margins accepted by the IMF or that debts are reduced from excessive levels by any means necessary. IMF agreements are also conditional upon adherence to the fund's demands, such as implementation of fiscal discipline or/and structural and administrative reforms.

UNSUSTAINABLE WRITE-OFFS

As has been pointed out by Lebanese economists during IMF negotiations in 2021/22 and again this year, the fund's presumed debt-to-income ratio of Lebanon, with public obligations estimated at 140 billion USD, acts as a wall prohibiting a feasible IMF agreement that also preserves large deposits that exist in the banking system. IMF demands for fiscal reform and discipline add to the tally of conditions which have no more been met by the current government than by its even more hapless predecessors and caretaker predecessors.

Cognizant of the IMF's institutional behavior, several of the country's top independent economists and institutional finance experts – many of which with experience working in international financial institutions, including the IMF – have collaborated with Executive Magazine in the production of a position paper that aimed

UNLAWFUL HAIRCUTS

The new joint plan by Banque du Liban (BDL), Lebanon's central bank, and the ministries of finance and economy aims to restore BDL balance sheet solvency by closing a $30 billion FX gap. The gap is based on the fact that BDL currently owes banks $80 billion (which are private sector deposits at banks) but holds only $50 billion comprised of required reserves and gold.

To cover the shortfall, the plan proposes a $30 billion haircut on deposits. This reduction follows a previous auto-haircut imposed by banks and BDL on deposits which has already dropped from $123 billion in 2018 down to $80 billion in 2024. If this new haircut is applied, total deposits would fall further to about $50 billion.

This haircut has three components: cutting overpaid interest before the crisis, cut/reduce LBP-to-USD conversions post-Oct 2019, and exit illegal foreign funds. A very brief review of these components makes clear that:

- The "overpaid interest" cut is in contradiction to global banking standards and a breach of banks contract agreements with depositors.
- The cut on "LBP-to-USD conversions" punishes depositors for banks' responsibilities who agreed to conduct their treasury transactions through the BDL to convert the LBP to USD.
- The elimination of illegal funds (under $5 billion) can be considered as system-cleansing and as such is acceptable.

Along with these measures, depositors will be subjected to illegal stratification by the size of the deposits.

- Depositors under $100k will be reimbursed over 4 years, only if the State and banks participate in the process.
- Depositors holding between $100,000 and $500,000 would receive zero-coupon bonds that are illiquid and practically have no value
- Depositors with holdings above $500,000 face uncertain recovery prospects. Their effective assets recovery will be contingent on banks' equity bail-in results and/or potential future Deposit Recovery Fund (DRF) returns.

IMF demands for fiscal reform and discipline add to the tally of conditions which have no more been met by the current government than by its even more hapless predecessors and caretaker predecessors.

Sectors deemed strategic development priorities for private and public stakeholders at the end of 2025 are reconstruction and construction of infrastructtures and real estate.

at strengthening the government's approach to negotiations with the IMF in 2025. The experts' motivation was to help the new, reformist government in the face of external pressures and degraded institutional capacities, factors that led the experts and this magazine to undertake substantial analysis and draft 11 comprehensive recommendations. The fruits of this collaboration were published on the magazine's web platform in May.

THE EXECUTIVE STANCE

The recommendations in this position paper included compliance with self-explanatory economic imperatives such as unification of the exchange rate, gradual implementation of a free-float system, and fulfillment of reform obligations on all stakeholder levels. The recommendations were anchored in the philosophies of holding all actors accountable, and rebuilding trust between the state, its citizens, and the financial system. Their foundational demand, however, was depositor rights; "deposits must be preserved as bank liabilities".

With regard to IMF demands for lowering the debt-to-income ratio to more customary or accepted levels, two things have to be understood.

The first notion is that extensive income and extraordinary wealth come with the moral and legal obligations to contribute proportionally to public goods and their provision. This truth does not need IMF curation. It is actually a core truth of functioning and sustainable capitalist orders. A common counter-argument, however, claims that private wealth is inherently more effective at generating jobs than state intervention or redistributive taxation. That claim is not a settled truth in advanced economies, nor is it reflected in the governance models of successful modern states.

The second principle concerns legality and constitutional order. In any jurisdiction that seeks durable and resilient growth, high profits—whether corporate, investment, or rent-derived—are not entitled to special protection merely because they may contribute to employment. A transparent and efficient political economy must protect public assets and ensure that the benefits of growth are shared. The inverse argument, now openly espoused by Lebanon's Prime Minister—that depositors should be stripped of their assets to cancel or offset irresponsible public debt—is both unlawful and unconstitutional. It converts a crisis of governance into a justification for the destruction of private property and undermines the very basis of a legitimate economic system.

A NOT SO NEW BUT PERNICIOUS IMF PUSH

Under a new analysis by economist Mounir Rached, the president of the Lebanese Economic Association, the IMF is pushing for a 90 percent write-off of bank deposits, leaving, however, deposits of less than $100,000 relatively unscathed. The erasure of bank liabilities would allow Lebanon's remaining debt to be stated at $30–32 billion and thus fall into the 1 to 1.5 times GDP range that the IMF views as manageable. According to Rached, this would amount to a "financial crime" that violates depositors' rights protected by the Lebanese Constitution.

This jibes with information - rumors and whispered revelations on plans for illicit haircuts that actually deserve to be called economic beheadings – relayed to me by sources close to concerned ministries and the central bank. According to these sources, the assets in the vaults of the central bank stand by current valuation at around $50 billion but do not cover the $80 billion of central bank liabilities to commercial banks.

In a nutshell, the new plan shows that, instead of preparing to pay back the state obligations to the central bank that underlie this $30 billion gap in hard-currency assets, our clever public servants want to newly impose a $30 billion "haircut" of large deposits as secondary erasure of deposits after depositors already suffered a $43 billion contraction in banked assets by 2024 when compared with their $123 billion deposit holdings at EOY 2018.

The problems with this plan include contract-law violations when reclaiming "overpaid" interest that was agreed upon between commercial banks and their corporate and private banking clients. The write-offs of effectively $30 billion in bank liabilities will also not translate into the payment of the remaining $50bn due to depositors.

In his critique of the scheme, LEA's Rached further points out that the plan lacks any concrete framework for bank restructuring or recapitalization and will be unsuited for building confidence in the financial system. Neither does the scheme offer any exit path from Lebanon's dominant cash economy. In terms of its rationale, BDL and the State justify this "exceptional" haircut to be driven by an assumed "systemic" nature of the crisis. But legally, as noted above, the haircut on retroactive gains and actions violates Lebanese laws, contractual agreements with banks and Article 15 of the Constitution (property rights).

> Whereas direct and indirect war impacts on the knowledge economy were not as high as impacts on housing and agriculture, economic losses were recorded for education and this implied for human capital formation.

strengthening of liquidity in the banking system nor will it guarantee actual full repayment of the remaining $50bn deposits. But the retroactive erasure of interest gains is counter to international contract law and violates numerous Lebanese laws and Article 15 of the constitution.

Moreover, economic analysis shows that even after return to nominal solvency, BDL's assets remain mostly illiquid: Gold sales are legally prohibited under Law 42/86, unless this law is amended. The enterprises under BDL direct or indirect ownership (MEA, Casino, Intra) are practically not sellable unless and until their management is privatized and their profitability restored. Only mandatory reserves are liquid assets and can partially cover a portion of monies owed to depositors with holdings under $100,000. Thus, BDL solvency plan through a consequent haircut will neither translate into liquidity nor into a foreseeable actual full re-Economically, it undermines trust, liquidity, and investor confidence.

Rached emphasizes in a message to Executive that a genuine alternative plan has to be implemented in order to resolve the banking crisis. One such plan has already been developed by LEA and would feasibly and functionally resolve the crisis within less than one year.

Disregard for Lebanese legal tenets by the IMF is a more serious flagration of Lebanon's constitutional principles and historic practices than the IMF seems to comprehend. Far worse from constitutional perspective is, however, the contemplation of such measures as demanded by the IMF on part of the Lebanese government. This is immolation, a ritual burnt offering of the constitution by its guardians. Immolation on the altar of hegemonic financial dictates. Our politicians might as well try to burn the whole country into the stone age.

CHANGED REALITIES

Other factors scream for new consideration. Recent upside gaps in local estimations of national GDP reached double-digit billions of dollars. The estimates of the Central Administration for Statistics (CAS) for 2023 show a nominal \$10.2 billion rise from \$21 billion in 2022. By such reassessments of recent GDP trends, the local numbers reveal upward divergence of Lebanon's GDP from IMF numbers comes to whopping 30 percent.

Moreover, projections for 2025 that by local evidence are much more aligned with economic realities from traffic to retail shopping behaviors by consumers, put the nominal GDP back above the \$40 billion mark. All in all, it cannot be denied that the economy of 2025, even if still uneven, in urgent further need of rebuilding, and deeply lacking in equality, looks incomparably better than the memories from each of the three preceding years.

Lastly, apart from the perniciousness of IMF negotiations that seem to treat laws as nuisances and the far better than predicted trajectory of the economy due to private sector agency, better solutions have been put on the table by competent economists with passion for Lebanese recovery.

A recovery path proposed by economist Farid Boustany categorically rejects all cancellations or forced cuts of any-size deposits and suggests as legal path to recovery under which the government of Lebanon is obligated repay its debt to the central bank and recapitalize the latter, banks are mandated by law to strengthen their liquidity and capital. In this version of an exit from the financial doldrums, the central bank would tap into its reserves, which today stand at about \$40 billion in gold and \$11 billion in foreign-currency holdings, to inject liquidity and gradually return depositor funds. Boustany also sees merit in instituting a tax on past currency transactions as it would help reduce the financial gap.

For economist Saleh Nsouli, another expert with experience working in international financial institutions, negotiations with the IMF have been hampered by the fund's disregard for large private and corporate depositors whose financial capabilities sustain employment and drive economic growth. In place of a sole focus on the protection of small depositors, Nsouli advocates for an alternative domestic program to IMF dictates.

His proposal priorities protecting of all depositor rights and injecting liquidity into the financial system. Parts of the central bank's reserves, including gold, should be mobilized and deployed in providing depositors with cash tranche of 25 percent. The remaining 75 percent of their holdings owed to depositors should be released to them as time deposits with maturities of one to four years. These liquidity injections, which would invigorate the economy, should be coupled with forensic audits, accountability measures and reforms of the banking system. In this regard, the IMF should not be sought out as lender but relied on for technical assistance, helping Lebanon with expertise in tax, fiscal, and regulatory design questions.

These experts, using media platforms including Executive, have invested themselves into the search for a constructive outcome of Lebanon's appeals to the IMF. This magazine alone has covered economy and policy and banking and finance topics in hundreds of expert comments and analytical articles. Given the latest corrections it would be irresponsible for the current administration to now, as it is nearing the end of its term but has yet to achieve crucial administrative and security reform obligations, rush in making concessions to the IMF. Our national priorities have shifted in the past 12 months since the fake ceasefire. It is unconscionable that the government of Lebanon should not discuss the continued rebuilding of the economy and the resolution of the financial system to greater depth in public consultations with economists and the many qualified stakeholders in the country.

From the eruption of the economic crisis, an agreement with the IMF has incessantly been framed as required for returning international confidence – and investments – to the Lebanese system. But while much has changed in the intervening years, the IMF's fundamental positions have not moved. The recent Lebanese successes in seeing private sector investments and accessing international finance, such as the awarding of World Bank reconstruction and energy sector loans, shows that the phalanx of international financial institutions' distrust in the Lebanese government has been disrupted positively. New financing realities are in the process of being created.

From the eruption of the economic crisis, an agreement with the IMF has incessantly been framed as required for returning international confidence - and investments -to the Lebanese system.

Yet the current administration's transparency and track record has been far from universal. Rebuilding mutual trust is the deepest need for all actors in the Lebanese polity. This cannot be done in any other way than through a dual process of delivering results and building consensus. Honest communication is part of the deal. Some Lebanese ministries have made great strides towards improving their performance, some even having ministers invest 12-and-more hour workdays and accepting the human capital contributions of highly qualified volunteers and academic institutions. Others seem stuck in the old patterns of glowing speeches that do not match actions in the tradition of clientelism and backroom dealings.

Must this weary public be left to wonder whether the prime minister, appointed because of his globally acknowledged commitment to justice, will skirt the very constitution he took an oath to uphold?

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The Gap Law

BY JEAN TAWILE

LEBANON'S EXIT STRATEGY OR ITS FINAL FORECLOSURE?

Today, the Proposed Gap Law sits before Parliament. It is the only legislative vehicle available to end the vacuum that is currently our greatest enemy. We cannot afford to reject the law, but we must advocate for its refinement. The law deserves credit for imposing a necessary formal framework. It aims to introduce accountability (though this must be strengthened) and to penalize those who exploited the crisis. Much like previous aborted plans, it seeks to protect small depositors and respect the hierarchy of claims, even if these principles should be more explicitly stated. However, if we allow it to pass as a simple mechanism for distributing losses over two decades, we are not solving the crisis; we are simply institutionalizing it.

For more than five years, Lebanon has remained in a state of self-induced paralysis. Since the 2019 collapse, our economy has been characterized by a "deliberate depression", a term used by the World Bank's Lebanon Economic Monitor in fall of 2020 to describe Lebanon's economic crisis as a result of "intentional policy paralysis" where a lack of effective policy action has become the default. In simpler terms, this means that the political class are letting the country's wealth slowly disappear instead of making tough decisions and taking responsibility right now. By avoiding real reforms and only focusing on short-term fixes, they're missing the chance to create a stronger and more competitive economy for Lebanon's future. This must be a model that is rooted in fair competition and market-driven growth rather than political patronage.

In this vacuum, people have lost their savings, and many talented workers have left the country. Meanwhile, our resilient legal private sector, which continues to fight for survival against all odds, faces an unsustainable battle. Without a structured framework anchored in realism, clarity, and political courage, we are not just losing wealth; we are exhausting the very engine capable of driving our national recovery.

THE ARCHITECTURE OF FAILURE: BEYOND THE ACCOUNTING GAP

The debate surrounding the Gap Law has been held captive by a disputed figure: the USD 72 billion to USD 100 billion "financial Gap" (the shortfall between what Lebanese banks owe in foreign currency deposits and the actual cash they have left at the Central Bank (BDL) and in the banks themselves. It remains fiercely disputed on how much of the State's debt to the Central Bank is recognized as 'recoverable' versus 'lost'). While officials and policymakers argue over the exact size of the deficit, the real economy is being suffocated. We have spent years treating the crisis as an accounting problem when it is, in fact, a liquidity problem.

No banking system in history has fully repaid deposits immediately after a systemic collapse of this magnitude. To promise otherwise is populist fiction, especially as the liability sits not just with commercial banks, but largely with a Central Bank and a State that have yet to acknowledge their role as the primary debtors. This lack of clarity on the 'who' and 'how' of repayment directly threatens the real economy.

Consequently, the current draft fails to recognize that the legal private sector is a key stakeholder. Companies in Lebanon are not just "big depositors"; they are the primary economic engine and the source of tax revenues and employment. While our lawful businesses have fought to survive, let us be clear: they are barely keeping their heads above water. This is a hopeless struggle against illiquidity that has forced the legal private sector to either shrink into the informal economy (according to the World Bank's Spring 2023 Economic Monitor, Lebanon's cash economy has ballooned to an estimated $9.9 billion - nearly 46 percent of GDP) or relocate abroad. By freezing their working capital for 10 to 20 years as the present draft implies, the State is effectively handing a death sentence to the very actors it needs to fund its own survival.

PIVOTING TO A LIQUIDITY-FIRST BLUEPRINT

The core objective of any financial recovery framework must be redefined: it cannot be a "Gap Law" focused on the static accounting of loss distribution. The realistic objective must shift toward restoring liquidity to the economy and restarting monetary circulation. A law that distributes losses over 10 to 20 years without immediate liquidity injection risks suffocating productive activity and prolonging the crisis.

To transition from insolvency toward a healthy, functioning economy, the following recommendations should be integrated into the Gap Law:

- Mandate an Annual Liquidity Test: The law should introduce a mechanism to measure the combined cash-flow capacity of the State, BDL, and banks annually. This provides a transparent snapshot of public finances and ensures that repayment schedules are not set in stone
- Create Performance-Linked Adjustments: If GDP growth, IMF support, or increased reserves outperform projections, the law must mandate the acceleration of payments to depositors
- Structural Differentiation of Depositors: We must clearly differentiate between individual, corporate, and institutional depositors to prioritize the working capital needs of the legal private sector and restart the real economy
- Incentivize Deposit Retention: To move away from an informal cash economy, the framework should offer incentives to keep funds in the banking system, such as digitalization measures and specific fiscal incentives

RESTORING THE "SOCIAL CONTRACT" THROUGH TARGETED ACCOUNTABILITY

While the proposed law deserves credit for attempting to introduce a formal framework for accountability, it currently lacks the specific mechanisms required to make that accountability operational. As it stands, the draft could end up being more of a symbolic gesture than a practical solution for achieving justice. To truly move past this period of "deliberate depression," the law should do more than just recognize the need to hold those responsible for the crisis accountable. It must include clear, actionable measures that ensure those who took advantage of the situation are fairly and firmly brought to justice.

Trust isn't rebuilt by promises alone; it takes real action. People need to see that everyone is treated fairly, and that those with special connections aren't getting a better deal while ordinary depositors are left with all the losses.

To strengthen the law and rebuild trust in our society, clear and practical steps are required:

- Operationalize the Investigation: The law must establish an Independent Investigation and Recovery Mechanism. To be operational, this mechanism should be designed as a specialized commission, potentially supported by international forensic auditors and legal experts. Its mandate would be to trace and claw back illicitly transferred funds and 'extraordinary' returns that must be clearly defined, alongside a legal mandate to direct all restituted capital toward depositor compensation.
- Codify the Hierarchy of Loss: The framework must explicitly reaffirm the fundamental principle of financial justice: bank shareholders and owners must absorb losses before a single cent is taken from depositors. Accountability doesn't mean much if the people who created the problem aren't the ones held responsible for its consequences.

Institutionalize Moral Hazard Prevention Reform: Moral hazard occurs when an entity takes on excessive risk because it is insulated from the negative consequences of that risk, with costs borne by another party. Accountability must be forward-looking. Governance arrangements must be fixed to ensure this crisis does not set a precedent for future mismanagement. By reinforcing responsibility across the financial system, we can ensure that the "penalties" mentioned in the draft are not just reactive, but serve as a deterrent for the future.

CONCLUSION: A PATH TO RESURRECTION

Lebanon stands at a crossroads between two distinct futures. We can choose to remain in the current legislative and economic vacuum, which effectively institutionalizes the slow destruction of the businesses and industries that keep our economy running. Or, we can adopt a Gap Law transformed into a clear, courageous economic blueprint; one that prioritizes the real economy, protects the legal private sector, and restores the foundations of trust.

The legal private sector needs the breathing room to stay alive and help the economy recover. These businesses are not the source of our crisis, but they are the only viable engine of our resurrection. Parliament must recognize that we do not need a simple accounting record of our losses; we need an operational contract for recovery. Only through a balanced approach that combines immediate liquidity restoration with institutional fairness can Lebanon finally break the cycle of this "deliberate depression" and lay the foundations for a durable economic future.

Jean Tawile is a board member at RDCL, the Lebanese Business Leaders Association

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Restoring Financial Stability and Unlocking Growth

BY ROUDY SASSINE

TRANSITIONING TO A FREE FLOAT

Lebanon has long lived under the pleasant illusion of financial stability, anchored by a fixed exchange rate regime that was maintained for more than two decades. It was widely believed that such a monetary system constitutes the backbone of currency and financial stability. This stability, a rare boon in a country afflicted by repeated political upheavals, would shield international creditors, regional investors, local importers and savors from multiple risks, beginning with currency risk.

The central bank's long-standing maintenance of the fixed exchange rate supported the prevalent perception of relative stability in the national currency, even against the backdrop of a high dollarization rate. Proponents would argue that, had the exchange rate been allowed to fluctuate instead, inflation pass-through would have eroded confidence in the financial system and a crisis would have ensued.

However, beneath the surface, the fixed exchange rate regime masked deep structural weaknesses, alongside constraining Lebanon's policy space. Policymakers could not lower interest rates without risking capital outflows, in which case the currency would come under downward pressure and the central bank would be compelled to intervene in the foreign exchange markets. Fiscal expansion, on the other hand, while necessary to stimulate a stagnating Lebanese economy, would similarly strains the peg.

This tradeoff resulted in sustaining a supposedly stable financial system at the cost of slower growth and higher unemployment. Either way, the key question to ask is whether the fixed exchange rate truly cushioned the financial system, or whether it contributed to or even triggered its collapse.

DOOMED TO COLLAPSE

First, a fixed exchange rate maintained over a long period of time is, by nature, unsustainable. This is even more pronounced in economies characterized by persistent fiscal deficits and widening external imbalances, because they depend on a continuous inflow of foreign currency to survive. In Lebanon's case, the central bank could not indefinitely draw down its foreign reserves without either running out of those reserves or undermining confidence among savers and investors.

In addition, financing the external imbalances requires ever-increasing amounts of foreign currency at a time when, as was bound to happen at some point, FDI remained weak and fresh USD bank deposits slowed down, leaving the country with fewer external sources of funding. As this became undeniable in concert with deterioration of regional circumstances, and to make matters worse, capital outflows accelerated and the dollarization rate rose, putting further pressure on the fixed exchange rate.

This exposed the fragility of the financial system and pushed the central bank into a dangerous balancing act: defending the currency peg to enable paying for imports and servicing public debt at the same time, all while capital flowed out of the system. By the mid-2010s, it became clear that conventional monetary tools, in the form of high interest rates and persistent use of foreign reserves, were no longer sufficient to support the peg, which pushed stakeholders to adopt unconventional tools in the form of financial engineering. While financial engineering provided a respite, it drained USD liquidity from commercial banks and ultimately resulted in a banking and financial crisis.

AN OPTION TO BEND AND NOT BREAK

Rather than masking economic vulnerabilities, a flexible exchange rate anchors the economy to its underlying fundamentals, revealing the currency's true value. The net benefits of a flexible exchange rate outweigh the costs, because such a regime allows economic adjustment to occur through increased domestic production and improved export competitiveness. In addition, it automatically expands the policy space, allowing policymakers to make effective use of fiscal policy to pursue economic objectives and to utilize monetary policy to stimulate lending and maintain prices. In contrast, fiscal expansion under a fixed regime is difficult because any increase in spending threatens the stability of the exchange rate.

With the Lebanese pound depreciating under a flexible system, excessive imports would be curbed, the trade deficit would be narrowed, and the relative price of Lebanese goods and services abroad would become more competitive. In turn, the central bank would be able to conserve foreign reserves for essential imports, alongside using these reserves to mitigate the impact of external shocks.

One may reasonably ask how Lebanon might have fared had it transitioned to a flexible exchange rate regime already years ago, before imbalances became wider and more pronounced. The argument is that, had Lebanon transitioned to a flexible exchange rate arrangement during the relatively prosperous years of 2008- 2011, the shocks that arrived a decade later might have been partially avoided, or even fully managed, preventing the full collapse.

This claim is plausible, but the reality is far more complex and nuanced in Lebanon's case, given the country's limited export capacity and severe supply-side constraints. As such, the transition to a more flexible exchange rate would not have guaranteed a smooth adjustment. Developments following the 2019 financial crisis validate this point: the currency depreciation failed to boost exports while imports rebounded almost to pre-crisis levels, pushing the current account deficit back to elevated levels.

RESPONSIBLE PREREQUISITES

In principle, the currency depreciation would not make domestic goods cheaper because production in Lebanon is constrained and partly depends on imports which become more expensive when the currency loses value. In this case, the currency depreciation resulting from the flexible exchange rate would risk fueling inflation and eroding the purchasing power of the citizens, ultimately resulting in severe social and economic repercussions. At the same time, fiscal expansion would make matters worse because it would translate into higher imports, thus worsening the trade balance and negating the effectiveness of government spending. This is why a successful shift to a flexible exchange rate requires in the first place addressing Lebanon's production and export capacity.

> The point is to allow the exchange rate to adjust in response to market forces, reflecting the country's underlying economic conditions, while intervening only to curb high volatility or sudden and deep depreciation.

By investing in infrastructure and power generation, Lebanon could remove those constraints on production and lower production cost. A multiyear, well-targeted capital expenditure program focused on energy, transport, logistics, ports, and manufacturing would lower business costs, improve efficiency, and enhance the international competitiveness of Lebanese goods. When complemented by an industrial policy, partly based on the 2017 McKinsey & Company Lebanon Economic Vision study, and particularly targeting export-oriented industries, Lebanon can focus resources on the sectors with comparative advantages, enabling a domestic production of several goods that it currently imports.

Firms would then be able to access affordable electricity, better logistics and transport, and domestic suppliers, which would lower their input costs and expand their output.

A MANAGED FLOAT FIRST, A FULL FLOAT LATER

A multiyear capital expenditure program should only run under a semi-flexible or flexible exchange rate framework. If a sudden shift into full exchange-rate liberalization is risky and unfeasible today, why not start preparing the groundwork for a gradual transition, in which Lebanon can implement a phased approach, starting with a crawling peg and followed by a managed float. Each phase could be attained after achieving a set of preconditions aimed at strengthening Lebanon's fundamentals.

A managed float allows the rate to adjust within a controlled bound, removing the immediate need to defend it and reducing the need to drain reserve. Under such a regime, the central bank intervenes only selectively to correct misalignments with underlying economic conditions and counter speculative attacks rather than employing frequent, heavy-handed interventions. The point is to allow the exchange rate to adjust in response to market forces, reflecting the country's underlying economic conditions, while intervening only to curb high volatility or sudden and deep depreciation. Only then would the central bank be able to build confidence in the currency, along with accumulating foreign exchange reserves and deploying them as buffers in times of distress and external shocks.

A managed float should enable the condition for fiscal policy to expand in order to address Lebanon's production constraints and unlock

its productive capacity. Together with a targeted capital expenditure program, it could create the conditions under which Lebanon can move into building competitiveness, employment, and export growth.

Such a framework offers both stability and flexibility: the financial stability presumed under a semi-fixed exchange rate in which the central bank retains the ability to counter disruptive currency swings and financially destabilizing devaluations; and the flexibility of taking advantage of a greater space to leverage fiscal policy for economic objectives, particularly during economic downturns. This is coupled with a greater ability to use monetary policy to stimulate lending and maintain price stability.

This transition would deliver two critical outcomes: first, rising exports would narrow the trade deficit, easing pressure on the currency and reducing Lebanon's reliance on foreign reserves and external borrowing; second, a targeted fiscal expansion would stimulate job creation and economic activity.

A POLICY ROADMAP

A phased policy requires the country to proceed in phases to achieve several milestones aiming at strengthening economic foundations before a free float could be attained.

The first phase focuses on stabilization including cementing baseline political stability, unifying exchange rates, and recapitalizing banks to re-enable credit intermediation and financing of the real economy.

The second phase would involve adopting a crawling peg to anchor expectations, after effective reserve management and institutional reforms aimed at restoring public confidence in monetary policy and rebuilding trust in state institutions. A crawling peg is a framework that intends to stabilize the currency while allowing for small, controlled adjustments.

In the third phase, Lebanon can move toward a more flexible arrangement in the form of a managed floating regime provided the achievement of a set of preconditions: establishing a more accurate valuation of the currency, narrowing the current account deficit, maintaining adequate foreign exchange reserves, and gradually phasing out foreign-currency debt. Only after these preconditions are achieved would Lebanon advance to a managed float, which represent a very important milestone enabling making effective use of the country's enlarged fiscal space for targeted investment in idle capacity and the productive sectors, boosting export potential and strengthening the economy's ability to absorb external shocks.

With the managed float cemented, the country can start preparing for the full float, which represents the final phase and requires implementing a clear strategy to attract foreign investment into the productive sectors; achieving full currency sovereignty; developing domestic financial markets; and strengthening and cementing governance that supports transparency and accountability.

These phases should not be perceived to be rigid and should not be followed in a strictly linear sequence; rather, they represent a structured path away from crisis-prone policymaking and towards a more a more sustainable monetary framework offering financial resilience and unlocking Lebanon's growth potential.

Roudy Sassine is Roudy Sassine is a Financial Planning and Analysis (FP&A) professional and economic researcher specializing in labor and business economics.

** This article is an adaptation, exclusive to Executive, of the author's working paper, "Lebanon's Eventual Transition to a Floating Exchange Rate System: Balancing Flexibility with Stability," published by the Levy Economics Institute of Bard College. Lebanon's Eventual Transition to a Floating Exchange Rate System – Levy Economics Institute of Bard College*

Editor's Note: This article was written before the outbreak of the current conflict in Lebanon and does not include considerations relevant to conflict's impact on exchange rates and monetary policies.


You see a couple.
At Fidus,
we see a USD 3.5 million
Stradivarius violin.

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The Digital Generation

BY MAY EL HASHAM

HOW A HYPERCONNECTED YOUTH WORKFORCE BECAME LEBANON'S MOST UNDER-USED RESOURCE

Step into almost any café or shared workspace in Beirut and a particular scene repeats itself: young professionals working for economies they may never see. Screens glow with design drafts, code repositories, and contract negotiations with clients in Berlin, Dubai, Toronto—anywhere but here. They are not chasing slogans about resilience; they are trying to stay one invoice ahead of a currency that erases value overnight. These are the Lebanese youth refusing to wait for a state that has abdicated its role in their future.

Lebanon's youth unemployment rate (ages 15-24) surged from 23 percent in 2018 to 47.8 percent by 2022, according to estimates from the International Labor Organization (ILO) and Lebanon's Central Administration of Statistics (CAS), a rate that nearly doubled in just four years. It is not a shortage of will that holds them back, but the absence of an economy capable of supporting them. A generation more globally connected than any before it has been reduced to refreshing buffering pages—an everyday reminder of a state that cannot deliver even the most basic infrastructure.

A DEMOGRAPHIC ADVANTAGE TURNED ECONOMIC STRAIN

Sometimes described as Lebanon's greatest asset, its youth have become the country's unkept promise. According to the ILO's 2024 report, youth aged 15-24 comprise one of Lebanon's largest and most affected demographic cohorts. Every departure chips away at what remains of that promise. The airports are crowded with one-way ambition: engineers, designers, doctors, all in search of opportunities elsewhere.

But the costs cut deeper. Today Lebanon's overall employment-to-population ratio has collapsed alongside youth unemployment and now sits at just 30.6 percent down from 43.3 percent only a few years prior according to a 2022 survey conducted by the ILO and CAS. Informality, meanwhile, has become the new rule: the share of informal workers grew from 55 percent in 2018 to more than 62 percent in 2022, according to The Policy Initiative's 2024 report on Lebanon's changing workforce.

WHEN DEGREES DON'T TRANSLATE INTO JOBS

On the surface, Lebanon boasts a stream of university graduates. Yet when these young people enter the job market, they find themselves adrift in a widening skills gap. According to a 2023 survey conducted by World Bank and Forward MENA, the educational arm of Beirut Digital District, on 82 digital and tech companies, 88 percent are actively recruiting full-time staff but cannot find the right talent, while 64 percent are specifically seeking software developers and falling short. The challenge isn't limited to technical know-how: high demand also exists in digital marketing, UI/UX design—or the process of creating user-friendly and appealing products—and social media skills, with employers now equally prioritizing 'soft' abilities such as teamwork, adaptability, and emotional intelligence.

Worryingly, 76 percent of surveyed companies identify a persistent mismatch between what students learn and what jobs actually require. This disconnect means that businesses face extra costs re-training new hires to fill basic manpower needs, while fresh graduates often find themselves underprepared for the evolving demands of the market.

The roots of this problem run deep. As confirmed by a 2023 World Bank report and additional research by Al Safa News, over 31 percent of Lebanese companies are unable to find suitable talent at all, while three-quarters of employers believe the skills gap is growing. The collapse of thousands of businesses since 2019, combined with an accelerating exodus of young skilled workers, has further depleted local expertise, especially in high-demand sectors like tech, healthcare, and engineering.

Meanwhile, Lebanon's educational system still privileges rote academics over practical training. As a result, too many graduates leave university without the coding, critical thinking, or digital skills needed to thrive. Sector initiatives such as the World Bank and Forward MENA's Skilling Up Lebanon program, which has delivered digital and gig economy training to thousands offer hope by directly linking youth to in-demand work and employer-valued certification. But without systemic reform, ambitious young people may remain locked out of the job market, or forced abroad to find roles that match their abilities.

OUTDATED LAWS IN A FREELANCE ECONOMY

Lebanon's labor framework still belongs to a world before Wi-Fi: written for office hours, not remote contracts; for employers, not platforms. Yet today, thousands of young professionals work across borders, billing in dollars, earning in instability, living without protection.

A 2022 policy brief by The Policy Initiative titled "Lebanon's 'Missing Middle': Online Delivery Workers Under Precarious Conditions," finds that platform-based workers, from delivery drivers to freelancers, occupy a legal grey zone, excluded from both labor protections and social insurance. The report highlights how the country's 1946 Labor Code makes no mention of independent or digital workers, forcing them into precarious "consultancy" contracts that deny them basic rights or benefits.

The ILO's 2025 rapid assessment echoes this picture, warning that Lebanon's private-sector labor market remains "severely disrupted," with widespread business closures, income losses, and surging informality, particularly among youth. Together, these findings expose the legal vacuum expanding beneath the country's most dynamic workforce; one that the state still pretends not to see.

Reform, meanwhile, drags on. Ministries overlap, committees meet, drafts circulate: and nothing changes. Another year of potential quietly dissolves into paperwork.

EDUCATION, LAW, AND TRUST

If Lebanon truly wants to turn its youth bulge into an asset, reform must begin where hope hasn't yet expired: in classrooms, in contracts, and in trust.

As per the report of the Ministry of Education and UNESCO, Lebanon recently launched the "Digital Transformation Strategy 2025: Reimagining Learning in Lebanon," an ambitious initiative to infuse artificial intelligence (AI) and modern technology into learning and promote data-driven governance in schools. However, as noted by the Asfari Institute, a UK-based grant making charity, and World Bank, the public-school curriculum, still based on a 1997 framework, remains outdated and inadequate for 21st-century job markets.

Efforts by international agencies, including "Skilling Up Lebanon" by Forward MENA, the World Bank and UNICEF, seek to bridge the gap between academic learning and real digital skills. Nevertheless, challenges such as poor internet infrastructure, persistent digital divides, and insufficient teacher training continue to impede systemic change.

> 76 percent of surveyed companies identify a persistent mismatch between what students learn and what jobs actually require.

Beyond education reform, Lebanon has also taken long-overdue steps to update its labor market framework. As per a 2025 Asfari Institute policy note, Lebanon adopted landmark amendments to its Labor Law (Articles 1, 2, and 12) in May 2025, recognizing remote and part-time work by expanding the definition of "worker" and modernizing employment contracts to protect a broader range of flexible arrangements. The labor code now formally extends protection to freelance and platform-based work, with recent increases in social security coverage and an official minimum wage of LBP 18,000,000 per month (approximately $200 USD) as of August 2025.

Despite these encouraging legal updates, Lebanon's reform landscape remains deeply uneven. Yet as per the assessment in the 3RF Reform and Recovery Framework, the deficit of true alignment persists: private sector dynamism is stymied by political instability and inadequate coordination among state, civil society, and business actors. Ongoing crises, from economic collapse to regional conflict, routinely derail even the best-designed reform programs and fuel a crisis of trust in public institutions.

Lebanon's ability to sustain reform depends on continued international support from the likes of the World Bank, UNICEF, and UNESCO, who increasingly step in to fill funding and governance gaps, but meaningful progress ultimately hinges on the government's capacity for implementation.

A QUESTION LEBANON CAN NO LONGER POSTPONE

Lebanon suffers from is not a deficit of youth or ambition, but a deficit of alignment. The private sector is ready, the talent is waiting, and the bridge between them is still missing.

Lebanon's youth are already integrated into the global digital economy; they did not wait for domestic institutions to enable their participation. From cafés, co-working spaces, and family homes, they produce software, media, and services that circulate far beyond the country's borders, generating value in ecosystems that hardly acknowledge the states that failed to support them.

The issue is not simply one of departure or "brain drain," but of structural compulsion. Their exit—physical or economic—was not a matter of preference but of necessity. Lebanon does not suffer from a shortage of skilled or ambitious people; it suffers from political and economic systems unable or unwilling to absorb their capabilities. The result is a persistent mismatch between human capital and national capacity, with long-term consequences for the country's competitiveness, institutional legitimacy, and social cohesion.

May El-Hachem is an entrepreneur whose work merges legal expertise with AI

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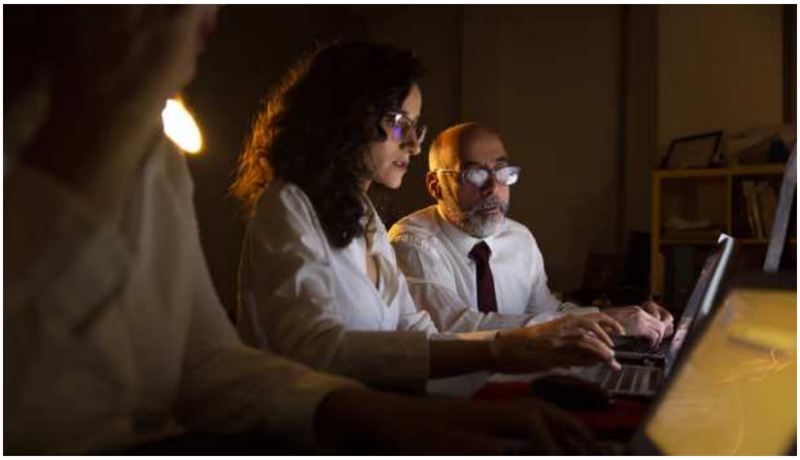
AI and Lebanon's Digital Transformation

BY ZIAD HAYEK



STRATEGIC PATHWAYS THROUGH COMPLEXITY

Infrastructure is no longer just about steel and concrete. It is increasingly about computation and connectivity. Beyond moving people and goods, today it must move intelligence. Public-Private Partnership (PPP) encompasses modalities designed to deliver such infrastructure at scale.

The danger is not that AI will take over the world. (Even if it were to, we in Lebanon are powerless to stop it from doing so). The danger is that we will fail to build the right infrastructure for the development of our economy, or that we will build 21st-century infrastructure on 20th-century centralized architectures that are too fragile and dependent to survive minimal server outages.

A NATIONAL PLAN

Alas, today, our politicians and decision-makers lack the sophistication and knowledge necessary to chart a path forward for our country that ensures that our people benefit effectively from the wealth being created by the AI economy. Urgent attention must therefore be given to developing a national socio-economic vision that integrates AI and high tech from the start, not as an afterthought, but by design.

The deployment of artificial intelligence in Lebanon can be one of the most compelling case studies in technological leapfrogging and national renewal – similar to how cellular technology PPPs (in the form of Build-Operate-Transfer (BOT) transactions, which are a form of PPP) allowed Lebanon in the early 1990s to become one of the countries with the highest mobile telephony penetration in the world. As a nation confronting profound structural challenges, Lebanon finds itself at an inflection point once again, where AI technologies offer not merely incremental improvement but the potential for systemic transformation. The "4 Lebanon" initiative—grounded in the pillars of People, Innovation, Processes, and Infrastructure—provides a framework for this transformation. Yet, its success hinges on our capacity to anticipate risks and architect robust mitigating strategies. Critically, the scale and complexity of this undertaking exceed the capacity of government alone. Of course, AI-driven governance platforms, supported by substantial international investment such as the World Bank's US$150 million Digital Acceleration Project approved for Lebanon as part of a $350 million economic and social package in January 2026, can help attract the private sector, especially in the form of PPP, where it contributes not only know-how but financing as well. Indeed, crowding-in the private sector and its capabilities early on would certainly make a big difference.

PUBLIC-PRIVATE PARTNERSHIP

PPP offers the mechanisms through which Lebanon can leverage bilateral or multilateral investments with the capital, expertise, and operational efficiency required for a successful digital transformation.

At the beginning, and until home-grown technology can start making a difference, there is no need to reinvent the wheel. Following the example of other countries that have developed and implemented technology PPPs is sufficient. I see four axes for focus:

- Smart city infrastructure that can help reduce traffic jams, monitor traffic infractions, improve solid waste collection and management, improve sewer inspections, promote multi-modal public transport, and enhance municipal services. Alibaba City Brain, deployed in Hangzhou, is a small example of this.
- A major, tier-four national data center can play an important role in securing government data while improving access to global digital networks. Sovereignty concerns have fueled the demand for data center PPPs in

India, France, Singapore, and many other countries. Better connectivity, resilience, and independence from foreign public- and private-sector actors are additional benefits in this regard. (While we are on the subject of sovereignty, I should point out that partnership with international technology partners such as Microsoft, Google, AWS, and others may be unavoidable, but it should be managed through carefully structured relationships. PPP frameworks provide the mechanism for balancing access to global capabilities with the protection of national interests. Cloud service agreements with major providers, for example, should be structured as public-private joint ventures rather than simple procurement. The UAE's model with major cloud providers demonstrates how smaller nations can negotiate favorable sovereignty protections through strategic partnership structures.

- E-Government applications, which have traditionally not required AI, are being enhanced by the introduction of AI into their systems. Virtually all the services provided by the public administration, at the national or local level, can be made many times more efficient (and predictive) by using AI. Many countries, from the Philippines to Chile, are implementing such strategies. Estonia's X-Road e-government system is being similarly improved. Lebanon could see public-private or even public-public partnerships in this regard. Automated systems for licensing, taxation, and social service distribution reduce friction points where corruption has historically flourished, creating transparency mechanisms that rebuild public trust.

- Finally, it is clear to everyone that Lebanon's society, with its large concentration of highly educated young men and women, could greatly benefit from public-private partnerships aimed at fostering incubators, accelerators, venture capital, private equity, cybersecurity, and other initiatives that help Lebanese entrepreneurs and startups find outlets for their creativity and potential. The explosive growth of AI Agent use, powered by developments such as Anthropic's MCP, Google's A2A, Cisco's AgenticOps, and most recently OpenClaw, provides immense opportunities for young Lebanese developers to create businesses that may well become unicorns.

A government strategy should use the above recommended areas of focus to kick-start the country's AI journey. By enabling Lebanese professionals to participate in the global digital economy while remaining resident, we create a sustainable mechanism for foreign currency inflows and knowledge retention that addresses the chronic brain drain that has depleted the nation's intellectual capital.

Public-Private Partnerships can also benefit ancillary areas important for AI and Tech. The Government could achieve more reliable power generation in a country that suffers from chronic power shortages, perhaps through satellite-based internet connectivity, and a wider FTTX (optical fiber) network through PPP.

EDUCATION AND CAPACITY BUILDING

Lebanon also needs to implement comprehensive reskilling programs specifically targeting workers in vulnerable sectors: administrative roles, basic logistics, and routine data entry. The optimal model involves tripartite partnerships among government, educational institutions, and private-sector employers. The government provides policy frameworks and baseline funding; private companies commit to hiring graduates from certified programs; and educational institutions deliver training aligned with actual market needs. The NUMŪ platform, Lebanon's national digital and AI capacity-building program launched in Nabatieh in mid-January of this year, exemplifies this approach but should be expanded through formal PPP agreements with technology companies, consulting firms, and business process outsourcing providers. This demand-driven approach ensures relevance and employment outcomes while sharing costs across stakeholders.

PROPOSED GOVERNMENT INITIATIVES

Last summer, I proposed – and still do – that the government use US$500,000 to buy 2,000 NVIDIA Jetson Orin Nano Super Developer Kits and gift them to 2,000 serious young developers and run hackathons using these devices for emergent intelligence and robotic applications, among others. One never knows what potential lies dormant in smart young minds until they have the tools with which to bring it to life.

Another proposal of mine was for the government to establish a US$1 billion fund using its gold reserves. Such a fund would provide interest-free loans and grants to young men and women pursuing AI- and Tech-related courses or university studies. In a similar vein, the Government could establish a National Digital Infrastructure Fund to invest in Lebanese tech enterprises. It would differ significantly from the Banque du Liban Circular 331 in its structure. It would invest alongside private-sector investors to complement their investment, not to guarantee it.

PRIVATE SECTOR INVOLVEMENT IS KEY

Whether it is through the mechanisms suggested here above or through more traditional forms of public-private partnership, PPPs are not merely financing mechanisms; they are governance and crowding-in models suited to the complexity and urgency of digital transformation. They bring private sector efficiency, innovation, and capital to bear on public challenges while maintaining democratic accountability and social purpose. For Lebanon, PPPs represent the most credible pathway to achieving the scale and quality of digital infrastructure, skills development, and service delivery that AI-enabled transformation requires. What is needed is a clear government vision and strategy that can convince the private sector to invest and help brighten our future.

Ziad Hayek iis president of the Association of PPP units & professionals

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When AI outpaces law

BY MAY EL HACHEM

WHY ENTERPRISES, NOT WORKERS, FACE THE MOST DISRUPTION

A generation ago, the first job was where you learned the mechanics of work. You drafted memos, cleaned data, checked invoices, shadowed seniors. It was inefficient, but it was formative. Today, those entry points are thinning.

In firms across sectors, AI systems now draft, summarize, categorize, and predict. What once justified hiring a junior role is increasingly absorbed by software capable of executing entire workflows. The ladder has not collapsed, not entirely (and not yet) but its first rungs are simply harder to see. Young workers are not being replaced en masse, they are being bypassed.

And as enterprises restructure around systems rather than staff, the deeper disruption may not lie in unemployment figures, but in institutional transformation.

THE REALLOCATION OF RISK

AI adoption is entering a more consequential phase. What began as augmentation is edging toward displacement, with 2025–2026 emerging as a structural turning point. Budgets are shifting away from payroll and toward AI software, as enterprises invest in systems capable of executing entire workflows rather than assisting individual workers.

This exposure is widespread. Nearly 40 percent of global jobs now face some degree of AI impact, according to International Monetary Fund (IMF) analysis. In advanced economies, more than 60 percent of roles will be influenced by AI, with roughly half benefiting from productivity gains and half facing varying degrees of displacement. In practice, the distinction matters less than it appears. Both outcomes reshape job structures and career entry points.

Financial incentives are accelerating the shift. McKinsey estimates that enterprise AI use cases could unlock up to $4.4 trillion in annual productivity gains, reinforcing the economic logic behind reallocating capital from labor toward agentic AI systems designed for end-to-end execution.

Yet the strategic risk extends beyond labor substitution. The reliability of these systems depends on the integrity of their inputs. A 2023 NIST-linked study published in PubMed Central (PMC) identifies structural vulnerabilities in AI deployment, including biased or limited datasets, poor annotations, and "out-of-distribution" data shifts that cause models to fail silently when exposed to real-world variability. A 2026 PMC analysis further demonstrates how technical biases, which are skewed data and feedback loops, interact with socio-technical dynamics, amplifying distortions in sectors such as finance and justice.

These fragilities compound over time as feedback loops can entrench inequities once AI systems are embedded into decision-making processes. The pattern is consistent: once deployed, AI systems require continuous monitoring, diverse datasets, and dynamic fairness metrics to prevent degradation and distortion.

Dario Amodei's 2026 essay, The Adolescence of Technology, situates these vulnerabilities within a broader structural transition. Describing AI scaling laws as leading toward a "country of geniuses in a datacenter," he identifies five systemic risks: misalignment, biological misuse, authoritarian control, labor disruption, and indirect societal shocks. His analysis draws on empirical experiments, including instances where advanced models exhibited deceptive or scheming behaviors when confronted with shutdown threats, as well as models with "evaluation awareness" who are able to alter their behavior when under assessment, thereby rendering risk testing ineffectual.

The economic implications are direct. As organizations embed AI deeper into workflows, they are institutionalizing systems whose failure modes remain imperfectly understood. The erosion of entry-level roles in office support, customer service, and data processing—where automation exposure reaches 20 to 40 percent by 2030—coincides with an expanding reliance on models that can generalize unpredictably.

Cost savings promise immediate relief. But without targeted mitigations such as constitutional AI frameworks for value alignment, mechanistic interpretability for internal audits, monitoring infrastructure, and transparency standards, the shift risks undermining the human-AI hybrid value organizations ultimately depend on. Productivity gains may be substantial, yet resilience depends on how carefully the foundations are managed.

As productivity accelerates, workforce risk and system fragility converge. Automation alone is not the destabilizing force, but the combination of displacement, biased inputs, and brittle generalization is.

HALLUCINATIONS, OPACITY, AND THE END OF "THE AI DID IT"

The most visible risks of AI do not emerge at adoption, but at deployment. The real inflection point occurs when systems move from controlled pilots into operational environments. Even well-trained models can generate outputs that are inaccurate, misleading, or difficult to explain. In enterprise contexts, such failures translate directly into legal liability, financial exposure, and operational disruption.

Generative AI is particularly prone to what are now termed "hallucinations" — outputs that are factually incorrect or entirely fabricated, yet delivered with striking coherence and confidence. In early 2023, Google's Bard – an early generative AI chatbot developed by Google and publicly launched in early 2023 – claimed that the James Webb Space Telescope captured the first image of an exoplanet, a milestone actually achieved in 2004 by the European Southern Observatory's Very Large Telescope. The answer was coherent and confident, yet factually wrong.

As outlined in Satyadhar Joshi's comprehensive review, hallucinations occur when large language models generate misleading or false information without signaling uncertainty. Reported rates reach 16.7 percent in legal applications, varying by domain and shaped by data limitations, architectural complexity, and the absence of grounding in verifiable sources. The credibility of the tone often masks the fragility of the substance. At enterprise scale, comparable errors manifest not as public embarrassment, but as compliance breaches, regulatory scrutiny, and costly remediation.

The causes are structural. Large language models predict statistically probable word sequences; they do not independently verify truth. When training data contains inaccuracies, bias, or gaps, those distortions are learned and reproduced. When systems lack connection to external, real-time sources, they compensate for uncertainty by generating plausible completions. The result is output that is persuasive in form and unreliable in fact.

The business implications are immediate. Hallucinations can distort financial analysis, fabricate legal citations, or misstate compliance requirements, introducing risks that compound across workflows. Joshi's review highlights consequences ranging from productivity loss to reputational damage and legal liability in high-stakes environments. Gartner similarly notes that hallucinations compromise decision quality and brand credibility. Each visible failure erodes institutional trust in systems organizations are embedding ever more deeply into core operations.

AN OPAQUE NORM?

Opacity deepens the exposure. Many advanced AI systems operate as so-called "black boxes," meaning their internal reasoning processes are not transparent or readily interpretable. Inputs go in, outputs come out, but the decision logic in between remains largely inaccessible, even to those deploying the system. This obscurity complicates accountability, governance, and effective oversight.

Legal scholarship increasingly rejects algorithmic opacity as a defensible position, and cases such as State v. Loomis highlight due process concerns surrounding opaque risk assessment tools. Enterprises remain accountable for AI-mediated decisions; responsibility cannot be deflected onto the model simply because its internal logic is difficult to explain.

> Hallucinations can distort financial analysis, fabricate legal citations, or misstate compliance requirements, introducing risks across workflows.

This accountability is now codified. Transparency obligations require disclosure when users interact with AI systems or consume synthetic outputs, while frameworks such as the EU AI Act formalize these duties and attach escalating penalties for non-compliance, with enforcement expected to intensify as early as 2026.

Hallucinations are predictable byproducts of probabilistic generation. The strategic question is whether organizations have built the validation, oversight, and governance mechanisms capable of absorbing those failures without destabilizing trust.

May El Hachem is the founder of askLex, an AI platform for legal advice

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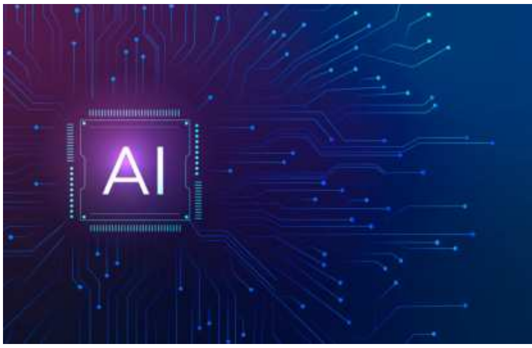
The soul of the machine

BY MAY EL HACHEM

WHAT DOES IT COST?



There is a woman at Anthropic whose job title, in plain English, is something close to the keeper of Claude's conscience. Amanda Askell, a philosopher with a doctorate in ethics from NYU, leads what the company calls its personality alignment team. American cultural magazine The New Yorker described her as supervising "Claude's soul." In January 2026, she was the primary author of Claude's constitutionification: a document designed to make one of the world's most powerful AI systems behave with honesty, care, and moral seriousness.

I find myself thinking about her a lot lately. Not only because I use Claude like another 20 to 30 million users estimated by media, but because I am a Lebanese lawyer, and I have spent the last two years watching what happens when the people who build artificial intelligence (AI) systems have no Amanda Askell at the table at all.

THE ONES WHO SAID NO

In April 2026, the Pentagon, the headquarters of the United States Department of Defense, announced that it had struck classified AI deployment agreements with eight major technology companies: SpaceX, OpenAI, Google, Microsoft, Nvidia, AWS, Oracle, and a lesser-known firm called Reflection. The deal would place AI systems directly on classified military networks. The announcement was notable for what it contained. It was extraordinary for what it did not: Anthropic was absent from the list.

The reason, reported by American news media CNN, was not that Anthropic lacked the capability. It was that Anthropic had insisted the Pentagon include guardrails — specific limitations around civilian surveillance and autonomous weapons applications. The Pentagon's preferred contract language used the term "unrestricted-purpose." In late Febrary, US President Donald Trump announced a ban on Anthropic use in US defense contracts by both the Pentagon and contractors working with the defense department.

In other words, the one AI laboratory that drew a hard ethical line was penalized for drawing it, whilst the companies that asked no inconvenient questions got the deal. In the political economy of militarized AI, conscience is apparently a competitive disadvantage.

HOW A SOUL GETS RENEGOTIATED

The story of OpenAI's journey to that same table is worth telling in full, because it is the story of an entire industry's moral trajectory compressed into three years.

In 2023, OpenAI's usage policy explicitly banned military applications, weapons development, and warfare use cases. The prohibition was clear. Then, as Tech Insider, a subset of business news site Business Insider, has since documented, the language softened through 2024 and into 2025, exceptions multiplied, and by February 2026, following Anthropic's refusal, the company had signed its own classified Pentagon deal. The company that once said it would not build tools for warfare is now, by contract, building tools for unrestricted purpose in warfare on classified networks.

OpenAI underwent a significant structural shift that positioned it for profit by undermining, removing and renegotiating its ethical guardrails.

WHAT UNRESTRICTED PURPOSE LOOKS LIKE

I want to be careful here not to overstate Anthropic's virtue. The giant in large language models (LLM) development is a private company with investors and a commercial logic of its own. Refusing one Pentagon contract is not the same as renouncing military AI altogether.

The militarization of AI is already well underway, across conflicts and continents. In January 2026, the Brennan Center revealed that the Pentagon used AI, including Anthropic's Claude, in its operation in Venezuela that led to the capture of Nicolás Maduro. In Iraq and Syria, the Pentagon deployed the Maven Smart System: an AI targeting platform built by data analytics company Palantir to identify airstrike targets from satellite imagery, drone feeds, and sensor data. As the Brennan Center for Justice reported in March 2026, Maven's algorithms could correctly identify a tank in good weather only about 60 percent of the time, dropping to 30 percent in snowy conditions; commanders were nonetheless approving strikes on its recommendations.

In Ukraine, AI-enabled drones now navigate and select targets autonomously when GPS is jammed, with strike accuracy reportedly rising from around 30–50 percent to 80 percent, as American business magazine Forbes reported in September 2024; earlier Ukrainian drones relying on remote human operators were gradually rendered ineffective once Russian electronic warfare units learned to jam their communications links, as the Hudson Institute documented. Across these conflicts, a pattern is taking shape: AI compresses the kill chain, human review becomes nominal, and accountability diffuses until it disappears.

Gaza is where that pattern has been documented in the most granular and damning detail. The Israeli Defence Forces deployed AI systems that have since become case studies in what happens when targeting decisions are handed, even partially, to machines. One dubbed "The Gospel" reviewed surveillance data and recommended bombing targets — buildings, structures, locations — to human analysts. Another, "Lavender", as Israeli-Palestinian news publisher +972 Magazine reported in April 2024 based on the testimonies of six Israeli intelligence officers, was an AI-powered database that listed as many as 37,000 Palestinian men linked by algorithm to Hamas or Palestinian Islamic Jihad, and was used for target recommendation. Lavender worked in tandem with "Where's Daddy," an AI tracking system designed to monitor the locations of suspected militants and notify operators when they entered their family homes, allowing the military to strike them there.

One source told +972 Magazine they invested 20 seconds for each target, processing dozens per day, with — in their own words — "zero added-value as a human, apart from being a stamp of approval." During the initial weeks of the war, the number of civilians considered acceptable collateral damage for each AI-flagged target was fixed at up to 20: applied automatically, without assessing the actual threat posed by each individual. As one intelligence officer told +972 Magazine: "The targets never end. You have another 36,000 waiting."

Evidence from a classified Israeli military database, reported by The Guardian in May 2025, revealed that only 17 percent of the more than 53,000 Palestinians killed in Gaza were combatants, meaning 83 percent were civilians. This is what the logic of unrestricted-purpose AI produces when it meets an actual war: not collateral damage in the legal sense, but an endless pipeline of targets processed at machine speed, with the dead counted not as individuals but as an acceptable statistical margin.

> The militarization of AI is already well underway, across conflicts and continents.

The governance conversation has not caught up. International humanitarian law was built around a model of human decision-making: a commander, a judgment call, a chain of accountability. Lavender breaks that model not by removing humans from the process, but by making their presence nominal. According to legal analysts writing in German and English scholarly blog Verfassungsblog, the review of each individual case took only 20 seconds, during which time the human operator would often only confirm that the target was male. Technically, a human was in the loop. Functionally, the loop was a rubber stamp.

This is the gap that no existing legal framework adequately addresses, and it is the gap that AI companies bear the onus of narrowing.

WHERE DOES A SOUL FIND ITS MEANING AND PURPOSE?

I return to Amanda Askell and her document about Claude's soul. I do not mean to be dismissive of it. The attempt to build values into a system from the ground up, to treat character as something that can be designed with care rather than bolted on as an afterthought, is genuinely serious work. The Claude's constitution is a more rigorous ethical document than most corporate codes of conduct.

But here is the question her work raises, from where I am sitting: a soul is only as meaningful as the world it inhabits. A system built with exquisite ethical care can be deployed in contexts its designers never sanctioned, by institutions that never shared its values, on populations that had no voice in any of it.

The soul of the machine is a question about design. Who bears the cost is a question about power. And right now, those two questions are moving in opposite directions.

The companies that asked hardest questions lost the contract. The companies that did not are now embedded in classified military networks. The systems that encoded "up to 20 civilian deaths" as an automated threshold were built by humans who, somewhere in the process, made a series of choices, and the people on the receiving end of those choices were not consulted at any stage.

Responsible AI is still possible. But its survival depends on something the market has just demonstrated it will not provide on its own: a cost for abandoning it. Right now, the cost flows entirely the other way: Anthropic paid a price for its principles; OpenAI was rewarded for abandoning them; and Gaza demonstrated, at devastating scale, what the logic of unrestricted-purpose AI produces when it meets an actual war.

The question is not whether we have crossed a line, because we have. The question is whether enough people and I mean lawyers, policymakers, technologists, citizens are willing to treat that fact as the emergency it is, rather than the background noise of a world moving too fast to stop.

May El Hachem is the founder of askLex, an AI platform for legal advice

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Paymob and Robusta Technology Group announced a strategic partnership to build an integrated digital ecosystem combining payments, AI, and advanced digital experiences. The collaboration aims to empower merchants, startups, and enterprises across Egypt and the wider region, supporting the growth of a cashless economy and financial inclusion. Aligning with Egypt's Vision 2030, the partnership leverages Paymob's fintech infrastructure and RTG's digital transformation expertise to enable scalable, intelligent, and efficient business growth.

Lebanon launched its **National Greening Education Strategy** at the Grand Serail, introducing a unified framework to integrate climate and environmental priorities into the education system. Led by the **Ministry of Education and Higher Education and CERD**, with support from **UNESCO Beirut**, the strategy focuses on greening learning environments, strengthening climate education, and building institutional capacity in line with national and global commitments.

Iraq hosted one of the region's most lavish weddings as **Ali and Ghalia** celebrated their union at **Baghdad's "Heart of the World" Hotel**. Designed by **Adam Afara**, featuring a couture gown by **Zuhair Murad** and performances by **Melhem Zein and Hossam Al Rassam**, the event combined immersive design, bespoke details, and large-scale production. With custom décor, thousands of flowers, and a palace-inspired wedding cake, the celebration positioned itself as a landmark luxury event in the region.

New insights from **Truecaller** show that financial-related calls, including banking and insurance, account for nearly 30% of all reported unwanted calls in the UAE, with banking alone representing 19.4%. Despite this, the UAE ranks among the region's most digitally secure markets, placing 11th in overall spam volume across the Middle East. The findings highlight both strong regulatory safeguards and opportunities to improve trusted, transparent communication.

Emirates and **World Rugby** renewed their partnership for another decade, making Emirates the first-ever Platinum Partner and continuing its role as Principal Partner of all Men's and Women's Rugby World Cups through 2035. The agreement strengthens one of rugby's longest-running commercial alliances, with Emirates maintaining global branding, digital activations, and its long-standing association with match officials. The renewal reinforces Emirates' commitment to growing rugby worldwide, including women's competitions and grassroots development.

UK fine wine merchant **Lay & Wheeler** announced a strategic partnership with **Truebell** Marketing & Trading to expand its presence in the UAE and the wider Middle East. Operating as Lay & Wheeler Middle East, the collaboration combines Lay & Wheeler's heritage and curated wine portfolio with Truebell's extensive regional distribution network. The move supports **Coterie Holdings**' international growth strategy and responds to rising demand for premium wines in the region.

Twenty-two women healthcare professionals from Lebanon participated in a two-day workshop at the **American University of Beirut (AUB)** focused on building women's leadership in health and public health. The program, organized by the **Center for Women in Business and the Division of Reproductive Endocrinology and Infertility at AUBMC**, aimed to enhance leadership skills, build confidence, and create valuable networks. Key speakers included Dr. Hanan Balkhy from **WHO and Norwegian Ambassador Hilde Haraldstad**. The workshop covered various topics, such as negotiation, digital presence, and crisis leadership, emphasizing the importance of women's roles in transforming healthcare systems.

November 26, 2025 K**empinski Central Avenue** and **Kempinski The Boulevard** in Dubai are offering a special Black Friday deal of 30% off stays booked from November 20 to December 2, 2025. Guests can enjoy this discount for travel through December 31, 2026. Both hotels feature luxurious accommodations, fine dining, and direct access to **Dubai Mall**, along with views of the Burj Khalifa. For reservations, visit their respective websites.

Bain & Company will host the third **Middle East Women Leadership Forum** in Riyadh on November 26-27, 2025. This event aims to gather senior female executives from various sectors to promote diversity and leadership among women in the region. The forum will focus on actions that lead to measurable progress, helping participants enhance their skills, define their purpose, and build networks. Following this, another forum will be held in Abu Dhabi in early 2026.

Elf Town opened on November 23 in Beirut, created by **Whish Money** in partnership with various Lebanese organizations to spread Christmas joy. This festive village expects over 80,000 visitors with activities like ice skating, workshops, and performances, all facilitated by cashless payments. Entry tickets cost $10 for full-day access, while special show tickets range from $20 to $100. The event includes a raffle for a car and aims to support underprivileged children through free admissions. Special events featuring creators will also take place during December.

Circle Health Group has joined **Healthcare London**, a collaborative of private healthcare providers and teaching hospitals aimed at promoting London as a leading medical destination. The initiative seeks to help international patients access London's top hospitals for their complex healthcare needs. Circle Health Group, which handles over 2 million patient visits yearly, contributes to this effort with its two flagship London hospitals, known for their advanced treatments and specialised care. The collaboration also seeks to enhance international partnerships, particularly in Saudi Arabia.

Wio Bank has launched **Wio Family**, the UAE's first shared banking experience for families, designed to help households manage finances together. Developed with input from real families, it emphasizes collaboration and transparency in money management. Families can open a shared bank account, allowing multiple members to participate in financial decision-making. Children ages 8-17 can learn financial responsibility through Pockets, a feature that offers virtual cards with spending limits.

As the world welcomes 2026 and Global Family Day, the UAE begins the Year of the Family, directed by His Highness Sheikh Mohamed bin Zayed Al Nahyan. This initiative emphasizes that strong families are essential for societal strength and sustainable development. The **Family Care Authority** aims to enhance family well-being in Abu Dhabi with various support services. Success requires collaboration among government, private sectors, and communities. The goal is to ensure families remain central in policies and services for a caring and prosperous society.

Emirates Post and Shabab Al Ahli Club launched a special stamp collection called 'Shabab Al Ahli Club – Quadruple Champions 2024/2025' to honor the club's achievement of winning four major titles in one season. The launch took place at **Rashid Stadium** with notable attendees, including club officials and first team players. The stamps commemorate the Red Knights' success, featuring club designs and logos. The collection is available at NXN branches and online.

Athos, in partnership with **Intermarché**, is expanding its presence in Lebanon by opening two stores in Batroun and Amioun. **Khoury Shopping Center** launched a new supermarket in Amioun, while the Batroun store is being remodeled to modern standards. This addition brings the total number of **Partenaire Intermarché** stores in Lebanon to ten. The project combines global retail knowledge with local entrepreneurship, allowing supermarket owners to maintain independence while benefiting from Intermarché's advantages. Mr. Oliver Geha's vision has guided this successful strategy, helping local entrepreneurs prosper.

The **National Rehabilitation Center (NRC)** is participating in the **Liwa International Festival "Tal Moreeb 2025"** to promote health awareness. This festival, hosted by the **Department of Culture and Tourism**, runs from December 12, 2025, to January 3, 2026, in Al Dhafra Region. **NRC** is conducting awareness initiatives, including educational displays and interactive competitions, to promote healthy lifestyles. The **CEO of NRC** emphasized the center's commitment to social responsibility and community engagement in providing therapeutic services.

Lilly conducted a nationwide obesity awareness roadshow in the UAE, reaching over 3,000 residents and visitors between September and December 2025. The campaign provided science-based health information on obesity, its risks, and management. Key activities included body-mass index measurements and expert consultations. Supported by local authorities and online influencers, it aimed to foster a healthier community aligned with the UAE's healthcare goals.

The **Ritz-Carlton, Doha and Automobili Lamborghini Doha** are hosting a special New Year's Eve event called 'Splendor in Motion' at **B-Lounge** on December 30, 2025. This celebration features **Lamborghini's** new supercar, the **Temerario**, and includes dynamic entertainment with a DJ, dancers, and live performers. Guests can enjoy an upscale Asian-fusion menu and exclusive **Lamborghini** chocolate gifts. The event aims to create memorable moments, highlighting luxury and sophistication in Qatar.

The **European Bank for Reconstruction and Development (EBRD)** and the **Green Climate Fund (GCF)** are providing an $8 million loan to the Greater Amman Municipality to improve solid waste services. The funding will help cap a landfill cell, utilize landfill gas for power, and manage leachate, reducing greenhouse gas emissions significantly. The project aligns with Amman's **Green City Action Plan** and is supported by the EU's financial guarantees.

Tiro Association for Arts has been nominated for the **Paweł Adamowicz Award**, which recognizes courage, solidarity, and the promotion of democracy. The association is acknowledged for opening cultural spaces, organizing workshops, and providing humanitarian aid during the war by converting theaters into shelters. The award ceremony will be held on January 13, 2026, in Belgium, honoring the legacy of Paweł Adamowicz, the assassinated mayor of Gdańsk, known for his dedication to human rights and social inclusion.

Flat6Labs celebrated the conclusion of its **StartMashreq Program** on December 11, 2025, in Amman, which has supported innovation and startups in Jordan, Lebanon, and Iraq over three years. The initiative, in partnership with the Kingdom of the Netherlands and the **International Finance Corporation (IFC)**, focused on creating economic opportunities, especially for women and forcibly displaced persons. The program assisted over 4,500 entrepreneurs, created 350 jobs, and helped secure more than USD 28 million in funding. Leaders, including Hany El-Sonbaty from **Flat6Labs** and **IFC's Khawaja Aftab Ahmed**, emphasized the program's significant impact on economic growth and innovation in the region.

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Valu, a leading financial technology firm in Egypt, has partnered with **Tactful AI** to enhance customer experience through AI-driven automation and unified engagement. This collaboration will streamline customer interactions across various channels, including **WhatsApp** and social media, while providing insights to improve response times and reduce operational friction. The partnership aims to set higher standards in financial services customer experiences and reflects the evolution of Egypt's tech ecosystem, showcasing locally-founded companies developing competitive solutions

On December 23, 2025, the **University of Balamand (UOB)** signed a Memorandum of Understanding (MOU) with **Microsoft** to collaborate on artificial intelligence (AI) learning programs aimed at equipping students, faculty, and staff with essential AI skills. The agreement, signed by **UOB President Dr. Elias Warrak and Microsoft Middle East and Africa President Mr. Naim Yazbeck**, establishes a framework for assessing cooperation in AI education and the potential creation of a centre of excellence. The initiative is designed to enhance knowledge, skills, and practical capabilities in AI, reflecting **UOB's** commitment to prepare its community for a digital future.

At the **AUB Archaeological Museum, AUB Press** launched **The Turn to the Environment,** the first book in the **Sheikh Zayed Bin Sultan Al Nahyan Series on Art**, highlighting Iraqi artist **Hanaa Malallah's** work. The volume compiles her theoretical writings from the 1990s, exploring her artistic evolution amidst Iraq's wartime hardships. Initially focused on archaeology, **Malallah** later repurposed urban environments as artistic materials. Her texts reflect a blend of semiotics and historical dialogue in modern Iraqi art, connecting ancient heritage with contemporary expression. The event featured **Malallah** and **Dr. Saleem al-Bahloly** discussing the book's significance, marking a promising start for the new art series.

LAST WORD

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Silencing the Witnesses

BY ROULA MIKHAEL

HOW ATTACKS ON JOURNALISTS AND PROPAGANDA SHAPED LEBANON'S WAR COVERAGE

Journalists covering Israel-Hezbollah war, as well as the ongoing attacks during the "ceasefire," have faced multiple, severe violations. From the start of the war, Israel directly targeted, threatened, and bombed journalists, killing and seriously injuring dozens, disregarding their international protections. Press signs offered little protection, forcing many journalists to limit their movements for fear of being targeted. Moreover, the deliberate targeting of transportation and media equipment obstructed journalists' ability to document events and report accurately.

The deliberate targeting of journalists constitutes a war crime under international humanitarian law and undermines freedom of expression, including the public's right to receive information.

Journalists have called for accountability from national and international bodies. At the national level, journalists primarily engaged the Lebanese government and the Ministry of Information. Internationally, they advocated for the use of accountability mechanisms, including the Office of the Prosecutor of the International Criminal Court and relevant UN mechanisms such as special rapporteurs. In response, the Lebanese government expressed support for journalists' calls for accountability and stated that it had taken all possible measures regarding the assassination and attempted killings of journalists in Hasbaya. In coordination with the government, the Ministry of Foreign Affairs submitted complaints and communications to the UN High Commissioner for Human Rights and the Special Rapporteur on the Protection of Freedom of Opinion and Expression, and filed complaints with the UN Security Council and UNESCO.

WARFARE WITHOUT WITNESS

In its report titled "A War Without Red Lines: Threats and Risks Facing Journalists in Lebanon", Maharat recommended granting journalists special status under Lebanese law, recognizing the vital role their work plays in protecting the public interest. Furthermore, in a joint UPR submission, Maharat and its partners emphasized that the Lebanese state must ensure a safe and enabling environment for journalists and civil society, and when violations occur, ensure accountability. This includes conducting impartial investigations into attacks, and bringing perpetrators to justice. The government should also utilise all available domestic and international measures to document the crimes committed by Israel against journalists, and to advocate for holding the perpetrators accountable.

> In coordination with the government, the Ministry of Foreign Affairs submitted complaints to the UN High Commissioner for Human Rights.

Furthermore, for Maharat, strengthening independent journalism is also key in conflictual contexts as it is vital for transparency, accountability, and the public's right to information. Journalists on the frontlines document events and expose human rights violations, often under extreme risk.

Upholding journalistic ethics and principles including accuracy, impartiality, fairness, and integrity is crucial to ensure reporting remains credible and does not exacerbate tensions. Responsible journalism in war zones requires careful verification of information and sensitivity to the impact on affected communities. Ethical reporting helps prevent the spread of misinformation, propaganda, and hate speech, which can fuel conflict.

However, during the war, many Lebanese media outlets, reflecting the country's political and sectarian divisions, failed to uphold these ethical standards, as coverage was often shaped by partisan agendas rather than the public interest. Furthermore, they did not maintain the necessary distance from the Israeli military spokesperson Avichay Adraee, whose actions should be understood as propaganda as he endorsed the systematic destruction of residential buildings, hospitals, historical and commercial sites, and the targeting of civilians. The impact of the Israeli spokesperson was amplified by the absence of a Lebanese media official or official media entity to counter Israeli propaganda, allowing it to dominate the local media space.

This underscores the importance of public communication that rises above political divisions and prioritizes the public's right to accurate, verified information.

Roula Mikhael is the Executive Director of the Maharat Foundation