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Major powers offer devastated Lebanon a pittance in aid

By Rick Kelly
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An international donors' conference for Lebanon, held in Sweden on August 31, was an exercise in unabashed hypocrisy. Amid the wreckage inflicted by Israel during its criminal month-long assault, the world's major powers offered the Lebanese people a pittance and then congratulated themselves for their efforts. "Our message should be clear and firm: you are not alone," Swedish Prime Minister Goran Persson pompously declared. "War may be the business of some, but peace will always be our common duty."

Proceedings at the conference demonstrated the cynicism of such statements. The US, European, and Arab powers, together with representatives of the UN, World Bank and International Monetary Fund, pledged aid of \$940 million, raising total international assistance to \$1.2 billion. This money represents just a small fraction of what is required. The UN Development Program has estimated that the war inflicted \$15 billion worth of physical and economic damage.

Israel systematically destroyed much of Lebanon's social and economic infrastructure. Beirut airport was bombed along with power stations, roads, bridges, and homes and businesses. The Lebanese government has calculated that direct structural damage will cost \$3.6 billion to repair. Prime Minister Fouad Siniora has also pledged to pay up to \$40,000 compensation to families whose homes were destroyed or damaged. With about 130,000 people eligible to receive this payment, the scheme is expected to cost more than \$5 billion.

Saudi Arabia, Kuwait, and other oil-rich Gulf states provided most of the

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\$1.2 billion pledged, while the European Union committed \$117 million and the US promised \$230 million. These donations will not cover Lebanon's immediate reconstruction requirements, let alone ease the severe economic crisis caused by the war. The unemployment rate is expected to be more than 20 percent for the rest of the year. The Intelligence Unit for the *Economist* magazine has warned that Lebanon's gross domestic product for 2006 may be 10 percent lower than previous estimates.

"The damage is such that the last 15 years of work on reconstruction and rehabilitation, following the previous problems that Lebanon experienced, are now annihilated," Jean Fabre, of the UN Development Program, declared last week. "Fifteen years of work have been wiped out in a month."

Lebanon's "previous problems" include two Israeli invasions, in 1978 and 1982, an 18-year Israeli occupation of the country's south, and a 15-year civil war between 1975 and 1990. Even before Israel's latest bombardment, the widespread destruction and dislocation in Lebanon had not been resolved. At the beginning of the year, the country's per capita income was one-third lower than what it was in 1975. The official unemployment rate was 9 percent, with youth unemployment twice that.

The conference made no condemnation of Israel for the war or the social disaster left behind. Nor was there any criticism of the US, which collaborated with Israel's war preparations and welcomed the invasion as a means to advance its domination of the Middle East. For three weeks the US blocked calls for an immediate ceasefire and urged Israel to step up its bombardment.

While US representatives attended the conference, Washington has no interest in helping to rebuild Lebanon or assisting its people. The Bush administration refused to pledge any additional money to the \$230 million it had promised shortly after the ceasefire took effect.

A *Jerusalem Post* article entitled "US may consider additional aid to IDF", published on the day of the aid conference, demonstrated the Bush administration's real priorities. According to an unnamed senior US official, Washington would "seriously consider" any request from the Olmert government for up to \$2 billion to re-equip the Israeli Defence Forces. This money would be an additional grant on top of military aid worth more than \$2 billion provided by the US every year.

The US delegate refused to join other international representatives in criticising Tel Aviv's ongoing sea and air blockade of Lebanon. The

Lebanese government, which estimates that Israel's encirclement is costing the country \$45 million a day, has accused the Israeli state of waging economic war. The blockade, which has been in force since the war began on July 13, has caused widespread shortages of fuel, medicine, and other vital supplies.

Even the UN was forced to issue a protest against Israel's brazenly illegal operations. "Aid when there is a blockade is like putting someone on life support when there is a foot on their wind pipe," UN Deputy Secretary-General Mark Malloch Brown declared.

Economic restructuring

The major powers attending the donors' conference were likewise motivated by self-interest. A number of countries in Europe and the Gulf region have significant investment and trade interests in Lebanon, and hope to use economic aid as leverage for advancing pro-business economic reforms. These measures will further impoverish ordinary working Lebanese people and exacerbate social inequality and sectarian divisions.

Lebanon has a public debt of \$40 billion and the world's highest debt to gross domestic product ratio at 180 percent. International investors have warned of a crisis unless this debt is paid off. "Past experience around the world systematically demonstrates that private markets cannot indefinitely accommodate rising public debt ratios," the World Bank stated in a report issued last November. "Even the most faithful investors can eventually lose confidence in the government's capacity to honour its debt, and a major crisis can then ensue, with potentially devastating effects on economic and social fabrics."

The International Monetary Fund (IMF) and the World Bank have demanded that the Lebanese government reduce the debt by raising taxes, cutting spending, and privatising state owned industries, including the electricity network, telecommunications, and water. International investors have also pressed for more favourable investment conditions through less business regulation, fewer trade barriers, greater labour market "flexibility", and a smaller civil service.

These diktats were laid out by Lebanon's creditors at the "Paris II" conference in 2002, which aimed at avoiding national bankruptcy by restructuring the debt. However, few of the required measures were subsequently implemented, due to popular opposition and divisions within the ruling elite.

“The root of Lebanon’s problems lies in its governance structure,” the World Bank complained. The country’s political and economic institutions rest upon a communalist division of power, in which the Sunni, Shiite, Christian, and other minority sect elites can veto major policy proposals. Ever since independence, the Lebanese bourgeoisie’s rule has depended on this sectarianism, which pervades every aspect of the country’s political, social, and economic life.

The existing political set-up, however, is now widely viewed as an obstacle to the implementation of finance capital’s demands. “While a semblance of a modern state exists, there are no modern institutions,” the Washington-based Carnegie Endowment noted. “In short, Lebanon has a confessional oligarchy. The result is perpetual political and administrative paralysis; the existing institutions cannot introduce needed reforms for fear that these changes would alter the status quo and the balance of interests among the communities. This makes it almost impossible to devise a national agenda for political and economic reform.”

The European and Arab powers view the crisis induced by the Israeli invasion as an opportunity to overcome these barriers to economic restructuring. While the international delegates at the donors’ conference in Sweden were careful to project a humanitarian image and did not explicitly make their aid pledges conditional upon economic reform, there is no doubt that the donors expect a quid pro quo.

“International aid providers naturally want to know that their funds are being put to good use and they usually dictate how the money is best spent,” Jim McCredie, a senior manager with accounting firm KPMG, told the BBC. “For some this is the opportunity to impose changes designed to enhance the economic performance or improve the social infrastructure provision in the country. It will also be an opportunity to exert regional influence through Lebanon’s strategic location in the Middle East.”

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