

The impact of the Syrian crises on the Lebanese economy

It is no secret that Lebanon's economy is suffering a series of internal and external challenges that imposed on the global community to reduce its ranking due to the high sovereignty dangers that threaten the country which is surrounded by flame balls burning the 60s systems and reproducing new governing layers in the region.

At the moment it is not easy to rank the Lebanese economy situation; it's been stuck for four years between recession and stagnation, since the GDP components are interacting with the influential factors that can be dispelled as follows:

The Internal Factors: Including 3 basic stations:

First, the political Factor: It represents the existence of two political projects that will hopefully meet at a united national front.

This political factor is manifested by the ongoing presidential vacancy for about 9 months and the lack of respect for the constitutional entitlements by extending the mandate of the parliament (national council of the deputies) twice as well as the lack of the proper mechanism in the governmental action to overcome obstacles between the non-homogenous crew which failed after a year to continue to carry its national responsibilities.

Second, the National Security Factor: It is manifested by the violations on several frontiers even though by limited clashes while the inside is disturbed by Breaches intermittent both in the north, in Tripoli, or in the south where the front is on the borders with Israel and the Palestinian camps.

Third, the Social Factor: is probably the most important one, where the social security is shaken because of the accumulation of the Syrian refugee problem and the absence of reassuring official and international processing while the society is suffering from a disturbed economic growth which is reflected directly on the lives of families and their spending.

The External Factors:

Should refer to two main factors resulting firstly for regional turmoil and what it's doing to the economies of countries in the region, and Lebanon is not an isolated island. The second relates to, a decline of international attention in Lebanon as a bargaining to negotiate on many international issues, as evidenced by the inability of the inside to elect a new president of the republic and not to intervene abroad initiative correction of things. And also this attention is manifested in the Syrian file asylum, where Lebanon was left unable to manage its affairs alone.

Why analyzing/Reading the political scene before displaying the economic reality of Lebanon?

Economy stories begin from politics: In the world of finance and investment, with no initiatives and movements in the absence of stability; political, security and legislative stability and consequently economic stability from here the losses that the Lebanese economy has gone through over the last four years can be counted; a period during which Lebanon was in the middle of the Syrian muddle.

In another indicator of economic downturn, downgraded the sovereign Lebanon from agency to agency "Moody's" World of B1 to B2, with the outlook "negative." The agency "Fitch" has maintained its future outlook negative towards the classification of Lebanon's credit at a grade of B, which means that the high cost of borrowing Lebanon from foreign markets because of rising fears of failure or defaults in payment, in light of the financial, economic and political difficulties facing Lebanon.

The two agencies said the political and security crisis in the region, especially the war in Syria; still preclude any improvement in the classification of Lebanon as a result of the negative impact on the political and economic stability.

The main drivers for the downgrade are: First, the high burden of government debt, and secondly, the negative impact of the Syrian crisis on the government financials, the economic growth and political stability. In the results, expectations of higher public debt of 120% of GDP currently to about 140% of GDP, the third highest percentage among all states bond ratings.

What do those numbers mean?

There is no doubt that Lebanon's economy is no longer based on traditional components for anticipated growth to occur. When it comes to Production Sectors, there is nothing wrong, and we will come back later to show the performance of the leading indicators of those sectors, while the financial and investment flow to decline, but limited, kept channels open in front of doses of oxygen to the heart of the economy. As transfers consistently expatriates to send to their families did not stop, despite some weakness that hit in the Arab periods of recession. Has reached its peak in about \$ 8.5 billion a year, and did not go down on the roof of the 7 billion at worst. However, foreign direct investment has not gone beyond the 5 billion dollars in 2010, before returning to fall to about 3 billion now as it was in the 2006, according to the World Investment Report issued by the "UNCTAD". However, despite these fluctuations, several projects have been launched in different sectors, especially in information Technology, Telecommunication and food industries.

These projects may have opened some job opportunities required by the market every year, which ranged from 20 to 25 000 jobs, leading to stability in the unemployment rate. To determine the unemployment rate in Lebanon is a problem with the multiple statistical sources.

The official statistics determined that the unemployment rate in Lebanon is 11.9%, while rising to 16% by the Ministry of Labor. According to the Consultation and Research Institute, the unemployment rate is between 10 and 15.6%. As by the "ESCWA" it is 16%, the International Labor Organization 25%. It is noteworthy that the Employment Services Center at the University of Balamand, identified in a special conference for employment that the unemployment rate in Lebanon is between 30 and 40% depending on the areas. The final say remains to the economists; they determined this rate to be between 18 to 20%.

There is no doubt that the capabilities of the local labor market has narrowed in recent years for two reasons:

First: Non-GCC labor market's ability to Lebanese labor reception after the 2008 financial crisis, and with the drop in oil prices. Note that the consequences, is either to reduce the salaries of employees of the Lebanese there or demobilization. This expands the local labor market problem.

Second: Illegal crowding formed by the Syrian emergency forced labor since 2011, which added a problem in the irregular and unorganized work market.

This could be an introduction to talk about "the bottom line", i.e. Syrian refugees beyond Lebanon stamina problem. As the economy of the three million people, is not sufficient to six million; especially that the growth continues to decline since four years ago? 9% on average for the years 2008, 2009 and 2010, to 3, 2, and 1.5% for the year domination of Syria crisis on Lebanon's economy.

As it is well known, Lebanon's economy is no longer based on agriculture and industrial sectors, because of the tough negative situations, despite the widening demand and domestic demand for agricultural imports in return for a lower ratio of industrial imports. Both sectors exports recorded a decline on an annual basis.

It is no secret to say that the investment in the agricultural and industrial sectors is declining, to the desire of some investors in quick profits in the services, tourism and real estate sectors. This sudden change in the investment mentality, reflected in red on the performance of these sectors, despite a temporary recovery by rising domestic demand.

And in red, low industrial exports recorded about 9% more than the 13% in 2014 and imports compared with 2013. There are sectors tend to dispense job opportunities that it offers, especially in the industrial sector, which is estimated from the head of the industrial areas of the Industrialists Association, Michel Daher, about 30 thousand jobs, or 21.5% of the size of the job opportunities that attracted these institutions, 140 thousand these estimations are no surprise, because we know that the industrial sector is suffering from rigidity and cessation of investment in equipment and machinery, which will lead to the setback of the of industrial production wheel and quality development .

In addition, production sectors experiencing high productivity costs, not to mention the disastrous loss of the Syrian market, which was considered the most important market for the Lebanese production. According to the Chamber of Commerce, Industry and Agriculture in

Zahle and the Bekaa, Syria was consuming 97% of industrial exports from Bekaa, in the negative effects too, obstacles to passage through the international road, pushing tens of exporters to refrain from export by land, in addition to the collapse of the Syrian pound.

This Bekaa border Fact, reflected damage to dozens of Factories.

Topping the list, rail containers and plastic goods, potatoes and processed juices and manufacturing plants, except for heavy industry and power transformers, a coefficient of up production energy source to the Arab countries across the Syrian road, more than 70%. The record here, light industrial goods exports dropped food as "potato chips" and "Corn Flakes" and incest and paper products industry. These industries in particular are suffering, from weak consumption in the Syrian market and the high cost of transportation, especially insurance on exportation trucks.

Despite the talk of competition for employment Syrian and factories, there is talk about the plants and commodities benefited from the competition due to the absence of the Syrian wheel stopped production due to the events in Syria. He says former Minister of Industry Freij Sabounjian there coefficient Lebanese raised its production capacity, especially related to food production and other industries, the owners complained from Syrian competition that no longer exist, including manufactured papers, tissues, plastics and other small industries.

As for the real estate sector, the picture does not look better. The size of this sector, which is up to about \$ 14 billion, remains frozen by the disturbance of internal stability, and the escape of foreign investors and the disruption of the Gulf demand for the purchase of apartments and land, and the inability to benefit from the Syrian asylum "because the wealthy have bought in the previous period while the middle class rented apartments or intended Hotels".

Ladies and Gentlemen,

This image summarizes the declining size of the growth triangle in Lebanon. Exports fell 22% industrial, agricultural and about 10%, and new investments of 60%. The tourism sector, which was limited to the internal tourism, is no longer the engine of generic sectors such as hotels, restaurants, car rental...

So how can Lebanon with these difficulties endure the displacement of approximately two million Syrians (1.5 million displaced people according to the UN High Commissioner for Refugees) randomly did not find it sponsors the organization or succeed in grabbed the request of the international community's assistance to bear the cost was estimated at \$ 5 billion annually. Note that the cost escalation to open as long as the Syrian fronts open to the crisis is not the solution

Apart from the position of some of some Lebanese politicians from the Syrian asylum file, is it human to leave them behind, living in inappropriate conditions? How can tents protect them from the winter snow and its harshness and from the summer heat? Who will feed hungry mouths if parents cannot find jobs? What upbringing will the children have outside an elementary school?

The international community did not ask about or take into consideration Lebanon's ability to bear the cost of this resort, despite his claim to do so and to establish an International committee in support of Lebanon, to hold three international conferences and signing of memorandums, and despite promises to send the money needed to support. If the intent from neglecting is to crop Lebanon politically, what is the guilt of the Lebanese society, which is almost about to suffocate? And what the guilt of displaced Syrians who are suffering the worst: to leave their country to settle in an improper shelter and lifestyle.

Shelter, clothing, food, hospital, which are considered as bare requirements for living, are not ensured. Is the international community pushing them to poverty and, consequently, to the crime to secure the necessities of life to continue?

Ladies and Gentlemen,

We have no answers about what to expect. But, we have to draw the benefits to which Lebanon is facing economically this year. In the context of the Syrian asylum file, Lebanon's economy is suffering from electricity rationing and oil prices, file of ranks and salaries issue, which will raise the fiscal deficit of the state and weigh on the shoulders of weary private sector, which is suffering from the recession, in addition to about \$ 15 billion financial benefits that Lebanon should pay this year, added to about \$ 64 billion in general dept.

This fact, is supposed to lead us to review a variety of situations, and to take the decision to move in more than one direction ... and work to support two societies combined in one country that originally have room for a half of a society only.

Hopefully this conference will get its anticipated outcome/ response/ result/ reaction;

Thank you for your attention.

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