Here is why the EU should sanction Lebanon's bankers

One year has passed since the Beirut Port explosion of August 4, 2020. As summer temperatures are hitting record highs, so is the political temperature in Lebanon. The families of explosion victims have endured 12 months of lack of accountability and blatant interference in the judicial process. Public anger is simmering and threatening to boil over into another wave of unrest. As the painful anniversary was drawing nearer, the European Union announced a framework that "provides for the possibility of imposing sanctions against persons and entities who are responsible for undermining democracy or the rule of law in Lebanon". The long-anticipated move is effectively a warning shot aimed at pressuring Lebanon's intransigent elites into undertaking reforms.

Those same elites who presided over the explosion have shirked responsibility for Lebanon's spiralling economic crisis – assessed by the World Bank as among the worst ever recorded. Political leaders have prioritised partisan squabbles over rebuilding the country, failing to replace the government that resigned after the explosion. While pressure from the West is welcome, targeted sanctions on Lebanon's politicians risk missing the mark unless they are more effective in their attack on the actual power structure of the country. And in Lebanon, true power – and culpability – lies in the nation's banking sector, which is responsible for the ongoing economic demise of the country. Together with the Banque du Liban (BDL), Lebanon's central bank, commercial banks engaged in a regulated national Ponzi scheme that dug an $80bn public debt hole in the country's finances. Instead of instituting capital controls and enacting a recovery plan, the BDL and the banking sector devised their own shadow financial plan, which employed blatantly illegal multiple exchange rates, informal capital controls, and the printing of vast amounts of local currency. This current arrangement, which would surely qualify as misconduct under the EU sanctions framework, shunts the crushing burden of the crisis onto ordinary Lebanese, who have to take an up to 80-percent cut on their cash withdrawals.

These non-solutions have obliterated the life savings of the Lebanese people and left them struggling with chronic shortages of electricity, food, and pharmaceuticals – the import of which the BDL can no longer afford to subsidise from the country's fast-dwindling foreign currency reserves. Yet, those with sufficient connections to the banking sector have already moved their money offshore, with an estimated $30bn leaving the country since mid-2019.

Sanctioning the banking sector would offer Western policymakers a technically sound and more effective regime than the "framework" proposed by the EU. That is because, to function effectively, sanctions need to be directed at a clearly defined group of individuals and entities that are culpable, have the power to influence change, and feel threatened by sanctions.

At present, the proposed EU sanctions target Lebanon's political leaders, many of whom do not necessarily meet those criteria or who have demonstrated that they are unwilling to challenge the BDL or the banking sector, not least because of current or previous business ties to the industry.

A seminal study from 2016 found that individuals closely linked to the political elite controlled 43 percent of assets in Lebanon's commercial banking sector. The same research found that eight families controlled 29 percent of the banking sector's assets, led by the family of former Prime Minister Saad Hariri.

Through the investment company GroupMed Holding, the Hariri family currently controls the majority stake in BankMed, one of the largest banks in Lebanon. Saad Hariri's successor as premier-designate, fellow billionaire Najib Mikati, who was under investigation for embezzling a state-backed housing fund, has close ties to Bank Audi, Lebanon's largest bank by assets. Mikati's brother and business associate, Taha, has a stake in Bank Audi through his investment company, Investment & Business Holding. Both Hariri and Mikati have had ample chances to reform the banking sector and public finances when they were premiers. They did not do so and there is no reason to think they will do it in the future.

That is why direct sanctions on financial leaders might be more effective. For example, sanctions on BDL officials could help Lebanon strike a fair bailout deal with the International Monetary Fund. Currently, the main stumbling block before securing a loan programme is the need for an audit of the BDL.

In the past, the central bank has repeatedly obstructed this process and would continue to do so until the current BDL governor and commercial banks have a real incentive to facilitate it – something which targeted EU sanctions could provide.

Smarter sanctions against Lebanese banks and bankers would also compel foreign institutions and businesses to stay away from Lebanon's tainted banks. Years of soaring, irresponsible interest rates have attracted all sorts of hungry investors, including Arabian Gulf royals, the European Bank for Reconstruction and Development (EBRD), the World Bank-affiliated International Finance Corporation (IFC), and France's official development agency, Agence Française de Développement (AFD).

At least for Western institutions, retaining stakes in banks directly involved in the "deliberate" economic meltdown of an entire nation should be an obvious moral hazard. The threat of Western sanctions would surely encourage them to pull out of Lebanon's banking system.

While sanctions as an international pressure tool have sometimes been criticised for resulting in unfair collective punishment of whole nations, fears that the Lebanese people would suffer from such measures imposed on their financial leaders are also unfounded. It is hard to conceive how sanctioning the banks that devour people's deposits could worsen the situation. If the sanctions are targeting specific individuals within the country's financial elite, this would prevent any spillover that could affect the Lebanese public. Furthermore, sanctions on the Lebanese financial sector have already proven effective in immediately producing change in the country. Over the past decade, two Lebanese banks were brought down by a simple edict from the US Department of the Treasury over suspected money laundering for Hezbollah.

Pressure from the US also cracked open Lebanon's antiquated banking secrecy regime for the first time, as Lebanese banks sought to comply with Washington's Foreign Account Tax Compliance Act. The law requires banking institutions to provide information to US tax investigators about American customers.

Without decisive action, the future looks incredibly bleak for Lebanon, which is fast becoming a failed state.

No economy, human soul in...

From P1

This comes as heavy fighting continued in the city of Sheberghan, the capital of northern Jawzjan province. At least 150 members of the public uprising forces loyal to Junbish and led by Commander Ali Sarwar have newly arrived in Sheberghan to help other forces on the ground, a senior member of Junbish-e-Milli, Sayed Shamsuddin Sadat, said.

Dostum's son Yar Mohammad Dostum is leading the public uprising forces in their fight against the Taliban in Sheberghan.

This comes as the UN chief in Afghanistan on Friday asked the Taliban to stop attacking Afghanistan's provincial capitals.

The Kabul Times

Tunisian democracy was destroyed by corruption long before President Saied's actions

Democracy in Tunisia was under threat long before President Kais Saied acted to dismiss Prime Minister Hichem Mechichi and suspend parliament, with a small group of corrupt political elites hoarding power and spreading wealth among themselves to the detriment of the Tunisian people.

Showcasing a profound lack of self-awareness, last week Rachid Ghannouchi, leader of the Tunisian Islamist Ennahda party, called Saied's emergency intervention a threat to democracy. "We have seen in the past how gathering all powers in the hands of a single person led our country to plummet into the darkness and despair of dictatorship," Ghannouchi wrote in a piece published by The New York Times.

Seeking to substitute foreign support in lieu of the domestic support he lacks, the head of the Islamist Ennahda failed to mention the desperation and anger experienced by Tunisian voters and the tyranny of corruption, political gridlock and economic mismanagement that hijacked democracy in Tunisia while his party dominated the country's politics for the past 10 years.

Saied's actions are a threat to the status quo rather than democracy, but nevertheless a slew of reductivist pundits in foreign outlets quickly tried to decontextualize the crisis and marginalize local voices in favor of Ennahda's talking points. However, for the majority of Tunisians, the emergency measures announced on July 25 were not "a coup" or a "threat to democracy", but an important course-correcting intervention against a corrupt status quo that subverted democracy for over a decade and rendered it meaningless.

Today, it is the ordinary Tunisian who is in despair. A father on the verge of tears, the 57-year-old father Ali Ayari who participated in the protests in Tunis told Meshkal/Nawaat, "I cannot live anymore. I feel like crying as I am talking to you. I went out because I am fed up. We're hungry."

A poll by Emrhod Consulting on July 28 revealed that more than 87 percent of Tunisians approve of Saied's "state of exception" measures, while 86 percent approve the suspension of parliament, 88 percent approve the lifting of parliamentary immunity, and 83 percent approve the dismissal of Prime Minister Hichem Mechichi. The Tunisian Labor Union, expressed its support too: "This era – that put Tunisia on fire, dismantled the state and worsened the economic and social conditions – must be ended."

For a decade, Ennahda's era oversaw the country spiraling into economic collapse, police brutality, and corruption while doubling the country's debt to unsustainable levels. Tunisia now faces a crippling unemployment rate of 16.69 percent and a COVID pandemic with one of the highest per capita death rates in the world.

According to the OECD, Tunisians perceive corruption as the third main problem after unemployment and economic mismanagement, while 59 percent feel helpless against corruption.

A nationwide survey of Tunisia by the International Republican Institute (IRI) in September and October 2020, published in January 2021, revealed that corruption has had a negative impact on 78 percent of citizens. Nearly one-in-four Tunisians have personally experienced corruption with police (23 percent), and nearly one in five Tunisians have personally experienced corruption with hospitals (18 percent). When IRI asked about the national government's most important achievement in 2020, 75 percent of Tunisians said it accomplished nothing, and even more believe the government (85 percent), ministries (81 percent), and parliament (88 percent) are doing little or nothing to address the needs of ordinary citizens.

As Bertrand Venard, professor at the University of Oxford explains, corruption is profoundly damaging to democracy as it destroys the relationship between collective decision-making and people's ability to influence decisions, which is the very relationship that defines democracy.

Furthermore, while elections are a feature of democracy, elections alone do not ensure that a state is democratic. In new and emerging democracies, elections are just a first step. Even in established democracies such as the United States where elections are regular, minority interests can, over time, exploit an ineffective system to transmute democracies into oligarchies. Another example closer to the region is Turkey, which has maintained its path towards autocracy while posing increasing threats against its own citizens and neighbors.

As such, it is disingenuous to pretend that the Tunisian status quo has been a successful or meaningful model of democracy. Without a genuinely representational and responsive government and a vibrant civil society, democracies can very well become kakistocracies that fuel poverty, civil unrest, and even mismanagement of natural disaster response. Scott Richards, Executive Director of the Joint Task Force for Anti & Counter Corruption, said that in states where "day-to-day corruption becomes a norm for ordinary people, corruption inhibits the formation of a functional civil society and deprives citizens of belief in the State as being at the service of the people that it purports to govern."

In Leo Tolstoy's What Then Must We Do?, a non-fiction work where he addresses the poverty and exploitation afflicted by the ruling elite in 19th-century Russia onto Moscow's slum dwellers, he writes: "I sit on a man's back, choking him and making him carry me, and yet assure myself and others that I am very sorry for him and wish to ease his lot by all possible means-except by getting off his back."

Today, 10 years after Tunisians revolted against Ben Ali's dictatorship out of hunger and desperation, they find themselves even hungrier and more desperate still.

Perhaps it is time for the failed political elite of Tunisia to get off the backs of their long-suffering citizens and allow them another chance at an "Arab Spring" after the first proved to be a long, cold winter. **alarabiya**

Taliban should think of their crimes against...

From P3

Currently, an official complaint with the help of national consensus has been submitted to the United Nations for clear aggressions of Pakistan. In the complaint statement, the UN has been asked to help the people of Afghanistan defend their country.

The people of Afghanistan have repeatedly witnessed such shameful aggressions and invasions from the enemies of Afghan people, but they have overcome and defended each inch of their country. They have been always united against foreign invasion. The dignified people of Afghanistan will overcome the current phenomenon caused by Taliban aggressions and invasions.

It is time for the honorable and brave people of Afghanistan not to leave their sisters and brothers defending the country and fighting against Pakistani aggressors and invaders alone.

It is time that the country's defense and security forces should be fully supported as our strength is in our unity. Please be united against Pakistani aggressors and invaders.

Lailuma Noori

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'Taliban's travel ban exemption must be predicated...

From P2

The travel ban exemption on Taliban members exists to allow them to travel for the sole purpose of peace negotiations. The exemption is to be renewed on Sept. 20. Further extension must be predicated on real progress in peace, she said.

The Security Council and those states who meet with the Taliban must urge them to grant humanitarian access to areas it controls and commit to humanitarian cease-fires in contested areas -- if it will not agree to the general cease-fire. At the same time, UN member states should contribute to the severely underfunded humanitarian appeal for Afghanistan. This humanitarian appeal right now stands at only 30 percent funded, she said.

Her mission strongly supports greater efforts by the United Nations and regional and international community to find ways to hold the perpetrators of the most serious human rights violations accountable, she said.

"We, as the members of the regional and international community so well represented by this council, must put aside our own differences on the question of Afghanistan and send a strong signal -- not only in our public statements but also in our bilateral communications with both parties -- that it is essential to stop fighting and negotiate, in that order. Otherwise, there may be nothing left to win," said Lyons.