Conflict Factsheet

Food Price Shocks in Lebanon

<table>
<thead>
<tr>
<th>Type of conflict</th>
<th>Intensity</th>
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<tbody>
<tr>
<td>Sub</td>
<td>1.5</td>
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<table>
<thead>
<tr>
<th>Conflict Locality</th>
<th>Time</th>
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<tbody>
<tr>
<td>Western Asia</td>
<td>1987 – ongoing</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Countries</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lebanon</td>
<td>Agricultural / Pastoral Land</td>
</tr>
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Conflict Summary

Lebanon is highly dependent on food imports and thus has to cope with the volatility of global food prices. Whereas price-related food riots in 1987 led to several fatalities, the Lebanese Government used subsidies to limit the impact on the population during the recent global food price spikes. This was successful in avoiding violence, but raises troubling long-term questions about the fiscal sustainability of such measures and the potential consequences of the abolition of such subsidies in terms of fragility.
Conceptual Model

Climate Change

Environmental Change

Intermediary Mechanisms

Fragility and Conflict Risks

Social and Economic Drivers

Change in Access / Availability of Natural Resources

Anti-State Grievances

Volatile Food Prices

Natural Resource Scarcity

Reduced State Capacity and/or Legitimacy

Context Factors

Food Import Dependency
High Food Expenditure
Inadequate Infrastructure

Agricultural / Pastoral Land
Conflict History

Lebanon’s agriculture and import dependency

Due to its diverse climate conditions, Lebanon is one of the most agriculturally productive countries in the Middle-East North-Africa (MENA) region. These conditions enable the country to produce diverse agricultural and farming products, such as citruses, potatoes, wheat, tomatoes, sheep and goats (Bankmed, 2013). However, in spite of its agricultural potential, Lebanon is highly dependent on food imports for domestic consumption, which include processed food, dairy and meat. Today, the country imports approximately 80 percent of its food (Aspen Institute, 2012). This is due to the fact that a large part of the production is exported and because of the underinvestment of successive governments in the agricultural sector. Since the 1990s, governments have allocated less than 3 percent of the national budget to the sector whilst subsidies for electricity alone account for more than 4.5% of GDP (Albers and Peeters, 2011). Moreover, issues such as the use of inefficient technology, inadequate water infrastructure, high production costs, lack of government planning and a monopolized agricultural supply chain have been hampering agricultural production (Sassine, 2015; Issam Fares Institute, 2013).

Environmental impacts

Even though the 2007-2008 crisis led Lebanon to seek food self-sufficiency, pollution and other degradation are likely to decrease the availability of arable land over the years (Babar and Kamrava, 2012). Ceteris paribus, this would thus make the country even more dependent on imports.

Riots in 1987

In 1987, following twelve years of civil war, the Lebanese pound had lost 98% of its value and the country was going through a severe period of inflation, particularly in terms of food prices. Despite several attempts to raise wages, the government did not succeed in mitigating the price rises (Ghazi, 1997). As a result, the high price of fuel, medicine and food triggered the eruption of so-called “bread-riots”.

Inability of government to fulfil its basic functions

In the eyes of moderate leaders and the population, the fragile economic situation was the result of the inability of the government to ensure the provision of adequate public services (Salam, 1987), in particular to provide the population with affordable food. In 2007-2008 and 2011-2012, as the Lebanese import bill rose again due to global food price spikes, unions threatened to strike at several occasions to demand the government increase wages and subsidies to enable the population to cope with food and energy price increases (Missionary International Service News Agency, 2008; The Daily Star, 2012b). The government then appeased the population by increasing subsidies and by convincing flour mills to reduce the price of flour (The Daily Star, 2012b). The policy tools used by the Lebanese government to limit discontent have played a major role in avoiding that the situation of fragility – in this case, protests – escalated to large-scale violence as it did in 1987.

Vulnerability to global food price shocks
As a consequence of the country’s dependence on imports, global food price spikes raise the costs of food imports for the country. Between 2005 and 2008, a period of food price spikes, Lebanon’s cereal import bill increased by more than 65 percent: vegetable oils and sugar increased by 45 percent, meat products by 40 percent and dairy products by 20 percent (Sassine, 2015). Moreover, because Lebanon’s trade balance is negative and because the country runs a large fiscal deficit, food price spikes, as observed in 2007-2008 and 2011-2012, have widened the country’s already large deficit (Albers and Peeters, 2011; Cafiero et al., 2012). Lebanon’s fiscal deficit increased from 6 percent in 2011 to 9 percent in 2012 (SNAP, 2013).

Political instability

The political instability in Lebanon renders the emergence of situations of fragility more likely. The deep religious divisions in the country and the continuous struggles of sectarian leaders to maximize influence and/or secure veto points have prevented the country from establishing a well-functioning government for years (Gehem et al., 2014). In 2011, this accentuated the fragility of the state and led the population to take to the streets to demand the overthrow of the sectarian system which characterises the country’s political system (The Washington Post, 2011). More recently, from 2013 to 2014, the religious divisions prevented the election of a President. By increasing fragility, political instability also accentuates the effects of food price shocks on the population. The high political instability in the country in 2011 prevented the government from shielding the population from the 2010-2011 price shocks (Aburawa, 2011).

Corruption and inequality

Several context factors play a role in facilitating situations of fragility. Widespread corruption as well as the pronounced inequality could potentially cause the discontent of the population (SNAP, 2013). Even though successive increases of the minimum wage benefited the poorest, the general subsidies provided by the government mostly benefit the richest part of the population. Between 2004 and 2010, the poorest quintile of the Lebanese population received between 1 and 8 percent of the total fuel subsidies, whilst the richest population received between 38 and 86 percent of them (Albertin et al., 2014). Albertin et al. also highlight that food subsidies – even though better targeted – also benefit the richer more than the poorer (ibid.). This unequal system could accentuate the dissatisfaction of the population and facilitate the emergence of situations of fragility.

Conflicts at the border

Conflicts at the border of Lebanon – and particularly the current civil war in Syria – also facilitate situations of fragility. At the border with Syria, Lebanese citizens depend on Syria for imported food and other groceries (SNAP, 2013). In addition, Lebanon has been welcoming a massive influx of refugees since the beginning of the conflict, which have increased pressure on the state to deliver goods and widened the state’s fiscal deficit. Whilst the state has been receiving less revenue, it has had to increase the delivery of public services such as electricity and water. Refugees are also competing for jobs with the locals, and have been driving up unemployment (The World Bank, 2013).

Demographic factors
A number of scholars have argued that a high youth rate increases the likelihood of unrest. In the case of Lebanon, this rate is diminishing, yet Gehem et al. argue that the outgoing “youth bulge” could fuel protests (Gehem et al., 2014).

Resolution Efforts

In 2012, the Aspen Institute declared Lebanon to be amongst the most vulnerable countries to global food price shocks (Aspen Institute, 2012). Yet it is interesting to see that, despite Lebanon’s high dependence on food imports and its negative fiscal balance, the policies put in place by the government have been able to shield consumers. However, although such policies are effective in protecting the population from sudden price shocks in the short-term, they are not sustainable in the long-term and could actually worsen the situations of fragility that may arise if those subsidies were to be removed.

Government interventions

Although Lebanese households spend an average 34% of their income on food – up to 60% for the poorest households –, the recent global food price spikes did not hit the population as hard as they did in other MENA countries such as Tunisia and Morocco. This is due to the fact that, despite the country’s large deficit, the Lebanese Government limited the impacts of rising food prices on the population by raising the minimum wage (Saif, 2008). This intervention is only one of the many subsidies that the government grants to the population to shield them from high energy and food prices. The authorities regularly increase the level of subsidies to adapt to the volatility of global food prices. In addition to setting the prices of electricity below the import price, the government increased subsidies for bread during the global food price shocks of 2011-2012 (Albertin et al., 2014; The Daily Star, 2012b). In 2011, Lebanon was, with Jordan, the country which subsidised the population the most in the MENA region (Albertin et al., 2014).

Food price shocks and situations of fragility

After the recent global food price shocks, many scholars have drawn a link between food price shocks and the emergence of so-called food-price riots. However, the present analysis of the Lebanese case shows the complexity of the issue, i.e. that global food prices alone are not sufficient for explaining why situations of fragility emerge. During the recent global food price shocks, the ability of the state to fulfil its basic functions vis-à-vis the population – i.e. shield them from the full impact of soaring prices – has been crucial to in preventing the emergence of situations of fragility by appeased the dissatisfaction of the population. The Lebanese government’s (and society’s) ability is all the more remarkable as several other factors - the civil war in neighbouring Syria and the deep sectarian cleavages - compounded its political fragility. To strengthen Lebanon’s resilience to volatile global food prices, scholars have propose several recommendations:

Recommendations:
• Invest more in agriculture to find alternatives to the inefficient technologies and infrastructure which limit the potential of agricultural production (Sassine, 2015). Technology and knowledge transfers from developed countries could help Lebanon in this endeavor (Saif, 2008);
• Adopt more economical practices – for instance through the reduction of energy consumption -- and harvest less water-intensive crops (Saif, 2008; Sassine, 2015);

• Adopt policies encouraging farmers to increase production, with tax breaks and facilitated access to capital (The Daily Star, 2012a);

• The current food and energy subsidies implemented by the Government are highly unsustainable, particularly given the country’s large fiscal deficit, and could exacerbate future situations of fragility if they have to be removed. As discussed in the general case on food price shocks, international organisations generally warn against using food and fuel subsidies because they are costly, often wasteful in the distributive effects, and difficult to remove once in place.

To conclude, the Lebanese population was shielded from latest global food price spikes thanks to the successive subsidies granted by the government. However, the protests that the country experienced demonstrate that the failure of the government to continue protecting the population is likely to lead to situations of fragility. Given the wide fiscal deficit of the country, the subsidisation strategy has become unsustainable and the fractiousness and potential incapacity of the government to continue these subsidies could lead to situations of fragility. For this reason, the government needs to find an exit strategy from potentially ruinous subsidies and strengthen the agricultural sector to reduce the country’s dependence on imports.
### Intensities & Influences

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<th>Intensities</th>
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<tr>
<td>International / Geopolitical Intensity</td>
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<td>Human Suffering</td>
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<td>Environmental Influences</td>
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<td>Societal Influences</td>
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#### Violent Conflict
- Yes

#### Mass displacement
- None

#### Cross Border Mass Displacement
- No

### Resolution Success

<table>
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<tr>
<th>Success Category</th>
<th>Status</th>
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<tbody>
<tr>
<td>Reduction in geographical scope</td>
<td>None</td>
</tr>
<tr>
<td>Increased capacity to address grievance in the future</td>
<td>None</td>
</tr>
<tr>
<td>Grievance Resolution</td>
<td>Partial</td>
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<tr>
<td>Causal Attribution of Decrease in Conflict Intensity</td>
<td>Conflict resolution strategies</td>
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Decrease in conflict intensity at least partially the result of conflict resolution strategies.
Entry Points for Resilience and Peace Building

Reducing dependence on specific supplies
It is recommended that Lebanon invests more in agriculture to find alternatives to the inefficient technologies and infrastructure which limit the potential of agricultural production.

Containing (effects of) price volatility
Lebanese authorities limited the impacts of rising food prices on the population by raising the minimum wage and increasing the level of subsidies. However, the current food and energy subsidies implemented by the government are highly unsustainable.

Improving actionable information
Technology and knowledge transfers from developed countries could help Lebanon in creating better technologies to improve its agricultural production.

Improving resource efficiency
Lebanon could adopt more efficient economical practices to reduce energy consumption and harvest less water-intensive crops. Likewise, Lebanon could adopt policies encouraging farmers to increase production, with tax breaks and facilitated access to capital.

Resources and Materials

References with URL
Albertin et al. (2014). Subsidy Reform in the Middle East and North Africa. Recent Progress and Challenges Ahead.
Breisinger et al. (2012). Beyond the Arab Awakening.

Further information:
https://factbook.ecc-platform.org/conflicts/lebanon-food-price-shocks