

LEBANON

WHAT HAPPENED IN OCTOBER?

In a significant breakthrough, Lebanon and Israel **signed a maritime border deal** following months of Israel-Hizbollah tensions. Parliament failed to elect a president before the end of Michel Aoun's term, while government formation and progress toward reforms remained stalled.

WHY DOES IT MATTER?

The maritime agreement **defuses a major flashpoint** between Israel and Hizbollah. The presidential vacuum marks another twist in Lebanon's downward political spiral, reducing already-slim prospects for exiting the crisis and enacting reforms required to unlock International Monetary Fund (IMF) support.

SEPTEMBER TRENDS

Parliament failed to elect President Michel Aoun's replacement. Cabinet formation remained stalled. **Street clashes and bank heists** underscored growing insecurity and the deepening economic crisis. Lebanon and Israel came closer to a maritime border deal.

TRENDS TIMELINE



1 ➔ Lebanon and Israel struck maritime border deal

Aoun and Israel on 27 October separately signed a U.S.-mediated agreement to demarcate the maritime border, which leaves the Karish gas field in Israeli waters and most of the Qana prospect inside Lebanese waters. Lebanon can explore and potentially exploit Qana, and Israel is entitled to compensation for the percentage of Qana on its side.

After Hizbollah threatened to take aggressive steps to deter Israel from energy-exploration activities before concluding an agreement, the deal removes a **potential conflict trigger** between the parties.

2 ➔ Search for new president and cabinet continued

A presidential vacuum appeared imminent after parliament failed to appoint a successor for Aoun, whose six-year term ended on 31 October.

Meanwhile, cabinet-formation efforts remained stalled, five months after parliamentary elections. Because appointing a new government requires the president's approval, the presidential vacuum implies that Lebanon's current caretaker government, which has only limited authority, will remain in place pending a presidential appointment. The vacant presidency will also **create constitutional uncertainty** over the caretaker government's right to exercise presidential prerogatives.

3 ➔ Limited progress on financial reform

Even before the impending presidential vacuum, the passage of legislative reforms needed to unlock an IMF bailout **remained grindingly slow**. Parliament on 18 October passed amendments to the banking secrecy law, although they may not meet the IMF's standards.

Parliamentarians are yet to approve a formal capital control law, while the central bank struggles to unify various exchange rates. The 2022 budget, approved on 3 October, introduced yet another exchange rate significantly below the unofficial market rate.

WHAT TO WATCH

A presidential vacuum and weakened government further complicate efforts to address the economic crisis amid soaring energy prices as winter approaches. Parliament plans to continue the search for a new president, but an **acceptable candidate remains elusive**.

Benjamin Netanyahu, whose coalition won Israel's early November elections, vowed to **"neutralise" the maritime border deal**. Lebanon's prime minister and the U.S. expressed confidence that the deal would remain in place despite Netanyahu's election.

