



The Solomon-Hiram Solution: How Peace Can Unlock Lebanon's \$100 Billion Banking Crisis

A comprehensive Israel-Lebanon accord offers the most viable path to restoring frozen deposits while achieving lasting regional stability

By: Carlos Abadi



Border crossing between Israel and Lebanon (Shutterstock: Alexandre Rotenberg)

Executive Summary

- **Only a comprehensive peace with Israel can truly unlock Lebanon's future.** The Solomon-Hiram Accords envision a historic Israel-Lebanon agreement that ends border disputes, stabilizes the region, and provides the indispensable foundation for restoring Lebanon's shattered banking system and economy.
- **Without peace, no financial solution is possible.** The IMF's failed 2022 plan showed that technical fixes collapse in the face of political instability. By contrast, peace with Israel is the confidence catalyst that can draw back capital, free frozen deposits, and replace conflict with prosperity.



- The framework would **leverage Lebanon's hidden assets**—prime Mediterranean coastline, natural gas reserves, and existing port infrastructure—transforming them into engines of recovery and positioning Lebanon as a hub for regional trade in partnership with Israel.
- **Financing formula:** Public asset securitization (up to \$50B), reversal of unfair crisis-era currency conversions (~\$10B), and cooperative energy development with Israel, could cover the vast majority of Lebanon's recapitalization needs from domestic resources.
- **Peace-driven private capital flows**—from the Lebanese diaspora, Gulf sovereign wealth funds, and European investors—could bring in **\$50–100B within five years**, organically rebuilding the banking system without reliance on international bailouts.
- Every stakeholder gains: Lebanon restores deposits and jobs, Israel secures its northern frontier through integration rather than war, Gulf states counter Iran with investment, and the West proves that diplomacy and peace can deliver economic transformation.

Introduction

Lebanon's banking crisis began in October 2019, when banks imposed [informal capital controls](#) blocking depositor access. This was followed by the government's [default on its Eurobonds](#) in March 2020. Since then, the crisis has trapped [\\$100 billion in depositor funds](#)—including dollar accounts, Lebanese pound deposits, and various investment products held by individuals and businesses across the country's banking system—for over five years, devastating the country's middle class and sparking one of the modern world's worst economic collapses. In parallel, the Israel-Lebanon border remains a tinderbox, with periodic flare-ups threatening regional stability. These twin crises appear unrelated—but they are actually two sides of the same problem that can be solved together.

The fundamental issue is not just Lebanon's \$65 billion central bank shortfall, though that is highly challenging in itself. The deeper issue is the absence of investor confidence that prevents private capital from returning to rebuild the financial system. No amount of international aid can restore depositor access without addressing the underlying political instability that keeps Lebanese diaspora wealth—[estimated at over \\$200 billion globally](#)—sitting safely in foreign banks.

The Failed IMF Approach

The [2022 IMF Staff Level Agreement](#) collapsed because it tried to solve a confidence crisis by destroying confidence. The fund's plan called for recognizing and addressing



upfront the large losses in the banking sector while protecting small depositors, but critics argued that this essentially meant forcing depositors to become unwilling shareholders in failed institutions through [haircuts of up to 70%](#) on large deposits. This plan to partially confiscate deposits in order to balance Lebanon's books was economic malpractice. As any dealmaker knows, you cannot restore trust by betraying it. Lebanese politicians killed the program because they were not politically suicidal.

However, the deeper flaw was strategic: no financial solution can work while the Israel-Lebanon conflict creates persistent instability. The [maritime boundary agreement of 2022](#) proved that cooperation is possible, but piecemeal deals cannot overcome systemic uncertainty about Lebanon's future.

A New Framework: The Solomon-Hiram Accords

The solution requires thinking bigger: a comprehensive Israel-Lebanon peace agreement that permanently resolves territorial disputes while creating the stability framework for financial recovery. Call it the Solomon-Hiram Accords—reviving the ancient trading partnership between these Mediterranean neighbors.

This is not just another Middle East peace process. It is a new model whereby economic transformation drives political resolution. Such accords would establish formal diplomatic relations, resolve all territorial disputes, create agreed-upon security cooperation mechanisms, and—most critically—enable the economic partnerships that make Lebanese banking recovery possible.

The financial architecture leverages Lebanon's hidden strengths. The country sits on approximately \$100 billion in underutilized public assets, primarily prime Mediterranean coastline that a peace agreement would transform into the most valuable real estate in the Eastern Mediterranean. Lebanon's strategic location and established port infrastructure at Beirut and Tripoli could provide redundancy and additional capacity for Europe-Israel trade routes, given the congestion and capacity challenges at Israeli ports.

The Funding Formula

Lebanon's existing legal framework allows the Republic to securitize these public assets under Article 113 of the Code of Money and Credit, potentially generating \$50 billion for central bank recapitalization. An additional \$10 billion can be recovered by correcting currency conversions made during the banking collapse, when some large organizations and wealthy individuals were allowed to exchange Lebanese pounds for dollars at favorable rates that were not available to ordinary depositors. The focus



should be on cases where such reversals can be legally justified and practically implemented.¹

Combined with targeted infrastructure investment and natural gas revenues—impossible without Israeli cooperation on maritime boundaries—these domestic sources can provide 80% of the solution. External assistance becomes catalytic rather than substitutive, triggering massive private capital return rather than replacing it.

The Private Capital Multiplier

Here is where peace becomes economics: a credible Israel-Lebanon agreement signals stability, unleashing the return of Lebanese diaspora capital that has been waiting on the sidelines. Conservative estimates based on [diaspora remittance patterns](#) and surveys by the Lebanese International Finance Executives association suggest up to \$50 billion in private Lebanese wealth would return to domestic banks within five years of a comprehensive peace settlement.

Add Gulf sovereign wealth seeking regional investment opportunities, European capital attracted by reduced political risk, and special situations funds targeting distressed banking recoveries, and the private capital flow could reach \$100 billion—more than enough to organically rebuild the banking system without government funding.

Stakeholder Alignment

Every key player has compelling reasons to support this framework:

Lebanon gets its frozen deposits back through market forces rather than aid dependency, with small depositors accessing funds within two years as the banking system strengthens.

Israel achieves northern border security through economic integration rather than military deterrence, plus access to Lebanese gas resources and Mediterranean trade routes.

Gulf partners find attractive investment returns while reducing Iranian influence without military confrontation.

Europe finally sees results from the stalled [\\$11 billion CEDRE infrastructure fund](#)—the international donor conference package pledged in 2018 for Lebanese infrastructure

¹ During the banking crisis, some large institutions and wealthy individuals received favorable dollar exchange rates not available to regular depositors. Legal and practical recovery should focus on cases where such preferential treatment can be documented and reversed through existing legal mechanisms, like the "clawback" provisions used in Cyprus 2013 and Argentina's 2002 financial restructuring.



development that remains undeployed due to political instability—while diversifying energy supplies away from Russia.

The United States demonstrates that sophisticated diplomacy can achieve both security and economic objectives simultaneously, creating a template for conflict resolution through shared prosperity.

Implementation Reality

The following timeline is aggressive but achievable. Within 90 days of signing comprehensive peace accords, public asset securitization and exchange rate corrections could generate \$5 billion for immediate small depositor relief. Within three years, combined domestic sources and private capital flows could restore 85% of frozen deposits.

The risks are manageable. Hezbollah interference becomes economically irrational when the peace process creates 40,000 jobs. Revenue shortfalls can be buffered through conservative projections and bridge financing. Legal challenges to exchange rate corrections have precedent in Argentina's 2002 pesification process and Cyprus's 2013 bank restructuring, where courts upheld government authority to adjust currency conversions in financial crisis situations.

Addressing Sectarian Concerns

The Solomon-Hiram Solution succeeds precisely because it addresses the fundamental economic grievances that fuel sectarian tensions and resistance to peace with Israel. This is not merely about diplomatic agreements—it is about transforming the material conditions that make peace economically rational for all Lebanese communities.

The Shia Community's Path to Peace

Lebanon's Shia community, comprising 30-40% of the population, has historically been the most marginalized and economically disadvantaged group in the country. From the 1940s through the 1980s, Shia areas experienced systematic underdevelopment and minimal representation in government positions. This marginalization created the conditions for Hezbollah's rise as both a militant organization and comprehensive social service provider.

Hezbollah's power derives not primarily from ideology, but from its role as the community's economic lifeline. The organization operates an extensive network including hospitals, schools, agricultural services, and direct financial assistance worth hundreds of millions of dollars annually. In 2012, 94% of Lebanese Shia supported Hezbollah, but recent polling shows this support declining as the economic crisis deepens, and Hezbollah's regional adventures in Syria and Yemen have cost Lebanese Shia lives while providing no tangible benefits.



The Solomon-Hiram framework directly addresses these economic grievances. Comprehensive peace would trigger:

- Immediate Economic Relief: Creation of 40,000 jobs in the first phase, disproportionately benefiting Shia-majority areas in South Lebanon and the Bekaa Valley where unemployment is highest.
- Infrastructure Investment: The \$11 billion CEDRE fund becomes deployable, with significant portions allocated to historically-neglected Shia regions.
- Energy Development: Lebanon's natural gas reserves, accessible only through cooperation with Israel on maritime boundaries, could generate billions in revenue while providing cheap electricity to Shia communities that currently lack reliable power.
- Trade and Logistics: Port facilities in Tyre and other southern locations would become major economic hubs serving Israeli-European trade routes.



Man exchanging Lebanese bank notes to dollars (Shutterstock: Ali Chehade Farhat)

This economic transformation makes Hezbollah's social services redundant while providing legitimate employment for its estimated 40,000 members and supporters. As American envoy to the Middle East, Tom Barrack, [noted](#): "We have 40,000 people that are being paid by Iran to fight. What are you gonna do with them? Take their weapon and say 'incidentally speaking, good luck planting olive trees'? It can't happen. We have to help them."

The Sunni Community's Alignment



Lebanon's Sunni community, traditionally led by the commercial elite of Beirut, Tripoli, and Sidon, has different concerns but equally compelling reasons to support comprehensive peace. Sunni areas have also been devastated by the economic crisis, with [poverty rates in northern Lebanon reaching 70%](#) in some areas. The community's traditional economic base—trade, services, and small business—has collapsed under the banking crisis.

The Solomon-Hiram Solution offers the Sunni community:

- **Commercial Revival:** Lebanon's traditional role as the region's commercial hub is restored through normalized trade relations with Israel's \$500 billion economy.
- **Banking Sector Recovery:** Sunni-dominated banking families see their institutions recapitalized through the comprehensive financial restructuring that peace makes possible.
- **Diaspora Return:** Economic stability encourages Lebanese Sunni diaspora investment, particularly from Gulf countries seeking regional opportunities.
- **Political Rebalancing:** Economic recovery strengthens state institutions, reducing Hezbollah's disproportionate influence and restoring the Sunni community's traditional political role.

Breaking the Resistance Economy

The crucial insight is that Hezbollah's "resistance economy" becomes counterproductive when peace offers better alternatives. Currently, the organization justifies its arsenal and regional activities as necessary protection for the Shia community. But when peace agreements create more jobs and economic opportunities than the resistance can provide, the cost-benefit analysis shifts decisively.

Historical precedent supports this approach. Hezbollah's 2000 popularity peak came not from military victories, but from ending Israeli occupation—a goal the Solomon-Hiram Solution achieves permanently through negotiation rather than conflict. The organization's [declining support](#) since dragging Lebanon into costly wars with Israel in 2006, and in Syria after 2012, demonstrates that Lebanese Shia prioritize prosperity over proxy conflicts.

Economic Integration Over Military Deterrence

The framework succeeds because it replaces the current model—where communities depend on armed groups for security and services—with one where economic integration provides both. Israeli security concerns are addressed through economic partnerships that make conflict economically irrational for all parties. Lebanese communities gain access to prosperity that dwarfs what militias can provide.



This approach has already shown success in the 2022 maritime boundary agreement, where potential gas revenues convinced even Hezbollah to accept Israeli exploration rights in exchange for Lebanese development opportunities. The Solomon-Hiram Solution scales this model to encompass all aspects of the relationship.

The Broader Stakes

Success would prove that comprehensive peace agreements can unlock unprecedented economic opportunities, making conflict resolution financially attractive rather than costly. The Lebanese model could apply to Syrian reconstruction, Palestinian development, and broader Middle Eastern transformation.

The window is optimal. Lebanese desperation creates reform willingness previously absent. Israeli confidence enables calculated risk-taking. Gulf liquidity seeks profitable deployment. French leadership needs validation. Every stakeholder is positioned to say yes to both peace and prosperity.

The Choice Ahead

The alternative to bold action is predictable: continued Lebanese economic collapse, periodic border conflicts, and missed opportunities for regional transformation. The depositor crisis will fester, the security situation will deteriorate, and American influence will diminish as other powers fill the vacuum.

The Solomon-Hiram approach offers something rare in Middle Eastern diplomacy: a deal where everyone wins through shared economic growth rather than zero-sum competition. It requires no American funding, but rather just the diplomatic architecture to broker comprehensive peace while others provide the capital that peace unlocks.

Lebanon's banking crisis and the Israel-Lebanon conflict are not separate problems requiring separate solutions. They are interconnected challenges that can only be resolved together through the kind of visionary deal-making that turns regional instability into shared prosperity.

The ancient trading partners of Solomon and Hiram can become modern economic allies. The question is whether today's leaders have the imagination to seize this historic opportunity.

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