LEBANON

WHAT HAPPENED IN FEBRUARY?
The economic crisis deepened as the currency plunged to a new low, fuelling protests. Amid a deadlock over presidential selection, the executive vacuum continued without an end in sight. Hizbollah accused the U.S. of destabilising activities, warning of grave consequences.

WHY DOES IT MATTER?
Lebanon’s crippling economic crisis raises poverty rates and drives unrest. The executive vacuum may persist for months or years, impeding desperately needed economic reform. Hizbollah’s warnings suggest the party may act more aggressively vis-à-vis Israel, increasing the risk of an armed escalation.

JANUARY TRENDS
The Lebanese lira (LBP) crashed to all-time lows, reaching 63,500 LBP to $1 on 27 January, which cut purchasing power further. Parliament continued to deadlock over the appointment of a president and the caretaker government proved largely unable to act.

WHAT TO WATCH
The executive vacuum is jeopardising orderly succession processes for key official positions, which could accelerate the disintegration of state institutions. The retiring head of general security was replaced by an interim successor on 2 March. The successor to Central Bank Governor Riyad Salameh, whose term expires in June, remains unclear. Municipal elections scheduled for May will likely also be delayed. A viable presidential candidate may remain elusive as the main political factions refuse to compromise.

1. Economic crisis deepened as currency tumbled
The currency plummeted to a new low, sliding from 63,500 LBP to $1 in late January to 85,000 to $1 on 28 February. Fuel and bread prices continued to rise, as imported essentials grew scarce. Clashes on 10 February erupted in Beirut and Tripoli between competing networks of private electricity generators. On 16 February, protests erupted countrywide against economic conditions and depositors’ inability to access savings trapped inside banks. The unrest included an arson attack on a central Beirut bank.

2. No exit to executive vacuums
The presidential vacuum continued for a fourth consecutive month with no prospect of resolution. Parliament held no electoral sessions to find a new president, reflecting the prevailing deadlock. France, the U.S., Saudi Arabia, Qatar and Egypt on 6 February warned of reconsidering “all ties” with Lebanon if the vacuum continues indefinitely. Meanwhile, attempts to form a new government to replace the caretaker administration have practically ceased. Prime Minister Mikati on 6 February convened a cabinet meeting to authorise emergency spending.

3. Hizbollah attacks U.S. policy
Hizbollah’s chief Hassan Nasrallah on 16 February took rhetorical aim at U.S. sanctions. He blamed a U.S. “siege” for Lebanon’s economic misery, and warned against any attempts to block gas exploration in Lebanese waters, which Hizbollah champions as the solution to the country’s economic woes. Nasrallah also warned of grave consequences – including conflict with Israel – if the U.S. were to continue what he described as a deliberate strategy to destabilise the country and starve the party’s support base into submission.

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