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Lebanon

Lebanon, a country of 5.5 million people, currently faces the worst economic crisis in its history amid ongoing political unrest, the spread of COVID-19, and an August 2020 explosion that severely damaged the port of Beirut. Lebanon hosts the largest number of refugees in the world per capita (over one million, mostly Syrians), which has raised social tensions and strained public services. U.S. policy toward Lebanon has focused on countering the influence of Iran and Hezbollah, and on bolstering the capabilities of the Lebanese state—while also calling for reforms to counter corruption and mismanagement.

Government

Lebanon's confessional political system divides power among its three largest religious communities (Maronite Christian, Sunni, Shi'a), to which it allocates the posts of president, prime minister, and parliamentary speaker, respectively. Lebanese President Michel Aoun was elected in 2016 by Lebanon's parliament for a six-year term. Aoun is affiliated with the Christian Free Patriotic Movement (FPM), which along with Hezbollah and the Shi'a Amal Movement comprise the major components of the March 8 political bloc. Parliamentary elections in 2018 gave the bloc, which advocates friendly ties with Iran and Syria, a simple majority (68 out of 128 seats). The United States has maintained ties with March 8's political rival, known as the March 14 bloc, which includes the Future Movement (Sunni), the Lebanese Forces, and Kataeb (both Christian).

2019 Government Collapse

Former Prime Minister and Future Movement leader Saad Hariri formed a government in January 2019. The 30-member Hariri cabinet was majority March 8, reflecting the results of the 2018 legislative elections, but parties expected to align with March 14 held 11 seats. In October 2019, Hariri resigned amid mass protests against state corruption, ineptitude, and economic mismanagement, triggering the collapse of the government.

2020 Diab Government

In January 2020, Lebanon formed a new government under Prime Minister Hassan Diab. The 20-member Diab cabinet is the first since 2005 composed entirely of parties from a single political bloc (March 8). Parties affiliated with March 14, which opposed Diab's nomination on the grounds that he was selected by Hezbollah allies over the objection of Lebanon's largest Sunni party, boycotted the government. The new cabinet described itself as technocratic and most ministers are not career politicians. However, most have ties to established political parties and may lack the ability to operate independently from party leaders. On August 3, Lebanon's foreign minister resigned, stating that Lebanon was "slipping into becoming a failed state," and stating that there was an absence of will to enact comprehensive reforms.

Figure 1. Lebanon



Source: Created by CRS using ESRI, Google Maps, and Good Shepherd Engineering and Computing.

Beirut Port Explosion

On August 4, 2020, a massive explosion at the port of Beirut killed over 150 people, injured thousands, and displaced 300,000 people. Lebanese officials linked the explosion to 2,750 tons of ammonium nitrate that had been confiscated from a disabled cargo ship in 2014 and stored in a warehouse at the port. Ammonium nitrate is used as a commercial explosive in mining and quarrying; it is also an additive to fertilizer. According to the government, the initial cause of the explosion was a welding accident at the port. Many Lebanese viewed the blast as a reflection of acute government negligence and mismanagement. Extensive damage at the port—including to food storage facilities—is expected to exacerbate existing shortages.

Hezbollah

Hezbollah, a U.S.-designated Foreign Terrorist Organization (FTO), operates in Lebanon as a militia force, a political party, and a provider of social services. It is closely linked to Iran, which provides it with significant funding and has used it as a proxy or allied force to threaten Israel. While Israel withdrew in 2000 from areas of southern Lebanon it had occupied since 1982, Hezbollah has used the remaining Israeli presence in disputed areas in the Lebanon-Syria-Israel triborder region to justify its ongoing conflict with Israel and its continued existence as an armed militia alongside the Lebanese Armed Forces (LAF). In 2006, Hezbollah and Israel fought a 34-day war that killed over 1,200 people, mostly Lebanese.

Hezbollah has participated in Lebanese elections since 1992. The group entered the cabinet for the first time in 2005, and has held 1 to 3 seats in each of the eight Lebanese governments formed since then. Hezbollah holds two seats in Lebanon's current cabinet.

U.N. Interim Force in Lebanon (UNIFIL)

In 1978, UNIFIL deployed to the Lebanon-Israel-Syria tri-border area to confirm the withdrawal of Israeli forces from southern Lebanon and assist the Lebanese government in expanding its authority there. Following the 2006 Israel-Hezbollah war, UNIFIL's mandate was expanded via UNSCR 1701 to include assisting the Lebanese government in establishing "an area free of any armed personnel, assets and weapons other than those of the Government of Lebanon and UNIFIL" between the Blue Line [a 120 km line between the two states used to confirm the Israeli withdrawal] and the Litani River. UNIFIL describes this zone as its area of operations. UNSCR 1701 calls upon Lebanon to secure its borders and requests that UNIFIL "assist the government of Lebanon at its request."

2020 Developments

Border skirmishes in late July 2020 between Hezbollah and the Israeli military raised tensions shortly before the UNIFIL mandate's renewal (August 31). Prime Minister Diab has accused Israel of escalating tensions to bolster a U.S.-Israeli argument for modifying UNIFIL's mandate to allow for the search of private property in southern Lebanon. The United States and Israel have accused Hezbollah of hiding weapons in violation of UNSCR 1701.

Economic Crisis

Lebanon in 2020 faces overlapping currency, debt, fiscal, and banking crises. The Lebanese pound, pegged to the dollar, has lost roughly 80% of its value in black-market trading since October 2019. Inflation is estimated to be 52.6%, crossing the threshold into hyperinflation. In March 2020, Lebanon defaulted on its foreign debt for the first time in its history; the country's public debt (estimated at over 170% of GDP) is among the highest in the world. In June, the Economist Intelligence Unit forecast that the economy will contract by 12% in 2020, while the budget deficit widens to 14% of GDP.

Lebanon's economic crisis has had a severe impact on the country's population. Food prices and unemployment have soared; residents experience daily power cuts for up to 12 hours a day outside Beirut. In April 2020, the government estimated that about 48% of the population was living in poverty and predicted that poverty levels could hit 60% by the end of 2020. Hospitals have struggled to pay staff and secure imports of medical supplies; doctors warn that Lebanon (with slightly over 5,000 confirmed COVID-19 cases in early August) is unprepared for a broader outbreak.

In May 2020, the Lebanese government formally requested a \$10 billion loan from the International Monetary Fund (IMF). However, talks between the government and the IMF have stalled, in part due to questions about the central bank's financial position. U.S. and European officials have conditioned their support for an IMF program for Lebanon on the implementation of reforms. These could include

passing a capital controls law and overhauling the state-run electricity sector. (Along with debt servicing and public sector salaries, subsidies to the electricity sector are a main government expenditure, limiting spending in other areas).

U.S. Policy

U.S. policy in Lebanon aims to counter the influence of Iran, Syria, and Hezbollah, secure Lebanon's border against the flow of weapons and militant groups, and preserve domestic stability. In pursuit of these goals, the United States has sought to strengthen the LAF, generating debate within Congress between those who view the LAF as key to countering Hezbollah and those who argue that U.S. assistance to the LAF risks falling into the hands of U.S. adversaries. The United States has also used targeted economic sanctions to isolate and degrade Hezbollah.

U.S. Aid to Lebanon

The United States is the largest provider of development, humanitarian, and security assistance to Lebanon. Congress places several certification requirements on U.S. assistance funds for Lebanon annually in an effort to prevent their misuse or the transfer of U.S. equipment to Hezbollah. The United States has provided more than \$2 billion worth of assistance and materiel to the LAF since 2006.

Table 1. U.S. Bilateral Aid to Lebanon

allocations by year of appropriation, current U.S. \$ in millions

	FY17	FY18	FY19	FY20	FY21
	actual	actual	actual	enacted	request
ESF/ESDF	110.00	117.00	112.50	112.50	62.20
FMF	80.00	105.00	105.00	105.00	50.00
IMET	2.65	3.12	2.97	2.97	3.00
INCLE	10.00	10.00	10.00	10.00	6.20
NADR	5.76	10.82	11.82	11.82	11.76
Total	208.41	245.94	242.29	242.29	133.16

Source: Department of State, Foreign Operations and Related Programs Congressional Budget Justifications (FY2017-FY2021), P.L. 116-94, and CRS calculations and rounding.

U.S. Sanctions

Lebanon depends heavily on imports, three-quarters of which come through the port of Beirut. In July, Lebanon reportedly sought exemptions from the Caesar Syria Civilian Protection Act in order to import electricity and agricultural products from Syria, as well as to transport goods through Syria to reach regional markets. U.S. officials have said that "the Assad regime is not the answer to Lebanon's electricity difficulties," but stated that requests for exemptions would be reviewed. On August 6, Pentagon officials stated that the United States was sending shipments of food, water, and medical supplies to Lebanon.

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