

Plummeting currency fuels poverty and protests in Lebanon

Jean Shaoul
4 March 2021

Workers took to the streets across Lebanon and set up roadblocks with barrels and burning tyres for the second day as the Lebanese pound fell on Monday to an all-time low, trading at nearly 10,000 to the US dollar on the black market.

The economic and financial crisis, intensified by the coronavirus pandemic and Lebanon's default on its sovereign debt to international lenders, has thrown more than half of the country's six million population into poverty. The falling currency has led to soaring food prices, while the minimum wage has fallen in real terms to just \$67 a month, down from about \$450 a month two years ago, making it impossible to put food on the table. Last December, the World Bank forecast that Lebanon's GDP would fall by nearly 20 percent, warning that the country faced an "arduous and prolonged depression."

The desperate shortage of hard currency has also led to delays in importing fuel oil and diesel to generate electricity, resulting in long power outages across the country lasting more than 12 hours a day.

The suffering extends into neighbouring Syria, whose economy is closely linked with that of Lebanon, once part of Syria before the defeat of the Ottoman Empire in World War I. Syria—whose economy has been ravaged by Western sanctions and the 10-year proxy war waged by the US, the Gulf monarchies and Turkey to topple the regime of President Bashar al-Assad—saw its currency fall to 3,900 Syrian pounds against the dollar. Many Syrians, who use Lebanese banks that offered consumers savings and checking accounts in US dollars with interest rates of up to 30 percent, found their money blocked as Lebanon's central bank implemented tighter capital controls.

Many basic commodities are expensive and in short supply, with long queues forming outside bakeries and fuel stations, and frequent power cuts adversely affecting local businesses and exacerbating unemployment. Once a

grain exporter, Syria has seen its wheat production fall by half in the wake of several years of drought and then the war that has wreaked havoc on the country's agriculture. It has now become a wheat importer. The price of bread has shot up in the wake of US-imposed sectoral sanctions and Russia's restrictions on the export of wheat to maintain its own supplies during the pandemic.

Similarly, once self-sufficient in oil, Syria's fuel supply has been curtailed via US sanctions on its oil trade and its military support for Kurdish control over the eastern oil fields.

Such is Lebanon's political impasse—symptomatic of the wider collapse of bourgeois governments around the world—that no new government has been sworn in since the resignation of Prime Minister Hassan Diab's government in the wake of the catastrophic blast in the Beirut port. Last August's explosion, widely blamed on years of official negligence and corruption by successive governments, killed 211 people, injured more than 6,000 and destroyed much of the northern part of the city.

Last October, President Michel Aoun called on former Prime Minister Saad Hariri, a billionaire client of Saudi Arabia and France who was forced to resign in the face of months-long mass demonstrations that started in October 2019. The protests erupted over rising poverty, social inequality and rampant government corruption, and raised the demands for an end to the sectarian political system and elections to form a new government.

But the two men have been unable to agree the membership of a new cabinet that would encompass their different patronage networks.

Protests that started in northern Lebanon soon spread to southern Lebanon, the capital Beirut, its southern suburbs that are home to Hezbollah supporters, and the eastern Bekaa regions, encompassing supporters of all the main political groups.

Pegged to the dollar at 1,500 since 1997, the pound had

fallen precipitously on the black market as the economic crisis deepened, stabilising at 8,000-8,500 to the dollar in recent weeks, after falling to 9,900 pounds in July. The central bank subsidised the difference between the two rates, as well as the import of many staple goods, including fuel and flour. The exchange houses and commercial banks are mandated by the government to trade at 3,900 pounds to the dollar, an order uniformly ignored.

This latest fall followed the central bank's review of Lebanon's lenders, some of the country's richest businessmen and politicians, and Sunday's deadline to the banks to increase their capital by 20 percent. The bank's review was in response to international pressure for financial reforms as the precondition for releasing loans to the heavily indebted country. According to *al-Akhbar*, the currency collapse was partly due to the commercial banks withdrawing dollars out of the market to meet the central bank's demands.

Lebanon—caught in the crosshairs of the escalating conflict between, on the one hand, the US, Israel and the Gulf petro-monarchs, and on the other hand, Iran and its allies, including Syria—has been hung out to dry as US President Joe Biden steps up the pressure on Iran.

The Gulf states have refused to help, despite Hariri's recent tour with a begging bowl, unless he forms a government that is not dependent upon Hezbollah, the militant Shia group that is backed by Iran and has the largest bloc in Lebanon's parliament. Western banks and institutions have refused to stump up \$11 billion pledged at a 2018 conference until the government implements free market reforms, while talks with the International Monetary Fund last spring stalled for similar reasons.

These latest protests follow others in recent weeks against the ruling elite and deteriorating living conditions. Last month, angry clashes broke out between protesters and the security services outside a military court in Beirut after judges ruled that six demonstrators in Tripoli, Lebanon's poorest city, had committed "terrorism and theft" during anti-poverty riots in January that were broken up by lethal force.

There have been protests against the delays and corruption marking the farcical official inquiry into the port blast. Judge Fadi Sawan, who was leading the investigation, was dismissed by the Court of Cassation, who questioned his objectivity given that his own house was one of those damaged by the explosion. His dismissal came after he had charged caretaker Prime Minister Hassan Diab, who had sought to investigate the unsafe

storage of ammonium nitrate cache at the port for years as soon as he was notified, and three former ministers with negligence over the blast, not his predecessors who had done nothing about it.

There were also protests against the banks that have reportedly delayed implementing the so-called "Student Dollar Law" that allows students to receive up to \$10,000 while studying at a university abroad.

Lebanon, whose health care system has collapsed, has some of the world's highest rates of new COVID-19 infections and deaths, with the total number of infections nearing 400,000 and deaths approaching 5,000.

Further fueling popular anger against the ruling elite is the politicians' brazen queue-jumping as they sought to get some of the fewer than 30,000 vaccines made available as part of the World Bank's \$34 million grant, the first to be made available to any country, to purchase the BioNTech/Pfizer jab.

President Aoun, his wife and 10 members of his entourage, followed by 16 legislators and a handful of staffers got their shots ahead of some 730,000 people who were registered, prompting outrage and the resignation in disgust of Thalia Arawi, ethics officer for the national vaccination programme. The World Bank has threatened to suspend financing for the vaccines and pandemic support for Lebanon if the violations are confirmed.

This follows the efforts by Lebanon's leaders to use a \$204 million loan by the World Bank to provide cash transfers to 147,000 poor Lebanese families for the next year to their own advantage by distributing the cash to recipients in pounds at a below-market rate, with the banks pocketing the difference.

The divisions and splits within the ruling elite are evidenced by the increased scrutiny of Riad Salameh, governor of Lebanon's central bank since 1993, who has long been close to Washington and Paris, for his mismanagement of the economy. He, along with two exchange brokers, is reportedly under investigation by a judge over charges related to the disbursement of US dollars to currency exchange brokers. Salameh is also due to be questioned by Swiss officials over money-laundering, allegations he described as "fabrications and fake news."



To contact the WSW and the
Socialist Equality Party visit:

wsws.org/contact