For many years, Lebanon was considered the safe haven of the Middle East plagued by wars, instability, and colored revolutions. Many have referred to the country as the Middle East's Switzerland, including investments in Lebanon's economy from countries of the region where the political crises were raging. The country's banks were especially valued, prosperous and profitable, and the tourism sector was rapidly developing.

But in recent years, the situation has deteriorated catastrophically. The World Bank estimates that Lebanon's severe and prolonged economic downturn will rank among the three worst crises to hit the world's economies since the mid-19th century. The country's GDP fell 20.3% in 2020; and a year earlier the decline was 6.7%. Further decline of at least 10% is expected this year. Over the past three years, the economic contraction was 40%, depreciating the Lebanese pound and increasing inflation to 84% per annum in 2020. Although the official exchange rate of the Lebanese Central Bank remains at 1,510 per dollar, over 20,000 Lebanese pounds are offered for a dollar on the black market. Exchange offices in Beirut and other central cities in the country are devoid of currency, shops are short of goods, and banks are operating with severe restrictions. Lebanon's public debt is 150% of its GDP, its foreign reserves are running out, and it is, in fact, a bankrupt country. This year, Lebanon is due to pay $6.5 billion in loans. Such funds are not and will not be available in the budget. Lenders include other Arab countries, international investors, the World Bank, and their own citizens (through government loans).

The streets of Beirut stand unlit at night, houses have no lights on, people have no money to pay for electricity, and abandoned cars stand along the roads. There is no fuel at petrol stations where conflicts erupt in queues. Food prices have increased several times since 2019. Unemployment stood at 39.5% at the end of last year and has continued to rise rapidly since then. Local economists estimate that more than half of the country's population lives below the poverty line. The army, which has always maintained neutrality, remains the only player that provides
security on the streets.

The country could fall into a civil war at any moment, with people simply taking to the streets and going to rob wealthy fellow citizens. Against this backdrop, international rating agencies have consistently downgraded Lebanon’s credit rating. There is an evident crisis of confidence in the authorities.

Of course, the economic collapse did not happen overnight; it has continued for the last decade. Its causes are both internal and external. Of the internal reasons, there is widespread corruption and paralysis of power: three consecutive governments have resigned since the fall of 2019. Several powerful family clans have divided the country economically, working in a cartel fashion and entangling the government and ministers in corrupt networks.

Speaking of external factors in the current crisis in Lebanon, there is no escaping the fact that there is a conflict of interests in the country between Saudi Arabia and Iran. Since the end of the civil war in 1990, the Saudis have paid 7% of Lebanon’s reconstruction costs. Still, after a substantial strengthening of the Shiite part of the Lebanese political spectrum, Saudi Arabia has significantly cut its funding for the country. Riyadh’s mood is especially spoiled by the pro-Iranian political party Hezbollah, which was confirmed in mid-November by Saudi Foreign Minister Faisal bin Farhan Al Saud. In his words, as long as the Islamist organization and Iran dominate in Lebanon, cooperation with Beirut is meaningless. Riyadh has blocked Lebanese imports and blames Lebanon for drug trafficking, which Beirut allegedly failed to curb.

Tensions between Lebanon and members of the Cooperation Council for the Arab States of the Gulf, GCC, escalated in late October when the former host of the Lebanese show, Who Wants to Be a Millionaire? George Kordahi said he considers the ongoing war in Yemen absurd, relegating the role of the aggressor to the Arab coalition siding with this country’s government in the Yemeni conflict. In doing so, he supported the rebel Ansar Allah movement, who, in his opinion, were merely exercising their legitimate right to defend themselves. In response, Saudi Arabia, the United Arab Emirates (UAE), Kuwait and Bahrain expelled Lebanese Ambassadors and withdrew from Lebanon.

However, the problem is not with Kordahi’s words, which Riyadh used only as a pretext to put pressure on the political forces in Lebanon. After all, it is well known that Saudi Arabia at the head of the GCC and Iran are among the key power centers in the Middle East, in constant competition for influence. This, in particular, is reflected in a succession of proxy conflicts, including military conflicts. In Yemen, for example, where Tehran supports the Shiite Hussites. Hence, there is Riyadh’s sharply critical attitude towards Hezbollah, an Iranian-dependent entity exerting Iranian influence in Lebanon and Syria. Nevertheless, Hezbollah’s credibility and influence in Lebanon did not suffer from such actions by Riyadh, especially given the genuine assistance it provided to the Lebanese people in the last months of the crisis. Lebanon’s Hezbollah chief Hassan Nasrallah noted in a recent televised speech that since September, the group has spent more than $10 million on free and subsidized fuel for the Lebanese, purchased from Iran.

Against this backdrop, the French president has personally stepped up pressure on the Saudis to resolve the Lebanese crisis with the Gulf states over the past few weeks. Indeed, such increased activity of Emmanuel Macron was also conditioned by the forthcoming elections in France, and it became essential for Macron to make progress in the Lebanese dossier. As reported by the Financial Times, Riyadh rejected a Paris proposal that included a trilateral meeting between Macron, Ben Salman and Lebanese Prime Minister Najib Mikati. Riyadh preferred Macron to fly to the Kingdom personally, even though Western leaders avoid visits to the Kingdom of Saudi Arabia after journalist Jamal Ahmad Khashoggi was murdered. As it became known from a statement issued by Riyadh and Paris on December 4 following the visit of French President Emmanuel Macron to the Kingdom, Saudi and French authorities agreed to establish a joint mechanism to provide humanitarian assistance to the people of Lebanon. Riyadh has pledged to resume financial cooperation with Beirut in the short term. Earlier, Macron and Saudi Crown Prince Mohammed bin Salman Al Saud had a phone conversation with Lebanese Prime Minister Najib Mikati. The head of the Lebanese Cabinet of Ministers described the dialogue as an “important step” towards normalizing relations between Beirut and the Arab Gulf countries and lifting Lebanon out of the crisis.

It remains to be seen whether the situation in Lebanon will change for the better. However, this requires additional efforts not only from outside observers but the political forces in present-day Lebanon because otherwise, the country could face a significant internal conflict.

Vladimir Platov, expert on the Middle East, exclusively for the online magazine “New Eastern Outlook”.