Abstract. The once flourishing country is experiencing a severe economic and financial crisis, which is the result of the criminal activities of the oligarchic elite, representing several corrupt clans that head the country’s confessional communities. Since the late 1970s, Lebanon has been experiencing a protracted crisis, which poses a serious threat to the stability of the State. But this is one of the most educated countries in the Middle East with an advantageous geographical and strategic position, amazing nature, fertile lands. However, the time when Lebanon was called “Middle Eastern Switzerland” has passed. The country used to be the main financial center of the Middle East, now it has become a place where the interests of different peoples and states collided. However, the Lebanese consider their elite the culprits of the current plight of the country’s economy.
Since the late 1970s, Lebanon has been experiencing a protracted crisis, which poses a serious threat to the stability of the State. But this is one of the most educated countries in the Middle East, with an advantageous geographical and strategic position, amazing nature, fertile lands. However, the time when Lebanon was called “Middle Eastern Switzerland” has passed. Previously, the country was the main financial center of the Middle East, now it has become a place where the interests of different peoples and states collided. However, the Lebanese call their elite the culprits of the current plight of the country’s economy.

The country is located in a temperate climate (330 sunny days!), has sufficient water resources. However, according to the World Bank data for 2020, the agricultural sector is underdeveloped, accounting for only 3% of GDP, and it employs 11 per cent of the workforce. The main agricultural products include fruit (mainly apples, oranges, bananas and grapes, as well as olives), which account for about 30 per cent of total agricultural production, and vegetables (such as potatoes, tomatoes and corn), which account for 60 per cent of total agricultural production. [1]

Industry accounted for 12.8 per cent of GDP in 2019, but in 2020 the share fell to 6.9 per cent of GDP. This sector employs 23.6 per cent of the workforce. It is dominated by the production of agricultural products, metals, minerals, furniture and other industrial goods. Before the crisis, there were more than 4,700 industrial enterprises in Lebanon, mainly producing food products, followed by construction materials and chemicals. [2]

The dominant sector of the Lebanese economy is services. They account for 87.2 per cent of the country’s GDP and employ 65 per cent of the working-age population. Tourism accounts for almost 20 per cent of GDP, and employs about 18 per cent of the population. The sector was severely affected during the COVID-19 pandemic. According to the United Nations World Tourism
Organization, the number of tourists arriving in the Middle East has decreased by about 57 per cent. [3]

The share of trade in GDP has also declined sharply and, according to the World Bank (2020), amounts to almost 46 per cent. Lebanon mainly exports ore (gold), diamonds, jewelry, vehicles, ferrous metallurgy waste, scrap metal, as well as electrical and electronic equipment. The country mainly imports mineral fuels, medicines and pharmaceuticals. [4]

Some improvement in the economic situation was observed in the 1990s. In 1992, Rafik Hariri, a citizen of Saudi Arabia, of Lebanese descent, was appointed Prime Minister of the country. At one time, having become close to the royal family, he made a fortune on large-scale construction in the kingdom. For Lebanon, he developed a large-scale Horizon 2000 program, according to which the country was to become a prosperous state again. Hariri focused his efforts on the reconstruction of Beirut. In order to implement his plans, he proposed to organize the privatization of state assets in energy, transport and telecommunications. He managed to attract foreign investment. Soon there were signs of recovery of the economy.

However, funds, exorbitant for the country, were spent on the reconstruction of Beirut after the civil war (1975–1990). Money was spent on the implementation of grandiose construction projects. Industries such as transport and energy have not received funds for modernization and today they are in decline. Nevertheless, before the outbreak of the war in neighboring Syria, Lebanon's GDP grew at the level of 8–9 per cent per year. But as the inflow of capital from abroad, including from the diaspora, decreased, the economic situation worsened. Naturally, in conditions of instability, external investors do not risk taking risks.

The methods that R. Hariri used to attract capital eventually led to the fact that Lebanon's public debt reached $18 billion. His personal fortune has also grown. In addition, the
prime minister distributed business projects to his relatives and representatives of the ruling elite of Lebanon.

Rafik Hariri has served as Prime Minister twice. Fearing the loss of its influence in the country, Syria supported the candidacy of Emil Lahoud in the next presidential election in 1998, who accused Hariri of unsuccessful economic policy. However, two years later, the political bloc led by Hariri won the parliamentary elections, and he regained the post of prime minister. In 2004, Hariri’s cabinet resigned. He was going to continue his activities in Lebanon, but in February 2005 he became a victim of a terrorist act. [5]

In recent years, several prime ministers have been replaced at the head of the Lebanese government, including Saad Hariri, the second son of R. Hariri. He held this post twice: from November 9, 2009 to June 13, 2011 and again from December 18, 2016 to November 4, 2017. His resignation was unexpected: he was recalled to Riyadh, from where, standing in front of the camera, he announced his resignation. [6] It is characteristic that in his statement made in front of television cameras, Hariri accused Iran of interfering in Arab affairs. The background of the incident is connected with the fact that shortly before Hariri met with former Iranian Foreign Minister Ali Akbar Velayati. It is obvious that this circumstance has caused dissatisfaction with Saudi Arabia, which is trying to reduce Iran's influence in Arab countries, especially in those where the Shiite population lives.

The Reasons for the Deterioration of the Economic Situation

Returning to the reasons for the deterioration of the economic situation of “Middle Eastern Switzerland”, it should be recalled about the general unstable situation in the region. But in recent years, the Lebanese themselves have pointed to internal reasons. Thus, Sahar al-Attar, editor of the Lebanese economic monthly “Commerce Du Levant”, notes that the situation in Lebanon deteriorated in several stages. “Since the mid-1990s, a
model has been adopted in Lebanon, which was to borrow through banks throughout the country and attract foreign capital and the diaspora to finance this debt” [7], she explains. The money was not spent on the development of the country, but on “financing clientelistic networks” of ruling politicians [8], which means confessional communities that support a particular deputy, that is, those to whom the deputy owes his election to parliament.

In 2011, the country was flooded with refugees from Syria and by 2016 Lebanon was in a deep crisis. According to the United Nations, Syrian refugees number more than 800,000 (1.5 million, according to the Lebanese Government). This makes Lebanon the state with the largest number of immigrants per capita. [9]

In October 2019, mass protests broke out due to higher taxes, including on gas and tobacco, as well as due to the introduction of a tax for using WhatsApp – $6 per month. [10] At the same time, pensions and salaries of civil servants were reduced.

In addition, the coronavirus pandemic has increased the country’s economic instability. Since the outbreak of the epidemic in Lebanon, more than 560,000 cases of COVID-19 have been registered among the population and 7917 people have died. In the spring of 2020, thanks to the rapid closure of borders, the epidemic began to decline. [11]

Public discontent in the country was fueled by a sharp increase in inflation, unemployment, acute food shortages, as well as the inaction of the ruling class, which for decades put up with corruption, as a result of which in 2020 the government was forced to default on its debt on Eurobonds in the amount of $1.2 billion. According to World Bank estimates, between 2018 and 2020, the country’s GDP per capita fell by 40 per cent. [12] The World Bank called the Lebanese crisis one of the largest in the world since 1850.
In September 2021, the report of the United Nations Economic and Social Commission for Western Asia was published, which notes that if 30 per cent of the Lebanese population lived below the poverty line before October 2019, then in August 2020 this figure was 50 per cent, and in September 74 per cent. At the same time, half of the Lebanese population does not have access to medicines, and a third of families are deprived of access to medical services. [13]

Since 2019, the national currency has lost more than 90 per cent of its value, depositors face severe banking restrictions. Some banks have stopped their activities, others have frozen foreign currency accounts and restrict the issuance of funds to their owners. Lebanese who use banking services are practically subject to strict restrictions on withdrawing funds from their accounts. In the summer of 2022 there was a curious case when an armed man detained hostages in one of the Beirut branches of Federal Bank, demanding that the bank issue money from an account belonging to him, necessary for the treatment of his father. [14] The example of this man was followed by his compatriots (including women). In just three days of September 2022, five such cases were recorded. The Association of Banks of Lebanon was forced to announce the closure of all bank branches for three days to make a decision on security measures.

In some Beirut supermarkets, in the spring of 2022, a rule was introduced to limit payment by cards: the buyer can pay half of the cost of the goods by card, and the other part must be paid in cash. [15]

There is a thriving “black market” in the country, thanks to which it is much more profitable to change dollars in a street exchange point than in a bank. Kazan orientalist Azat Akhunov noted that “changing dollars at the official exchange rate means going broke ... If you can get 1.5 thousand Lebanese lira (LL) in a bank for $ 1, then almost 35 thousand LL are given in exchangers for a dollar. For example, a kilogram of peaches costs almost 22 thousand LL. According to the official exchange rate, this is
870 rubles per kilo, according to unofficial and real — about 40 rubles per kilogram”. [16] Explaining the current situation, Hassan Diab, the former Prime Minister of the Lebanese Republic, blamed his predecessors: “Instead of reforming the economy, debts accumulated, which gave rise to large-scale corruption. The existing banking system allowed a small minority to make a profit, while 40 per cent of citizens were below the poverty line”. [17]

**Explosion in the Port of Beirut**

On August 4, 2020, an explosion occurred in the port of Beirut due to a gross violation of safety regulations and rules for the storage of explosive substances, as a result of which the main granary of the country was destroyed. The cause of the explosion was the detonation of firecrackers stored in a nearby hangar. The detonation initiated the explosion of 2,750 tons of ammonium nitrate, which had been there since the end of 2013. At the time of the explosion, there were over 15 thousand tons of wheat in the granary. This is a small amount, because the Lebanese consume about 40 thousand tons per month. However, the loss of storage caused the need to build a new elevator and search for new sources of replenishment of grain reserves. Russia was one of the first to respond to the trouble of the Lebanese. On the instructions of Russian President Vladimir Putin, 5 grain transport planes were sent to Lebanon. [18]

As you know, bread is the main food of the poor population. The resulting shortage of bread in the country has affected the attitude of the Lebanese towards Syrian refugees. In some areas, bakeries even organized separate queues depending on nationality, giving preference to Lebanese. [19]

During the explosion in the port, 214 people were killed (among the dead were the leader of the Kataïb party Nazar Najarian and the wife of the ambassador of the Kingdom of the Netherlands), more than 6,500 people were injured. The blast
wave devastated several hospitals [20], touched 10 embassies and consulates (including the Russian Federation). Nearby museums, including the famous Sursock Museum of Modern Art, were seriously damaged. In addition, the historic quarters of Jammayze and Mar-Mikael Quarantine were affected, restoration work is still underway there. 300 thousand Lebanese lost their homes. Initially, the total damage was estimated from $3 to 5 billion. Later, this amount increased to $15 billion. [21]

At the initiative of France, a conference was organized, the purpose of which was to provide assistance to Lebanon. The international community has promised to provide Lebanon with additional assistance in the amount of $370 million, including $100 million promised to France.

The fiery speech of French President E. Macron, who flew to Beirut a day after the explosion, has long fueled the hope that Europe will help their country to get out of the crisis. In July 2022, the pages of the French "Monde" published an appeal by “Seven Lebanese Associations” to E. Macron with a request to “impose sanctions against Lebanese political and financial mafiosi in order to pull the country out of the hell into which it is immersed.” [22] Recall that a year before there was a scandal at French customs with Riad Salame, the governor of the Central Bank of Lebanon, who was detained at Le Bourget airport with 90,000 euros in cash, while the Lebanese financial Prosecutor’s office charged him with “money laundering” and “participation in a criminal community.” The matter ended with the fact that the French customs did with a fine of 2,700 euros... [23].

Naturally, in the conditions of a catastrophic fall in the standard of living in the country, crime has increased. On Sunday morning, August 7, 2022, more than 30 prisoners escaped through the window of a prison in the Adli district of Beirut itself. It is obvious that the escape took place through the mediation of prison staff. This is not surprising, since more than 80 per cent of Lebanese are below the poverty line. [24]
Begging, theft (up to metal manholes from the streets of the city), prostitution (especially among immigrants), suicide have become a daily phenomenon in Lebanese cities.

**Diaspora as a Source of Financial Investments**

The Lebanese economy largely depends on the transfer of funds by citizens working abroad, primarily in the countries of the Arabian Peninsula. The volume of transfers of highly educated Lebanese from abroad reaches up to a quarter of GDP, significantly exceeding the volume of all foreign direct investment. Thus, Lebanon, unlike most countries, exports not goods and services, but specialists. Indeed, Lebanon supplies the labor market of many countries with qualified specialists. At the same time, the patriotism of Lebanese emigrants who do not break with their homeland should be noted.

According to the former Prime Minister of the Lebanese Republic Hassan Diab [25], “Lebanon is a rentier state, too dependent on finances and the influx of funds from the sprawling diaspora.” [26]

It should be noted that the Lebanese diaspora [27], according to some data, exceeds the population of Lebanon by more than 2 times. According to the latest estimates, the Lebanese diaspora has about 16 million people, while the entire population of the country does not exceed 6 million people. [28]

Most families (mostly from the upper and middle class) have relatives living abroad. Naturally, the deterioration of the economic situation caused an increase in emigration of Lebanese. The part of the population that had financial resources made a choice in favor of leaving the country, for example, to the Persian Gulf countries, Canada, the U.S., Germany, France or Latin American countries (where almost 3 per cent of the population have Syrian-Lebanese roots). In the 21st century, Australia and some African countries became a new direction. In the first four months of 2021 alone, 230,000 Lebanese citizens legally
emigrated. Among them were about 40 per cent of Lebanese doctors and 30 per cent of nurses. [29] Sociologists note that in this way the country’s middle class, traditionally politically active, was weakened, which led to a decrease in socio-political momentum. According to the Lebanese themselves, the explosion in the Beirut port, recognized as one of the largest man-made disasters in the history of mankind, had a very strong psychological impact on the Lebanese. It was then that many Lebanese saw their future in emigration.

**Problems with Energy**

Today, the main concern of the Lebanese has become the issue of survival, satisfaction of basic needs. After Lebanon's two largest power plants closed in early October 2021, strict electricity rationing had to be introduced. In fact, the power supply system has been in need of reconstruction for a long time, since the network has not been upgraded for many years. It was obvious that new power plants were needed to meet the growing needs of the population.

The shortage of energy has paralyzed the life of the Lebanese population and the work of many key sectors of the economy. In this situation, Lebanon was forced to ignore international sanctions and turn to Iran for the purchase of oil. Tankers brought oil to the Syrian port of Banias, from where it was transported to Lebanon. It is characteristic that Hizbullah is engaged in the transportation of oil, which from the very beginning took this issue under its control. Thus, Hizbullah has once again demonstrated its loyalty to the state. [30]

In addition, the government was able to negotiate with Iraq on the purchase of fuel. Considering Lebanon’s dire financial situation, Baghdad even agreed to partial payment by goods and services.

In the summer of 2022, an agreement was signed between Egypt, Lebanon and Syria, according to which Egypt, Lebanon
and Syria agreed to export 650 million cubic meters of natural gas through the Arab gas pipeline through Syria. However, under the terms of the World Bank, the implementation of this deal requires the consent of the United States to export Egyptian gas to Lebanon, due to the fact that the United States imposed sanctions on Syria. Under the terms of the agreement, Egypt undertakes to pump gas through the pipeline to supply the Lebanese power plant Deir Ammar, which will increase the energy supply to settlements in northern Lebanon by 4 hours a day. [31]

**Food Security**

As the economic situation worsened, the problem of food security aggravated. The staff of the UN humanitarian mission stated that 77 per cent of families were experiencing food shortages. There were not enough products in stores, and the cost of those that were still there had increased by 3-4 times. The staff of the Doctors Without Borders mission noted that more than 80 cancer drugs could not be bought in Beirut, and paracetamol was “not so easy to find.” [32]

In 2020, the commander of the Lebanese army drew the attention of the government to the plight of the army, in which the salary of military personnel did not exceed $80, the U.S., the main sponsor of the Lebanese army, previously promised to increase funding for the country’s army from $105 to $120 million per year. However, due to the huge inflation and unfavorable exchange rate, the value of this money is rapidly falling. The President of the country, M. Aoun, was forced to call on the international community to provide the military with humanitarian aid items. In the list made public by the army commander, there were very specific things: milk, flour, medicines were in the first place, and only then the president requested fuel and spare parts for military equipment with a total cost of several tens of thousands of euros. [33]
Refugees are a Heavy Burden

Lebanon’s big problem remains the issue of refugees from Syria staying in the country. There are almost 1.5 million of them in Lebanon, which is a quarter of the population of all of Lebanon. Syrians have been there since 2011. After their arrival, large-scale humanitarian assistance was organized, in which the Lebanese State, UN agencies and foreign donors participated. Since 2011, 70 per cent of international funding has been channelled through UNHCR, UNICEF and the World Food Programme. At the same time, from 80 to 90 per cent of the funds were allocated to help refugees, and the remaining 10 per cent – to support the most vulnerable Lebanese population. At the end of 2019, humanitarian organizations based in Beirut appealed to sponsors to increase the amount of aid and increase the poor Lebanesees’ proportion. However, the amount provided remained the same, but the assistance provided to Syrian refugees decreased. In addition, in the country there is dissatisfaction with Syrian refugees, who receive food aid from NGOs and financial assistance from the UNHCR, while many needy Lebanese do not have access to it. [34]

Let me also remind you that several generations of Palestinian refugees have lived and are living in Lebanon since 1948. More than 470 thousand refugees have been registered to help refugees and organize work (UNRWA) [35]. In June 2022, Beshara Boutros ar-Rai, Patriarch of the Maronites of Antioch and the entire Levant, called for the deportation of Palestinians from Lebanon. He believes that the presence of Palestinians in Lebanon is in conflict with the interests of the State. “Yes, we are with you, dear brothers, but we ask the international community to help Lebanon, which has exhausted its economic resources, and find a final solution for both Palestinian refugees and Syrian displaced persons.” [36] He also called “unacceptable” the attempts to force Lebanon to integrate the Palestinians by granting them civil rights. Thus, the Patriarch hinted at the plan
proposed in 2019 by J. Kushner, Trump’s son-in-law, to solve the Palestinian problem through the integration of Palestinians into Lebanese society. A similar appeal was sent by the Prime Minister of Lebanon N. Mikati to the UN Secretary General A. Guterres, in which he recalled that “Lebanon receives the highest percentage of refugees per capita in the world and is suffering from one of the most serious economic crises since 1850.” [37]

**External Factors Affecting the Situation in the Country**

Lebanon’s proximity to Israel keeps the country in constant tension. The Israeli Air Force violates the airspace of Lebanon, carrying out reconnaissance flights over almost all areas of the country. It is estimated that Israeli military aircraft violated Lebanese airspace 22,111 times between 2007 and mid-2022. [38] Israel is hunting for targets of the Shiite organization Hizbullah, which Tel Aviv considers as an agent of Iran. As we have already noted, Iran’s influence in Lebanon worries Saudi Arabia as well.

The authority of Hizbullah rose sharply in 2006, when the Lebanese army was inactive, while Hizbullah rained rockets on Israel, and Hizbullah militants successfully attacked Israeli tanks. [39] Later in August 2014, Hizbullah, in cooperation with the Lebanese army, prevented jihadists from the Jabhat al-Nusra group from entering Lebanon through the town of Arsal in northern Lebanon, where the jihadists had moved their families in advance. [40]

The strengthening of the Shiite community in the country worries Saudi Arabia, which views Hizbullah as an agent of Iran in Lebanon. It is characteristic that in relation to Iran, the interests of Saudi Arabia coincide with the interests of Israel.

**Offshore Oil and Gas Fields**

Oil and gas fields found on the Mediterranean shelf of Lebanon give hope for a way out of this situation. However, the
situation is complicated by the absence of a clearly fixed maritime border between Lebanon and Israel. And although an exploration agreement has already been signed with the participation of French Total and Italian Eni, experts warn that the discovered natural gas reserves may lead to an aggravation of the situation in the Eastern Mediterranean, because the interests of Turkey, Greece, Cyprus, Israel, Lebanon and Egypt collide there. [41] According to the findings of the British company Spectrum, which was engaged in exploration in this area, there are 710 billion cubic meters of gas in the Lebanese economic zone. [42]  

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Analyzing the causes of the current crisis, the Lebanese themselves call the government's disregard for the needs of the people as the root cause. This is obvious even to foreign observers. Thus, the correspondent of the French edition of Le Monde in Beirut, B. Barth, titled his article very specifically: “The catastrophe in Lebanon was the result of decades of mismanagement, corruption led by the oligarchic elite43”. Most Lebanese survivors of the civil war believe that the current situation in the country is more hopeless than it was in the mid-1980s.

On October 31, the term of office of the President of the Lebanese Republic, M. Aoun, ends. He was elected to this post at the 46th attempt after the start of the election. Elections were constantly postponed due to the lack of a quorum. The country has been living without a president for almost 2.5 years. And then and today there is no shortage of candidates for the highest post in the country, but is there one among them who can defeat corruption and bring the country out of a state of crisis?

References

The prerequisites for organizing a terrorist attack are still unclear. It is obvious that there was a political background, among the versions there is dissatisfaction with the expansion of the Saudi presence in the country from Syria and Iran.

In fact, S. Hariri's biological father was King Fahd bin Abdul Aziz (1921–2005).

Later, as a result of large-scale protests, the tax was lifted.


18 In 2018, Russia supplied 768 thousand tons of grain to Lebanon. In 2019–2020, the volume of grain supplied amounted to 176 thousand tons of grain. The reason for the reduction in grain supplies was competition with EU countries and Ukraine. However, in 2021, Russia's trade turnover with Lebanon amounted to 542,714,872 US dollars, an increase of 65.50 per cent (214,784,296 US dollars) compared to 2020. At the same time, the value of grain exports increased by $3,910,735 // Russia will help make up for Lebanon’s grain losses. 05.08.2020 // https://rossaprimavera.ru/news/21871c06 (accessed: 28.08.2022) // Trade between Russia and Lebanon in 2021 https://russian-trade.com/reports-and-reviews/2022-02/torgovlya-mezhdu-rossiiy-i-livanom-v-2021-g/ (accessed: 08/28/2022).


20 The destruction of hospitals in the port area had the consequence of an increase in the emigration of doctors.

21 The damage from the explosion in Beirut could increase by about five times. Echo of Moscow. (accessed: 7.08. 2020).

22 Monsieur le président de la république nous demandons l’application des sanctions à l’encontre des dirigeants libanais corrompus // https://www.lemonde.fr/idees/article. 12.07.2022 / monsieur-le-president-de-la-


27 The population of Lebanon (estimated) is from 5 to 8 million people. According to various sources, the number of the Lebanese diaspora is up to 15 million people.


31 Egypt is waiting for US permission to export gas to Lebanon. 01.07.2022// vestikavkaza.ru/material/394196 (accessed: 09/10/2022).


33 The Russian Federation was among the countries that provided food aid to the Lebanese army.


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