

Lebanon Should Join the New Paradigm of the Belt and Road: But Watch Out for the War Party!

by Hussein Askary

July 14—In the last three weeks, Lebanon has been poised to join the “new paradigm” in international relations and economic cooperation as envisaged by China’s Belt and Road Initiative (BRI) and Russia’s intervention to end the endless wars and regime changes in West Asia. This tiny country, with a collapsed physical economy and bankrupt state and banking system, and host to 1.5 million Syrian refugees and 500,000 Palestinians (compared to 5 million of its own citizens), can also become the most significant battlefield between the old paradigm hardliners of Anglo-American geopolitics and those who want to chart a new path for the country, this time eastwards. Many warnings are now heard about a new civil war in Lebanon.

The “going east” can become a catalyst for such a devolution if wise heads don’t prevail. In addition, with a neighbor like Israel run by a rabid and trigger-happy Jabotinskyite-like Prime Minister Benjamin Netanyahu, a new regional war can be the result.

Lebanon is also the main trade outlet for Syria. This means that Lebanon will suffer enormously as a result of the new U.S. sanctions imposed since June 17 under the Caesar Syria Civilian Protection Act ([Caesar Act](#)). It imposes punishment on anyone doing trade with Syria. For the Syrians, who have already been suffering from previous sanctions that have collapsed the economy, the Caesar Act means mass starvation in Syria. The Lebanese leadership and people are put in a position to choose either to be complicit in the mass murder of the Syrian people, or suffer the wrath of the U.S.

It was in this context that Hassan Nasrallah, the leader of the Lebanese Hezbollah, the duly elected main partner in the coalition government of President Michel Aoun, made a televised speech on June 16 to denounce the Caesar Act and vowed to fight it. However, two other important aspects of his speech were the proposal to break with the International Monetary Fund and its Western backers, and to contact China again to accept an offer to help rebuild the productive economy of Lebanon.

In his speech, Nasrallah reiterated what he said in November 2019, that Chinese companies were willing to invest billions of dollars in Lebanon in infrastructure, industry, and agriculture. He stated in this new speech that China was willing to build a modern railway connecting the coastal cities of the country from Tripoli in the north to Beirut and Naqoura in the south. They also pledged to build new power plants and modernize ports. The ailing power sector in Lebanon is one of the main causes of the frustration and turmoil among the population, and it costs the state \$2 billion annually in subsidies and lost



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Hassan Nasrallah, leader of the Lebanese Hezbollah.

revenues, not to mention the losses to other economic activities due to the lack of reliable electricity supply.

While the Chinese government remained silent last year in response to Nasrallah, this time it responded. The Chinese Embassy in Beirut issued a statement which was sent to Lebanese media on June 17 stating:

In answering the inquiries addressed to it, the Chinese embassy in Lebanon indicated that the Chinese side is ready to carry out practical cooperation actively with the Lebanese side on the basis of equality and mutual benefit in the framework of joint work to build the Belt and Road....

China is committed to cooperation with other nations mainly through the role of its companies, the leading role of the market, and the catalytic role of government and commercial operations. Chinese companies continue to follow with interest the opportunities for cooperation in infrastructure and other fields in Lebanon, and to keep in touch with the Lebanese side in this regard.



DoS

Saad Al-Hariri, Prime Minister of Lebanon.

In March 2019, a large Chinese delegation visited Lebanon and a major conference on the Belt and Road was held in Tripoli, Libya. The Chinese business and official delegations proposed various infrastructure, industrial and agricultural projects to be financed and built by China. However, under the government of Prime Minister Saad Al-Hariri, this offer was rejected. Instead Al-Hariri pushed the previous Anglo-French proposal from 2018, backed by the World Bank and European Bank for Reconstruction and Development (EBRD). That offer was made at the Paris CEDRE conference (Conference for Economic Development and Reform through Enterprise) in April 2018, when Lebanon was promised \$10 billion in infrastructure projects. Needless to say, none of the projects was implemented. It just made Lebanon lose two more years, while the social and economic conditions deteriorated further.

Now, it seems that Lebanon is left with no choice other than “going east.” In Lebanon, two days after Nasrallah’s speech and one day after the Chinese embassy press release, the Lebanese cabinet confirmed that it is “going east,” while at the same time making it clear that they did not wish to alienate the West. In a press conference, the industry minister confirmed that the cabinet was aligned with what Nasrallah has stressed. However, he said it is like a “bidding process.” The party which comes with the best offer will get the job. Actually, in his speech on June 16, Hezbollah leader Nasrallah said the same thing. He stressed that all countries that want to build infrastructure in Lebanon are welcome, except for Israel. This includes the United States.

In this way, the Lebanese government is not taking sides. But from experience in Africa for example, only China can make such reasonable offers and implement them efficiently and in record time.

To confirm the Chinese intentions, a pro-Hezbollah website, *Al-Ahednews*, published three letters from Chinese companies addressed to the government of Lebanon, one from the China National Machinery IMP&EXP Corporation, offering to build three power plants, each with a generating capacity of 700 Mega-

watts, and building a supporting national grid; a second from the China Machinery Engineering Corporation, proposing to build a railway from north to south in Lebanon (Tripoli-Naqoura); and the third from a corporation proposing to build a tunnel strategically connecting the west and east of the country with a highway. The companies offer to finance the projects through loans, using BOOT (Build, Own, Operate, Transfer), a modality promoted by western countries. Chinese companies are building similar projects in Pakistan.

Threats of ‘Regime Change’

U.S. State Department officials are rushing to the scene in Lebanon to sow division and confusion among the Lebanese people who find themselves in a very fragile situation, with potential civil war being stirred up in the streets by provocateurs of all types and shapes. One such official is U.S. Assistant Secretary of State for Near East Affairs, David Schenker. He remains true to the pedagogical methods of his boss, Secretary of State Mike Pompeo, who said in a public meeting (at Texas A&M University as part of the Wiley Lecture Series, in College Station, Texas on April 15, 2019):

I was the CIA director. We lied, we cheated, we stole. It’s—it was like—we had entire training courses.

Pompeo himself had visited Lebanon in March 2019 with the declared intention to denounce the government partner, Hezbollah. He threatened the Lebanese government and people in a press conference that followed his meeting with Foreign Minister Gebran Bassil, saying: “Lebanon and the Lebanese people face a choice: bravely move forward as an independent and



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David Schenker, U.S. Assistant Secretary of State for Near Eastern Affairs.

proud nation, or allow the dark ambitions of Iran and Hezbollah to dictate your future.”

Bassil responded, “For us, Hezbollah is a Lebanese party, not terrorists. Its members of parliament were elected by the Lebanese people, with high popular support.”

At the time of that visit, Saad Al-Hariri, a darling of the Anglo-American forces, was still Prime Minister. However, by October a popular uprising forced him to resign.

Both Pompeo and the Lebanese people know that it is impossible to disarm and eliminate Hezbollah without causing a bloody civil war. Anybody who is proposing this should be aware of this fact.

Schenker gave an exclusive [interview](#) to *Al-Hadeel*, the pro-Hariri Lebanese magazine, on June 23, in Arabic, repeating the same threats against the Lebanese people and their government, and making empty promises of support. Most interestingly, it seems that he was on a mission to derail the discussion about working with China. Schenker stressed that Lebanon needed to “make difficult decisions that change the way the country is run,” adding that Hezbollah “is not an organization that seeks reform, but rather one that lives on corruption.”

Schenker then turned to the question of China, noting that Nasrallah’s calls for Lebanon to “look east”—toward China in order to mend the country’s ailing economy—were “shocking,” and that Lebanon needed to resist falling into such a “trap.” Schenker stated, “We all see how China seeks to acquire any country that fails to pay its debt dues,” and he pointed to the much-trumpeted two examples of Djibouti and Sri Lanka, where in the latter case Sri Lanka granted China a 99-year lease of its port after failing to pay its debts.

It’s Development, Not a Debt Trap

Let’s look at one of these two cases, Djibouti. We will not use Chinese “propaganda,” but well-researched information produced by Western and American institutions.

Let’s read first what the World Bank, an institution which is dominated by the U.S. and Britain, says about the economic development in Djibouti. Its April 2019 “[economic update](#)” for Djibouti, states:

The medium-term economic outlook is positive, as the Government’s strategy of positioning the country as a regional trade, logistics, and digital hub gains traction. GDP growth is expected to reach 7.0 percent in 2019 before accelerating to 8.0 percent in 2020-2023. Growth will be supported by exports of transportation, logistics, and telecommunication services, as the country harvests dividends from its ambitious investment program.

Another World Bank [report](#), “Djibouti Country Overview,” published in October 2019, states:

Djibouti’s US\$2 billion city-state economy is driven by a state-of-the-art port complex, among the most sophisticated in the world. Trade through the port is expected to grow rapidly in parallel with the expanding economy of its largest neighbor and main trading partner, Ethiopia...

Thanks to massive, public debt-financed investments in infrastructure, Djibouti has seen rapid, sustained growth in recent years, with per capita GDP growing at more than 3 percent a year on average and real GP at 6 percent. Growth is expected to reach 7.5 per cent in 2019....

And who financed and built all these projects in Djibouti and its main trade partner, Ethiopia?

According to a [report](#) published by the U.S. Congressional Research Service in September 2019 under the title, “China’s Engagement in Djibouti,” we can read the following:

Djibouti is pursuing an ambitious agenda to transform itself into a commercial trade hub for the Horn of Africa region. This effort is being financed largely by the People’s Republic of China (PRC), which is playing a growing role in the tiny country. China’s engagement is multi-

faceted, ranging from major infrastructure investments to the establishment of its first overseas military base in the country. China considers Djibouti part of its Belt and Road Initiative; in late 2017 the two countries declared that they had established a “strategic partnership.”

According to this U.S. Congressional Research Service publication,

China reportedly has provided nearly \$1.5 billion in financing for major infrastructure projects in Djibouti since 2000. Among the projects being built by Chinese firms is a \$3.5 billion free-trade zone (FTZ), expected to be Africa’s largest. The first phase was completed in 2018 and is expected to create 200,000 new jobs [Djibouti’s total population was less than one million in 2018!] and handle over \$7 billion in trade from 2018 to 2020. Three Chinese companies have stakes in the FTZ, alongside Djibouti’s port authority.

Other Chinese-backed investment projects include the development of port facilities and related infrastructure, including a railway and two airports (a \$420 million contract) and a pipeline to supply Djibouti with water from neighboring Ethiopia (a \$320 million contract). Ethiopia, a landlocked country of over 100 million people, which relies on Djibouti for the transit of 90 percent of its formal trade, recently facilitated the construction of a new rail line between the two countries. The line was built and is operated by two Chinese companies, and was financed in part by China’s Export-Import Bank.

So, Djibouti, which was a colony of France from 1883 to 1977—despite its enormous potential—had to wait more than a century to move from being an extremely poor country to start the development process described above with the help of China. The only thing the Western media have been reporting about Djibouti is that “China has built a naval base” there. Yet, the U.S., Britain, Italy, France, and Japan all have military bases in the country, and the Chinese

base just sits next to all the others.

Chinese Silk Road Diplomacy

The Lebanese government sent a powerful signal to the outside world about the choices it is considering, when the Chinese Ambassador to Beirut Wang Kejian, met with Prime Minister Hassan Diab and several ministers on July 2. Information has been leaked to the Lebanese daily *Al-Akhbar*, which reported on July 3 that “Diab announced Lebanon’s readiness to receive Chinese messages and turn them into actions.” *Al-Akhbar* published the content of two letters that reached the government ten days ago, “in which ten huge Chinese companies confirm their willingness to invest in infrastructure projects in Lebanon, despite the financial crisis it is going through.”

Prime Minister Hassan Diab’s meeting with Wang



A COSCO container ship is unloaded with cranes at the multipurpose Port of Doraleh, an extension of the Port of Djibouti.

CGTN

was attended by the ministers of environment, industry, public works, transport, tourism, and energy. *Al-Akhbar* states that the two sides discussed in detail how the financing and construction work will be conducted. As for the details of the meeting, *Al-Akhbar* learned that Wang explained how Chinese government and private companies do business and the mechanisms of granting investment loans. A discussion was also held with each minister about the projects that concern his or her ministry, from railways and water treatment, to electricity generation, to waste treatment, and industrial projects.

Reportedly, Prime Minister Diab mandated Industry Minister Emad Hob Allah to follow up with the portfolios of cooperation with the Chinese companies. “The

meeting was very positive, and Prime Minister Diab confirmed that we do not want to go East or West, but we are open to everything that helps our country and everyone who wants to invest in it,” according to *Al-Akhbar*, citing sources in the government.

Al-Akhbar claims that it had obtained copies of two letters the Lebanese government received in July, in which ten major Chinese companies, led by the giant Sinohydro, confirmed their immediate readiness to invest in Lebanon, specifically in the comprehensive electricity and railway projects. However, the most prominent declaration in the two letters is the companies affirming their commitment to invest in Lebanon, “despite the financial conditions of the country, and Lebanon’s announcement of its failure to pay its international bonds, and being at the height of negotiations with the International Monetary Fund.”

The two letters, according to *Al-Akhbar*, “include an affirmation of China’s intention to help Lebanon overcome the crisis and contribute to the required stability while developing the infrastructure.” *Al-Akhbar* points to the failure of the Western system, saying,

International companies today, with Lebanon announcing that it will default on the payment of bonds and the state of the local currency, will not dare think about investing in Lebanon, without the guarantee of the World Bank, which in turn will not go beyond Lebanese negotiations with the IMF.

Consequently, what Minister of Defense Zina Aker announced is true, that none of the Western companies will invest in the electricity sector in Lebanon before confirming the agreement of the IMF. In general, this applies to all major companies, and Chinese companies as well. But it does not apply to the group led by Sinohydro, which is a Chinese government company with huge capital, and U.S. sanctions against it are limited.

Moreover, *Al-Akhbar* reports that the most important feature of China’s cooperation with Lebanon is that it is removing all bureaucratic obstacles in the way of this cooperation. *Al-Akhbar* learned that Sinohydro had obtained approval to guarantee the railway project, based on the Memorandum of Understanding signed with the Ministry of Public Works, from China Export and Credit Insurance Corporation (Sinosure), an official body for “loan guarantee in China.” The company’s representatives are preparing to visit Lebanon, if the Chinese government allows its citizens to travel in the

midst of the COVID-19 pandemic; if not, its representatives are ready to conduct discussions with Diab and members of the government via videoconference, to speed up the work.

The first letter obtained by *Al-Akhbar* deals with increasing the electricity generation in the country. The group of Chinese companies reminded the Lebanese Prime Minister of their visit to Lebanon in 2019, in which they reviewed the data related to the electricity crisis and the need for new power plants. “Therefore, we are interested in investing in these important projects, specifically the Zahrani and Deir Ammar stations,” the letter states.

The second letter references the memorandum of understanding signed with the Lebanese Ministry of Public Works on railways and the transport sector, announcing its readiness to implement projects that include “a railway from north to south, the huge public transport system in Beirut, and the Beirut tunnel (Dahr al-Baydar to the Syrian border) for the railway or the international highway, or both together.”

Conclusion

For the Lebanese people, their leadership and economists, it is important to get an informed evaluation of all these matters, before falling prey to the desperation that pushed other nations into the abyss of borrowing money to resolve a short-term fiscal and budgetary crisis, thus accumulating a mountain of debt without investing in anything productive. In 1998, Russia’s desperate short-term borrowing, with the “support” of IMF and World Bank packages, led to the famous GKO-bond crisis. Russia’s physical economy and productivity were destroyed through the “reforms” proposed by these international institutions. This should be a lesson for every nation, and for Lebanon today. When you are most desperate to solve a financial crisis, whether national or personal, the loan sharks can have you for lunch.

It is becoming obvious that even a tiny country like Lebanon can break the back of a global empire by opting to follow the path of progress, national sovereignty, and international cooperation according to the win-win model offered by China. This does not mean cutting all bridges to the West. It is necessary to keep those connections that are in the true interest of Lebanon and its people. If the U.S. and Europe wish to change their policies and join China in offering Lebanon power, transport, water and agro-industrial investments, the Lebanese people and their leadership would welcome them with open arms.