

The Looting of Lebanon's Natural Gas



The government is declaring that the needs of the Lebanese people and the needs of the economy are not part of its priority at all. (Photo: Haitham Moussawi)

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While most Lebanese are preoccupied with the uprising in Syria, or are subject to fear and anxiety-mongering, others are working on very different projects, such as looting the natural gas off the Lebanese coastline before it has even been extracted.

This is no exaggeration. Anyone not believing that those in power are capable of this kind of obscene behavior should read the official document prepared by the economic team of the office of the prime minister entitled "Action Plan for Economic and Social Reform."

The plan demonstrates that the government is going to prioritize using the expected revenues

from the sovereign wealth fund – rendered by oil and gas earnings – to pay off part of the public debt.

The government intends to prevent any project being financed with this sovereign wealth fund until the size of the public debt goes down to less than 60 percent of the gross domestic product (GDP).

This tactic means that some officials are using fear-mongering to scare the Lebanese people when it comes to public debt (and other issues) in order to get their hands on a finite, non renewable resource.

Under the pretext of ridding the Lebanese people of the burden of debt, they will actually be depriving them of massive revenues from this natural resource by turning it into a massive personal wealth for a few elite.

National assets were sucked dry when public debt was inflated, turning it into a means of reverse distribution from the pockets of the poor to the rich who finance the public debt. This has happened before. Taxes and national assets were sucked dry when public debt was inflated, turning it into a means of reverse distribution from the pockets of the poor – subject to an unfair taxing system and deprived of basic services – to the pockets of the rich who finance the public debt and drain about US\$5 billion of public monies annually into their bank accounts through high interest rates on the debt.

First, let us simplify this issue. The real public debt is estimated today at US\$70 billion. That is about 175 percent of GDP. Consequently, slashing the ratio to 60 percent requires reducing the debt to US\$24 billion, which means the government will need to use more than US\$46 billion in future gas revenues to fund lowering the debt.

Of course this is a simplistic example. Things are not that simple at all. They are more complicated and more dangerous. Gas revenues will not be generated all at once and will not be used to pay off the principal debt amount all at once, either. We are talking here about many years during which this national wealth will be looted gradually with a criminal's ice-cool nerves.

In reality, the issue is as such: public debt will continue to rise steadily and perhaps at rates higher than GDP growth. There is no possibility of generating actual revenues from extracting gas for at least 10 years, which means that the principal on the public debt will reach record amounts during this period, probably much higher than what it is today. Consequently, the revenues required to reduce the debt will be higher than what was shown in the simplified example.

Therefore, every dollar made from gas extraction will evaporate at a time when these dubious authorities will be able to commit to more borrowing under the guarantees that gas revenues provide.

We are speaking here about tens of billions of US dollars that will be used to service the public debt and reduce its amount, which in other words means will go directly to the accounts of a small number of wealthy people who are in power in Lebanon.

Every dollar made from gas extraction will evaporate at a time when these dubious authorities will be able to commit to more borrowing under the guarantees that gas revenues provide. Their fortunes will increase and so will the poverty and deprivation of most Lebanese. Public

debt will remain high and the Lebanese people will continue to be conscripted in its service.

Why is it necessary to confront this plan? It is not the first time that this kind of thing has been done to rob the public and private sectors.

The parliament approved a law in 2002 that limits the use of privatization revenues and some tax revenues for servicing and reducing the public debt. In addition, active attempts were made to privatize the communications sector which yields more than US\$2 billion annually to public coffers.

The Lebanese have also had to pay more than US\$120 billion in taxes and fees in the past 18 years to finance the ongoing spending of US\$105 billion and investment spending of only US\$15 billion. The interest accrued on public debt was being funded with more borrowing all this time.

Giving absolute priority to the public debt contributed to the deterioration of the conditions and livelihood of the Lebanese people.

When the government says it is going to prevent the funding of any project from gas revenues it means specifically projects that contribute to the productivity of the economy, generate job opportunities, increase income, and provide social needs such as electricity, water, sanitation, communications, roads, a transportation network, public transportation, land rehabilitation, the environment, education, health care, and housing.

This means that the government is declaring, in advance, that the needs of the Lebanese people and the needs of the economy are not part of its priority at all.

Perhaps the Lebanese agree on nothing more than the fact that the public debt saddling them is an "unfair debt." That is why they should refuse to shoulder its repercussions endlessly. Even if they agree submissively to bear the cost of servicing this debt (interest) they do not have to bear the cost of paying its principal – currently at US\$70 billion and growing.

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The issue is not strictly a moral one. It is a matter of choice. In the presence of a dubious and bad political administration, the Lebanese people should treat this non-renewable resource as national capital and use its revenues in that capacity. That can be done by turning it into a meaningful investment, by not including it in the budget, and by not using it to fund any kind of ongoing spending, especially servicing the public debt and reducing its principal. That is what the latest oil law, which they are trying to circumvent, stipulates.

The Lebanese previously faced a similar situation with the gold reserve. It is easy to imagine what would happen if the law allowed this administration to exercise control over the gold reserve that Lebanon has. Would the public debt have been reduced? Or would we have lost the gold reserve permanently? The value of the gold reserve has gone up to more than US\$15.3 billion and contributed – in an indirect way – to extinguishing more than US\$10 billion of the public debt. What applies to the gold reserve applies even more to the natural gas resource. So beware.

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