

Lebanon forms new government

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Designated Prime Minister Hassan Diab meets with Lebanon's President Michel Aoun and Lebanese Speaker of the Parliament Nabih Berri at the presidential palace in Baabda, Lebanon. (Reuters)

Beirut: Lebanon formed a new government on Tuesday under Prime Minister Hassan Diab after the Shi'ite group Hezbollah and its allies agreed on a cabinet that must urgently address an economic crisis.

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New Finance Minister Ghazi Wazni said Lebanon needed foreign aid to save it from an unprecedented situation that had forced people to "beg for dollars" at the banks and fear for their deposits. He also described forthcoming foreign currency sovereign debt maturities as "a fireball".

The Iranian-backed Hezbollah and allies including President Michel Aoun nominated Diab as premier last month after efforts failed to strike a deal with Hariri, Lebanon's main Sunni leader and a traditional ally of the West and Gulf Arab states.

Weeks of wrangling over portfolios among Hezbollah's allies held up an agreement until Tuesday, when the heavily armed group delivered an ultimatum to its allies to make a deal or suffer the consequences, sources familiar with the talks said.

The cabinet is made up of 20 specialist ministers backed by parties. Wazni, an economist who had served as an adviser to parliament's finance and budget committee, was nominated with the backing of Parliament Speaker Nabih Berri. Nassif Hitti, a former ambassador to the Arab League, was named foreign minister with the backing of Aoun's Free Patriotic Movement.

Diab described his government as a technocratic "rescue team" that would work to achieve protesters' goals. His first trip abroad would be to the Arab region, particularly the Gulf.

But analysts said Hezbollah's role meant Diab might have trouble winning foreign support.

Protesters took to the streets of Beirut as the government was announced. Police fired water canons at stone-throwing demonstrators near parliament who tried to dismantle newly erected barricades. "This government doesn't reflect us," said protester Rabi Al-Zein.

The absence of a government had left Lebanon rudderless as ordinary people suffered in the crisis.

A liquidity crunch has led banks to restrict access to cash and the Lebanese pound to slump. Jobs have been lost and inflation has soared. Over the last week, hundreds have been injured in clashes between the security forces and demonstrators.

“ANY GOVERNMENT BETTER THAN A VACUUM”

Hezbollah is designated as a terrorist group by the United States, and Sunni-led Saudi Arabia and the Gulf Arab states that have provided Lebanon with financial aid in the past have for years been deeply concerned by its rising influence in Beirut.

“It will certainly not be easy for a government of this type to convince the outside world to help Lebanon,” said Nabil Boumonsef, deputy editor-in-chief of the An-Nahar newspaper.

Hariri and his Future Movement have stayed out of the government, along with the staunchly anti-Hezbollah Christian Lebanese Forces party and the Progressive Socialist Party of Druze leader Walid Jumblatt.

“Any government is better than a vacuum because what is coming is more difficult,” Jumblatt wrote on Twitter.

Mohanad Hage Ali, a fellow at the Carnegie Middle East Center, said the new government of “one colour” could further polarise Lebanese politics. Hariri’s absence meant that old Sunni-Shiite tensions might be reactivated.

One of the government’s first tasks will be to decide its approach to looming sovereign bond repayments, including a \$1.2 billion Eurobond maturing in March.

Wazni, speaking to al-Jadeed TV, said the government needed “a clear position” on the maturing Eurobonds.

Lebanon’s union of exchange dealers said on Tuesday it had decided to set the exchange rate at a maximum of 2,000 Lebanese pounds to the U.S. dollar in agreement with the central bank governor.

The pound has been officially pegged at 1,507.50 to the dollar for more than two decades. Diab expressed hope that the currency would strengthen.

- Reuters