The Caesar Act Comes Into Force (Part 2): Pressuring Hezbollah in Lebanon

by Hanin Ghaddar

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Brief Analysis

In addition to targeting Hezbollah and other local actors who support the Assad regime and harm Lebanon's economy, the new U.S. legislation can help bolster Beirut's sovereignty.

As noted in Part 1 of this PolicyWatch, Washington's imminent implementation of the Caesar Syria Civilian Protection Act is setting off alarm bells in Lebanon. Although the law's main intent is to punish Bashar al-Assad's government for atrocities committed against the Syrian people, the regime would not have been able to survive long enough to commit these abuses without direct and indirect support from Lebanese militias, officials, and businesses.

Most notably, Hezbollah was at the forefront of the Syria war for years, helping Bashar al-Assad conduct his brutal campaigns more efficiently by drawing on fighters and resources from Lebanon. The group's deep ties with the regime persist today, including in the fuel industry and other sectors explicitly targeted by the Caesar Act. This gives U.S. officials an opportunity to sanction Lebanese individuals, channels, and instruments that Hezbollah and Damascus use to keep the regime afloat.

Indeed, the ground is fertile for more pressure on the group and its allies inside Lebanon. The Hezbollah-led government in Beirut has asked the International Monetary Fund for an aid package of $10 billion, so local officials understand the repercussions of defying U.S. law and the broader international community at this critical moment. Accordingly, Washington and its partners should make clear that the country cannot expect IMF aid until it begins cutting specified military and commercial ties with the Assad regime. Despite what Hezbollah has been telling the Lebanese people, the country can still save itself by complying with the reforms and conditions laid out by the IMF, the Paris Conference, and UN Security Council Resolutions 1559 and 1701. The Caesar Act is a chance to reinforce this argument, while also curbing Hezbollah's smuggling activities and strengthening the country's border controls.

WHO SHOULD BE ALARMED?

Lebanon has long been connected to Syria politically, economically, and financially. The fact that the border between the two countries is still not officially demarcated allows for unchecked daily smuggling operations, making it difficult to estimate the size of financial exchanges between the two countries. But some details are evident—as Reuters reported in November, "Wealthy Syrians are believed to have deposits of billions of dollars in Lebanese banks." Much of this money became trapped when Lebanon's economy cratered and local banks imposed tight limits on cash withdrawals in U.S. dollars.

Some of these banks and their associated Lebanese partners and businesses may be subject to new sanctions for materially assisting the Assad regime, particularly if they are tied in any way to logistical support for Hezbollah military operations in Syria. Yet the Caesar Act's most significant effect may be deterrence—namely, Lebanese companies that were hoping to gain access to the Syrian market through trade or reconstruction projects will now have to reconsider those plans.

Fuel smugglers are another important group who could be affected by the act. At a time when Lebanon cannot afford to lose more of its foreign currency reserves, Central Bank governor Riad Salameh hinted last month that the country is hemorrhaging $4 billion per year due to Hezbollah and other actors smuggling government-subsidized fuel into Syria. Companies involved in these deliveries are already alarmed, and many locals believe that the Caesar Act was purposefully created to target smuggling in both directions—not just fuel going into Syria, but weapons coming into Lebanon. U.S. officials should therefore use the threat of Caesar sanctions to press Lebanese officials on tightening border controls and instituting other measures that help curb fuel smuggling via illegal crossings.

Some of Hezbollah's political allies should be worried about the new U.S. legislation as well. Although President Michel Aoun, Free Patriotic Movement leader Gebran Bassil, and Speaker of Parliament Nabih Berri have been careful in their dealings with the Syrian regime, other allies have been less shy in announcing their military support for Assad, including the Syrian Social Nationalist Party and the head of the Arab Tawhid Party, Wiam Wahab. For example, Wahab reportedly sent personnel to fight alongside the regime in past years (e.g., a number of them were killed during a 2014 clash in Suwayda province).

STRENGTHENING THE BORDER, SEPARATING FROM ASSAD

By using these and other Syria-related violations as leverage, the Caesar Act could help Lebanon strengthen its sovereignty and empower its institutions against nonstate actors. In particular, if the threat of Caesar sanctions convinces Lebanese officials to formally demarcate their border and begin properly implementing Security Council Resolutions 1559, 1680, and 1701, then Hezbollah would be less free to exploit national institutions in support of the Assad regime next door. Moreover, smugglers would be less free to continue activities that damage Lebanon's economy and bring dangerous weapons into its territory. On the regional level, bolstering Lebanon's sovereignty would help the international community put more pressure on Iran's "land bridge" to Beirut and the Israeli frontier.

On the diplomatic level, the Caesar Act can be leveraged in two ways. First, it could help discourage efforts to normalize Lebanese relations with Syria so long as an unreformed regime holds power in Damascus. When Lebanese activists and opposition figures raised concerns last month about how fuel smuggling is hurting the economy, Hezbollah leader Hassan Nasrallah stated that the only solution is to normalize relations in order to properly coordinate with Syria on resolving the problem. The group prefers this solution because it needs to keep the estimated 120 illegal crossings under its control, instead of having the border demarcated and supervised by the Lebanese Armed Forces. Yet Lebanese citizens (and banks) can no longer afford the damage caused by loose borders and Hezbollah involvement in Syria.

Second, the Caesar Act can push Lebanon to suspend its longstanding military agreements and coordination bodies with Damascus. These include the Syrian Lebanese Higher Council, a body created by the 1991 Treaty of Brotherhood, Cooperation, and Coordination during the Syrian occupation. According to the pact—which was not abolished when Syrian troops left Lebanon in 2005—the two countries "shall endeavor to achieve the highest levels of cooperation and coordination in the political, economic, security, cultural, scientific, and other fields." The treaty also provides a mechanism for institutionalizing this coordination via several bilateral committees. Moreover, the Defense and Security Agreement, signed later that year, calls for comprehensive coordination and cooperation between each country's military, security, and intelligence establishments.

The Caesar Act is a strong instrument to reinforce the argument that Lebanon can no longer be tied to the current Syrian regime on the economic and security levels. In order to prevent a total economic collapse, the country needs to distance itself from the Assad-Iran axis and defy any normalization with the present regime in Damascus. The threat of Caesar sanctions is one way of prodding Lebanese citizens to realize that clear, firm distancing is a prerequisite for international aid.

At the same time, U.S. officials should emphasize that the legislation is not intended to harm Lebanese businesspeople who have not been involved in supporting the Assad regime. For many local industrialists, merchants, and farmers, Syria is the only land route to send their goods to the rest of the region. These businesses need to be reassured that Caesar is not meant to target them or further damage the fragile economy. Toward that end, the Treasury Department's Office of Foreign Assets Control should detail the types of legitimate cross-border trade and transshipment that will not be affected by the legislation.

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