

Features | Israel-Palestine conflict

'It's scary': Israel war fears batter Lebanon's struggling economy

Cafes have seen an 80 percent drop in footfall; tourism is down sharply and airlines are cutting flights. Lebanon's economic minister fears a return to the 'dark ages' if the war escalates.



Men move supplies as people take part in an aid campaign leaving from Beirut to southern Lebanon, to help displaced people affected by the tension between Hezbollah and Israel, in Beirut, Lebanon, October 27, 2023 [Amr Alfiky/Reuters]

By Mia Alberti

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Beirut, Lebanon – Yara Adada, 28, sits at the window of her bakery and coffee shop in Gemmayze, a lively central Beirut neighbourhood known for its bars and restaurants.

Adada is the only one there. “We’re swatting flies,” she says.

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Behind her, the counter is filled with pastries, the coffee machine is silent and the chairs and stools, usually full, are empty. Since the beginning of the conflict between Hamas and Israel, this has been the scene at Adada's coffee shop and many other businesses as fears grow that the country could be [pulled into a war](#) with Israel.

"We've seen a very significant drop in customers, more than 50 percent," Adada said. The usually buzzing coffee shop would get between 30 and 35 customers a day. "Now, on a good day, I have 10 to 15. Today it's already midday and I only had one."

"Yesterday I only made \$4. It's scary," she said.



A plane takes off from Beirut airport. Since October 7, many airlines have scaled back or cancelled flights to and from Beirut, hurting Lebanon's tourism-dependent economy [File: Emilie Madi/Reuters]

Economic 'agony'

Since October 7 and the beginning of the ongoing [exchange of fire](#) between Hezbollah and Israel in southern Lebanon, the restaurant sector has seen a drop of up to 80 percent in business, according to Lebanon's syndicate for restaurants, nightclubs and cafes.

Tourism, responsible for 20 percent of Lebanon's gross domestic product (GDP), has been hit badly. Due to the volatile situation at the border, Australia, France, Germany, the United Kingdom, the United States and many other nations have not only urged their citizens not to visit Lebanon but have advised those in the country to leave while there are still commercial flights available.

The warnings came as airlines such as Lufthansa, SWISS and Saudia cancelled their flights. On October 20, Lebanese flag carrier Middle East Airlines announced it was reducing its flights "due to the ongoing circumstances in the region and the reduced insurance coverage for aviation risks in times of war".

The decision, criticised by the government, has led to a drop of 80 percent in the Lebanese airline's flights. At the Beirut airport – the only one in the country – there are now few planes on the tarmac, no queues, and hardly any passengers.

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“The restaurant [sector] is completely devastated,” Nagi Morkos, from Hodema, a Lebanon-based consultancy firm, told Al Jazeera. Morkos, who works with restaurants, hotels, resorts and malls, said the operators are “anxious”.



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“The biggest concern is not the war, it’s the status quo that will keep the situation like that for months. So it’s an agony more than a death,” Morkos said. “A war, yes, it’s terrible, but war has a time. Here we don’t know, it’s a wait-and-see situation.”

“We feel trapped and it’s very bad for business, very bad for tourism, very bad for the hospitality sector and very bad for investment.”



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On October 22, the Lebanese government announced that it was developing an emergency plan in case a [war broke out](#). The measures included securing key infrastructures, like the Beirut airport, ports and main roads, all of which were bombed by Israel during its conflict with Hezbollah in 2006.

But Lebanon and the region are in a different, more challenging, situation than in 2006: Lebanon's banking system was relatively normal back then, which allowed the central bank to provide banks with liquidity if necessary during the war; likewise, there was still confidence in financial systems and millions of Lebanese expats were still sending foreign currency into the country.

In 2006, although the Beirut airport was bombed, Middle East Airlines continued to operate from Damascus throughout the monthlong conflict and goods and people were still able to cross the border from and to Syria. But war in Syria and frequent Israeli air raids on Damascus airport mean that option is gone.

Lebanon is also almost completely [dependent on imports](#) for food, fuel and medicine, 70 to 80 percent of which arrive by sea.

In 2006, the country's ports were unusable because of the threat of Israeli warships but Lebanon could fall back on healthy reserves, such as grains, that were kept in the Beirut port silos, which have since been destroyed by the [2020 port blast](#).

The still half-destroyed port can be seen from the office of the Lebanese minister of economy, Amin Salam.

He tells Al Jazeera Lebanon is in a worse position than ever and that food security is one of the main concerns for the government as it develops its emergency plan for possible war.

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Lebanon at risk of food security 'disaster'

Lebanon's current reserves of food, fuel and medicine are only enough for a worrying two to three months, the minister said, adding that reserves should normally be enough to last for "about a year".

"[B]ecause of the lack of vision of the past governments, nobody thought of building several locations for national reserves. Everything was put in the Beirut port and when the explosion happened, we lost the only national reserve we had," Salam said. "So if it doesn't get delivered on the seaport, we don't have wheat, we don't have grains, we don't have bread."

Salam said the government is working with private partners to increase the shipment of basic commodities in the coming weeks. However, vendors are asking for payments in advance "because they know [Lebanon's] banking system is paralysed ... so that's kind of creating another layer of obstacles", he explained.

Hani Bohsali, president of the Syndicate of Food Importers in Lebanon (IFBC), was one of the representatives who met Salam.

He told Al Jazeera that, just like in aviation, insurance companies for the maritime shipping industry have started charging premiums or lifting their war coverage completely, which is resulting in an inflation of consumer good prices by up to 3 percent.

"If I bring my shipments without war insurance and then the port gets hit and I lose my cargo, who will compensate me? Nobody... people [may reduce] their inputs to reduce their risk," he said.

Bohsali is confident that current shipments already on their way to Lebanon won't be affected. But while future orders have not been cancelled so far, the situation has to be assessed "on a daily basis".

"Let us put it in a very cynical way: realistically, we don't know. Nobody knows," Bohsali said. "If the war breaks, what scenarios can you do if the Syrian border is closed and there is an embargo on the seas? Even if you do 100 contingency plans. it's a waste of time if you don't know what will happen."

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Lebanon's Economy Minister Amin Salam [File: Mohamed Azakir/Reuters]

'Forget about tomorrow, deal about today'

Salam recognises that Lebanon is at risk of a “disaster” if war breaks out. But, he concedes, the country’s financial woes did not start on October 7.

When he took office in 2021, Lebanon was already facing one of the worst financial crises in modern times, with losses standing in excess of \$72bn, a 98 percent devaluation of the national currency, 80 percent of the population living below the poverty line, and the central bank in ruins after its governor was charged with defrauding the public finances to the tune of \$330m.

An agreed [loan of \\$3bn](#) from the International Monetary Fund has been seen as the light at the end of the tunnel, but implementation of the reforms it is conditional on has been slow.

“Everything that’s happening now is adding ... another layer of chaos and lack of attention to the reforms needed to rebuild the Lebanese economy because ... when something like this escalates, it takes us 10 steps backwards,” Salam told Al Jazeera. “When you are dealing in crisis mode, you forget about the tomorrow, you have to deal about the today.

“[O]ur infrastructure is very, very, very bad. And our economy is in a very challenging place,” the minister said. “We cannot afford even ... a little escalation.”

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A street vendor arranges kaak, a bread, in the southern Lebanese city of Sidon [File: Aziz Taher/Reuters]

A high price to pay

Adada, the cafe owner, knows well the burden of the “cycle of crisis” in Lebanon: the 28-year-old became unemployed after the 2019 financial collapse and remained jobless during the pandemic and the Beirut port blast. Hers was one of the first shops to open in the Gemmayze neighbourhood opposite the port after the explosion.

Almost everybody she knows warned her against opening a business in Lebanon, she said. But it was her dream to stay and help the economy. “It’s home,” she said.

She is not giving up yet. Despite the high cost of utilities and the growing prices of ingredients, Adada has enough savings to keep the shop afloat for at least six months.

“If a war breaks out I can close the shop for a while but I worry about my employees and other stores that aren’t as lucky,” she said.

Adada sympathises with the Palestinian people and their struggle, but she knows well the price Lebanon might have to pay.

It is a complex sentiment shared by many in Lebanon. “We cannot be selfish but we have to,” Adada says, looking out the window.

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