



BUSINESS AS USUAL:

LONG-STANDING CORRUPTION THREATENS BEIRUT'S PORT RECONSTRUCTION

THE TEN-YEAR CONTRACT TO OPERATE THE BEIRUT PORT'S CONTAINER TERMINAL MAY BE JUST THE BEGINNING OF COLLECTIVE ERASURE AND RETURN TO THE STATUS QUO.

ALEX RAY

When over 2,000 tonnes of ammonium nitrate exploded on August 2020, the ensuing tragedy made global headlines out of an unsettling reality: the Beirut Port has long been a hotbed of criminal activity and gross incompetence. For decades, endemic corruption has siphoned off the port's financial profits, enriching politicians and their cronies at the wider community's expense. In addition, disastrous urban planning decisions have hopelessly isolated the Beirut Port, cutting it adrift from the city with a multi-lane highway and – since August 2020 – shattered, un-restored buildings.

Announced in February 2022, a World Bank-sponsored redevelopment plan could finally turn Beirut Port

into both an economic powerhouse and vibrant community space.¹ Unfortunately, early signs suggest that the proposed planning and regulatory reforms risk entrenching the same corrupt management and practices that brought the port to its current nadir.

WHAT'S AT STAKE

The proposed port redevelopment will help shape the financial and social prospects of the city moving forward. Unhampered by corruption, the Beirut Port could perform a crucial role in driving Lebanon's recovery from the current, unprecedented economic crisis. The port's full capacity of 1.4 million Twenty-foot container equivalent units (TEU) gives Beirut the same maritime freight

capacity as Haifa, a key rival Eastern Mediterranean port, and more than double the capacity of Latakia – another competitor port. When combined with the projected 1.3 million TEU capacity of Tripoli Port, shipping through Lebanese ports remains an attractive option for Mediterranean shipping industry. The increased revenues from container shipping alone through a well-functioning Beirut Port are estimated to be worth US\$175 million per year.²

Lebanon is also well positioned to benefit from increased trade to the region's interior countries – for example, through the eventual reconstruction of Syria. Leveraged correctly, these commercial opportunities could stimulate more jobs and sources of income for Lebanese households – especially if the international community pushes for transparent revenue management and good governance.^{3,4}

More coherent urban planning could also confer considerable social benefits on the city of Beirut, by better utilising the port's central location. Professor at the School of Architecture, Balamand University, Sylvia Yamine argues that the new Beirut Port master plan should focus on "moving the city to the water" through various urban planning strategies. These include providing informal spaces for performances and events, creating walking paths and promenades, preserving the port precinct's architectural identity, and allowing more green space.

In Yamine's view, these community-building activities can exist while respecting and facilitating the port's commercial functions. "[The master plan should] share the use of water, and the waterfront, between urban and port functions," she said.

USAID has called the process of reforming the Port of Beirut's governance as a "litmus test for Lebanon's po-

litical classes' will to undertake broad-based reforms that benefit the Lebanese economy and welfare of the Lebanese people."⁵

Box 1: Who's Doing The Planning?

The World Bank has awarded the contract to prepare the masterplan and vision for the port to a consortium led by Lebanese firm Khoury Consultants and the international engineering consultancy Royal Haskoning DHV. Among other tasks, the consortium has been tasked with preparing an "optimal port sector strategy that best serves the community, promotes complementarity among ports and logistics infrastructure, increases trade, enhances Lebanon's competitiveness in the region and positions the country as the logistic hub in the region."⁶

However, World Bank communications seen by The Alternative indicate the bank did not shortlist a major potential bidder for the masterplan – Hamburg Ports Consulting (HPC) – to bid on the tender on the grounds of lacking "relevant experience and capability". HPC is one of the world's most well-established and renowned port consultancies, and has conducted more than 1,700 port-related projects in 130 countries over 45 years.⁷

For more than a year the HPC-led consortium has run a well-publicised campaign to create a port vision based on public interest development and independent transparent financial management – including open source assessments of their draft masterplan, as well as a platform calling for civil society input.⁸

The HPC plan – already presented to the Lebanese government – proposed redeveloping the precinct by transplanting much of the port's current operations outside of the city centre. The sug-

gested relocation would have moved the port's commercial heart closer to industrial areas, with a projected 50,000 additional jobs created over ten years of construction.

Crucially, the HPC proposal expected to generate \$2.5 billion dollars in profit, which would be managed by an independent public trust rather than the Lebanese government and current port authorities. Royal Haskoning and Khoury Consultants have not yet released any information about winning the contract for the masterplan nor their intentions for engaging civil society.

For its part the World Bank has promoted the fact that "The best thing about it [the port masterplan and law] is new governance and open and transparent procedures"⁹. At the time of publication however the World Bank had not detailed which civil society groups the masterplan intends to consult, nor how their perspectives and priorities would be included. When questioned by The Alternative, the World Bank released a statement claiming that "Any firm with the required qualifications and that do not have conflict of interest with the assignment was allowed to bid, including Hamburg Port Consulting".

CART BEFORE THE HORSE

It has become apparent that the World Bank and Lebanese government perceive the redevelopment process differently. Just one week after the law reform and masterplan project was formally announced, Minister of Public Works and Transport Ali Hamie awarded CMA-CGM – a French multinational with Lebanese ties – a ten-year contract to operate the Beirut Port's container terminal. In entering this agreement, the government did not wait either to complete the precinct's new master

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plan or draft and implement the proposed legislative reforms.^{10,11} The World Bank was not involved in the tendering process for redeveloping the container terminal.

USAID, which conducted an extensive feasibility study for the redevelopment of Lebanon's ports, has warned against taking major decisions without embedding a sound governance structure first. "The (governance) transition could take 1-1.5 years, provided there is strong political commitment," the USAID study concluded.

In an especially eyebrow-raising detail, the CMA CGM contract is issued and managed by a central target of the proposed regulatory reforms: the Temporary Committee for Management and Investment of the Port of Beirut (GEBP in French). The GEBP has run the Beirut Port since 1993, despite being constituted as a mere a stop-gap administrative body until a formal port authority could be established. The GEBP's opaque management and lack of financial transparency have raised serious questions over the ensuing decades.

The USAID assessment details how the GEBP does not submit its accounts to the Ministry of Finance for scrutiny and has included loans from international development banks among its revenues. Instead of a set rate of profit transfer to the government, the GEBP passes on unpredictable and unexplained portions of its profits.¹²

PORT OF BEIRUT REVENUES, PROFITS, AND TRANSFERS TO THE TREASURY
(in millions of US\$)

Year	Revenue	Profit	Transfers to Treasury
2020	87		
2019	199		150
2018	231		
2017	246	124	194
2016	245	128	90
2015	243	90	59
2014	220	77	54

Source: USAID/ TC/GEPB (Data missing from original)

Doubt hangs over other stakeholders participating in the Beirut Port redevelopment process. At least three of the institutions who will shape the law and masterplan – the GEPB, Customs, and Ministry of Public Works and Transport – have direct connections to the facility’s long-term, chronic mismanagement. In USAID’s view, the Beirut Port’s current governance structure – of which GEPB is a central component – operates as a “black box.... a major source of corrupt questionable practices... [and] misuse of port revenues for personal benefits.”

The USAID assessment also reports private sector experience of “bribes for favoring the licensing of certain port operators by the MOPWT [Ministry of Public Works and Transport].” Lebanese Customs is also heavily implicated in the mismanagement that led to the August 4 blast, as well long-term involvement in systemic corruption and tax evasion – estimated by the Ministry of Public Works and Transport to have cost the state over US\$1 billion per year, in 2012. ^{13,14}

Despite the masterplan not expected to be ready before July 2022 – Minister of Public Works and Transport Ali Hamie has publicly stated that “The master plan for the port lays out a framework for optimal investment before the start of reconstruction which is estimated to cost \$500-600 million...”¹⁵. This was same figure for the *total* port

reconstruction put forward in September 2021 by General Manager of CMA CGM in Lebanon Joe Dakkak – which the company claimed could be completed in three years.¹⁶

However in its statement to The Alternative, the World Bank claimed that “The operation is currently at the very early stages of design and no earmarking or financial commitment is yet made precisely since the technical assistance work relating to the Law, Vision and Master Plan are still underway and not finalized.”

Further, the current ministers handling the port redevelopment project are operating in a caretaker capacity, which has applied since Saad Hariri’s elected government resigned in late 2019. These factors raise serious doubt over whether these powerbrokers should start determining the Beirut Port’s long-term future before the upcoming parliamentary elections, which are scheduled for 15 May 2022.

WHO IS NOT INVOLVED?

Further cause for concern stems from the stakeholders who have *not* been consulted yet as part of the Beirut Port redevelopment project. According to the World Bank, the vision and masterplan will be prepared in consultation and close coordination with the Prime Min-

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SHIP TO SHORE: CMA'S DOMINANCE OF LEBANON'S CONTAINER MARKET

LATAKIA

Traffic: >600,000 TEU
...considering expansion



2014 to 2019 CMA CGN worked alongside S.A.A. 4th Division by operating the container terminal.

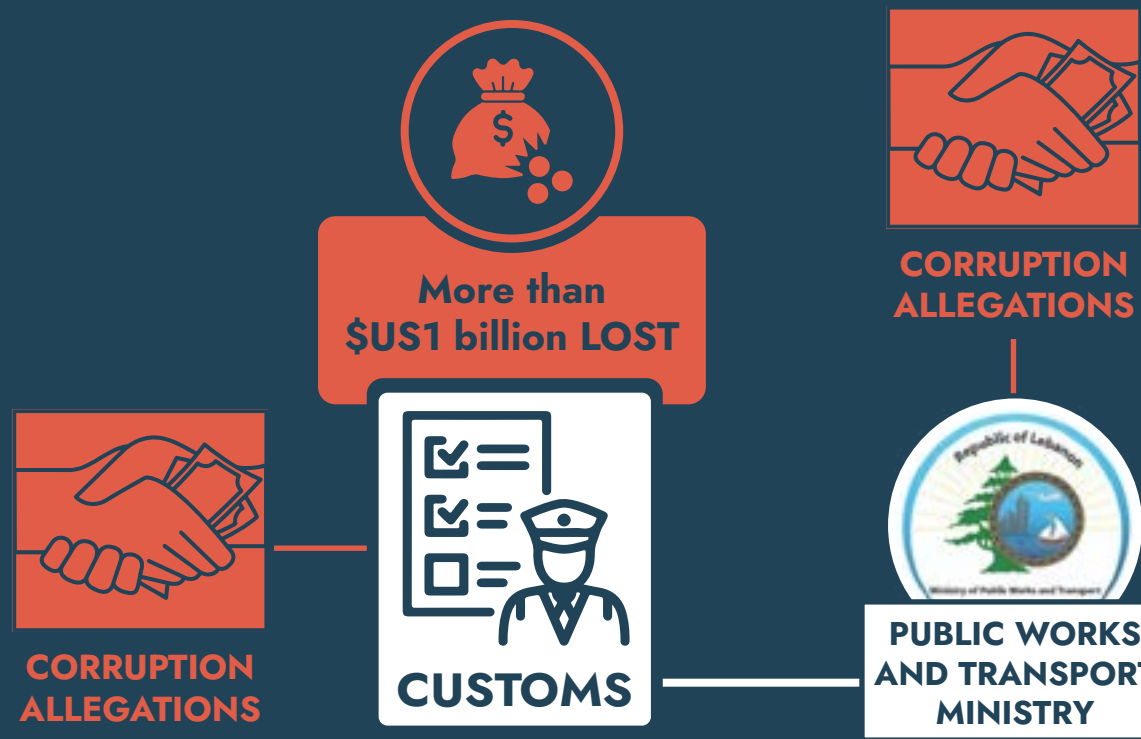


Exporting goods into Syria

16 million tons of goods per year for reconstruction

TRIPOLI

Traffic: Growing from 400,000 TEU to 1,300,000 TEU

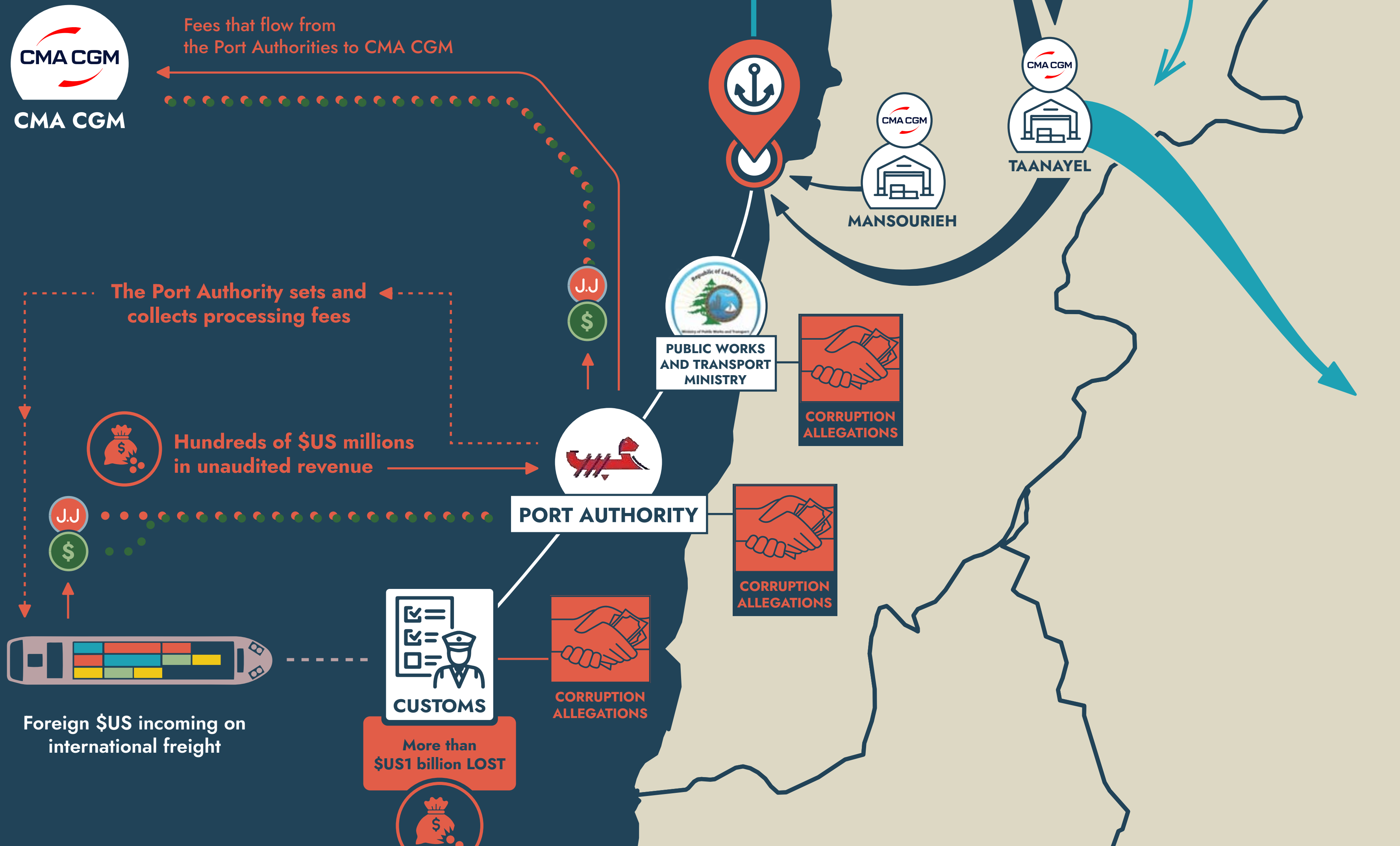


BEIRUT

Traffic: 1,400,000 TEU
Fees: USD 11 + LBP 285,000 per container



Fees that flow from the Port Authorities to CMA CGM



HAIFA

Traffic: 1,400,000 TEU

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"CMA CGM has made no mention of how it intends to operate the container terminal in the context of the allegations against GEBP, the Ministry of Public Works & Transport, and... the real potential for flows of illicit and sanctioned materials through the port facility."

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ister's office, Ministry of Public Works and Transport, Port of Beirut [GEPB], other Ministries, Customs Administration, Chamber of Commerce, Beirut Governorate and Municipality. The World Bank also claims that it will engage with civil society representatives.

When asked to nominate which civil society organisations would take part in the consultation process, the World Bank did not provide specific names. The Alternative understands that World Bank asked The Order of Engineers and Architects (OEA) to conduct workshops and provide guidelines on the development of the port, including the highly sensitive aspect of the preservation of grain silos, which have come to symbolise the August 2020 explosion. The OEA recommended preserving the silos, but seems to have been ignored by some factions within the government.¹⁷

The container terminal agreement with CMA CGM likely provides hints for understanding the stakeholders' priorities in redeveloping the Beirut Port. CMA CGM, the world's third largest shipping company, will soon add the Beirut container terminal to the conglomerate's near-total control over Lebanese trans-shipping operations. CMA CGM recently purchased 100% of rival shipping company GulfTainer's operations at the Tripoli Container Terminal, while also establishing an enor-

mous warehouse in Taanayel, Bekaa Valley known as a "dry port," which can store 1,000 20-foot containers.

CMA CGM's operations represent a lucrative commercial opportunity, according to Joseph Khoury, Operations Manager at ECU Worldwide Liban – who completed a Master's thesis on strategic competition of port operations in the Eastern Mediterranean. In Khoury's view, CMA CGM stands to occupy pole position for market access to Syria's eventual reconstruction, given the company's pervasive influence over freight traffic through Lebanon.

CMA CGM's dry port in Taanayel – one of the most important import-export hubs in Lebanon – will act as the company's prized launch point to facilitate reconstruction in Syria when it becomes politically acceptable. Syrian ports can only handle little more than half of the estimated annual 30 million metric tons of trade per year that is expected to flow into Syria for 5-10 years once reconstruction begins.¹⁸

Box II: CMA's Dominance Of Lebanese Import-Exports

CMA CGM has played a savvy hand in its expansion into Lebanon's import-export market. In addition to acquiring the container terminal in Tripoli, and the dry port in Taanayel, prior to 2022, CMA CGM already held a 60% share in Lebanese shipping traffic.¹⁹

Able to subsidise and transfer revenues between businesses, the onset of the 2019 financial crisis saw CMA CGM become the only company to accept payment from Lebanese exporters – normally made in US Dollars – in Lebanese Lira and US Dollar-denominated bank cheques deposited in the company's Lebanese bank accounts. Khoury confirmed this provided a valuable lifeline to Lebanese exporters who could only afford to export through

CMA-CGM, particularly those in the agriculture sector who were able to utilise the Taanayel facility.

However, there is no guarantee however that CMA CGM's dominant position will benefit Lebanon's import-dependent economy. After making a record US\$18 billion in profit in 2021 – due to the global spike in demand for shipping since during the COVID-19 pandemic – US lawmakers questioned whether CMA CGM had “engaged in predatory practices during the pandemic, making scores of essential goods needlessly expensive for consumers and small businesses.”²⁰ Lebanon's high import-dependence, particularly in staple foods, is already vulnerable to market shocks and price gouging through anti-competitive practices among importers and logistics firms.²¹

While the container terminal deal makes commercial sense for CMA CGM, the company has a track record of working with unsavoury political figures. CMA CGM worked as a part of a consortium managing Latakia container terminal alongside the Syrian Arab Army's elite Fourth Division from at least 2014 onward, when the division oversaw port operations and was directly involved in the unloading of containers destined for the Assad presidency and government.²²

CMA CGM operated the Latakia container terminal between 2009 and 2019 after former CEO and CMA CGM founder Jacques Saade accompanied former French president Nicholas Sarkozy on a diplomacy [and business] delegation.²³ Twelve years later his son Rodolphe launched the company's campaigning for running Beirut container terminal by accompanying French Prime Minister Emmanuel Macron on his September 2020 mission to Beirut following the blast.

CMA CGM, who declined a request for comment, has publicised its commitment to spend US\$33 million –

roughly one year's fees from full-capacity container handling in Beirut – on upgrading the technical capacities of the container terminal. A source who wished to remain anonymous, and has extensive experience of both Beirut port's management and port development internationally described CMA CGM's investment as “a pittance” for a company the size of CMA CGM, pointing out that the container terminal survived the blast relatively well, and prior to the blast was already operating at close to the 1.4 million TEU capacity CMA CGM aims to achieve.

Despite having the backing of the French government and the potential to push for political reforms as a part of redeveloping and managing the port, CMA CGM has made no mention of how it intends to operate the container terminal in the context of the allegations against GEBP, the Ministry of Public Works & Transport, and other port administration figures, which include the real potential for flows of illicit and sanctioned materials through the port facility.²⁴

Until the details of the new port law are revealed, the re-contracting of the container terminal indicates the port redevelopment risks following patterns familiar to other sectors of the Lebanese economy characterised by market concentration, opaque governance, and questionable use of public revenues. The idea that Beirut's port could one day become a place that helps the public heal the psychological wounds caused by the port explosion is likely as far off as accountability for those that caused the August 4 blast in the first place.

Triangle's new media project – The Alternative / البديل – aims to promote a more informed democratic discourse in Lebanon, which prioritises political accountability and common sense over sectarian slogans and fear-mongering.



ENDNOTES

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Design by Alexandros Chatzipanagiotou for Triangle.