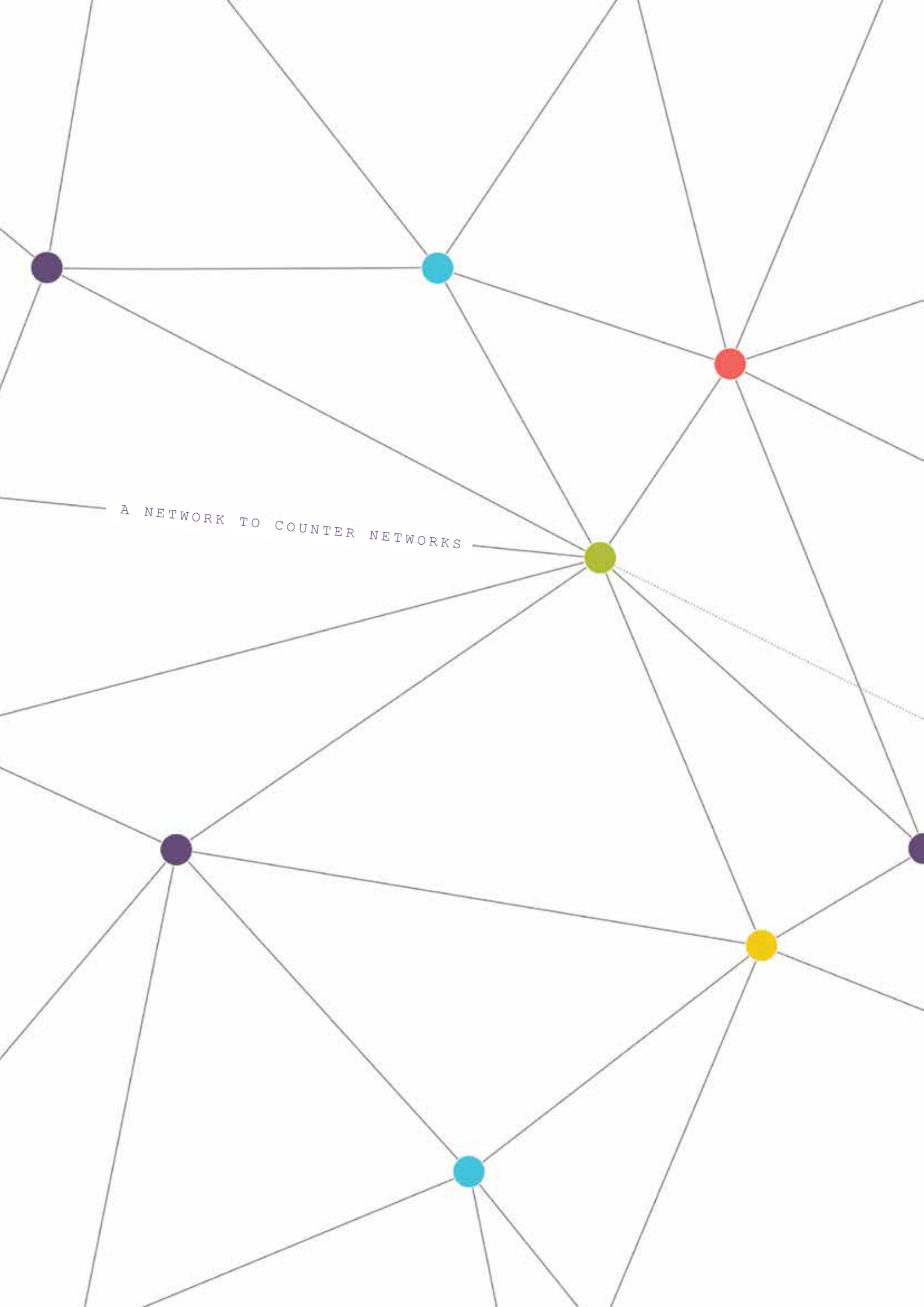


THE GLOBAL INITIATIVE
AGAINST TRANSNATIONAL
ORGANIZED CRIME

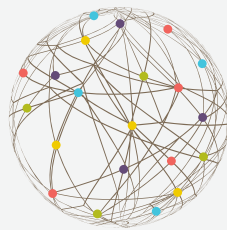
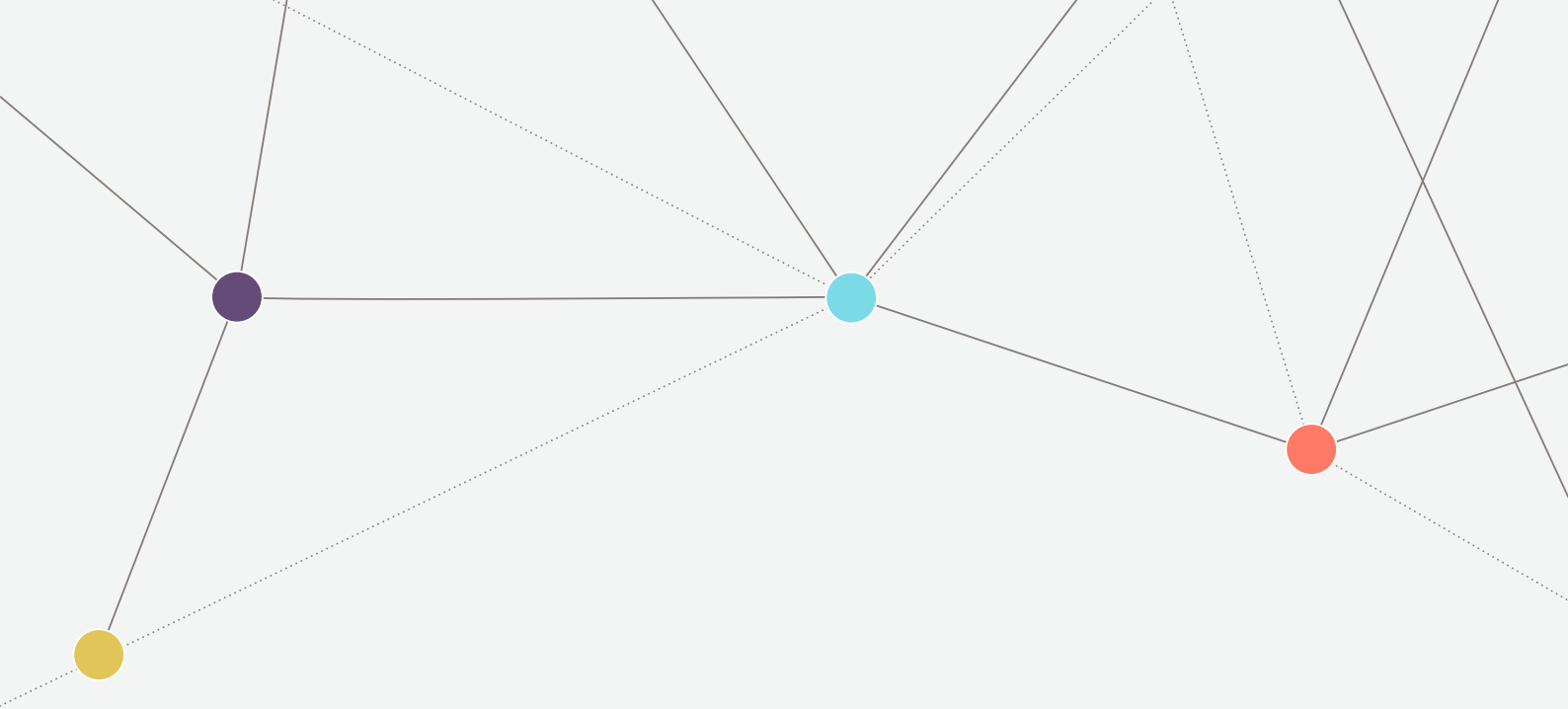
Captured by Captagon? Lebanon's evolving illicit drug economy



May 2017



A NETWORK TO COUNTER NETWORKS



Captured by Captagon? Lebanon's evolving illicit drug economy

May, 2017

© 2017 Global Initiative against Transnational Organized Crime

No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Global Initiative. Please direct inquiries to:

The Global Initiative against Transnational Organized Crime

WMO Building, 2nd Floor

7bis, Avenue de la Paix

CH-1211 Geneva 1

Switzerland

www.globalinitiative.net



Acknowledgments

The Global Initiative against Transnational Organized Crime (GI) is grateful to the national and international institutions which shared their knowledge and data with the report team, including though not limited to, the Internal Security Forces, Customs, the Ministry of Finance, the Ministry of Interior and Municipalities, and the Ministry of Public Health of Lebanon, the United Nations Office on Drugs and Crime and the International Narcotics Control Board.

This report was drafted and prepared by Jeremy Arbid. Editing by Matt Nash. Research assistance and translation by Lynn Soubra. Editorial assistance provided by Jessica Gerken and Giulia Romana Zacutti.

The preparation of this report benefited from the financial contributions of Norway.



Executive Summary

Lebanon has a long history of drug cultivation and trafficking, which predated the civil war, and has long been attributed with resourcing conflict protagonists thereby prolonging it. By the end of the war in 1990, Lebanon was home to a multi-billion drug economy which was firmly entrenched both into local and central politics and power. The Bekaa valley, which assumed prominence as a drug producing hotspot during the conflict, has retained its reputation as a source of opium and hashish production. Estimating the exact size of the country's current drug trade is difficult given the paucity of reliable figures, although its assumed to have reduced since the war.

There is however a worrying new trend: the growth of the illicit economy around the drug Captagon – a global illicit industry worth an estimated US \$1 billion a year. Captagon is an amphetamine and popular party pill widely used throughout the Gulf countries. Profit margins of Captagon are astonishingly high: a single pill can be produced for a few cents with easy to access precursor chemicals, but currently retails at up to US\$20 in the Gulf.

Evidence presented in an earlier Global Initiative report, “The Nexus of Drug Trafficking and Conflict in Syria and the Wider Region” suggests that the trade in Captagon is burgeoning, with much of the production in Syria and its neighbouring countries, and profits from the drug trade once again fuelling conflict actors.

This paper explores the evolution of Lebanon's drug trade, and in particular the production and trafficking of Captagon. Major seizures were made in Lebanon in 2014 in particular, but the subsequent steady decline in seizures suggests, that smuggling groups have adapted to law enforcement interventions rather than increased efficacy of enforcement.

Given the litany of other challenges faced by the Lebanese government, curbing the illegal trade in drugs is not a priority. Lebanon's military is focussed on more significant cross-border threats and terrorist violence, and the police force is understaffed, underfunded and under equipped. A central directorate for drug control within the Ministry of Interior exists only on paper. Lebanon's own Finance Minister has suggested that weeding out corrupt personnel at Beirut's airport is a more urgent need to combat smuggling than to reinforce capacity or introduce new technologies aimed at curbing these illicit practices. Legal and institutional frameworks are inadequate and international support in the area of organised crime and drug trafficking is small. Tracking the money flow is next to impossible, but various patterns for laundering money in Lebanon are clearly apparent: from Halawa cash transfer networks, to smuggled telephones, to a real estate sector where cash-based transactions are still common.

Drug use, addiction prevalence and rehabilitation statistics in Lebanon are nearly non-existent, as is the amount the state dedicates to the war on drugs that officials involved insist they are waging. Lacking reliable data, drawing detailed recommendations is difficult, but what is clear is that Lebanon needs more of everything (funding, manpower, strategy, rehabilitation facilities) if it ever wants to genuinely address its growing drug problem.

A lack of resources continues to bedevil attempts at border control and law enforcement. The international community and the Lebanese themselves may rue this lack of attention in future.

The drug trade in the country has historically had a considerable impact upon political processes, whose legacy can still be felt today. Funds from the illegal drug economy have filtered into the system of governance, including the corrupting of the security forces. Research for this report indicates the widespread impact of illicit fi-



nancial flows on the economy. The prominence that the Captagon trade has assumed, along with the production of other drugs, is worsening an already serious position.

Lebanon is vulnerable to these developments. Its geographic position on the border with Syria, protracted domestic political crisis and stalemate, and a long-standing culture of impunity and complicity, makes the subversion of governance by drug money a particular challenge. While the degree to which Lebanon has been “captured” by the powerful individuals and groups who manage the drug trade is difficult to discern.

As Syria’s war grinds on, and the country continues to grapple with constitutional challenges, the focus of domestic and international attention has consistently been consistently on other priorities. While this may have been permissible in the past, the growth of the ultra-lucrative Captagon economy is raising the stakes. If Lebanon’s already fragile system of governance is not to be further undermined, this report recommends an increased focus on the Lebanon’s drug economy.



Table of contents

Acknowledgementsv

Executive Summaryvi

Table of Contentsviii

List of Acronymsix

Introduction1

I. Historic precedence of narcotics production in Lebanon.....3

II. Drugs in Lebanon. Today7

 Synthetic drugs8

 “We are helpless”16

 Legal obstacles.....17

III. Quantifying drug use in Lebanon.....19

 Questions of cost and efficiency20

IV. On the narcotics potential of licit imports of precursors22

 Precursor and pre-precursor chemical imports into Lebanon.....23

 Preliminary findings24

 Follow the paper trail.....25

V. Responding to Lebanon’s drug challenges.....27

VI. What about the money?.....30

 Cleaning up.....30

 Unanswered questions32

Conclusion and Implications38



List of Acronyms

APAAN	Alpha-Phenylacetoacetonitrile
BdL	Banque du Liban
BMK	Benzyl Methyl Ketone
BOL	Bill of Lading
CAS	Central Administration of Statistics
CDDC	Central Directorate for Drug Control
CIA	Central Intelligence Agency
CSO	Civil Society Organizations
DEA	Drug Enforcement Administration
EU	European Union
EUR	Euro
FATF	Financial Action Task Force
FBN	Federal Bureau of Narcotics
GBP	British Pound
HRW	Human Rights Watch
HS Codes	Harmonized System Codes
ILO	International Labour Organization
IMF	International Monetary Fund
INCB	International Narcotics Control Board
INCLE	International Narcotics Control and Law Enforcement
ISF	Internal Security Forces
kg	kilogram
km	kilometre
LAF	Lebanese Armed Forces
LCB	Lebanese Canadian Bank
MENA	Middle East and North Africa
MoPH	Ministry of Public Health
NAJM	Customs Clearance automated information System
NOOR	NAJM On Line Operations
OCO	Overseas Contingency Operations
OFAC	Office of Foreign Assets Control
OST	Opioid Substitution Therapy
P-2-P	1-Phenyl-2-Propanone
PEN	Pre-Export Notification
t	ton
UK	United Kingdom
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNIFIL	United Nations Interim Force in Lebanon
UNODC	United Nations Office on Drugs and Crime
US	United States
USD	US Dollar



Introduction

With the Civil War from 1975 to 1990 behind its back, Lebanon is well on the way on its reconstruction and, today, constitutes a religiously and ethnically diverse country at peace. However, beneath the title of either ‘the Switzerland of the East’ or the ‘Paris of the Middle East’ as well as the party hub of the region lie a paralysed political system and a nation that lives under the constantly looming threat of spill over of regional instability from the Syrian war across the border, merely a hundred kilometres away from the capital city of Beirut.

After two years of political stalemate, it was only in October 2016, that Lebanon managed to elect a new president, awarding the country the dubious distinction of being the longest running period without in contemporary history for a country to go without executive authority. Nonetheless, with this announcement, Lebanon’s numerous problems do not end. A garbage crisis, ongoing since early summer 2015, has still not been resolved and serves as “a potent symbol of the dysfunctional, sect-based politics that define this tiny country”!

Yet, stability is all that Lebanon has to hold on to, to fight off spill overs of the war in Syria with ISIS fighters threatening to cross the borders in Lebanon’s east. Combined with structural deficiencies, a lack of resources across national law enforcement agencies, and political prioritisation, this creates an ideal situation where criminal groups can make profits in various ways – at the forefront of illicit activities: the drug trade in and out of the country – and to translate those profits into political influence.

With a history in drugs, once staggering amounts of opium and hashish cultivation the Bekaa valley, drug producers have turned to synthetics such as Captagon which is traded regionally to the Gulf countries. In 2016, the Captagon business in Lebanon has been estimated to have been be worth more than USD 1 billion – a difficult to pinpoint amount that might actually fall anywhere on the scale from a conservative low estimation in the triple digit millions to a more daring estimate in the high billions or above. The trade, and that of marijuana, is enabled by the government’s inability to control Lebanon’s drug producing Bekaa Valley foremost, and its struggle to close pop-up Captagon factories in other parts of the country.

The drug lords controlling Lebanon’s narcotics trafficking are said to have formed an alliance with Syrian traffickers. The cross-border alliance has proven too powerful for the police to confront alone, while the Lebanese Armed Forces (LAF) is more preoccupied in containing spill-over from the neighbouring civil war in Syria and extremist groups operating inside the borders. The drug unit of the Internal Security Forces (ISF), the national police force itself alongside other security agencies, is understaffed, under equipped and strapped for cash. The Central Directorate for Drug Control, the Ministry of Interior body responsible for gathering intelligence and coordinating operations to suppress drug trafficking, exists only on paper and its responsibilities have been folded into those of the ISF’s drug unit.

The academic literature points to militias’ culpability during Lebanon’s civil war – a source of revenue to the warring lords taxing all trade, including narcotics, entering or exiting through makeshift ports – whose many faction leaders and militiamen were welcomed into government institutions following the civil war’s conclusion.

¹ Tim Arango and Hwaida Saad, “On Lebanon’s Once-Sparkling Shores, a Garbage Dump Grows”, *Al Jazeera*, 26 January 2017. Available at: https://www.nytimes.com/2017/01/26/world/middleeast/on-lebanons-once-sparkling-shores-a-garbage-dump-grows.html?_r=0



There are indications of complicity at the highest levels. Declassified foreign intelligence singles out individuals connected to high ranking officials, or to the officials themselves, participating in the drug trade in past decades. News accounts add weight and color to these scenarios, the factors of which all help narcotics trafficking survive and, in recent years, enable a boom in the production and trafficking of Captagon said to fuel groups fighting in Syria and other conflicts across the region and financing terrorism activity around the world.²

Lebanon's drug economy is significant and is not likely to subside in the near term for several reasons: the attractiveness of Captagon's high profit margins and the general ease in which it is synthesized and then smuggled; low drug enforcement capacity by Lebanese authorities and drug enforcement's low priority status vis-à-vis other national security concerns; deficiencies in Lebanon's narcotics law; and the general disinterest of foreign governments in curbing the flow of illicit drugs emanating from Lebanon.

This report traces historic precedents of the narcotics production in Lebanon (Chapter I) to explain how drug cultivation and trafficking became entrenched in today's political system.

² Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking – Syria and the wider region*. Available at: <http://globalinitiative.net/documents/the-nexus-of-conflict-and-illicit-drug-trafficking-syria-and-the-wider-region/>



I. Historic precedence of narcotics production in Lebanon

If you ask the farmers of the Bekaa Valley, they will explain that marijuana cultivation in Lebanon predates the establishment of the republic in 1943 by generations. Just nine years after the country gained independence, it already had an international reputation as a drug production hub. In 1954, the commissioner of the US Federal Bureau of Narcotics (FBN), an early predecessor to the Drug Enforcement Administration (DEA), levelled a heavy charge against the young country and its leaders, stating: "Certain of the largest traffickers are so influential politically, and certain highly placed officials are so deeply involved in narcotic traffic, that one might well state that the Lebanese Government is in the narcotics business."³

Elizabeth Picard, author of *Trafficking, Rents, and Diaspora in the Lebanese War* goes further. "Trafficking was more than tolerated by the Lebanese state," she writes. Picard notes that Lebanon's political elite "was notoriously involved in hashish smuggling" adding that "there was a tacit collusion between its political and even judicial elites to turn a blind eye to the illegal activity for their common benefit."⁴ In 1971, law enforcement at Beirut International Airport caught the sons of Lebanon's Army chief of staff and security chief with 31 kg of hashish at hand.⁵ Hashish exports were protected by prominent Lebanese politicians who counted on their own militias for protection, one of which was allegedly former Lebanese president Suleiman Frangieh. In 1972, Frangieh was rumored to have received a USD 3,000 bribe to release an American arrested for smuggling hashish. Frangieh's son Tony, a politician and a militia leader, was said to be intricately involved in the dealing of hashish – to the tune of USD 300 million year.⁶

The Bekaa Valley, located about 30 km east of Lebanon's capital Beirut, has for a long time been the heart of Lebanon's drug country. By all accounts, Lebanon's drug economy only expanded during the 1975-90 civil war. In 1972 cannabis fields dotted the Bekaa Valley, an area spanning 2,500 km². By 1977, farmers were growing marijuana on some 10,000 hectares (100 km²) of cannabis fields valued at close to a billion dollars. Toward the end of the civil war they had reached 125,000 hectares (1,250 km²), or 49% of all cultivated land in the northern Bekaa, leading to annual exports of nearly 50,000 tons.⁷

As the country divided amongst the varying warring factions, militias needed sea access and began heavily taxing both imports and exports at makeshift ports spread along the country's coast. Much of the revenue generated from these ports came via the drug economy, according to Fawwaz Traboulsi in *A History of Modern Lebanon*.⁸ Indeed, the state's 225 km coastline – popular with beachgoers from around the world as early as the 1950s – earned its notoriety for harboring the world's most important single-transit port in the international traffic of narcotics during the war.⁹

³ Notes on declassified documents, In: *The Lebanese Connection: Corruption, Civil War, and the International Drug Traffic*, Jonathan Marshall (Stanford University Press, 2012).

⁴ *Trafficking, Rents, and Diaspora in the Lebanese War*. (2005) Elizabeth Picard, pp. 29-30.

⁵ Paris embassy to Department of State, telegram 6680, April 27, 1971, SOC 11-5 Lebanon, box 3076, Subject Numeric Files, 1970-73, DS records. In: *The Lebanese Connection: Corruption, Civil War, and the International Drug Traffic*, Jonathan Marshall, (Stanford University Press, 2012), p. 26.

⁶ Jonathan Randal, *Going All the Way: Christian Warlords, Israeli Adventurers and the War in Lebanon* (New York: Vintage Books, 1984), p. 157.

⁷ Hassan Makhlof, *Culture et commerce de drogue au Liban* (Paris: L'Harmattan, 1994)

⁸ *A History of Modern Lebanon*, Fawwaz Traboulsi (Pluto Press 2007).

⁹ Marshall, page 38.



Much like any war breeds anarchy, Lebanon's Civil War, with its resulting state collapse and subsequent economic implosion, further entrenched the illicit trade in narcotics as a source of militia funding. With the disintegration of the government's control over the country, marijuana and opium became a significant source of income for battling militias and Lebanon's disparate and confessional political factions. Traffickers, who acclimatized to the new chaotic conditions, also took advantage of that lawless climate to raise funds for their arms and operations. Nearly a month after the civil war erupted, "German police confiscated nearly three tons of Lebanese hashish—the largest drug seizure in the country's history."¹⁰



The Bekaa Valley is the heartland of Lebanon's drug economy.

Source: Greg DeMarque

¹⁰ London Times, (14 May 1975); Der Spiegel, 'Funde am Strom' (19 May 1975). In: *The Lebanese Connection: Corruption, Civil War, and the International Drug Traffic*, Jonathan Marshall (Stanford University Press, 2012), p. 75.



As trafficking increased during the war, “profit became the main driving force behind the fighting,”¹¹ writes Picard, careful to note, however, “that the war was [not] ignited by drug bosses’ “greed,” for the drug economy had functioned virtually unchecked, leaving drug lords prosperous and, for the most part, safe.”¹² Picard argues that Lebanon’s drug war lords had no part in starting the country’s long and brutal civil war because they had long traded their illicit goods mostly unhindered. The fighting, however, presented a need for stable routes to move their marijuana and opium harvests and the militias needed cash. It was a mutually beneficial partnership.

Traboulsi goes further, arguing that while Lebanon’s various factions were enemies in battle, they were partners in crime. “Drug trafficking was the economic activity in which all militias collaborated. During the war period, the area devoted to hashish cultivation doubled and came to occupy more than 40 per cent of the cultivable land in the Biqa’ [Bekaa].”¹³

In the early days of the war, Traboulsi notes, “opium culture was introduced for the first time.”¹⁴ According to Hassane Makhoulf, in *Culture et commerce de drogue au Liban*, it was in 1976 that Bekaa Valley farmers planted their first acres of opium poppies, which almost tripled the next season.¹⁵ During the civil war Lebanon became a big time producer of heroin, and its illegal trade was valued in the billions of dollars. According to Traboulsi, “heroin [was] processed in a number of clandestine laboratories that even processed Colombian cocaine. The estimated value of narcotics produced in Lebanon was around \$6 billion and their market value reached as high as \$150 billion. The yearly tributes accruing to the various parties that controlled the traffic have been estimated at between \$500 million and \$1 billion.”¹⁶

As the conflict heightened, so did the drug trade. In 1981, the Central Intelligence Agency (CIA) estimated that the hashish crop pushed more than USD 500 million annually into the Lebanese economy. Four years later, a senior US DEA agent sounded the alarm over the role Lebanon’s politicians were playing in the drug economy, arguing the ties between traffickers and elected officials “could have far-reaching implications for drug law enforcement worldwide and U.S. foreign policy” and estimated that “drug profits account for a good 50% of the entire Lebanese economy.”¹⁷ That same year, the State Department’s Bureau of International Narcotics Matters indicated that Lebanon had become a “key processing transshipment center in the Middle East for opiates. Heroin labs were on the rise, with the emergence of about one hundred from 1985 to 1987. In 1988, heroin production reached about ten tons.”¹⁸

By the end of the civil war, according to a news account from 1990, Lebanon was home to a multibillion dollar underground drug economy: “Western diplomats in Lebanon acknowledge that the drug harvest is the single largest export commodity, accounting for well over half of the foreign-exchange earnings. Inter-

¹¹ Picard, p. 29.

¹² Picard, p. 30.

¹³ *A History of Modern Lebanon*, Fawwaz Traboulsi (Pluto Press 2007), p. 234.

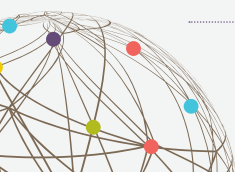
¹⁴ Traboulsi, page 234.

¹⁵ Makhoulf, page 58.

¹⁶ Traboulsi, page 234.

¹⁷ The Globe and Mail, ‘Deadly Harvest: Lebanon Has the Perfect Cash Crop to Finance Its Perpetual State of War’ (22 August 1986). In: *The Lebanese Connection: Corruption, Civil War, and the International Drug Traffic*, Jonathan Marshall (Stanford University Press, 2012), p. 103.

¹⁸ *International Narcotics Control Strategy Report*, 1986, 244. In: *The Lebanese Connection: Corruption, Civil War, and the International Drug Traffic*, Jonathan Marshall (Stanford University Press, 2012), p. 102.



national bankers familiar with Lebanon estimate that as much as 50 percent of the country's remittances from abroad were related to drug trafficking."¹⁹

Fifteen years of blood, destruction and the de facto division of the country gutted Lebanon's state institutions. Drug and warlords, however, were doing just fine when the conflict ended. They were smuggling anything from hashish to arms under the watch of law enforcement, who had little ability to curb it. A senior FBN agent later stated that one "couldn't throw a tomato into a crowd of Lebanese and not hit a hashish trafficker."²⁰ Lebanese officials would occasionally raid cannabis fields but the protection of many growers was so powerful that crops could not be destroyed or shipments seized to stem the drug flow. Lebanese law enforcement was powerless in the face of tight-knit militias and drug rings.

The country's unstable nature and weak state governance paved the way for all kinds of unlawful activity that sustained the militias and quasi-independent statelets during the civil war through the post-war era beginning in the 1990s to today. The power sharing Ta'if Agreement that ended the civil war brought warlords into government, preserving and entrenching a ruling status quo that has remained complicit in drug production and trafficking.

All indications point to high level culpability in drug trafficking dating back to the French mandate with estimates that more than 50 per cent of the country's economy depended on the cultivation of hashish. Lebanon's long-standing involvement in drugs fortified rather than challenged power relationships. "Lebanon's reconstruction has preserved the war economies once lining the pockets of militia leaders. During the civil war, the militias established civil administrations to service their sectarian constituencies. In return for taxing the population under their control, they collected garbage, provided water and electricity, managed traffic and maintained roads. Yet the militias also turned war into a strategic resource. From drug-trafficking to pillaging the port to speculating against the Lebanese pound, the militias procured about \$1 billion annually, creating personal fortunes for their leaders and perpetuating the civil war. Postwar reconstruction came without political reconciliation. The former warlords are today Lebanon's politicians, ministers and heads of government."²¹

¹⁹ The Washington Post, 'Lebanon's Valley of Drugs' (18 November 1990). Available at: <https://www.washingtonpost.com/archive/opinions/1990/11/18/lebanons-valley-of-drugs/9cca8a22-5a60-4529-9d5c-cfedf083af4f/>

²⁰ Douglas Valentine, 'The Strength of the Wolf, 114'. In: *The Lebanese Connection: Corruption, Civil War, and the International Drug Traffic*, Jonathan Marshall (Stanford University Press, 2012), p. 22.

²¹ The Washington Post, 'Beirut's lessons for how not to rebuild a war-torn city' (12 October 2016). Available at: <https://www.washingtonpost.com/news/monkey-cage/wp/2016/10/12/beirut-lessons-for-how-not-to-rebuild-a-war-torn-city/#comments>



II. Drugs in Lebanon, today

Lebanon's drug economy still exists, but measuring its size is difficult not only because of its illegal nature. As would be expected, statistics on the production, as well as the import and export, of drugs in Lebanon are hard to find. Additionally, data collection deficiencies mean that in-country drug use numbers are nearly non-existent and estimating the cost and efficiency of both Lebanon's fight against drugs and efforts to aid drug addicts is almost impossible. Lebanon is still known internationally for producing and trafficking drugs, but the scale of each activity is thought to be drastically reduced compared to the war years. The Bekaa Valley remains Lebanon's drug region.

Lebanon's famed hashish, or marijuana resin, as it is referred to in drug reports, represents but a slice of the global market these days. The United Nations Office on Drugs and Crime's (UNODC) 2016 World Drug Report explains, "Reports from Member States on source countries for cannabis resin during the period 2009-2014 suggest that the world's largest producer of cannabis resin continues to be Morocco, followed by Afghanistan and, to a lesser extent, Lebanon, India and Pakistan."²² The finding is echoed in the 2016 EU Drug Markets Report,²³ with the 2016 US State Department International Narcotics Control Strategy Report mentioning Lebanon only as a hashish "transit point" - not a producer.²⁴

However, anyone watching Lebanese news knows that marijuana remains an important local cash crop. In July 2014, farmers from the Hamieh family, a prominent Bekaa Valley Shiite clan, were featured on one local station for protesting the eradication of their marijuana fields. On public television, they claimed their livelihoods would be shattered completely if their crops were destroyed, and so were prepared to defend their fields with their weapons and their lives. The farmers claimed their marijuana fields on wholesale could earn from USD 20,000 to USD 70,000, depending on the size of the harvest.²⁵ Lebanon's national police, the ISF, estimates marijuana fields are being cultivated in the tons in the Bekaa Valley and ISF statistics in 2014 recorded 35 km² of fields growing marijuana.²⁶

Authorities have not bothered to visit the Bekaa Valley village of Deir al Ahmar in recent years, local marijuana farmers report. "It's been a while they haven't been coming. Before they used to come on an annual basis, they would destroy the marijuana fields and leave. Sometimes even there was an attempt in going to people to see the dealers, try to find them but that wasn't really frequent and now it's not happening at all - not even police coming to destroy the planted fields."²⁷ Across the Bekaa Valley marijuana fields are not being eradicated. The police need the firepower of the Lebanese Army to uproot crops, but since the start of Syria's civil war in 2011, the army has been more concerned with shielding Lebanon from the war and pursuing terrorist and extremist elements than drug enforcement. The farmers, for their part, claim marijuana is their only source of income and that their lands are not suitable for other crops. A number of crop substitution programs have failed for varying

²² UNODC (2016), *World Drug Report 2016*, Available at: https://www.unodc.org/doc/wdr2016/WORLD_DRUG_REPORT_2016_web.pdf

²³ EMCDDA (2016), *EU Drug Markets Report*. Available at: <http://www.emcdda.europa.eu/system/files/publications/2373/TD0216072ENN.PDF>

²⁴ US State Department International Narcotics Control (2016), *Strategy Report 2016*. Available at: <https://www.state.gov/j/inl/rls/nrcrpt/2016/vol1/253284.htm>

²⁵ Youmna Fawaz, Al Jadeed, news segment (6 July 2014). Available at: <https://www.facebook.com/538774949511402/videos/vb.538774949511402/676425012413061/?type=2&theater>

²⁶ Interview with ISF drug unit (September 2016).

²⁷ Interview with farmer near Deir al Ahmar (August 2016).



reasons and, ultimately, sunflowers, potatoes and thyme harvests are not as profitable. Simply put, the government does not control the Bekaa Valley, leaving drug lords with mini-fiefdoms where anything goes.

A draft report on the Ministry of Public Health's (MoPH) website titled "Inter-Ministerial Substance Use Response Strategy for Lebanon 2016-2021" claims, without citing a source, that "increasing amounts of heroin are also being illegally cultivated in the Bekaa."²⁸ However, the police say opium production has mostly stopped: "There are some opium fields, but we are eradicating them as quickly as possible. Opium production in Lebanon is not a thing."²⁹ United Nations (UN), US, and European Union (EU) reports make no mention of opium or heroin production in Lebanon. The US report says heroin is trafficked through Lebanon (without mentioning an origin or destination for the illicit substance)³⁰ while the UN only mentions Lebanon as a traffic point for South American cocaine destined for the region and the rest of Asia.³¹

Synthetic drugs

The latest entrant to Lebanon's drug economy is an amphetamine known as Captagon.³² Five years ago, Captagon was being produced in Bulgaria and other countries in Southeast Europe. The UNODC says "a shift towards "ecstasy" and methamphetamine trafficking has taken place [in Southeast Europe] in recent years, with amphetamine trafficking moving to other markets." Much of that market is found in the form of illicit Captagon in the Middle East. In terms of production, trafficking and consumption, says the UNODC: "Amphetamine continues to dominate the market in the Near and Middle East/South-West Asia, with over 12 tons seized in 2012, representing more than half of global seizures (56 per cent). In the region, the largest seizure totals are those of Saudi Arabia, Jordan and the Syrian Arab Republic, in that order."³³

While historically there has been a lot of trafficking from, to, and within the Arab region, it is believed that there has been a major shift in production to the Middle East, namely Syria, and to Lebanon. The reason for the shift can be attributed in general to low or to no government authority plus armed militias who need money to fund their operations. In addition, the precursor chemicals needed to produce amphetamine (a synthetic drug) are also available in the region.³⁴

The 2016 EU Drug Markets report connects the current boom of the region's amphetamine trafficking to Syria's chaotic civil war. "The current instability in Syria and its impact on neighbouring countries, including key EU part-

²⁸ Ministry of Public Health, *Draft Inter-Ministerial Substance Use Response Strategy for Lebanon 2016-2021*. Available at: http://moph.gov.lb/userfiles/files/Programs%26Projects/MentalHealthProgram/DraftInter-ministerialSubstanceUseResponseStrategy%20forLebanon2016-2021-Eng_-ForPublicReview.pdf

²⁹ Interview with ISF drug unit (September 2016).

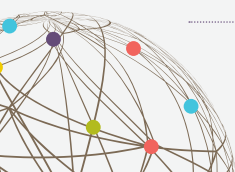
³⁰ US State Department International Narcotics Control (2016), *Strategy Report 2016*. Available at: <https://www.state.gov/j/inl/rls/nrcrpt/2016/vol1/253284.htm>

³¹ UNODC (2016), *World Drug Report 2016*. Available at: https://www.unodc.org/doc/wdr2016/WORLD_DRUG_REPORT_2016_web.pdf; Global Initiative against Transnational Organized Crime, 'Arrested and expelled: drug trafficking and terrorism fears rising in Lebanon' (16 August 2016). Available at: <http://globalinitiative.net/arrested-and-expelled-drug-trafficking-and-terrorism-fears-rising-in-lebanon/>

³² Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking: Syria and the wider region*. Available at: <http://globalinitiative.net/documents/the-nexus-of-conflict-and-illicit-drug-trafficking-syria-and-the-wider-region/>

³³ UNODC (2014), *World Drug Report 2014*, p. 49. Available at: http://www.unodc.org/documents/wdr2014/World_Drug_Report_2014_web.pdf

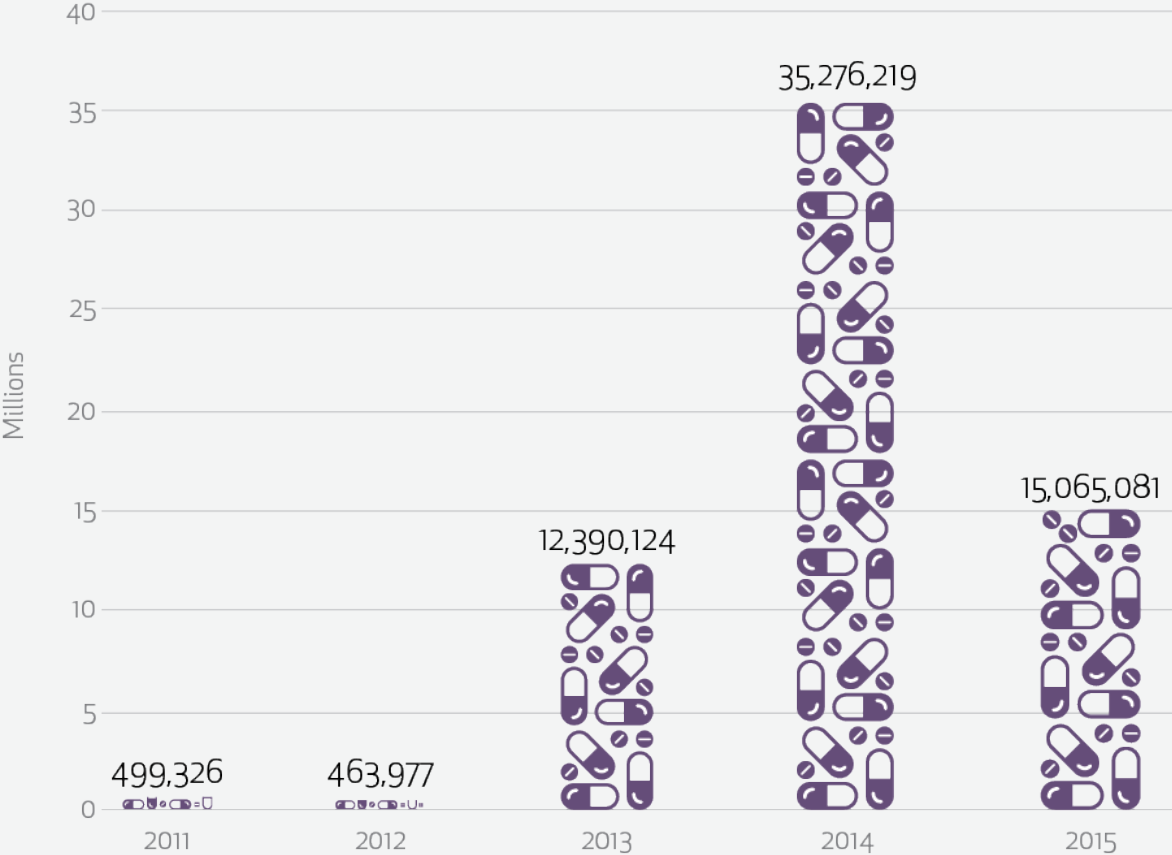
³⁴ Interview with UNODC (July 2016); Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking: Syria and the wider region*.



ners, has created a geographical hotspot of multiple and potentially interconnected threats, including drug-related and other forms of organised crime and mass human migration and its accompanying challenges, in an area where terrorist organisations are active.”³⁵

The extent of Captagon production in Lebanon is unclear. The ISF does not record statistics on how many Captagon production facilities they have shuttered in recent years, however the UNODC notes “Lebanon was the only country in the Middle East that reported the discovery of clandestine amphetamine laboratories between 2009 and 2014.”³⁶ Indeed, in 2014 Lebanese authorities arrested a Bulgarian allegedly brought to the Bekaa Valley for his renown Captagon making skills.³⁷ That said, production is believed to be high in Syria as well. Recent Global Initiative collected data on Captagon seizures in Lebanon from 2011 to 2015 shows that Lebanon’s history with Captagon is relatively recent with Captagon production also moving to Syria.³⁸

Figure 1: **Captagon seizures in Lebanon 2011-2015**



Source: DEA Lebanon

³⁵ EMCDDA (2016), Strategic Overview - EU Drug Markets Report 2016, p. 14. Available at: http://www.emcdda.europa.eu/system/files/publications/2374/TD0416161ENN_1.PDF; Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking: Syria and the wider region*.

³⁶ UNODC, *World Drug Report 2016*. Available at: https://www.unodc.org/doc/wdr2016/WORLD_DRUG_REPORT_2016_web.pdf

³⁷ Daily Star Lebanon, ‘Notorious’ Bulgarian Captagon cook busted in Lebanon’ (25 November 2014). Available at: <https://www.dailystar.com.lb/News/Lebanon-News/2014/Nov-25/278876-notorious-bulgarian-captagon-cook-busted-in-lebanon.ashx>

³⁸ Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking: Syria and the wider region*, p. 17.



Trafficking of Captagon through Lebanon, however has been watched for years: "Fenethylamine [the common chemical name for Captagon] continues to be smuggled through Lebanon to Gulf region states and is produced in Syria and the Bekaa Valley area of Lebanon."³⁹ The Lebanon-Syria border is notoriously porous and smuggling between the countries was common well before the civil war in Syria.⁴⁰ One Western diplomat explained that the Lebanese-Syrian border is difficult to control because of the rugged terrain, even more so now as Syria's civil war rages.

Much of the population living in towns along the border work on one side and live on the other, making the likelihood of smuggling that much higher. The diplomat said the hardest stretch to control is the border area of the eastern Bekaa Valley that snuggles up to the Qalamoun Mountains in Syria. The Qalamoun Mountains range from the Barada River Valley in the southwest of Syria to the city of Hisyah in the northeast. This area was the site of heavy fighting in 2013 between Syrian regime forces and pro-regime militias (including Hezbollah) and Al Nusra.⁴¹

One Western diplomat indicated that along the Blue Line – a 52 km stretch border demarcation between Lebanon from Israel monitored by the United Nations Interim Force in Lebanon (UNIFIL) – there is not much trafficking, though the diplomat added small fishing boats might have an easier time smuggling by sea than the more heavily patrolled land routes. In any case there are few accounts of drug smuggling via the Blue Line. One exception comes from a 2009 report where UNIFIL and the LAF thwarted an attempted drug smuggling operation. Another comes from the January 2010 issue of UNIFIL's own publication *Al Janoub*: "Incidents that peacekeepers have to deal with include stone throwing from the Lebanese side, shepherds straying across the Blue Line and sometimes detained by Israeli troops before being released through UNIFIL to Lebanon and drug dealers on both sides exchanging goods and money in bags tossed over the fence." UNIFIL declined to comment on these cases and did not respond to questions about instances of drug smuggling via the Blue Line.

However, the all-out war in Syria has disrupted all of Lebanon's land trade routes, including those popular for transiting Captagon via Jordan to the lucrative black markets in the Gulf – namely Kuwait, Saudi Arabia and the United Arab Emirates – requiring new ways to traffic the narcotic, with all indications pointing to Lebanon's air and sea ports a recent Global Initiative report has uncovered.⁴² There are indications that some of the Captagon seized in Lebanon was produced in Syria and smuggled over the border. News accounts report a number of illegal border crossings, and with the outbreak of civil war in Syria the number of smuggling routes increased.⁴³

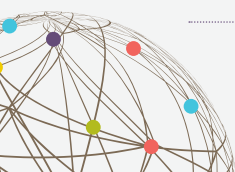
³⁹ United States Department of State, Bureau for International Narcotics and Law Enforcement Affairs (2016), *International Narcotics Control Strategy Report, Vol 1*, p. 215. Available at: <https://www.state.gov/documents/organization/253655.pdf>

⁴⁰ Royce Hutson, 'Features of Smuggling in Wadi Khaled, Lebanon', *Conflict, Security & Development*, 11/4 (2011). Available at: <http://www.tandfonline.com/doi/abs/10.1080/14678802.2011.614126?journalCode=ccsd20>

⁴¹ Al Jazeera, 'Sharing the scars of Syria's war' (8 March 2014). Available at: <http://www.aljazeera.com/indepth/features/2014/03/sharing-scars-syria-war-201437183921188628.html>

⁴² Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking: Syria and the wider region*.

⁴³ Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking: Syria and the wider region*.



Map 1: **The Lebanese-Syrian border is nearly 365 km and has never been fully demarcated**



The topography on both sides of the border is rugged. In the highlands surrounding Mount Hermon, at an elevation of more than 2,200 meters above sea level, smugglers use mules to transport goods between the two countries.⁴⁴ A 2007 survey by the New Opinion Workshop reported a number of illegal crossings that might serve as smuggling routes for both illicit goods like drugs, stolen cars and weapons and legitimate goods like food products, tobacco and cement.⁴⁵ The survey noted an illegal crossing near the towns of al-Qasr and Horsh Sayyed Ali, in the vicinity of the city of Hermel, and reportedly marked by the Zita water duct. The illegal crossing was open for at least 10 years as a key smuggling route between the two countries. In January 2017, the Lebanese Army raided the crossing.⁴⁶ Zahle, a Christian town that serves as a gateway between Beirut and the Bekaa Valley is often pointed to as a key waypoint in smuggling routes between the Syrian border and Beirut.

Media reports of government, army or drug enforcement statements on Captagon seizures do show that Captagon originates inside the country, not just in the Bekaa Valley but also in the suburbs surrounding Beirut.

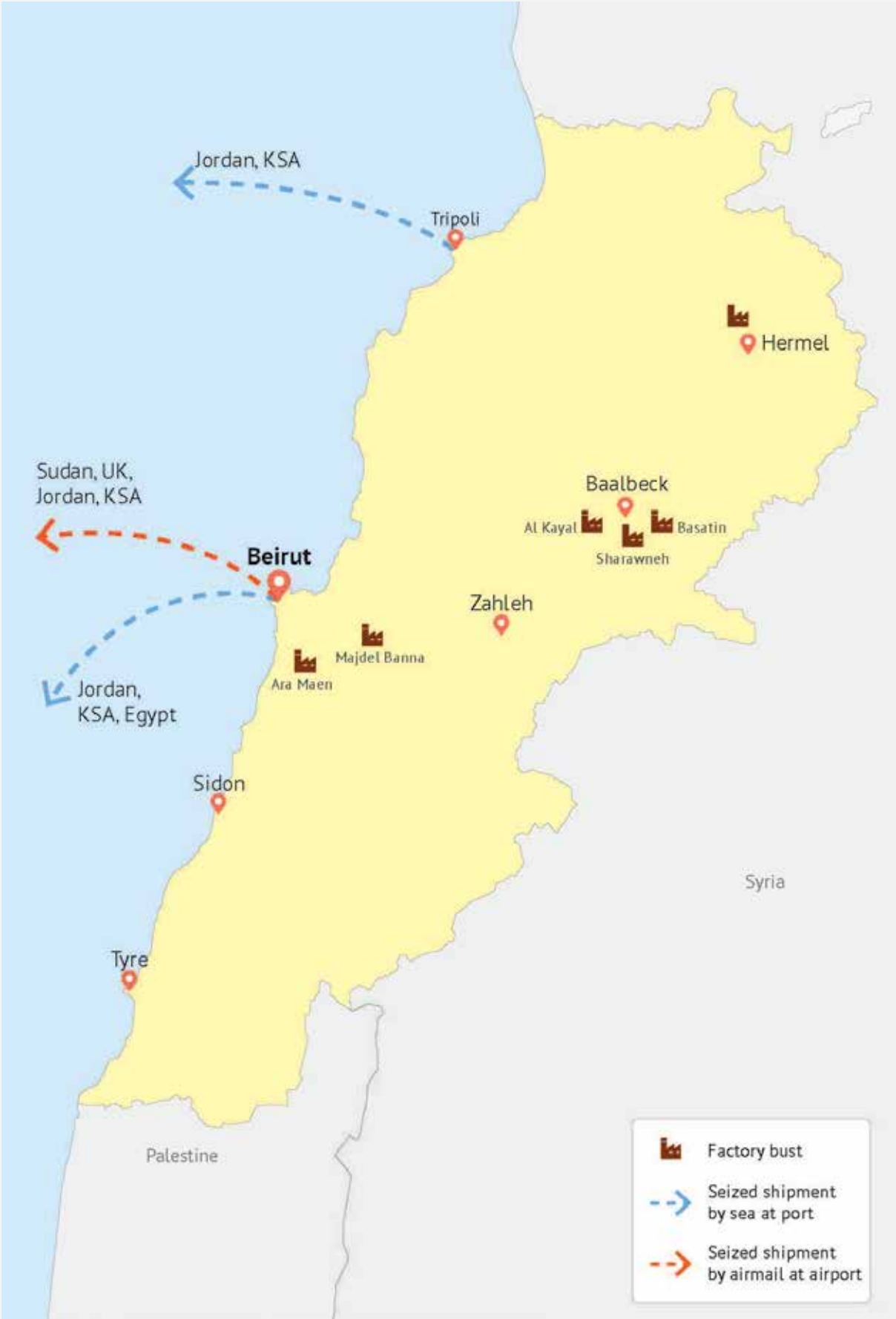
⁴⁴ Al Monitor, 'Lebanese smugglers take advantage of Syria war' (8 December 2013). Available at: <http://www.al-monitor.com/pulse/security/2013/12/lebanon-smugglers-syria-war.html>

⁴⁵ Now Lebanon (2009), *Lebanon-Syria Borders: 2009 Report*. Available at: <https://now.mmedia.me/Library/Files/English-Documentation/Other%20Documents/Border%20Report%20NOW.pdf>

⁴⁶ Naharnet, 'Lebanese Army Closes Illegal Border Crossings in Hermel', (17 January 2017). Available at: <http://www.naharnet.com/stories/223956-lebanese-army-closes-illegal-border-crossings-in-hermel/>

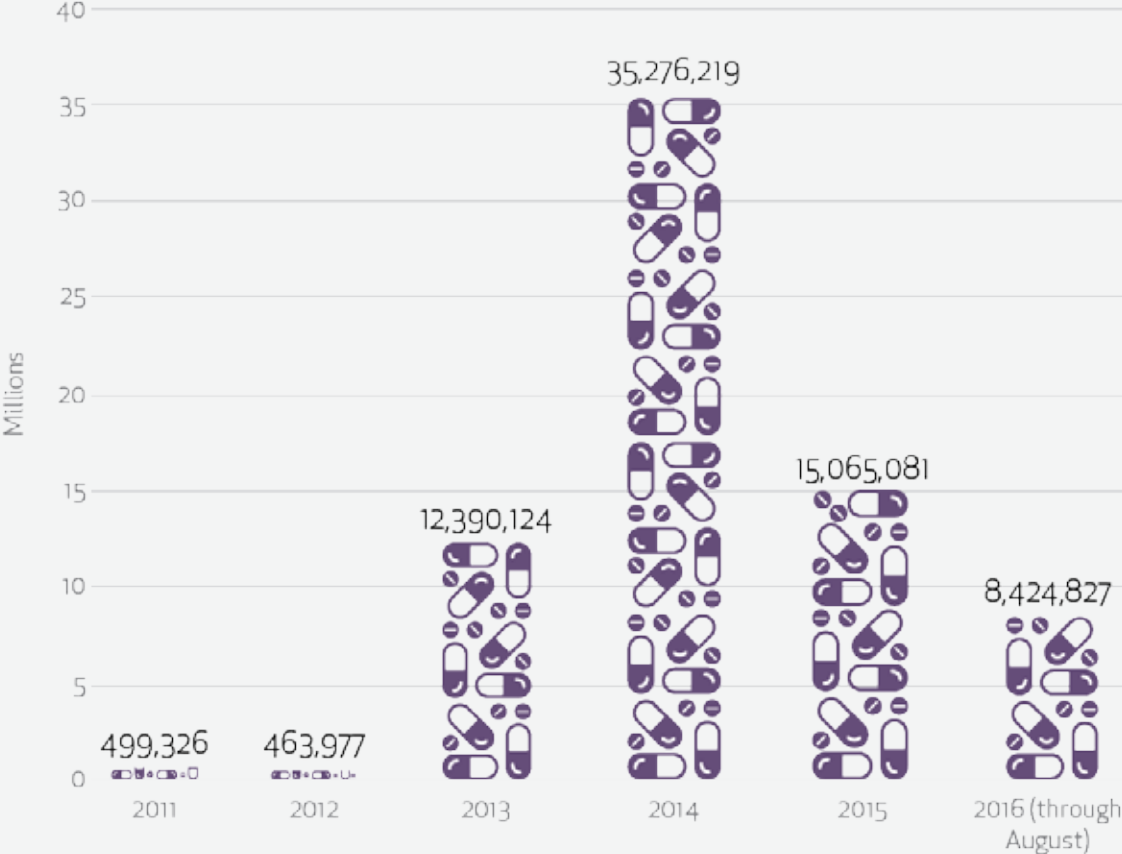


Map 1: Captagon production is not limited to the Bekaa Valley



In recent years Lebanon has seen a stark rise in the number of Captagon tablets seized by authorities. In 2012 Lebanon’s drug enforcement agency seized some 464,000 pills. Just two years later seizures rose to 35 million tablets, a staggering increase.

Figure 2: **Number of Captagon pills seized, 2012 through August 2016**



Source: ISF, Drug Enforcement Bureau

What is discovered may be only a fraction of the Captagon that is produced and trafficked, says Lebanon’s chief drug enforcement official. “When you seize a ton of Captagon you can expect that you missed 8 or 9 tons.”⁴⁷ While seizures represent an unknown slice of the total Captagon trade in Lebanon, the fact that one pill can sell for up to USD20 in Saudi Arabia or Kuwait suggests this is a multi-million (if not billion) dollar industry. And while the number of pills seized by law enforcement has declined from a 2013 high, that does not suggest that trafficking is subsiding. Instead the opposite may be true.

Responding to the increase in Captagon seizures, traffickers are now more creative in moving their product. Authorities have seized large quantities of the drug in the last two years but nothing like 2014 when traffickers smuggled huge amounts hidden very poorly, Lebanon’s drug enforcement chief says.

Smugglers have gotten clever, concealing Captagon in nursery school tables, packed inside dried fruit, in the bowels of engine blocks or the hidden compartments of decorative furniture. “Because they know what we look for specifically and got a taste of how we work, they changed their strategy. They now lessen the amount being smuggled and work more on hiding them in a more professional manner.”⁴⁸

⁴⁷ Interview with ISF drug unit (September 2016).

⁴⁸ Interview with ISF drug unit (September 2016).





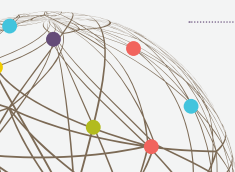
Captagon packed in cookies in a shipment seized by Lebanese authorities.

Source: Lebanese Customs

That said, drug enforcement is challenged by the sheer scale of tradable goods in which narcotics can be hidden. “You should not imagine that there is one container full of Captagon, that is not how it works. It might be one container among hundreds of containers on a cargo ship and in this one container there might one large box which may not even contain the pure drug but may contain machinery and in the cavities of the machinery that is where the drug is [concealed].”⁴⁹

In 2015 the Port of Beirut recorded 798,589 container movements in and out of the port. The sheer scale in container volume limits the number of containers that can be X-ray scanned and an even fewer number undergo a manual search. Customs’ drug unit at the Port of Beirut manually inspects somewhere between 15 and 20 containers per day.

⁴⁹ Interview with UNODC synthetic drug expert (July 2016).





The sheer volume of container traffic at the port makes smuggling easier

Source: Greg DeMarque

Additionally, the drug unit inspects the paperwork of all containers imported from Latin America, Romania and Ukraine and those exported to Arab countries are scrutinized because of those countries' reputation as big drug producers or consumers.⁵⁰ In 2016, officials inaugurated a new Customs facility at Beirut's airport that will help combat drug trafficking, but the Finance Minister also warned that an overhaul of staff at the Customs department is necessary to rout out corrupt personnel.⁵¹

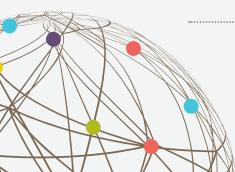
“We are helpless”

In interviews, however, law enforcement officials stress their lack of resources to fight the production and trafficking of narcotics. Drug enforcement efforts are hampered by the physical strength of the drug lords vis-à-vis the police. The drug unit of Lebanon's police force (ISF), along with other security agencies, is understaffed, under equipped and strapped for cash. They argue that Lebanon needs all the help it can get.

In terms of equipment the drug unit needs everything: communication systems, bulletproof vehicles and the firepower to take on drug gangs. The unit has no budget. Cash needed to nab drug dealers in sting operations is not available and there is little financial incentive for informants to set up fake deals in the first place. The drug unit has four offices: headquarters serving Beirut and Mount Lebanon; an office in the South district and one in

⁵⁰ Interview with Customs' drug unit (October 2016).

⁵¹ Ministry of Finance statement (24 August 2016): كلمة وزير المالية في احتفال الجمارك



the North; and an outpost in the Bekaa Valley. In total the drug unit has 150 personnel, not nearly enough its chief says. The drug unit's commander figures he needs at least twice that number for the Greater Beirut area, and another 150 for logistics and 150 for operations. "And that's only in Beirut. In the Bekaa we need 100 people. Most of the traffickers are there. In order to challenge them we have to be well equipped and show them that we are capable of taking them down. You won't believe how many challenges we're facing. We need SWAT teams. Right now, we are helpless."⁵²

Like other security institutions, the ISF is understaffed. A 2009 paper found that manpower figures for the ISF was some 6,000 less the personnel numbers prescribed.⁵³ Law 17/1990 and its application decree 1460/1991 state that ISF personnel should be around 30,000 but this was amended in 2015 and the number was increased to between 35,000 - 40,000, says one criminal justice expert.⁵⁴ ISF leadership, therefore, cannot provide the resources that the drug unit needs in order to go after high level players to stem narcotics production in nor trafficking through Lebanon. Despite claiming to have a "most wanted" list and evidence to support it, the drug unit physically cannot go after the bigger fish active in Lebanon's drug trade.

The drug unit's equipment and manpower shortages were clear when a routine raid resulted in the death of a police officer. In 2015 one officer of the ISF's drug unit was killed while attempting to serve an arrest warrant in Brital, a notorious stronghold for gangs dealing drugs, smuggling vehicles and trafficking weapons, in the northern Bekaa Valley. The police were sure the individual did not have gang protection and that he'd be found in his house with no more than half a kilogram of Captagon. The police's intelligence was not accurate however; what they thought would be a routine raid turned into a shootout between police and the Ismail family gang. "My men caught the guy and took him to the car, and that's when they were shot at from all angles by what I'm assuming were 100 men."⁵⁵

Legal obstacles

The deficiencies of drug enforcement extend to government policy and the legal framework combating narcotics as well. The legal framework governing drug enforcement has never been fully implemented. In 1998, a new law combating narcotics and addressing drug use was drafted and ratified by the Parliament. The Central Directorate for Drug Control (CDDC), the Ministry of Interior body responsible for gathering intelligence and coordinating operations to curb drug trafficking is mentioned throughout Lebanon's anti-narcotics law.⁵⁶ Today, the office exists only on paper. Its responsibilities have been folded into those of the ISF's drug unit. "They wanted to make it a separate administration for drugs. What they mean on the ministry's website is our department. In the law it is stated that this administration exists and on the website too. But it has never seen the light of day."⁵⁷

⁵² Interview with ISF drug unit (September 2016).

⁵³ The Arab Reform Initiative (2009), 'Security Sector Reform in Lebanon' by Omar Nashabe. Available at: <http://www.arab-reform.net/en/file/627/download?token=7wODWOMy>

⁵⁴ Interview with criminal justice expert, Lebanese American University (October 2016).

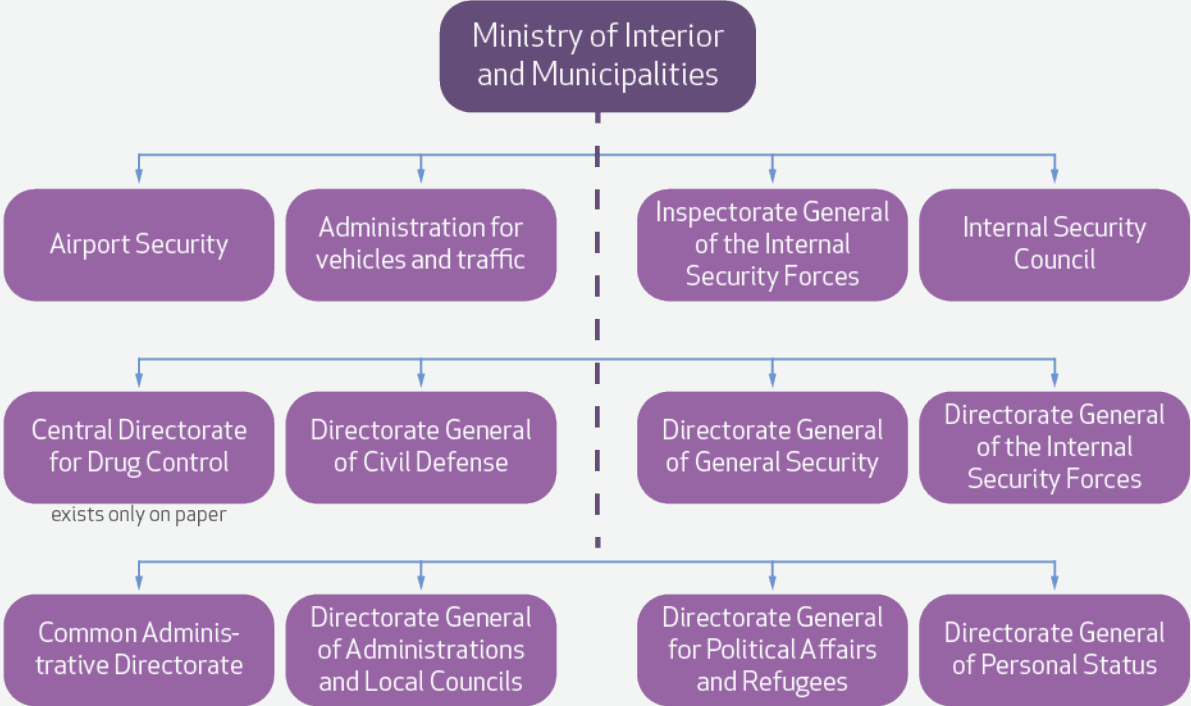
⁵⁵ Interview with ISF drug unit (September 2016).

⁵⁶ The Narcotic Drugs and Psychotropic Substances Act No 673 of 16 March 1998.

⁵⁷ Interview with ISF drug unit (September 2016).



Figure 3: **Central Directorate for Drug Control** (المديرية المركزية لمكافحة المخدرات).⁵⁸



According to a 2014 survey commissioned by the World Customs Organization, the Middle East and North Africa (MENA) region’s customs administrations (the results were not country specific) ranked drug trafficking as the most important Customs enforcement target over tax evasion, weapons, counterfeit goods, tobacco, money laundering and, lastly, wildlife.⁵⁹ Yet, neither the ISF nor Customs have dedicated anti-drug officers at any of the nation’s entry and exit points. The director general of the ISF is apparently drafting legislation to rectify this deficiency but the rules have not yet been ratified.

⁵⁸ Central Directorate for Drug Control (المديرية المركزية لمكافحة المخدرات), screenshot of Ministry of Interior’s organizational chart (17 September 2016). Available at: <http://www.moim.gov.lb/Hierarchie.aspx>

⁵⁹ Chang-Ryung Han (July 2014), ‘A Survey of Customs Administration Perceptions on Illegal Wildlife Trade’, *World Customs Organization*, Research Paper No. 34, p. 5. Available at: http://www.wcoomd.org/en/topics/research/activities-and-programmes/~/_/media/5B1E31490FBE4C71B95DA31DAF8A91E9.ashx

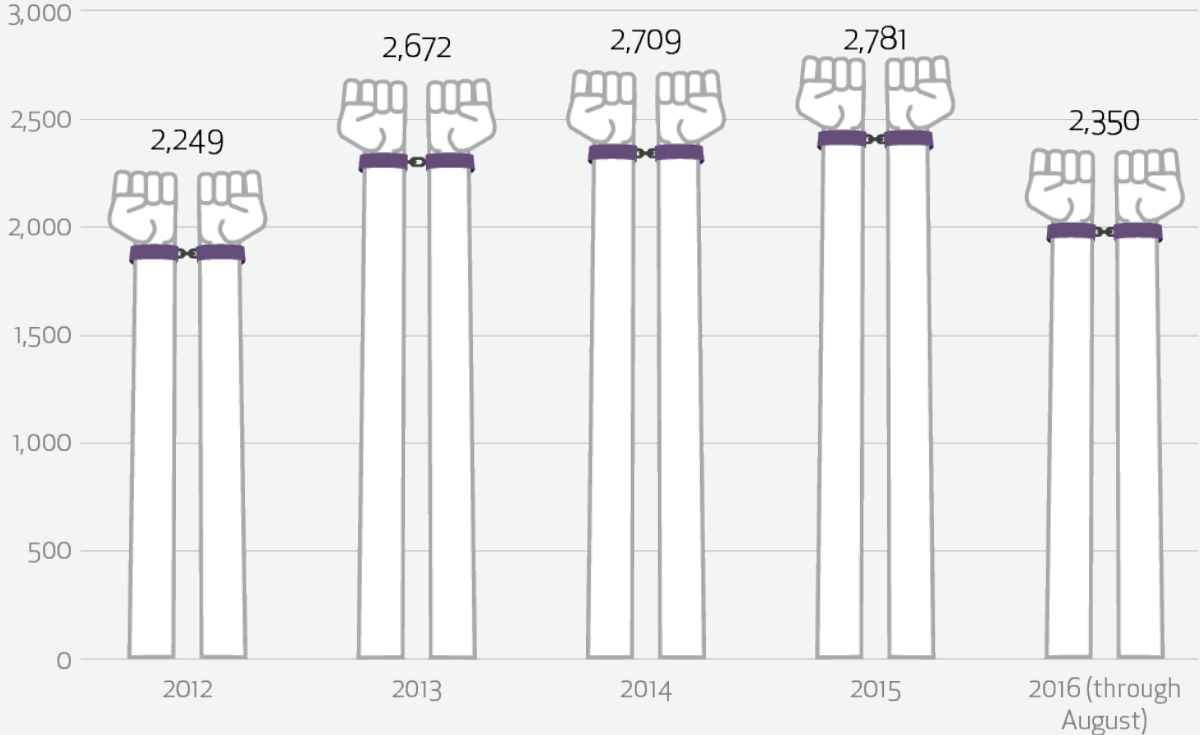


III. Quantifying drug use in Lebanon

On the demand side, there are no national statistics on the prevalence of drug use or addiction in Lebanon.⁶⁰ Instead, there are arrest and seizure figures from the police and numbers voluntarily reported by the country's nine rehabilitation centers to the MoPH.

Statistics from the ISF's Drug Unit show small year-on-year increases in the arrest of drug users between 2012 and 2015, but the overall number of those arrested compared to the general population is small (some 0.05 percent of an assumed population of 5.5 million in 2015).

Figure 4: **Drug use arrests**



Source: ISF, Drug Enforcement Bureau

These statistics, however, give no indication of the overall prevalence of drug use in the country.

A 2012 study by Saint Joseph University in Beirut complained of a lack of accurate statistics collected on drug use and addiction by the country's nine rehabilitation centers, yet claimed without further citation that "field experts estimate that the number of drug users in Lebanon ranges from 10,000 to 15,000 and that this figure is continuously increasing."⁶¹ More recent numbers come only from the narcotics office at MoPH, which relies on data from the rehabilitation centers blasted for poor reporting four years ago.⁶² A 2015 report on Opioid

⁶⁰ Ministry of Public Health, *Draft Inter-Ministerial Substance Use Response Strategy for Lebanon 2016-2021*. Available at: http://moph.gov.lb/userfiles/files/Programs%26Projects/MentalHealthProgram/DraftInter-ministerialSubstanceUseResponseStrategy%20forLebanon2016-2021-Eng_-ForPublicReview.pdf

⁶¹ Institute of Health Management and Social Protection at Saint-Joseph University (2012), 'National Health Statistics Report in Lebanon', p. 63. Available at: <https://igsps.usj.edu.lb/docs/recherche/recueil12en.pdf>

⁶² Ministry of Public Health (2015), *Opioid Substitution Therapy*. Available upon request from the Ministry of Public Health, Narcotics Office.



Substitution Therapy (OST) gives little indication of the overall population of drug users in Lebanon, although it does offer insight on disease prevalence among an unknown portion of the intravenous drug user population. The study reports that 1,553 injecting drug users from 6 rehabilitation centers were tested for hepatitis C, of which 154 patients tested positive; 1,464 were tested for hepatitis B, of which 3 tested positive; and, 1,193 were tested for HIV, of which 4 tested positive. The report concludes that the number of injecting drug users testing positive for both hepatitis B and C fell in year 2015 compared to previous years while the sample size of those tested increased. However, the report also found the first instances of HIV amongst the injecting drug user population, and that 8 deaths occurred last year from overdose.⁶³ It is worth noting that hepatitis C is now a curable disease whose prevalence in Lebanon is not high (there were 320 reported cases from 2010 through 2013, the most recent data available from MoPH Epidemiologic Surveillance Unit)⁶⁴ Drugs to cure hepatitis C were introduced into the Lebanese market in 2015.

Questions of cost and efficiency

The MoPH OST report did neither compile figures on the cost of OST provision by rehabilitation centers, nor did it give a solid interpretation on the numbers enrolled in the OST program. In other words, the efficacy of the program does not appear to have been evaluated: there are no dollar figures given quantifying the cost of providing therapy per user or in general; there is no explanation given for the fall in OST enrolment rates, from nearly 600 in 2012 to just over 100 in 2015; and, in recording disease prevalence amongst injecting drug users, the report makes no attempt to qualify overall costs in either financial or social contexts.

At MoPH the deficiency of statistic collection and low control over prescription tracking⁶⁵ further stunts the ability to quantify drug use and addiction rates in Lebanon, obscuring the true rehabilitation need in the country and its cost. Current available capacity at rehab centers is deemed insufficient, an admittedly anecdotal conclusion given the lack of data, making the quality of care at those centers difficult to evaluate.⁶⁶ Further confusing the situation, there are discrepancies in who can receive public assistance to break addiction. Social security funds for defense and security agencies do pay healthcare costs for rehabilitation in part or full depending on the treatment options, but the public National Social Security Fund (which all other private and public sector workers rely on) does not.

Similarly, it is unclear what Lebanon's fight against drugs is costing the treasury, and there are no clear indicators of how effectively Lebanon is waging its battle.

Numbers on drug-related court cases, or on drug-related incarcerations are not available. One useful indicator would be the amount of spending on drug enforcement plus the cost of incarcerating drug users, but requests to the Ministry of Interior for the ISF's spending on those items were deflected to the ISF, which declined to give figures. The director general at the Ministry of Finance in charge of preparing Lebanon's draft budgets also said the information was privileged. The only indicator available is not a very accurate one: the 2012 budget ceiling –

⁶³ Ministry of Public Health (2015), *Opioid Substitution Therapy*. Available upon request from the Ministry of Public Health, Narcotics Office.

⁶⁴ Ministry of Public Health, Surveillance Unit (2014), Statistical bulletins, 2010 – 2013. Available at: <http://moph.gov.lb/en/DynamicPages/index/8>

⁶⁵ Last year new prescription forms were introduced, though the new forms monitoring efficacy is not proven and is administered by the Syndicate of Doctors, not the ministry, which did not have an electronic system in place at time of launch in August 2015.

⁶⁶ Interview with addiction psychiatrist at the American University of Beirut Medical Center (August 2016).



Lebanon's last approved budget covered 2005 – for the Ministry of Interior and Municipalities did not separate the expenses of the police force and prison system, it totalled almost USD 535 million.⁶⁷

In an environment where neither law enforcement nor providers of rehabilitation treatment offer budgetary data, the cost of rehab provision cannot be determined and its comparison to spending on drug enforcement plus incarceration is not measurable.

⁶⁷ Ministry of Finance (2012), Budget ceiling 2012 for the Ministry of Interior & Municipalities. Available at: <http://tinyurl.com/h79s3pu>



IV. On the narcotics potential of licit imports of precursors

Captagon, the drug on the rise in production and trafficking alike in Lebanon, is a synthetic drug, manufactured from chemical precursors. The active, and illicit, ingredient in Captagon is amphetamine, a stimulant designated a controlled substance by international narcotics treaties – though some pills are produced with little or no active ingredient.⁶⁸ Amphetamine is most frequently synthesized from benzyl methyl ketone (BMK), also known as 1-phenyl-2-propanone (P-2-P).⁶⁹ While amphetamine has legitimate medical uses, as do the precursors needed to manufacture it, it is also used illicitly as a recreational drug. As authorities around the world have attempted to stop the illicit production, sale and use of amphetamine and amphetamine-type stimulants (as well as all other synthetic, illicit drugs), one tool they've used is more strictly controlling the import and export of precursor chemicals from which amphetamine can be manufactured. The UN's International Narcotics Control Board (INCB) maintains a Pre-Export Notification (PEN) Online system used by all but 8 of the world's countries.⁷⁰ PEN records export and import figures for a wide variety of chemicals that can be used either legitimately or in the manufacture of narcotics (including amphetamine precursors). In addition to PEN, the INCB requests countries tabulate "legitimate use" needs for chemicals it imports to make diversion of chemicals for illicit purposes easier to detect. In the past, diversion of otherwise legally imported precursor chemicals was a popular way for illicit drug manufacturers to acquire what they needed to make various drugs.

In recent years, however, a new trend emerged in the illicit manufacture of all synthetic drugs. According to the UNODC's World Drug Report 2014, "Improved precursor controls at the global level have prompted clandestine operators of illegal laboratories to develop a number of counterstrategies, including the use of more sophisticated ways to obtain precursor chemicals, and substitute them with non-controlled "pre-precursors" to manufacture the needed precursors, as well as the development of new psychoactive substances to which the current controls do not apply."⁷¹

Chemical seizures by law enforcement suggest this trend toward using pre-precursors applies to the illicit manufacture of amphetamine and amphetamine-type stimulants. The UNODC's 2014 World Drug Report explains, "new pre-precursors for the manufacture of amphetamine-type stimulants have emerged in recent years, including APAAN [alpha-phenylacetoacetonitrile], various esters of phenylacetic acid, 3,4-methylenedioxyphenyl-2-propanone, methyl glycidate and methylamine. Some of those substances, which are controlled only in a limited number of countries, have become major substitutes for the precursor chemicals used in the past and are now seized in greater quantities than are the internationally controlled precursors of amphetamine-type stimulants."⁷² According to the INCB, most of the precursor P-2-P (otherwise referred to as BMK), seized globally in 2014 "was typically of illicit origin; that is, the substance was seized in illicit laboratories and had been illicitly manufactured from

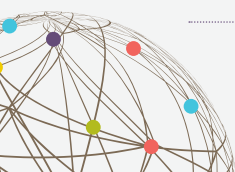
⁶⁸ Interview with ISF drug unit (September 2016); Global Initiative against Transnational Organized Crime (2016), *The nexus of conflict and illicit drug trafficking – Syria and the wider region*, p. 5.

⁶⁹ EMCDDA (2016), *EU Drug Markets Report 2016*. Available at: <http://www.emcdda.europa.eu/system/files/publications/2373/TD0216072ENN.PDF>

⁷⁰ Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances. International Narcotics Control Board (2015). Available at: https://www.incb.org/documents/PRECURSORS/TECHNICAL_REPORTS/2015/2015-PreAR_E.pdf

⁷¹ UNODC (2014), *World Drug Report 2014*, p. 87. Available at: http://www.unodc.org/documents/wdr2014/World_Drug_Report_2014_web.pdf

⁷² UNODC (2014), *World Drug Report 2014*, p. xiv



pre-precursors such as APAAN or phenylacetic acid esters,” with the report adding that “a case involving a precursor chemical diverted from legitimate sources requires an intervention that is very different from what is required in a case involving a precursor chemical illicitly manufactured from a scheduled or non-scheduled pre-precursor.”⁷³

The INCB further explains that not only are more pre-precursors for amphetamine production being seized by authorities, greater volumes of pre-precursor chemicals are being traded globally even as international control measures have driven down the volume of trade in precursor chemicals. According to the INCB, “International trade in P-2-P is limited, in terms of both the volume and the number of countries involved: during the reporting period, six exporting countries sent, via the PEN Online system, to 10 importing countries PENs for the planned exportation of 25 shipments of P-2-P, amounting to almost 33,000 litres. By contrast, licit trade in phenylacetic acid, an immediate precursor of P-2-P, is far more significant in terms of both the number of countries involved and the total amount traded: during the reporting period, 13 exporting countries sent PENs to 50 importing countries about 458 planned shipments of phenylacetic acid, amounting to 254 tons. There was only one transaction involving APAAN.”⁷⁴

Precursor and pre-precursor chemical imports into Lebanon

In terms of international narcotics control, precursor chemicals fall under Table I, meaning their trade and use is closely scrutinized. Most pre-precursor chemicals, however, fall under Table II, which means they are not as closely monitored or controlled. The narcotics office at MoPH licenses pharmaceutical companies and certain manufacturers to import precursor materials to make medication and industrial feedstocks and solvents. Import figures from Lebanese Customs generally match licensing.

A review of import data for Table I and II chemicals revealed only one potential red flag. However, it should be noted that there are several caveats regarding the review of import data conducted for this report. Firstly, a listing of Harmonized System (HS) Codes – the common codes that all countries use to record trade statistics by customs authorities – for the relevant precursors was obtained to facilitate analysis of trade statistics. However there are significant gaps in the available online records of Customs imports for Lebanon. The following Schedule I substances have no import trade records: N-acetyl-anthranilic acid; Ergotamine Ethyl ether; Isosafrole; Lysergic acid; 3,4-Methylenedioxy-phenyl-2-propanone; Norephedrine; P-2-P; Phenylacetic acid Piperonal; Safrole. Secondly, the INCB does not report Lebanon’s “legitimate use” requirements for Table 2 chemicals, the pre-precursors used alongside or in the process of deriving the Table 1 precursors. It is unclear if the omission results from lack of reporting by Lebanon or an INCB assessment that the country has no legitimate need for Table II chemicals. Lastly, the World Customs Organization has issued new amendments to the global HS Codes which will come into effect at the start of 2017.⁷⁵ The amendments will substitute HS codes for several precursors, an example is seen below:

Former HS code	2017 amended HS code
2939.41 -- Ephedrine and its salts	3003.41 -- Containing ephedrine or its salts

⁷³ UNODC (2014), *World Drug Report 2014*, p. 17.

⁷⁴ UNODC (2014), *World Drug Report 2014*, p. 16.

⁷⁵ World Customs Organization (2014), *International Convention on the Harmonized Commodity Description and Coding System of 1983, Recommendation of the Customs Co-Operation Council Concerning the Amendment of the Harmonized Commodity Description and Coding System*. Available at: <http://tinyurl.com/n39mqnw>



Preliminary findings

With the above constraints in mind, the only possible red flag when searching through imports of Table I and Table II chemicals concerns APAAN, a pre-precursor of P2P, used in synthesizing amphetamine. Import data from 2012 to 2016 show a yearly average import of some 21,000 kg of the HS code that might include pre-precursor APAAN. Until the start of 2017, APAAN did not have its own HS Code, according to the Precursors Control Section of the Secretariat of the INCB. In response to a question submitted via email, a representative from the section wrote: “the present HS code for APAAN is 2926.90. [However,] HS code 2926.90 is not specific for APAAN but encompasses the class of “other nitrile function compounds”. The disaggregation of non-specific HS codes can only be done based on additional information from other accompanying documentation.”

An EU drug market report from 2016 makes clear, as does the research presented at the beginning of this section, that “the pre-precursor alpha-phenylacetonitrile (APAAN) is often converted into BMK,⁷⁶ a precursor for amphetamine. The INCB has this to say on licit uses of APAAN: “None, except – in small amounts – for research, development and laboratory analytical purposes.”⁷⁷ Because of this, in 2014, the INCB’s Commission on Narcotic Drugs decided to include APAAN as a Table I chemical.⁷⁸ As a result of that decision, World Customs Organization, starting 1 January 2017, lists APAAN under a new, unique HS Code (2926.40). The use of this code should allow monitoring any trade in APAAN separately from other organic compounds.

Until this is implemented, however, it is difficult to pinpoint Lebanon’s import of APAAN. The INCB’s list of precursors and chemicals for manufacturing illicit drugs lists APAAN under the HS Code: 2926.90, meaning chapter 29 (organic chemicals) heading 26 (nitrile-function compounds) subheading 90 (other). While Lebanon’s online customs data includes such an HS Code, a Lebanese customs official said APAAN would be captured⁷⁹ using a different HS Code, HS 2928: chapter 29 (organic chemicals) heading 28 (organic derivatives of hydrazine or of hydroxylamine). A search of both the HS Codes that could include APAAN returns the following result (net weight kg):

⁷⁶ EMCDDA (2016), *EU Drug Market Report*, p. 126.

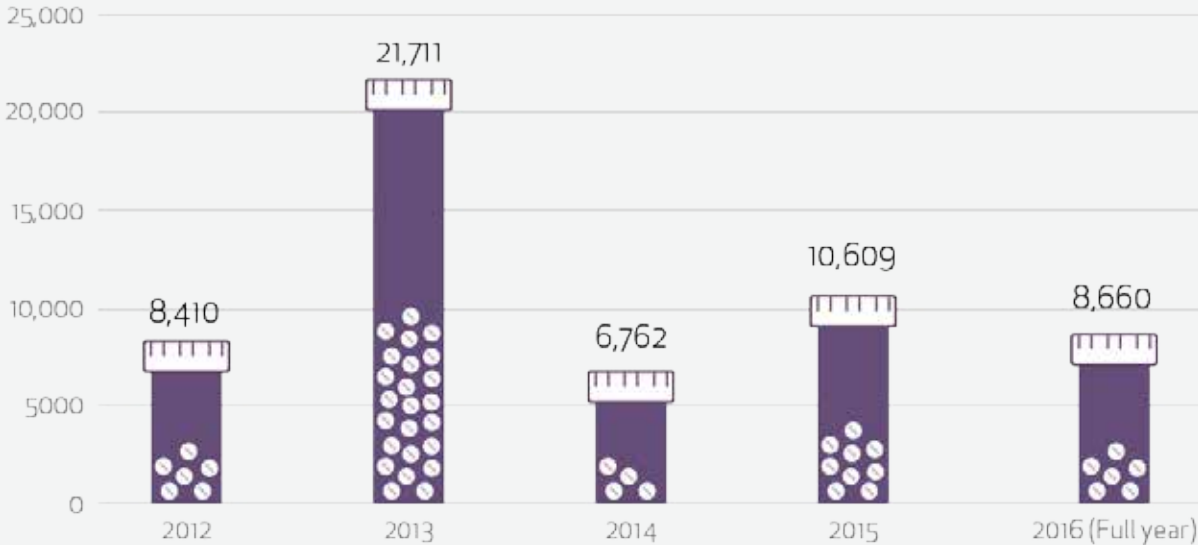
⁷⁷ Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances. In: International Narcotics Control Board (2015), *Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances*, p. 102. Available at: https://www.incb.org/documents/PRECURSORS/TECHNICAL_REPORTS/2015/2015-PreAR_E.pdf

⁷⁸ See press release about the decision: International Narcotics Control Board (2014), ‘57th session of the Commission on Narcotic Drugs decides on the international scheduling of alpha-phenylacetonitrile (APAAN). Available at: <https://www.incb.org/incb/en/news/apaan.html>

⁷⁹ The official did not explain why APAAN might be listed under a different HS code than the INCB prescribes. A new HS code specific to APAAN was implemented by the World Customs Organization starting in 2017 should rectify the discrepancy.

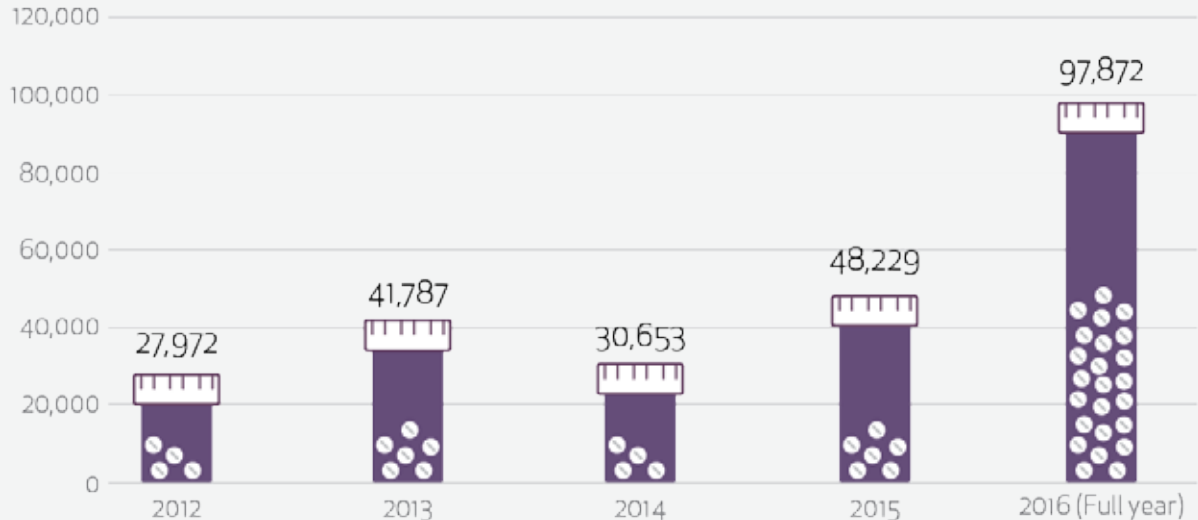


Figure 5: **HS 2926.90**



Source: Lebanese Customs

Figure 6: **HS 2928**



Source: Lebanese Customs

Follow the paper trail

Lebanese law enforcement officials assume chemical precursors needed to manufacture the amphetamine used in Captagon are being smuggled into the country, mainly from India and China. Customs data on imports show the precursors are not being imported above the table, and the smuggling theory is strengthened by precursor seizures in recent years. In 2015 Lebanese authorities seized 3.7 t of the amphetamine precursor BMK. In May 2016, one ton of BMK powder was seized at the airport.⁸⁰ That said, for the most part it is unclear by which routes amphetamine precursors and pre-precursors enter Lebanon. The country’s loose regulatory environment could mean that pre-precursors are imported into Lebanon only to be trafficked to illicitly manufacture

⁸⁰ Ministry of Finance statement (23 May 2016): ضبط 1110 كغ من المسحوق الأبيض



amphetamine. But the lack of specificity in Customs data suggests that if that is the case then only the paperwork on each imported product might provide any indication.

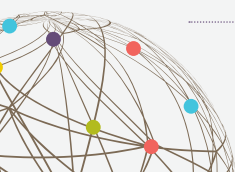
Every import into the country is accompanied by a Bill of Lading (BOL), an inventory of all items in a container or shipment. The BOL is the primary document against which tariffs are levied. It is also the primary document used to clear customs – the container contents (if inspected) should match the BOL, and the BOL should match all filed customs declarations.

The process of clearing goods at Beirut port relies, in theory, on an automated system called NAJM. Within NAJM is a system termed NOOR. The NOOR system matches the BOL and Customs Declarations. If there is a match the import should receive a green light and then be assessed the taxes and once paid the import should be released. If there is no match the severity of the mismatch is noted and, if necessary, the imports are inspected before a tax and or fine is levied. The NOOR system is also setup to randomly select shipments for screening.⁸¹ In theory the NAJM system should be storing the BOLs and as such should be able to spit them out again for review. However, an expert on local maritime logistics explained, “Admittedly, once the shipment is complete and has been released, I don’t know if the BOLs are stored anywhere.”⁸²

In an effort to further investigate the potential import of APAAN described above, a request for various BOLs was sent to Lebanese Customs, which denied the request.

⁸¹ Official information on NAJM, last updated in 2001. Lebanese Customs, ‘About Najm’. Available at: http://www.customs.gov.lb/customs/about/about_content.asp?id=1

⁸² Interview with maritime logistics expert at the Lebanese American University (October 2016).



V. Responding to Lebanon's drug challenges

Little international assistance is provided to the drug unit of the ISF beyond training. For the most part foreign security aid contribution will center on supporting the Lebanese Army in boosting capabilities to secure the eastern border with Syria and, in general, the institution's capacity to counter militant spill-over from the neighboring Syrian conflict.

The United States (US), which is Lebanon's largest security sector donor, total State Department request of US foreign assistance aid to Lebanon for fiscal year 2017 equals USD 233.5 million. The funding will support security and economic programs that will "insulate Lebanon from the effects of the Syria crisis, bolster the authority of state institutions, and foster economic growth." On the security side, financial assistance will help the LAF and the ISF to "mitigate Iranian, Hizballah, and Sunni extremist threats and influence in the country" and "secure Lebanon's borders and disrupt and mitigate violent extremism."⁸³

Concerning narcotics, State Department funding will go to the criminal justice sector to reinforce relations with American judicial and law enforcement partners. The US government is not providing direct support to the ISF's drug unit. "In 2013, the United States discontinued all material assistance to Lebanon's Internal Security Force's counter-narcotics unit, following a finding of credible reports of human rights violations. There has been no U.S. material assistance within the last two fiscal years. However, U.S. law enforcement entities continue to exchange information with Lebanese counterparts on narcotics matters."⁸⁴ Prior to 2013, the US provided direct support to the drug unit, but in response to Human Rights Watch (HRW) allegations of abusive interrogation techniques and mistreatment of pretrial detainees the State Department halted its support to the drug unit.⁸⁵

In response to allegations of abuse, in 2014 the ISF launched a pilot project to boost public trust in the police, revamping the image of the Ras Beirut police station, where the drug enforcement unit is headquartered, and introducing new training methods to the police force. The ISF also launched a complaint system for citizens to record ill treatment by the police. The HRW report may have forced out the previous head of the ISF's drug unit in 2013. Upon appointment the current drug enforcement chief reported that the neces-

⁸³ Al Monitor (2016), 'Lebanon - Foreign Assistance Program Overview'. Available at: http://www.al-monitor.com/pulse/files/live/sites/almonitor/files/documents/2016/FY2017_DOS_Aid_Lebanon.pdf

⁸⁴ United States Department of State Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report Volume 1, Drug and Chemical Control* (2016), p. 215. Available at: <https://www.state.gov/documents/organization/253655.pdf>

⁸⁵ HWR interviewed 52 individuals arrested for drug offenses, prostitution or homosexuality. The 2013 report highlighted personal accounts of aggressive interrogation tactics and mistreatment in prisons – 19 of the interviewees, detained for drug use or prostitution, gave testimony to HRW while in pretrial detention. 17 detainees reported being denied food, water or medication when they needed it; 9 detainees said they were handcuffed in extremely uncomfortable positions for hours at a time; 11 said police forced them to listen to the screams of other detainees scare them into confessing; 21 women said that police subjected them to some form of sexual violence. The full report: Human Rights Watch (2013), "It's Part of the Job" – Ill-treatment and Torture of Vulnerable Groups in Lebanese Police Stations. Available at: <https://www.hrw.org/report/2013/06/26/its-part-job/ill-treatment-and-torture-vulnerable-groups-lebanese-police-stations>



sary steps were taken internally to curb alleged abusive behavior of individuals held on drug charges: "Even if the report had some truth in it, I can assure you that it doesn't happen anymore."⁸⁶

Under the International Narcotics Control and Law Enforcement (INCLE) - OCO program, the US will provide some USD 10 million in 2017 to Lebanon by propping up the ISF as an institution in light of the growing strength of non-state actors, namely Hezbollah. Broadly the support will aim to reform organizational capacity of the ISF and provide advanced training to individual officers, with only limited resources to equip ISF personnel. Overall the USD 10 million will consist of "training, advising, and limited equipping to increase individual and organizational capacity, improve internal processes and organizational makeup, and improve coordination within and between sectors of Lebanon's criminal justice system", the document reads. USD 2 million of that amount will go toward justice sector reform "to revise administrative practices around effective judicial oversight and management, administration, accountability, transparency, and caseload management, all designed to reduce Lebanon's pre-trial detainee population, prison overcrowding, and cross-training within Lebanon's criminal justice sector."

Similarly, this year the Delegation of the EU to Lebanon is providing one million Euros that in part aim to support "the cooperation of national agencies, competent authorities and CSOs in charge of drugs problem in Lebanon as well as to strengthen their capacities and encourage the process of elaborating a national drug strategy". At the end of 2016 the EU was still evaluating proposals; it is not yet clear what programs this funding will support.

The EU and the British Embassy too are funding Lebanon's security sector. Over a five-year period (2009 - 2016) the EU provided some EUR 43 million in support over several programs, non-specifically targeting drug control.⁸⁷ The EU provides expertise and supplies non-lethal equipment to the following security agencies: the LAF, the ISF, the Directorate General for General Security and the Directorate General for Customs. The EU is also at the forefront in support of the modernization of border management and inter-agency cooperation through the EU Integrated Border Management programme, implemented in partnership with several EU Member States, namely the British Embassy. In March 2016, British Minister for the Middle East Tobias Ellwood announced GBP 13 million in funding for the ISF stating the "money will go towards the building of police stations, spreading best practice in community policing, embedding of human rights, and supporting the Academy's training programmes with 8,000 officers graduating this year."⁸⁸

Since 2012, the United Kingdom (UK) has been delivering a program to 'train and equip' four Land Border Regiments of the Lebanese Army. The purpose of the regiments is to observe, identify, deter and interdict activities by illegal armed actors in the border areas, bringing the Lebanese borders under the authority of the state. In December 2015, Ambassador Hugo Shorter announced GBP 7.7 million (up to GBP 10 million) for the establishment of the 4th Land Border Regiment starting April 2016.⁸⁹ In March 2016 British Foreign Secretary Philip Hammond announced a further investment of GBP 19.8 million in mentoring and training the LAF, bringing the

⁸⁶ Interview with ISF drug unit (September 2016).

⁸⁷ EEAS (2015), Security Sector Reform: the EU-Lebanon Single Support Framework 2014-2016. Available at: http://eeas.europa.eu/archives/delegations/lebanon/projects/list_of_projects/20150615_5_en.pdf

⁸⁸ UK provides additional funding for Lebanese Security Forces: Foreign & Commonwealth Office and Tobias Ellwood MP, Press release (23 March 2016). Available at: <https://www.gov.uk/government/news/uk-provides-additional-funding-for-lebanese-security-forces>

⁸⁹ British Embassy Beirut, 'UK support to establish and equip the 4th Land Border Regiment', (18 December 2015). Available at: <https://www.gov.uk/government/world-location-news/uk-support-to-establish-and-equip-the-4th-land-border-regiment>



total number of soldiers trained via UK support to 10,900 by 2019.⁹⁰ According to a spokesperson the British Embassy will allocate an additional GBP 15 million to support the Land Border Regiments, and training to 2,400 soldiers from the border regiments in specialist skills such as observation, camera use and driving. GBP 4.5 million will train at least 5,000 more LAF soldiers in essential infantry skills and techniques for urban and rural security operations across Lebanon. These regiments observe, identify, deter and interdict activities by illegal armed actors in the border areas, bringing the Lebanese borders under the authority of the state.

This brings the total British commitment to the LAF border programme to nearly GBP 50 million, and to the LAF overall to over GBP 60 million since 2012. By April 2017 the British Embassy says it will have delivered 320 Land Rovers, 3300 sets of body armour, a secure radio communication network, 30 border watchtowers and over 20 Forward Operating Bases along the border.

It is clear from both the limited assistance the international community provides to fight drugs in Lebanon and the reports written about the global drug market by the US, EU, UN and Interpol that Lebanon is not a priority front in the global war on narcotics. The Global Initiative was unable to confirm to what extent the international community shares the opinion of Lebanon's own Finance Minister (i.e., that complicity and corruption play a role in Lebanon's own efforts to bankrupt the drug business).

⁹⁰ British Embassy Beirut, 'Foreign Secretary Philip Hammond announces £20 million support to the Lebanese Armed Forces' (31 March 2016). Available at: <https://www.gov.uk/government/news/foreign-secretary-visit-to-lebanon>



VI. What about the money?

The number of Captagon tablets seized by Lebanese authorities between 2013 and the end of August 2016 (over 70 million) represents a market potentially worth USD 14 billion during the same period, according to estimates by Lebanese authorities, who say seizures represent around 10 percent of production.⁹¹ While it is difficult to say for sure how accurate this figure is, what's clear is that given the illicit nature of the Captagon business, all revenues resulting from it could use a wash.

Money laundering is an essential component of all drug economies. As the UNODC's 2016 World Drug Report notes, "Money-laundering occurs by many different means, ranging from the use of small, decentralized techniques, involving money orders or remittances, to sophisticated uses of front businesses; in all cases, however, the often substantial proceeds of the illicit drug trade are recirculated via legitimate means."⁹² And while the EU's 2016 Drug Markets Report explains that, for money laundering purposes, "the legal business sectors most targeted for criminal investment are bars and restaurants, construction, wholesale and retail trade, especially of food and clothing, transportation, real estate activities and hotels (Savona and Riccardi, 2015)," the report notes, "in many EU countries, prosecution for money laundering depends on linking the money to the predicate offence, i.e. the underlying criminality that generated the profits in the first place. Proving a link between suspicious funds and a specific predicate offence remains a key challenge for law enforcement [...] The efforts of investigators in this field are frustrated by a combination of the creativity of criminals, slow or inadequate international cooperation, and limited domestic legislation in this area."⁹³ In addition to these difficulties identifying and prosecuting launderers of drug money, the EU's report highlights trade-based money laundering, the use of "trade transactions to disguise the source of funds or move money around", as "particularly difficult to detect."

Cleaning up

After cementing an already poor reputation as a player in the global drug economy during the civil war, Lebanon began heading down the path of reform when the violence ended. In addition to drastically reducing the area of the country used for cultivating cannabis and poppy plants, Lebanese authorities legislated and implemented changes in the banking and financial sectors.

They had no other choice. Lebanon's currency collapsed during the war, and pegging it to the US dollar after the conflict played a large part in the return to monetary stability. Partially as a result of the peg, Lebanon's economy is highly dollarized, and being shut off from the international (particularly US) financial system would devastate the country. Local banks play a far more important role than commercial and retail lending in Lebanon's economy. In addition to financing a large portion of the government's substantial debt, banks help staunch bleeding in the balance of payments with attractive rates. Lebanese exports are low, but foreign deposits in local banks (assumed to be from a mix of Lebanese expatriates and non-Lebanese) are high, boosting inflows.

In 2001, the Financial Action Task Force (FATF), created during a 1989 G7 summit in Paris and dedicated to combatting money laundering worldwide, removed Lebanon from its list of "non-cooperative countries or ter-

⁹¹ Interview with ISF drug unit (September 2016).

⁹² UNODC (2016), *World Drug Report 2016*, p. 104. Available at: https://www.unodc.org/doc/wdr2016/WORLD_DRUG_REPORT_2016_web.pdf

⁹³ EMCCDA (2016), *EU Drug Markets Report 2016*, pp. 30-31.



ritories,"⁹⁴ after the Lebanese parliament created an independent judicial body to detect and counter money laundering.⁹⁵ That same year, however, the US began making a more concerted effort to disrupt the finances of groups it designates "terrorist organizations," which it has considered Lebanon's Hezbollah to be since 1997. Nearly 15 years later, many in Lebanon were shocked when the US Treasury Department designated the Lebanese Canadian Bank (LCB) an "institution of primary money laundering concern" on 10 February 2011.⁹⁶ The accusation involved laundering South American drug money via West Africa to Lebanon in a trade-based scheme involving used cars. Banque du Liban (BdL), Lebanon's central bank, moved quickly to close the bank and sell off its assets that same year, but the top managers named in a lawsuit filed as a result of the Treasury Department designation settled the case with the US government without an admission of guilt in 2013.⁹⁷ Lebanese bankers say the Treasury action sent a message heard loud and clear. Money laundering, they insist, does not happen through Lebanese banks, and if it did, the Americans would shut down the bank.⁹⁸ And while the US has not designated any local banks since LCB, the US did pass a law in 2015 – the Hezbollah International Financing Prevention Act – essentially demanding local banks ban Hezbollah members from opening accounts, and close existing accounts held by members.

One monetary official familiar with Lebanon's banking sector said that the American legislation has had a significant psychological effect on the sector and amongst the political elite, but the actual impact in terms of the number of bank accounts affected is unclear, though likely limited (as banks have been particularly wary of dealing with the party directly since 2011). Of the more than 100 individuals and entities sanctioned due to that law, one might presume the number of accounts and their assets frozen is not significant, the official argued.⁹⁹¹⁰⁰ There is less concern of money being moved through the banking system, the official said, noting laundered money may instead move through informal cash and goods transfer networks like Hawala.

Hawala cash transfer networks serve as a legitimate alternative to electronic fund transfers, utilized legally by economic migrants to transfer money to family members back home. Hawala can be a preferred method to transfer paychecks and sums of cash as remittances because of its ease of use, particularly for individuals who are sending money to relatives located in rural areas where banks or money exchangers may not be present. Hawala often is a more attractive service for remitting money because transfer fees can be cheaper than wire transfers and cash delivery.

To give an example of a legal Halawa network, imagine an economic migrant working in country A wants to send a portion of their paycheck to family members that live in a rural area with no access to a bank or money exchanger in country B. The economic migrant speaks to a Hawala provider in country A who coordinates with a business partner in country B to facilitate remittance delivery to the family members. Rather than sending cash, the Hawala provider and their business partner might collect remittances to finance the purchase of goods (for example foodstuffs, consumer products, electronics) in country A for export to the country of remittance. A

⁹⁴ Financial Action Task Force, *Annual Report 2001-2002*, p. 16. Available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/2001%202002%20ENG.pdf>

⁹⁵ Website of Lebanon's Special Investigation Committee. Available at: <http://www.sic.gov.lb/overview.shtml>

⁹⁶ US Treasury Department, 'Treasury Identifies Lebanese Canadian Bank Sal as a "Primary Money Laundering Concern"' (2 February 2011). Available at: <https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>

⁹⁷ US Ministry of Justice (2013), *United States of America v. Lebanese Canadian Bank Settlement Order*. Available at: <https://www.justice.gov/sites/default/files/usao-sdny/legacy/2015/03/25/U.S.%20v.%20Lebanese%20Canadian%20Bank%20Settlement%20Order.pdf>

⁹⁸ Interviews with Lebanese bankers (September 2016).

⁹⁹ Interview with monetary official (November 2016).

¹⁰⁰ Citing banking secrecy the Central Bank's Special Investigation Commission would not disclose the aggregate number of accounts affected by the US law.



portion of the proceeds from the sale of those goods in country B would then be delivered as cash to the economic migrant's family. While many who use Hawala or similar, informal cash transfer systems do so for legitimate reasons, these systems are ripe for exploitation.

"It appears that Hawala and similar ethnic transfer systems have become a particularly big target for the money launderers. If you can't explain the sources and trace the money, then that's where money laundering lives."¹⁰¹ In 2013 BdL amended its cash transfer rules to require approved exchange institutions performing Hawala cash transfers to keep records for a minimum of five years. Transfer amounts were limited to USD 20,000.

How these rules impact unregistered Hawala dealers – and just how many unregistered dealers there are – is not immediately apparent. Lebanon has a recognized informal economy that could benefit from unregistered Hawala transfers, but measuring it is equally difficult. A 2011 International Monetary Fund (IMF) report stated that the informal economy totaled around 30 percent of Lebanon's \$40 billion in gross domestic product.¹⁰² The methodology used to obtain that estimate is limited: it relies on currency as a fraction of broad money and self-employment as a fraction of total employment, against the measurable variations of regulatory burden in product and labor markets, the tax burden, and institutional quality. Available evidence suggests the informal economy has grown with the influx of refugees fleeing the civil war in neighboring Syria. By the end of 2016, over 1 million Syrian refugees in Lebanon remained registered with the United Nations High Commissioner for Refugees (UNHCR).¹⁰³ One indicator of the growth of the informal economy is the number of work permits issued to Syrian refugees. Only 1,045 Syrians were issued new work permits and another 801 permits were renewed in 2015, according to data from the Central Administration of Statistics (CAS).¹⁰⁴ A 2011 report from the International Labour Organization (ILO) cited CAS figures of 390 new permits and 571 renewed. The ILO report reasoned that the low number of work permits for Syrians could be "attributed mainly to the fact that the majority work in the informal economy, with unregistered enterprises or without a work contract."¹⁰⁵ Additionally, a March 2017 news report quoted an official from Bank Audi, Lebanon's largest bank, estimating the value of tax evasion at USD 4.2 billion annually (including income tax evasion, VAT evasion, uncollected electricity bills and unpaid property registration fees).¹⁰⁶ The full statistics and methodology are not yet publically available.

Unanswered questions

In November 2016, Lebanese law enforcement arrested Kamel Amhaz. A couple of years ago Amhaz and his company, Stars Group Holding, were slapped with financial sanctions by the US. The company only sells cell phones and SIM cards, a company spokesperson claimed after the sanctions were announced to the public.¹⁰⁷ As

¹⁰¹ Interview with forensic accountant specialized in tracking cash transfers through Hawala networks (July 2016).

¹⁰² International Monetary Fund, Regional Economic Outlook report (2011) p. 45. Available at: <https://www.imf.org/external/pubs/ft/reo/2011/mcd/eng/pdf/oilimporters.pdf>; GDP estimate from the IMF Data Portal. Available at: <http://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42>

¹⁰³ United Nations High Commissioner for Refugees, Registered Syrian Refugees as of 31 December 2016. Data available at: <http://data.unhcr.org/syrianrefugees/country.php?id=122>

¹⁰⁴ Central Administration of Statistics. Labor statistics for 2015 and 2014 available at: <http://cas.gov.lb/index.php/monthly-data-matrix>

¹⁰⁵ International Labour Organization, "Assessment of the impact of Syrian refugees in Lebanon and their employment profile" (2014), p. 15. Available at: http://www.ilo.org/beirut/publications/WCMS_240134/lang-en/index.htm

¹⁰⁶ The Daily Star, 'Tax evasion close to \$4.2B annually: economist' (2 March 2017). Available at: <https://www.dailystar.com.lb/Business/Local/2017/Mar-02/395690-tax-evasion-close-to-42b-annually-economist.ashx>

¹⁰⁷ Now, 'Stars Group Holding denies US accusations' (7 July 2014). Available at: <https://now.mmedia.me/lb/en/archive/555250-stars-group-holding-denies-us-accusations>



part of its allegations, the Office of Foreign Assets Control (OFAC) said that the individuals and entities operate as a procurement front, purchasing sophisticated electronics for Hezbollah in the neighboring civil war.¹⁰⁸ The general manager of a Dubai subsidiary flatly denied the allegations, “We don’t have any connection to Hezbollah, financial or otherwise, we’re just a general company.”¹⁰⁹

The blacklisting by the Americans did not seem to impact Amhaz’s operations, at least not visibly. That was until his arrest in November 2016 on charges of mobile phone smuggling by the Information Branch of Lebanon’s ISF. Media reports at the time of his arrest claimed Amhaz had smuggled some 2.5 million phones worth USD 45 million since 2000. The gig was reportedly up when an Amhaz shipment, a false suitcase flagged for inspection at the Beirut airport, was found to conceal drugs.¹¹⁰ Two military servicemen were arrested for aiding Amhaz’s smuggling operation. Under interrogation they reportedly gave up the name of a commanding officer, Major Nizar Daou, the officer in charge of baggage inspection at the airport.¹¹¹

Upon posting a USD 10,000 bail less than a month after his arrest Amhaz downplayed the smuggling charges claiming the value of his seized luggage would only equal USD 2,000 if taxed. And in the same statement Amhaz denied allegations circulated in the Lebanese press¹¹² that he had previously met with foreign intelligence agents in Canada, “I do not care about Canada or America and I am Lebanese only. I am from the Shiite sect and a full-fledged supporter of Hezbollah and the Amal movement.”¹¹³ According to one news account the story is much bigger than phone smuggling and that Amhaz also smuggles drugs. The article alleges that Lebanon’s legal system is corrupt and that the two arrested soldiers confessed they were given orders by their commanding officer, Major Daou, to allow drugs and mobile phones to enter the country, giving the flight numbers and other pertinent shipment details but that nothing happened to the commanding officer and he was not even called in for questioning.¹¹⁴

While the question of drug smuggling is of obvious interest for the purposes of this report, less obvious is the question of mobile phone smuggling, which is rampant in Lebanon and a potential avenue for hiding illicit money. The ministry of telecommunications said in 2013 that smuggled mobile phones costs the treasury upwards of USD 40 million per year in lost taxes and import duties.¹¹⁵ To combat smuggling, the Minister of Telecommunications at the time initiated a verification system that made black market phones smuggled past Customs unable to connect, therefore making them unusable and unsellable. A five-year comparison of Customs data for total mobile phone imports by USD value is proof that this strategy worked.

¹⁰⁸ US Department of the Treasury, Press center, ‘Treasury Sanctions Procurement Agents Of Hizballah Front Company Based In Lebanon With Subsidiaries In The UAE And China’ (10 July 2014). Available at: <https://www.treasury.gov/press-center/press-releases/Pages/jl2562.aspx>

¹⁰⁹ Executive Magazine, ‘A world connected (to the US government)’ (July 24 2014). Available at: <http://www.executive-magazine.com/business-finance/business/a-world-connected-us-sanctions-stars>

¹¹⁰ Al Jadeed TV, ‘إتوقيف تاجر الأجهزة الخلوية كامل أمهز وكشف العسكريين المتورطين معه’ (November 15 2016). Available at: <http://www.aljadeed.tv/arabic/news/local/1511201649>

¹¹¹ The Daily Star, ‘Army denies smuggling allegations’ (10 December 2016). Available at: <https://www.dailystar.com.lb/News/Lebanon-News/2016/Dec-10/384836-army-denies-smuggling-allegations.ashx>

¹¹² Assafir, ‘ماذا أوقف كامل أمهز؟’ (November 16 2016). Available at: <http://m.assafir.com/Article/517630>

¹¹³ The Daily Star, ‘Amhaz denies wrongdoing after being released on bail’ (7 December 2016). Available at: <https://www.dailystar.com.lb/News/Lebanon-News/2016/Dec-07/384399-amhaz-denies-wrongdoing-after-being-released-on-bail.ashx>

¹¹⁴ Assafir, ‘من هو الضابط المتهم؟’ (December 12 2016). Available at: <http://assafir.com/article/519612>

¹¹⁵ Ministry of Telecommunications (2013), Brochure ‘Preventing illegally imported devices’, p. 14. Available at: <http://www.mpt.gov.lb/documents/CellularDevicesLaw/brochure6%20MAY.pdf>



Figure 7: **Customs data on mobile phone imports by USD value and quantity, HS 8517.12**



In 2013 and 2014, while the registration system was in place, nearly all mobile phone imports were brought into the country in the proper legal way, paying Customs duties and registering the mobiles. When the registration system was discontinued by a new minister in 2014, a sharp decline in the value of mobile phone imports is shown. While there are no figures on the number of mobile phones sold in the country each year, one can assume sales and imports have maintained, only that importers are bypassing Customs and not paying taxes or duties. There may be no element of criminal activity beyond skipping payment to the government, but the system of registering mobile phones clearly curbed mobile smuggling. The system’s removal enables the movement of large amounts of money in the form of smuggled mobile phones, opening the door for the intrusion of illicit money.¹¹⁶

Likewise used vehicles hold significant potential to move illicit money through physical products. An advisor to Lebanon’s Association of Automobile Importers said that cars sold to scrap dealers in the US and Europe are coming to Lebanon and being re-sold as roadworthy vehicles, and that of the 1.54 million licensed cars in Lebanon, 670,000 are more than 20 years old. The advisor alleged the government is not inspecting used cars upon entry into the country, despite the law mandating they do so.¹¹⁷

¹¹⁶ Executive Magazine, ‘Shedding light on a black market’, (20 February 2017). Available at: <http://www.executive-magazine.com/economics-policy/shedding-light-on-a-black-market>

¹¹⁷ Interview with the Association of Automobile Importers (November 2016).



Figure 8: **Customs data on used vehicle imports by USD value and quantity**



Clearly there is money to be moved through used vehicles.

Real estate is another sector rife with potential for the laundering of illicit gains, particularly as real estate developers report transactions (even those above USD one million) are often conducted in cash.¹¹⁸ According to the account of one first-time homebuyer, a landowner in Ain Anoub, a town in the foothills of Mount Lebanon south of Beirut, financed the original land purchase and constructed the building using money obtained through Hawala. The homebuyer recounted how the landowner explained his Hawala trade: the landowner imports cars from Canada and the US to Lebanon via the Port of Beirut in association with an individual identified only by his first name, Tony. Tony is from Zahle, a Christian town that serves as the gateway between Beirut and the Bekaa Valley. The landowner imported the used vehicles and sold them to Tony. The proceeds from the vehicle sales were then used to purchase the land in Ain Anoub and construct the building that the homebuyer was inquiring about.

At least as far back as 2007, there has been speculation in the Lebanese and international media that Hezbollah is buying up land in various parts of the country. Purchases are allegedly made by Ali Tajieddine, who was sanctioned by the Americans in September 2010. The deal that made the biggest splash – the sale of 2.1m² million (or 2.1 km² in a country just over 10,000 km²) near Dammour, a coastal town in the Chouf district. Today, the Damour land is slowly being turned into a mega residential real estate project called Medyar. A project representative says the development will take ten years to complete and infrastructure works are underway. The representative denies any connection to Hezbollah or money laundering.

¹¹⁸ Interviews with Lebanese real estate developers (September and October 2016).



Map 3: **Concept master plan for Medyar development**



Source: Medyar.com

In 2011, The New York Times reported that the Damour land was initially purchased, “at least on paper, [by] a Shiite diamond dealer, Nazem Said Ahmad”.¹¹⁹ The newspaper further reported the purchase was actually on behalf of a development company. The paper alleges: “In fact, according to people knowledgeable about Beirut real estate, the development corporation’s major investor was a relative of a former Hezbollah commander, Ali Tajeddine. The investor, in turn, received money that flowed through the bank from companies the US has since designated as Hezbollah fronts, and from dealers implicated in the trade in so-called conflict diamonds and minerals, the Americans and Europeans with knowledge of the matter said. The LCB provided a crucial loan.” The bank was sold in 2012 following a 2011 listing by the US Treasury Department as an institution of primary money laundering concern (detailed above). The bank was alleged to be involved in a drug and stolen-car smuggling ring and also allegedly laundered money for Hezbollah. The US government settled with LCB in 2013, without the bank admitting any guilt or wrongdoing.

A Medyar spokesperson denied Ali Tajieddine was ever involved with the purchase.¹²⁰ Rather, the spokesperson said, the Tajieddine behind development of Medyar is Youssef, a relative of Ali. The spokesperson did not explain how Ali and Youssef are related, but said Ali and any companies related to him have nothing to do with the project. Former LCB officials also deny that Ali Tajieddine today owns the land.¹²¹ LCB officials confirm Nazem Said Ahmad initially bought the land but maintain the deal was not part of any money laundering scheme. Land ownership records retrieved in late 2016 do not mention Nazem Said Ahmad, and show the land is currently owned by two companies, in turn owned by Youssef Tajieddine and others; not Ali Tajieddine as The New York Times alleged.

According to the US State Department’s 2016 International Narcotics Control Strategy Report, Lebanon is among 65 nations considered a “jurisdiction of primary concern” for money laundering and financial crimes.¹²²

¹¹⁹ New York Times, ‘Beirut Bank Seen as a Hub of Hezbollah’s Financing’ (13 December 2011). Available at: http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html?_r=0

¹²⁰ Interview with spokesperson (September 2016).

¹²¹ Interview with former LCB officials (September 2016).

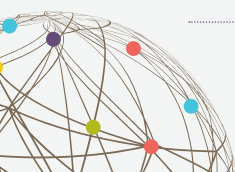
¹²² US Department of State, ‘Volume II: Money Laundering and Financial Crimes’ (2016). Available at: <https://www.state.gov/j/in/rls/nrcrpt/2016/vol2/index.htm>



In explaining its destination, the report notes, "Lebanon faces money laundering and terrorism financing challenges. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, pirated software, CDs, and DVDs." However, it claims, "the sale of these goods does not generate significant proceeds that are laundered through the formal banking system," adding, "the domestic illicit narcotics trade is not a principal source of laundered proceeds."¹²³

As a drug-producing nation with recorded remittances in the billions of dollars each year, active Hawala networks and a number of internationally recognized shadow economies, the potential for laundered money entering the Lebanese economy is high. That said, it is not possible to say for sure where the bucks circulating through Lebanon's drug economy finally stop.

¹²³ US Department of State, 'Countries/Jurisdictions of Primary Concern – Lebanon' (2016). Available at: <https://www.state.gov/j/inl/rls/nrcrpt/2016/vol2/253416.htm>



Conclusion and Implications

More than 25 years after the fighting ended, Lebanon has not recovered from its civil war. State institutions are generally weak, infrastructure is crumbling, the government cannot provide basic services like uninterrupted electricity, water or waste collection and political stalemate has become increasingly common in the past 10 years (four of them spent with a parliament that extended its own mandate, three spent without a president). While the country is not the narcotics hub it was during the war, the drug business is nonetheless thriving in Lebanon, thanks in part to the burgeoning trade in Captagon.

Drug producers and traffickers have found ways to profit from the regional instability and the war in Syria, and have found new ways to circumvent the work of Lebanon's border and custom agencies by using porous borders to Syria, the extensive coast line and moving from acquiring amphetamine pre-precursors legally instead of precursors.

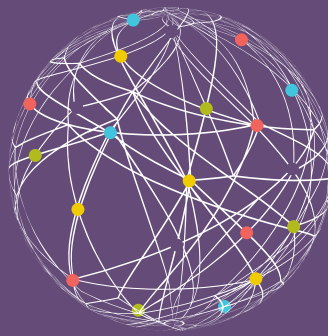
Lebanese officials insist they are dedicated to combating narcotics, but upon closer inspection it seems perhaps the fight is not taken seriously at the highest levels of power. The country's drug laws are not being fully implemented and security bodies tasked with targeting the drug trade don't have the tools they need. No Lebanese government in the post-war period (including the most recent government formed in December 2016) has formulated a clear, strategic, long-term strategy on how to combat cultivation, manufacture and smuggling of drugs in and through the country, nor has a government endorsed a clear vision for addressing drug use in the country. The international community recognizes Lebanon's role in the global narcotics economy but seems in no rush to act.

Regional instability, particularly the civil war in Syria, is attracting more attention from global and local leaders than the local drug business, however international in nature it may be. The drug economy – as well as other criminality and money laundering associated with it – is global, with negative security and public health repercussions for all countries it touches. Taking Lebanon out of the game will no doubt involve an element of intervention from concerned outsiders, but the most effective remedy would be for the country to come to terms with the exact size and scope of its own problem.

Drug trafficking is not an issue exclusive to Lebanon but has a wider regional impact when considering the flows of different drugs. Previous Global Initiative research has tracked cocaine flows from South America through Lebanon and uncovered that Captagon pills are being shipped to the Gulf countries from Syria and Lebanon.

If Lebanon's entrenched drug problem remains unchallenged, it will not only have deeper impacts on Lebanon itself but also affect a future post-war Syria. The time to learn from and erase structural deficiencies in the combat against drug production and trafficking is now, and Lebanon can serve as an important case study. If unchallenged, the profits from drug trafficking and money laundering will have a further destabilising impact on Lebanon, a country which is more fragile than it seems. To continue its reconstruction and stabilise its politics, both the Lebanese government and the international community needs to start seriously reconsidering the importance of combating drug production and drug trafficking as these two illicit activities have a deeper impact on the overall stability of the Lebanese state and society.





**THE GLOBAL INITIATIVE
AGAINST TRANSNATIONAL
ORGANIZED CRIME**

www.globalinitiative.net



A NETWORK TO COUNTER NETWORKS

