

Business

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Lebanon hikes fuel prices in de facto end to subsidies

Lebanon CB audit demanded by creditors to resume

BEIRUT: Lebanon raised fuel prices yesterday in a de facto end to state subsidies, pushing the cost of filling a vehicle's tank to more than the monthly minimum wage in the poverty-stricken nation. Subsidies were gradually phased out over the past few months to shore up diminishing foreign currency reserves at the central bank, which could no longer fund fuel imports.

A revised price list published by the energy ministry set the cost of 20 liters (5.3 gallons) of 95-octane petroleum at 302,700 Lebanese pounds, or around \$15 at the black market rate. This is around five times the price of 61,100 pounds set at the end of June, adding to the economic pain in a country where power cuts are common and basic goods including medicine have become scarce. The revised price "marks a complete lifting of petroleum subsidies," Fadi Abou Chakra of the country's fuel distributors' association said.

"The fuel price hike will cause the cost of services to also increase, especially transportation," he added. The energy ministry yesterday also raised the price of diesel and cooking gas following a drop in the value of the Lebanese pound against the dollar on the black market.

The nose-diving pound was selling for around 20,500 pounds to the greenback, its lowest value in months, money exchangers told AFP. An energy ministry official said that the "latest petroleum prices were calculated on the basis of a currency exchange rate of 20,000 pounds to the dollar as per a central bank request." The official spoke on the condition of anonymity because he is not

authorized to comment on the issue.

The price increases have mostly erased massive queues at gas pumps that clogged streets across the country during the summer when importers and gas station owners severely rationed supply.

To fill a medium-sized vehicle's tank, Lebanese would now have to pay more than the monthly minimum wage of 675,000 pounds, at a time when nearly 80 percent of the population is estimated to live below the poverty line. The International Monetary Fund and France are among creditors demanding an audit of the central bank as part of urgent reforms to unlock financial support for Lebanon. The World Bank has called the country's economic crisis one of the planet's worst since the mid-19th century.

The Alvarez & Marsal (A&M) auditing firm had launched an audit in September last year but was forced to pull out some two months later because the central bank failed to hand over necessary data.

Yesterday, President Michel Aoun met with A&M managing director James Daniell, who informed him that "the company will begin tomorrow its forensic financial audit of Lebanon's central bank after all arrangements were completed," the presidency said. Finance ministry official Georges Maarawi told AFP that the auditing firm "will have 12 weeks to collect information and draft a report," under the terms of its contract with the Lebanese government.

The contract with A&M was signed by Finance Minister Youssef Khalil last month only days after he



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took up his post. In December, parliament approved a bill that suspends banking secrecy laws for one year to allow for the forensic audit—which is widely seen as a necessary prelude to any agreement with

the IMF over financial assistance. Maarawi, the finance ministry official, said that Lebanese authorities are currently holding "technical meetings" with the IMF, without elaborating. — AFP

Chief economist Gopinath to leave post in Jan: IMF

WASHINGTON: IMF chief economist Gita Gopinath will leave her post and return to Harvard University's economics department in January, the fund announced Tuesday. Harvard extended Gopinath's leave of absence by one year, which allowed her to serve at the IMF for three years, the statement said.

She heads the International Monetary Fund's research department which produces the quarterly World Economic Outlook report with its closely watched GDP growth forecasts. IMF Managing Director Kristalina Georgieva praised Gopinath, who "made history" as the first woman to serve in the top economics post, for her critical analysis during the pandemic. "Gita's contribution to the Fund and our membership has been truly remarkable—quite simply, her impact on the IMF's work has been tremendous," Georgieva said in a statement. "We benefitted immensely from her sharp intellect and deep knowledge of international finance and macroeconomics as we navigate through the worst economic crisis since the Great Depression."

She had a key role in setting global vaccination targets to end the COVID-19 pandemic, and also helped set up a Climate Change team inside the IMF to analyze, among other things, optimal climate mitigation policies, Georgieva said. Gopinath's decision



WASHINGTON, US: Gita Gopinath, the Chief Economist of the International Monetary Fund, speaks during an IMF conference. — AFP

to leave was not linked to the recent controversy surrounding Georgieva, according to a person familiar with the matter.

Georgieva, who previously served in a top position at the World Bank, was implicated in an investigation showing officials pressured economists to alter results of the bank's closely-watched "Doing Business" report that ranked countries based on business-friendly policies.

But the IMF board last week expressed confidence in Georgieva and said the report did not conclusively show she "played an improper role." Gopinath's decision to leave the fund was "unrelated to the events the last few weeks," the person said. Gopinath, a dual US-Indian citizen, was appointed to her role in October 2018. The IMF said the search for a replacement will begin shortly. — AFP



Jack Ma

Alibaba shares soar as Jack Ma reported on Europe trip

BEIJING: Alibaba shares surged more than six percent yesterday after billionaire founder Jack Ma was reported to be in Europe, fuelling investor hopes that the worst of China's regulatory crackdown for the internet giant might be over. Ma has kept a low profile ever since mainland officials spiked what would have been a world record \$37 billion initial public offering for Alibaba's financial group Ant last November.

That shock decision kicked off what became a cascading series of crackdowns by Chinese authorities on a host of tech and other industries deemed to have become too powerful, unregulated or monopolistic. Ma's presence in Spain—for a "study tour of the agricultural industry and technology related to the environment"—was reported by the South China Morning Post, which is owned by Alibaba.

The paper said the 57-year-old, who retired from the role of Alibaba's chairman in 2019, was attending a series of business meetings in Europe. It said he had also stayed in Hong Kong for "private time" with his family before his trip abroad, citing an anonymous source familiar with Ma's itinerary.

An Alibaba spokesperson declined to comment. But the news sent Alibaba's shares soaring, closing 6.67 percent higher in Hong Kong yesterday. So far this month, the firm's share price has surged 23 percent as hopes rise the company is now out of the dog

house with authorities in Beijing.

That sentiment has also helped buoy Hong Kong's stock exchange, which has been hammered by China's regulatory crackdown in recent months. The Hang Seng Index, one of the worst performers this year, is now up 10 percent since closing at a five-year low on October 6.

"It's getting clearer and clearer that the worst of Beijing's crackdowns are behind us, in particular in the technology sector as they were the first to suffer," Jackson Wong, asset management director at Amber Hill Capital, told Bloomberg News. Alibaba fell out of favor soon after Ma gave a speech criticizing China's financial regulators. Authorities pulled Ant's IPO and followed up with an antitrust probe of Alibaba, eventually fining the company \$2.75 billion. Chinese authorities have also ordered Ant to undergo restructuring as a condition for reviving its IPO. — AFP

Lebanon's car culture questioned in crisis

BEIRUT: By challenging Lebanon's national passion for automobile ownership, and driving growing numbers towards greener or more collective transport, the economic crisis is succeeding where everything else failed. In the absence of a functioning public transport system, car culture has thrived and many households, even modest ones, boast multiple vehicles.

Since 2019, however, an ever worsening financial crisis has made petrol unaffordable for many and long queues at gas stations unbearable for the rest. One of the by-products of Lebanon's historic shortages and currency crisis is the first meaningful dent in decades in the reign of the private automobile.

Tuk-tuks, bicycles, carpooling and affordable buses—which were once out of the question for many—have since become more popular amid changing public attitudes and skyrocketing transport costs, including higher taxi fares. "Before the crisis, I relied on my family's car or a taxi, but this has all become unaffordable," said Grace Issa, a 23-year-old customer service professional whose workplace is around 20 kilometers (12 miles) from home. Her only option to get to the office now is a private coach operated by Hadeer, a start-up without which she would not have accepted her new job in the first place.

"I now spend about 30 percent of my salary on transportation instead of 70 percent," she told AFP as she boarded a bus to go back home.

'Unclean, unsafe'

There are more than two million cars for six million people in Lebanon. Car imports have fallen by 70 percent over the past two years and many Lebanese can no longer afford new vehicles with the local currency losing about 90 percent of its value against the dollar on the black market.

Dwindling foreign currency reserves have forced authorities

to scale back subsidies on imports, including fuel, causing prices to skyrocket. Twenty liters (4.4 gallons) of petrol are now worth around a third of the minimum wage, while nearly 80 percent of the population lives below the poverty line.

In response to the crisis, Boutros Karam, 26, and three friends launched Hadeer, which provides affordable bus transport along the country's northern coastal highway. Unlike the dilapidated public transport system, buses operate along a fixed schedule, are equipped with wi-fi and tracking services and are relatively safer for women who often report harassment on public coaches and vans.

Sixty percent of Hadeer's customers are women. "The public transport problem is an old one but it was compounded recently by the fuel crisis and the fact that many can no longer afford to move around" using taxis or their

decades to revamp public transport have been shelved. In 2018, the World Bank approved a \$295 million package to jumpstart the country's first modern public transport system. The Greater Beirut Public Transport Project, however, never took off and the Lebanese government is now looking to use the funds to help support the country's poorest. "Discussions are under way with the government of Lebanon regarding the feasibility of restructuring and reprogramming the entire World Bank portfolio which also includes the Greater Beirut Public Transport Project," World Bank spokesperson Zeina El-Khalil told AFP.

In the coastal city of Batroun, a popular tourist hotspot during the summer, the tuk-tuk has gained traction among visitors and residents alike, according to Toni Jerjes, who manages a service offering the auto rickshaws. "The crisis has changed the



BATROUN: A passenger pays a tuk-tuk taxi drivers as he arrives to destination in the Lebanese city of Batroun north of the capital. — AFP

own cars, Karam said. The start-up, which has also developed a mobile app that allows customers to book seats in advance, is breaking stereotypes Lebanese have harbored regarding mass transit, Karam added. Many of our customers "were not accustomed to using collective transportation", Karam said. "They used to refuse it because it was seen as unclean... and unsafe."

'Way of life'

Lebanon has had a railway network since the end of the 19th century but it has been out of service since the start of the country's 1975-1990 civil war. Several proposals over the

Lebanese people's transportation habits. Tuk-tuk is a less expensive and faster option," he said.

In the city of Tripoli further north, Natheer Halawani has relied on a bicycle for nearly two decades to move around. He has lobbied for a bicycle boom in his car-clogged city for years, but in the end, it was the economic calamity that finally put the wheels in motion, and he says more people are now pedaling through the city's streets. The private vehicle "is not just a means of transport, it is also a way of life", he said. For the 35-year-old, the crisis provides "a suitable opportunity to rethink" such old transportation models. — AFP