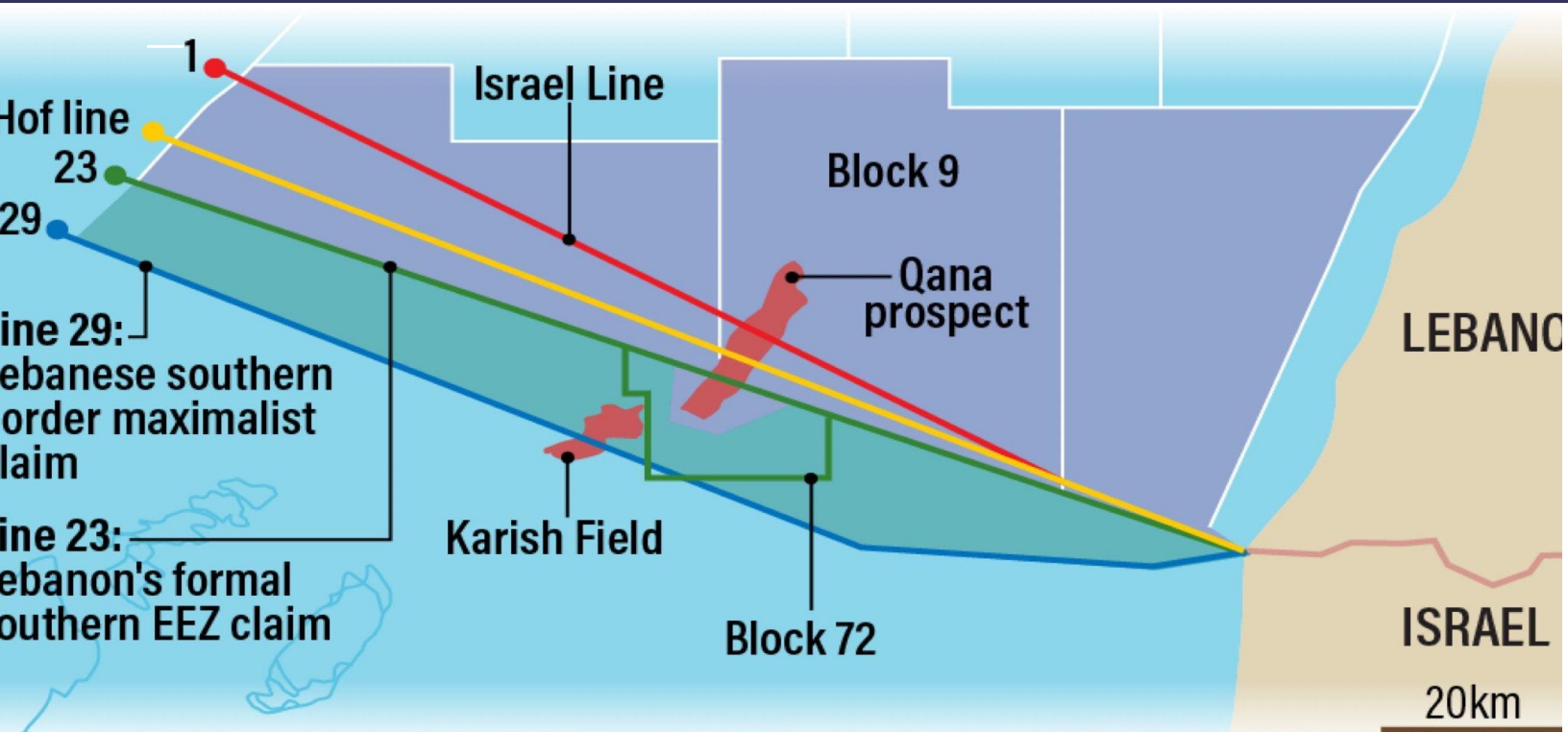


# THE SETTLEMENT OF LEBANON AND ISRAEL'S MARITIME BOUNDARY GAS DISPUTE

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Islamic Theology of Counter Terrorism

اسلام کے تھیولوجی آف کاؤنٹر ٹیرورازم

## **Introduction:**

Bashir Gemayel, leader of the Christian Lebanese Forces, delivered a rousing speech to his followers on February 23, 1979 in Jall El Dab. The Christians in Achrafieh had recently survived and emerged victorious in the 1978-hundred-day war in East Beirut where intense Syrian shelling had besieged the cities inhabitants. The Lebanese war had been raging since 1975 when long simmering tensions between PLO guerillas and Christian militias erupted into war. Gemayel noted that the West—mainly the United States had ignored the Christians of Lebanon because Lebanon had “no oil to sell” and that the West was pandering to short term interests. He stated, “It is the West that has started to reject this civilization...with the collapse in values...and morals...and economies... It is possible that one day the West would need us for one thing: to return his values and his morals back to their true selves. That is the New Lebanon that we want.”

It is now 43 years later, and the West has further deteriorated its values, morals and economies but has returned to Lebanon—not for civilization—but to hopefully broker a breakthrough deal between Lebanon and Israel to resolve a maritime border dispute regarding the right to exploit potentially valuable hydrocarbons in the East Mediterranean Sea. This paper will examine the law, the economics of international petroleum agreements and the geopolitical implications for beleaguered Lebanon which currently finds itself in a severe economic crisis that the World Bank said is among, “the most severe episodes globally since the mid-nineteenth century. At the same time, both Lebanon and Israel are faced with political instability and a lack of domestic consensus on how best to proceed.

## **Background:**

Modern Lebanon was created, like many Arab states, in the aftermath of World War I. Prior to that time, the coastal cities of Beirut, Tripoli, Sidon, Tyre, and the eastern hinterlands were not politically part of the Mount Lebanon governate and were considered part of Syria although Beirut had been linked to the Mount Lebanon economy for many years. After the war, influential Christian leaders argued to include these areas into a Greater Lebanon for economic and political security. Many notable Sunni Muslims bitterly protested this and asserted that they were part of Greater Syria. The Greater Lebanon view prevailed, and modern Lebanon was created. Lebanon was subject to the French Mandate after the war and by the late 1930s there was considerable opposition to the mandate on all sides.

In 1943, the Sunni and Maronite (the most dominant Christian denomination) elites reached an oral compromise for power sharing in Lebanon. The deal allowed for a Christian president and a Sunni Prime Minister with a 6-5 ratio of Christian representatives based on the 1932 census that showed a Christian majority (smaller with the addition of the above-described areas that contained large Muslim populations). The smaller communities of the Druze and Shia Muslims received less proportional representation and political posts. This agreement was called the National Pact and it became the bedrock of political power distribution in Lebanon. However, considerable power was vested in powerful men from the various religious sects called the “Zuama.” These men functioned as political bosses, chiefs, sheikhs, and brokers who serviced patronage networks. In exchange for political support, they doled out favors and benefits. In the various sectarian areas these political bosses were the primary power brokers. This system exists to this day.

When war broke out in 1948 after the creation of Israel Lebanon played a minor role. But after the war hundreds of thousands of Palestinian refugees would settle in United Nations camps in Lebanon. Everyone believed this would be a temporary arrangement. It was not. As Arab nationalism was galvanized in the mid-1950s by the rise of Egyptian strongman Gamal Abd Al Nasser. Lebanon's Muslims, to include most Palestinians, demanded more power. The delicate power sharing arrangement was threatened by the emergence of Pan-Arabism.

The Arab "cold war" pitted various parties and groups against each other that destabilized Lebanon. American troops were invited in 1958 by Lebanese President Camille Chamoun per the Eisenhower Doctrine to prevent communist infiltration in the Middle East. Lebanon survived this internal crisis and a period of relative tranquility marked by social reforms followed under the leadership of President Fouad Chehab, who had been Lebanon's top military leader during the crisis.

Israel's rout of Egypt and other Arab armies in the 1967 war crippled Pan-Arabism and Nasser. The hopes of Palestinians now rested with the ascension of the PLO under the leadership of Yasser Arafat. Other Palestinian factions competed for support and introduced terrorism into the global theatre such as spectacular hijackings, kidnappings, and murder by groups such as the Popular Front for the Liberation of Palestine (PFLP).

As the PLO guerillas operated freely in Lebanon (they were forcefully evicted from Jordan in 1970) and created a "state-within-a state", few noticed the rise of Shia power led by the influential and charismatic Musa Al-Sadr who formed the Amal group to organize Shia grievances. The Shia were a rapidly increasing population in Lebanon who had been historically deprived and overlooked in political sharing and the distribution of economic benefits. The 1979 Iranian Revolution galvanized the Shia in Lebanon. Many prominent Lebanese Shia clerics had studied in Iran and Iraq and were familiar with Ayatollah Khomeini and other Iranian Shia clerics.

The Iranian Revolutionary forces began to organize Shia in Lebanon during the civil war where Lebanese Forces and Israel were determined to defeat the PLO guerillas. Over the years, heavy Israeli retaliations on PLO centers in southern Lebanon had badly injured the Shia who primarily lived in the south. Many of those Shia then moved into Beirut's southern suburbs and lived in camps deemed the "belt of misery." These displaced Shia were an easy target for recruitment into radical cells who were motivated to strike at Israeli and Western targets.

After Israel's invasion into Lebanon reached Beirut in 1983 and forced the PLO to flee, the newly created Shia militants emerged as a threat. Lebanon was further destabilized in 1982 when Bashir Gemayel was elected president and then assassinated by a Syrian. Vengeful actions in PLO camps where America had guaranteed security caused considerable chaos. Soon, U.S. and other peacekeeping forces were caught up in the complex multi-partied civil war. In 1983, Shia militants, precursors to Hizballah, had attacked the U.S. Embassy and killed over 300 American and French troops in suicide bomber attacks. The American forces soon withdrew from Lebanon and have not returned.

Hizballah increased in popularity and became a political party as well as an army with close ties to Iran. Hizballah became a major player in Lebanese politics and the increased Shia population has elevated Hizballah's role in Parliament and politics in general. When the civil war ended in 1990 all the militias disarmed—except Hizballah which now has the ability to threaten the Lebanese state and to participate in foreign affairs to benefit Iran such as their military role in the recent Syrian conflict or support for Iranian backed Houthi rebels in Yemen. Hizballah has never renounced its doctrine that calls for the elimination of the state of Israel. Hizballah's justification for its military capacity is that it is a “resistance” organization that protects Lebanon from Israeli aggression. Opponents of Hizballah claim Israeli aggression mainly exists due to the actions of Hizballah and that Israel would prefer a lasting peace treaty with the Lebanese state.

### **East Mediterranean Gas (EMG):**

This is a large productive area of hydrocarbons with claims by various countries who seek maximum benefit from the development of natural gas that can both supply domestic needs and be profitably exported to valuable markets such as the European countries where reliance on Russian gas is a strategic weakness. Russia is the biggest natural gas exporter and is threatened by competition because Russia heavily relies on sales of hydrocarbons for economic security.

The main players for EMG are Egypt, Israel, Lebanon, Gaza, and Cyprus. Moreover, the big powers are interested in this area to preserve stability and to pursue their own interests. In addition to Russia, Turkey is very concerned with Cyprus and seeks to maximize its influence over development to protect its own pipeline hegemony and to prevent other countries from usurping its position. The United States has traditionally sought to maintain free and open shipping lines in the major chokepoints such as the Strait of Hormuz, the Suez Canal, and Bab El Mandab. Recently, the “Green New Deal” crowd has attained political prowess in America which threatens to undo the benefits of the “Shale Revolution” which has the potential to make America energy independent or, at a minimum, to decrease reliance on foreign sources for energy.

Though discreet, The Chinese Communist Party operates through its state oil companies in the Middle East and as a net importer of hydrocarbons they seek to diversify supplies and shipping routes to secure energy. China employs strategic investments with third world countries in order to acquire natural resources for their benefit. China and Russia have both increased their presence in the East Mediterranean area in order to secure benefits.

Lebanon and Israeli historically are net importers of hydrocarbons. Therefore, the potential for the production of hydrocarbons in commercial quantities has economic and security implications for both countries. This is truer for Lebanon which desperately needs economic diversity and a source for funds. Reliance on other countries and global institutions is no way to run an economy. An economically distressed country breeds political discontentment and even chaos. Lebanon suffers from systemic corruption where major sectors of the economy are run in mafia like style by powerful interests seemingly impossible to root out. In the last year, several Lebanese citizens have been arrested for showing up to banks armed and demanding their own money!

According to the Austin, Texas based private intelligence firm *Stratfor*, “The riches of the eastern Mediterranean attracted renewed attention from the wider world in 2009, when a consortium headed by U.S. based Noble Energy discovered the Tamar field of Israel’s coast. It was the biggest natural gas field ever found in the area at the time. Containing roughly 320 billion cubic meters (bcm) of proven and probable reserves, the Tamar natural gas field was set to bring self-sufficiency to the Israeli gas market.”

Shortly after the Tamar field discovery, Noble struck gold again with an even bigger field—Leviathan. *Stratfor* reported, “...the new reservoir boasted roughly 600 bcm of proven and probable reserves. The new reserves gave Israel enough resources to not only satiate its own demand but to also make it a significant exporter.” Before these finds, Israel relied on gas exports from Egypt. *Stratfor* noted that this dependency provided a foreign power the opportunity to exert influence over Israel which included pipeline attacks “that pervaded Egypt after the Arab Spring threatened the stable supply of energy to Israel.” Israel faced internal problems related to antitrust law related to monopoly over natural resources—a problem that could arise in Lebanon among detractors to any deal with Israel.

In 2015, BP (aka British Petroleum) developed natural gas resources off Egypt’s Mediterranean coast and in the same year the Italian company Eni led a consortium in the Zohr field which combined with other projects has eliminated Egypt’s requirements for Liquid Natural Gas imports in the foreseeable future. The race to develop EMG was on and each relevant country must assess their requirements and strategies for producing these resources subject to international and domestic law. Lebanon began to develop a legal framework to facilitate exploration. This necessitated the requirement for settling any and all maritime boundary disputes. Lebanon’s situation is more complex because there is the Lebanese state and Hizballah which is not the state but exerts considerable power and is a mortal enemy of Israel.

## **International Legal Framework:**

The hydrocarbon assets at stake are offshore hydrocarbons which require complex, expensive, and risky operations. These projects can only be completed by the established major oil companies such as ExxonMobil, Shell, BP, Eni and Total to name the more prominent companies. Several of these companies have existed since the beginning of Western penetration of Middle East countries for economic purposes and the residuals of colonialism remain in the minds of many inhabitants.

The quest for oil was pioneered by the British in the early twentieth century when they secured their original oil concession in Persia before World War I in a company that became BP. The modern history of Iran is tethered to Western petroleum policies in that country formerly called Persia. The American companies joined the British and Shell in dominating world oil markets through World War II when oil access to oil helped determine the outcome of war. Post war policies and the rise of nationalistic polices led to reformation of oil concessions and even the expropriation and of foreign oil company’s assets and the nationalization of oil by countries such as Mexico, Iran, Saudi Arabia, Iraq, and Libya to name a few.

The Organization of Petroleum Exporting Countries (OPEC) was formed in the 1960s to control production and prices for the benefit of member states. Lebanon, though not an oil producer, was important to global petroleum markets as Arab oil funds poured into Lebanese banks and Lebanese land was traversed by pipelines carrying hydrocarbons to the Mediterranean.

In 1982, to better govern the seas and settle maritime disputes, the *United Nations Convention on the Law of the Seas* (UNCLOS) treaty was opened for signatures. Today, close to 170 countries have signed the treaty which has numerous technical articles on how to determine maritime boundaries and measure territory. Part V of the UNCLOS describes the Exclusive Economic Zone (EEZ) which is a 200 nautical mile area wherein each sovereign nation enjoys exclusive rights for the purpose of exploring and exploiting the natural resources to include the products of energy.” Lebanon has ratified the treaty whereas Israel has signed but not ratified the treaty. Because Israel has not ratified the treaty it is necessary for Israel and Lebanon to conclude a Memorandum of Understanding or similar agreement to settle maritime borders and agree to conditions by which each party can rely on for peaceful operations.

### **International Petroleum Agreement:**

The first international petroleum agreements were one-sided concessions in favor of the oil companies that operated in Middle East Countries. The concessions often covered significant portions of land, lasted for decades, and paid small royalties to the host country. This describes the agreement between the Anglo-Persian Oil Company and Persia before World War I and set the stage for a contentious relationship that culminated in Iran nationalizing oil in 1952 only to see Britain and The United States conspire to overthrow the elected government and reinstate their oil interests.

Therefore, oil played a significant role in Iran to include the 1979 revolution which resulted in the revolutionary government nationalizing the oil and evicting the western oil companies. These “oil shocks”—which included the 1967 and 1973 wars between Israel and the Arabs—produced sudden price surges in the cost of oil. In 1973, an OPEC boycott of the west for supporting Israel not only increased gasoline prices over 33 percent in America but led to new federal conservation laws and increased military planning for Gulf operations to maintain the free flow of oil.

These agreements were heavily criticized as vestiges of colonialism and exploitation where most of the retained benefits by the host country were absorbed by the government and very little economic benefit was conferred upon the population. By the 1950s host countries were renegotiating or making better new deals to enjoy increased benefits from leasing their resources.

Indonesia, in the 1960s, pioneered the modern Production Sharing Agreements (PSA) whereby the host country would receive a royalty—a fractional quantum of cost-free production, taxes, fees, and an agreed upon amount of “profit oil” after agreed upon expenses were paid out of production. These agreements were refined over the years until host countries commonly received the majority of production value. The oil companies had no choice but to agree to these agreements because the host country could threaten expropriation or nationalization of assets which would be disastrous for the company.

Today, major offshore offerings by host countries are conducted by auctioning off blocks to the major oil companies. However, Lebanon has retained TotalEnergies SE, a French multinational energy company. This is not surprising given the historical ties between France and Lebanon. Total has been active in Lebanon since 1951. TotalEnergies will drill wells in Blocks 4 and 9 during the first three years of the agreement.

The Government of Lebanon should strive towards full transparency and deposit funds in a trusted national bank with fiduciary responsibilities. The funds should be for the benefit of the Lebanese people and a full accounting must be made. Lebanon must make sure that corruption and patronage networks, to include Hizballah, should receive no special benefits from these funds.

### **The Lebanese Israeli Settlement:**

Assuming the recent maritime settlement is ratified by both countries it is evident that both parties have succeeded in their goals. According to Mike Azar, a Washington based analyst and former lecturer in international economics at the *Johns Hopkins School of Advanced Studies* wrote in Twitter, “This deal does not substantially move the needle in terms of Lebanon discovering and exploiting oil and gas reserves...it was ultimately much more profitable for Israel. What Lebanon got was avoiding problems it can’t afford to deal with right now.”

The deal, as described in various publications, provides for Lebanese sovereignty over the area north of Line 23 on the sea map, including the Qana gas field consisting of 860 square kilometers (332 square miles). This is significant because Lebanon had changed the definition of its EEZ from line 23 to line 29 which would have included part of the Karish gas field. Against this background, Hizballah had threatened to strike at Israeli maritime operations in this disputed area. Under the proposed agreement Israel maintains control of the Karish field. It is reported that Israel may be entitled to 17 percent of future profits from the Qana field. In American oil and gas transactions this is called a “production payment” and a key provision is how profits are determined. Such delicate matters must be carefully defined in the contracts to avoid future disputes.

The German publication *Deutsche-Welle* estimated that Qana might yield \$100-200 million dollars annually at some point. If this is true, Israel could receive \$17-34 million annually from Lebanon’s gas production depending on the language in the agreement granting Israel a 17 percent payment.

According to Maha Yahya, Director of the Beirut based *Carnegie Middle East Center*, “The agreement means that both countries now have a vested economic interests in maintaining calm along their common border regions.” Mike Azar stated that Lebanon gained territory but cannot profit immediately whereas Israel realized a short-term goal of gas sales under improved security conditions. Lebanon analyst Dania Koleiat Khatib, affiliated scholar with *Stanford University’s Hoover Institute* told the *Voice of America* she sees the demarcation as having more value as a way to pressure the Lebanese political elite to resolve their differences than economic benefit at this time. All experts agree that, at best, it will be several years before production in paying quantities from the Qana field can be realized.

The agreement between Lebanon and Israel can have a positive impact on the behavior of other parties at conflict in the region. According to *CyprusMail*, Cyprus's Foreign Minister Ioannis Kasoulides hopes that Turkey will soon proceed with the demarcation of its EEZ with Cyprus in a similar way in which Israel and Lebanon settled their maritime dispute.

## **Conclusion:**

For this article I sought the opinion of Sheikh Malek El Khazen a member of one of the most prominent families in Lebanon about the situation with EMG. Sheikh El Khazen stated, "What we have learned from the deal is that diplomacy and unification can work. We should have learned this over a decade ago from Jordan and Egypt where their countries are extremely stable and secure because diplomacy worked. The question is why we cannot agree on the priority of a deal with Syria and Cyprus? It should have happened over a decade ago if only Lebanese agree on unification of and prioritization of the Lebanese interest." Sheikh El Khazen opined that "only a unification between Lebanese parties and politicians on Lebanon's interests" can propel Lebanon back to being an "economic powerhouse as a hub (intermediary) between East and West." Khazen knows that full-fledged unity is a long way from being realized but is hopeful these small steps can start impacting Lebanon in a positive manner. He is hopeful for proper elections to elect a good government and rebuilding trust with the international community."



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## About the Author



Mitchell Gray is an Oklahoma City, Oklahoma attorney and Iraq War veteran. He is the author of several books regarding national security and most recently his book about Lebanon which is currently available on Amazon.

- *Sons of Resistance: Bashir Gemayel, Ali Hassan Salameh in “Freewheeling and Open” Beirut: What Shaped Modern Lebanon,*