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## **U.S. Policy Toward Lebanon: Obstacles to Dismantling Hezbollah's Grip on Power**

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**Testimony submitted to the House Foreign Affairs Committee, Subcommittee on the Middle East and North Africa.**

**February 3, 2026**

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Chairman Mast, Ranking Member Meeks, and honorable members of the House Foreign Affairs Subcommittee on the Middle East and North Africa: I am honored to testify before you on US policy towards Lebanon, opportunities to dismantle Hezbollah's power, and policy tools to strengthen the state's institutions and move towards sustainable peace between Lebanon and Israel.

After a ceasefire agreement ended conflict between Israel and Hezbollah in November 2024, Hezbollah found itself struggling on many fronts. It has become a shadow of itself – its military infrastructure was shattered, its command framework obliterated, with the Shiite community scattered as refugees across Lebanon and with little financial capability to rebuild and reconstruct. On top of all this, one needs to add the huge loss of Hezbollah's ally in Syria which disappeared with the fall of the Assad regime and the forced exit of Hezbollah and other Iranian proxies from that country.

Still, despite all these factors, Hezbollah did not collapse. Instead, this critical situation forced Hezbollah into survival mode, defined by avoiding retaliation against Israeli strikes, for now, while focusing on the buildup of its financial and political infrastructure, hoping the Iranian regime survives and resumes its financial and military support. During my testimony, I will analyze Hezbollah's remaining pillars of power, its financial and political strategies to maintain this power, and the challenges standing in the way of disarming and containing Hezbollah. I will also provide policy options to thwart the group's efforts to rebuild, influence state institutions, curtail its cash flow, and help move forward with the disarmament process.

### **Hezbollah's Ecosystem of Power**

Most international focus is on Hezbollah's possession of weapons, but these assets are part of a wider ecosystem which allows the group to maintain power within state institutions, ensures the continuation of cash flow to its coffers, and enables it to rebuild its broken military infrastructure. This ecosystem is what keeps Hezbollah alive today, and any disturbance to the system's flow could lead to its collapse. Accordingly, if Hezbollah loses its cash flow and political influence within the state, it will not be able to sustain its arsenal.

As all eyes are on the disarmament process, carried out by the Lebanese Armed Forces (LAF), Hezbollah has been quietly focused on other tools. The group's arms are the most dangerous

threat to Lebanon and to US allies in the region, mainly Israel, and the disarmament plan should move forward swiftly and according to a clear timeframe<sup>1</sup>, which is yet to be set by the Lebanese government. But it is important to note that Hezbollah's ability to rebuild is determined by financial and political infrastructure, without which the group's weapons would be both obsolete and ineffective. This infrastructure is essential for Hezbollah to rebuild its military infrastructure, revive their commandment structure, and maintain their support base. Despite domestic and regional challenges, Hezbollah has managed to maintain the financial and political foundation needed for its survival.

Hezbollah's plan thus far has been three-fold:

- 1- **To secure appointments within state institutions** that are important for maintaining cash flow and military buildup. After the ceasefire agreement in November 2024 and the government formation in February 2025, Hezbollah still managed to secure key appointments, such as head of General Security Hassan Chokeir, deputy head of State Security Murshed Haj Soleiman, and finance minister Yassin Jaber, in addition to maintain key people in the Customs Department. Most of these are affiliated with Hezbollah's longtime ally, the Amal movement, headed by Speaker of the Parliament Nabih Berri, who played a key role in securing these appointments.
- 2- **To diversify cash flow** and empower the cash economy<sup>2</sup>, which has effectively replaced the formal banking sector which declined in 2020 due to Lebanon's hard default and the financial crisis that followed. Accordingly, there has been an uncontrolled proliferation of cash and very few efforts to contain it. Last November, undersecretary for terrorism and financial intelligence John Hurley, said<sup>3</sup> Iran has managed to send about \$1 billion to Hezbollah despite sanctions. These funds, most of which comes from the sale of Iranian oil, are channeled<sup>4</sup> through exchange houses and private companies (often located in the UAE) and then moved to Lebanon informally through the hawala system. Some funds are also smuggled via Turkey and Iraq, using passengers<sup>5</sup> on commercial flights.
- 3- **To rebuild its arsenal internally** and quietly, while using the remaining smuggling networks to secure weapons transfer from Iran via Syria. Although the decline of smuggling has been noticeable in the last year, the new Syrian government still cannot control the whole length of its borders with Lebanon and smuggling remains an urgent concern<sup>6</sup>. Without border demarcation between the two countries, this will continue to be a problem.

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<sup>1</sup> <https://www.washingtoninstitute.org/policy-analysis/without-hezbollah-disarmament-deadline-lebanon-should-face-repercussions>

<sup>2</sup> <https://www.washingtoninstitute.org/policy-analysis/cash-cabal-how-hezbollah-profits-lebanons-financial-crisis>

<sup>3</sup> <https://www.timesofisrael.com/us-official-iran-funneled-some-1-billion-to-hezbollah-this-year-despite-sanctions/#:~:text=US%20official:%20Iran%20funneled%20some,that%20have%20battered%20its%20economy.>

<sup>4</sup> <https://www.wsj.com/world/middle-east/iranian-funds-for-hezbollah-are-flowing-through-dubai-85785a77>

<sup>5</sup> <https://www.washingtoninstitute.org/policy-analysis/cash-cabal-how-hezbollah-profits-lebanons-financial-crisis>

<sup>6</sup> <https://israel-alma.org/hezbollahs-weapons-recovery-efforts-in-syria-january-2026/>

These gains, although significant, did not bring back Hezbollah's pre-war power and might, but they are helping Hezbollah survive, rebuild, and defy disarmament efforts.

Most international effort has been focused on the military and security aspects of Hezbollah, and internally, the Lebanese government is not pushing hard against Hezbollah's three pillars of power: the disarmament process, the cash economy, and the political influence within institutions.

### **Challenges to Disarmament**

In his inaugural address in January 2025, Lebanese President Joseph Aoun declared<sup>7</sup> that the state would have a monopoly over all arms, and the government, under new Prime Minister Nawaf Salam, then stated in August 2025 that it had tasked the LAF to develop and implement a plan in support of this goal. In other words, it took a full year to realize this first part of the disarmament plan, focused on the south Litani sector, and as of this writing, the plan does not have any timeline for its subsequent five phases, covering the rest of the country. What is certain though, is that the Lebanese government and LAF will not confront Hezbollah militarily, and that Hezbollah will not disarm, meaning that we have reached an impasse that will be only resolved in the case of two scenarios:

- 1- A real change in Iran or the Iranian regime regional strategy, where Hezbollah is ordered by Iran to surrender their arms. This will depend on developments between the US and Iran.
- 2- The Lebanese government and the LAF are forced to confront Hezbollah as they move to phase 2 of the disarmament process; that is the north of the Litani river. This would be real test to the LAF as Hezbollah had repeatedly refused to disarm anywhere north of Litani. Lebanon's leadership will have to make a choice: confront Hezbollah or abandon disarmament altogether, the ceasefire agreement, and international support, thereby risking another war with Israel.

So far, Lebanon has not been forced to make this choice, but whatever happens in Iran could impact Hezbollah's calculations. Sources close to Hezbollah have told me that the group feels very vulnerable today, fearing that Israeli military operations may soon target its military infrastructure in its southern Beirut stronghold of Dahiya. Hezbollah is also facing the potential loss of Iranian regime support due to threats of US military action against the regime. Even if Tehran manages to entice Washington into some sort of negotiated deal to avoid collapse, Hezbollah fears its weapons would be a price the regime is willing to pay to survive.

This vulnerability is a great opportunity to double down on focusing on Hezbollah, its weapons, and the disarmament process. There are several policy tools that the Trump administration could use to help Lebanon move swiftly with the disarmament process.

- 1- **Release a formal U.S. assessment of the LAF's performance in phase 1**, which would give Lebanese officials and citizens a reference other than the Israeli assessment. (The LAF says it has completed phase 1 and achieved "operational control" of the area but

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<sup>7</sup> <https://english.alarabiya.net/News/middle-east/2025/01/09/lebanon-s-joseph-aoun-to-work-to-ensure-state-has-exclusive-right-to-carry-arms#:~:text=Aoun%20also%20vowed%20that%20he,drug%20trafficking%20and%20money-laundering.>

Israeli official argue that LAF performance has been inadequate – so far, the United States has offered no independent judgment on this issue.)

- 2- **Ask Beirut and the LAF to submit a plan for phase 2, with a realistic but clear deadline** for the completion of this phase along with a clearly defined set of objectives and deliverables.
- 3- **Process and deliver promised U.S. assistance to the LAF** as soon as possible. This would remove any credible excuse for continuing to postpone phase 2.
- 4- **Guarantee that the LAF will receive additional U.S. assistance** once disarmament moves forward north of the Litani, with an eye toward the possibility that Hezbollah resistance could make phase 2 more difficult. Benchmarks could be established for sending specified assistance if certain steps are achieved by certain dates.
- 5- Eventually, **President Trump could offer to host President Aoun in Washington once Beirut successfully implements disarmament** or at least make serious advances. Conversely, if Lebanese military units do not expand their activities north of the Litani soon, Washington should be prepared to suspend aspects of its security assistance to the LAF, and signal that continued stalling would put the entire assistance package in danger of cancellation.

### **Hezbollah's Economic Infrastructure and the Cash Economy**

Since Lebanon's hard default in 2020, the banking sector has been replaced by a few cash companies, providing financial services to the Lebanese but also allowing Hezbollah's shadow illicit economy to flourish. It was easier to monitor, track, and target illicit financing via the banking sector, but the cash economy, estimated at around \$18 billion USD<sup>8</sup>, is becoming harder to monitor. An uncontrolled parallel economy provides Hezbollah with the needed tools and environment for their own economy to flourish.

In November 2025, US Treasury Department sanctioned Hezbollah's financial operatives, stressing<sup>9</sup> how Hezbollah's "exploitation of money exchange companies and the cash economy to launder illicit funds threatens the integrity of the Lebanese financial system by blending terror financing with legitimate commerce." The proliferation of cash companies since Lebanon's 2020 financial crisis have also directly contributed to Hezbollah's ability to raise, move, and store funds. Only the Central Bank governor has been targeting the cash economy, via circulars<sup>10</sup> attempting to regulate the sector; however, Lebanon does not have a clear policy or strategy to move in this direction.

Meanwhile, Lebanon's parliamentary finance committee approved<sup>11</sup> last December the transfer of roughly \$90 million USD in reserve funding for the Council of the South as part of the 2026 budget process to support reconstruction. In August 2025, the Ministry of Finance transferred \$16.7 million USD to the Council and in September 2025, another \$25 million was proposed to the Council in the draft budget. The total funding directed to the Council of the South is now approximately \$132 million.

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<sup>8</sup> unofficial figures according to Lebanese government sources and economic experts

<sup>9</sup> <https://home.treasury.gov/news/press-releases/sb0308>

<sup>10</sup> <https://www.naharnet.com/stories/en/316501-under-us-pressure-lebanon-tightens-screws-on-money-transfers>

<sup>11</sup> <https://thisisbeirut.com.lb/articles/1330809/finance-committee-allocates-90m-to-amal-linked-council>

The Council of the South – notorious for corruption -- is the only Lebanese government entity that is not overseen by the government and is under complete control of Amal Movement and Hezbollah. This is one of the main government institutions that needs to be reformed before any money is injected into it, but instead, Lebanon is now using it as a channel to indirectly provide Hezbollah and its Shia ally with much needed funds.

### **Proliferation of Cash and how to Contain It**

**Bayt al-Mal & Al-Qard al-Hassan (AQAH)** are Hezbollah's core financial institutions – both sanctioned – but since the financial crisis, the group has been making extensive use of the local MSB sector, such as **Whish Money** and **OMT** (Western Union)<sup>12</sup>.

Whish Money operations are mostly unregulated and function outside the formal banking oversight, and owned by by Toufic Koussa and Shahwan Mouawad, both associated with pro-Hezbollah allies. Whish Money is operating under an informal agreement with Lebanese authorities, enabling it to act as a collection agent for various public sector dues (such as Tax payments and utility bills, settled in LBP). The collected LBP funds are exchanged for USD on the black market, on behalf of Hezbollah or affiliated networks.

Hezbollah also relies on individuals operating outside the formal financial system to conduct currency exchange and transfers, and

After U.S. sanctions against **Cytrex SAL** (a major financial services company previously involved in dollar transfers) in October 2020, Hezbollah created new illegal financial networks to facilitate bulk cash transactions.

Another source of cash is a network of businesses that Hezbollah runs across the country, often registered under non-Hezbollah members who are trusted by the group. Most of these companies (construction, telecommunications, gas stations, supermarkets, and the pharmaceutical sector) are fronts for laundering funds. Telecommunication and tech companies act as a channel to import equipment for surveillance and military use, mostly drone manufacturing<sup>13</sup>.

For example, **Amhaz Original** is a new Hezbollah-affiliated tech company that imports phones to Lebanon. In 2014, Kamal Amhaz was sanctioned<sup>14</sup> for selling drones to Syria. But later he created new companies with his family relatives, like Amhaz Original, Sources in Lebanon allege that these shipments include items necessary for drone manufacturing.

Profits from all the above are channeled back into Hezbollah's military spending.

More effort should be made to target Hezbollah's infiltration into the cash economy, restore trust in the banking sector, implement over-arching financial and economic reforms, and cut Hezbollah's cash flows. Moving the cash back into the formal system is critical, as it enhances transparency in cash movements:

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<sup>12</sup> <https://www.washingtoninstitute.org/policy-analysis/cash-cabal-how-hezbollah-profits-lebanons-financial-crisis>

<sup>13</sup> Interviews conducted with financial experts in Lebanon.

<sup>14</sup> <https://home.treasury.gov/news/press-releases/jl2562>

- 1- **US Treasury Department could issue warnings or advisories** – with consequences of sanctions – to the cash companies facilitating Hezbollah's shadow economy and illicit finances.
- 2- **Sanction should target the officials and individuals helping Hezbollah** raise, move, and store funds.
- 3- **Communicate clearly to the Lebanese government that reforms should be comprehensive**, directed at all state entities (such the Council of the South), the judicial system (to preserve financial accountability), and Customs (to limit smuggling).
- 4- **Make sure all actors implicated in the financial collapse are held accountable**. In addition to the banking sector (which is now the focus of the government and the IMF reform plan)<sup>15</sup>, corrupt political figure, and Hezbollah, who have siphoned billions of the USD from the central bank before the crisis, should be held accountable. Critics of the IMF plan also believe shifting some of Lebanon's bad debt onto the banking sector could provide Hezbollah financial oxygen<sup>16</sup>.

### Upcoming Elections and the Politics of Peace

The upcoming parliamentary elections, due in May 2026, are a challenging crossroad for Hezbollah, especially given the blows it has taken in changed regional dynamics and the embattled Iranian regime. Hezbollah has already lost allied in Syria and Venezuela and could possibly lose Iran. These elections will determine the group's survival or demise. Their goals are to win the 27 Shia seats in the parliament (thereby securing the election of the next Speaker of the Parliament) and to try to get as many of its allies in the next parliament (hoping to maintain key security and financial appointments) and have a say in the formation of the next government.

Though they face major challenges, Hezbollah does have a plan:

- 1- **To use the threat of its arms internally**, mainly within the Shia community, to silence dissent and coerce Shia votes. Hezbollah is aware of the growing discontent within the Shia community due to the lack of compensation and reconstruction, but preserving its power and weapons is today more important than Shia loyalty.
- 2- **Make sure no disarmament advances before elections while still avoiding** confrontation with the LAF, which could lead to more criticism by the Lebanese and the Shia community. The group is threatening with civil war in case of confrontation, but they cannot afford it without a proper command structure and the support of the Shia community, neither of which it has.
- 3- **Make new allies within the Sunni street**, which is today leaderless and extremely impoverished, therefore vulnerable to political shifts and radicalization. Hezbollah's alliance with Al Jamaa Al Islamia (the Lebanese branch of the Muslim Brotherhood) has recently strengthened<sup>17</sup>, and their military cooperation during the last confrontation with Israel could turn into an election alliance.

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<sup>15</sup> <https://www.washingtoninstitute.org/policy-analysis/imfs-lebanon-framework-balancing-state-debt-depositor-rights>

<sup>16</sup> <https://thisisbeirut.com.lb/articles/1330633/could-the-imfs-debt-plan-for-lebanon-unintentionally-bolster-hezbollah>

<sup>17</sup> <https://www.washingtoninstitute.org/policy-analysis/muslim-brothers-give-hamas-foothold-lebanon>



- 4- Through action and inaction by Nabih Berri, in his capacity as head of parliament, Hezbollah had made sure **the tools that could jeopardize their chances in the upcoming elections are not applied**. The diaspora vote law (allowing the Lebanese diaspora to vote for all 128 MPs) was blocked by Berri<sup>18</sup>, as well as the establishment of the Mega Centers polling stations<sup>19</sup>, although a law to do exactly this has been passed<sup>20</sup> in 2022.

The Trump administration should use every tool in the box to thwart these efforts and ensure the diaspora and the Shia community get to vote freely. Both the diaspora votes and the mega centers are essential.

To prevent the use of violence before or during elections by Hezbollah and its allies, accountability must be established. For all the assassinations that took place in Lebanon since the civil war until the port explosion in 2020, there has been zero accountability, with not a single person ever held accountable for any of these crimes. This is due to the politicization of the Lebanese judicial system. Hezbollah is expected to become violent if elections do not go their way; therefore, the judicial system reforms should take place immediately to hold Hezbollah responsible.

Hezbollah-affiliated judges and government commissioners have influenced the judiciary processes in Lebanon. In addition, Lebanese civilians have been tried in military courts, allowing Hezbollah to silence Shia activists and opposition candidates. This not only undermines human rights and democracy in Lebanon but also risks Hezbollah and its allies winning the elections, undermine all the accomplishments made since the Isreal military campaign against Hezbollah.

This also undermines al the peace efforts<sup>21</sup> by Lebanese people inside and outside Lebanon. Hezbollah-affiliated judges, such as **Judge Fadi Akiki** and **Judge Fadi Sawan**, who are are notorious for their support of Hezbollah and targeting activists and opposition figures.

**The US could also leverage other sanctions during election season.** For example, individuals who are trying to undermine disarmament, use violence, and resist political, economic, and judicial reforms should be targeted. It is especially important for **Washington to consider sanctioning high-ranking Amal figures** or even members of Berri's family for corruption and/or protecting Hezbollah; this measure is already amply justified under the Treasury Department's Global Magnitsky authority. Berri has made clear that he will side with Hezbollah on every issue, but he has suffered no international consequences for repeatedly supporting a designated terrorist group.

Pressuring Berri could be especially productive as the May 2026 parliamentary election approaches. Amal and Hezbollah will need each other even more during the campaign season in order to guarantee that they win all twenty-seven Shia seats in the next parliament. Hezbollah

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<sup>18</sup> <https://www.thenationalnews.com/news/mena/2025/10/28/lebanons-diaspora-voting-law-dispute-shuts-down-parliament/>

<sup>19</sup> <https://thisisbeirut.com.lb/articles/1314182/mega-voting-centers-a-comprehensive-guide>

<sup>20</sup> <https://www.nna-leb.gov.lb/en/news/112710/cabinet-approves-adopting-magnetic-card-and-mega-c>

<sup>21</sup> <https://www.washingtoninstitute.org/policy-analysis/roadmap-israel-lebanon-peace>

cannot rebuild its military infrastructure without this political and financial infrastructure, so the election is a critical battleground for containing the group.

In addition to sanctioning those who align with Hezbollah, **empowering and protecting Shia political alternatives is vital to isolating the party and its weapons from the next government.** This could include extending diplomatic support to alternative Shia candidates, courageous enough to take on Hezbollah, and, most importantly, helping them connect with the non-Hezbollah Shia business community.

Finally, it is important to note that the peace narrative<sup>22</sup> -- the potential for peace with Israel -- is no longer a taboo in Lebanon – both on the official and mainstream media levels. This is due to two main factors. First, Hezbollah’s military defeat undermined the appeal of the long-dominant “resistance” rhetoric and convinced a broad swath of Lebanese that only peace could end the wars that have pummeled the country for the past four decades. Second, the Trump administration’s heavy emphasis on regional peacemaking, evidenced by the president’s personal commitment to expanding the Abraham Accords, made the possibility of peace with Israel real and tangible. Of course, Hezbollah and its weapons remain the main obstacle to translating the growing peace narrative into an actual peace deal. However, it is important to start paving the way<sup>23</sup> to peace and prepare for the day after disarmament.

Another obstacle to even practical discussion of peace are Lebanon’s draconian anti-normalization laws, which criminalizes any communication between Lebanese citizens and Israelis, whether or not the communication has any national security implications.

Abolishing these laws—or at least severely restricting them to legitimate national security cases—would send a powerful message about Lebanon’s openness to people-to-people communication on which a peace movement could be built. It would also have the effect of protecting civil activists committed to pushing back against Hezbollah’s forever-war “resistance” narrative. While the current Berri-controlled parliament is unlikely to abolish or amend the laws, the Lebanese government does have the power to control their enforcement, which it could use to send the appropriate signal.

**Implementing a U.S. policy of sticks and carrots to incentivize easing of Lebanon’s anti-normalization laws would be an important move.** On the one hand, this could include U.S. Department of State and Treasury sanctions on Lebanese judicial and law enforcement officials involved in enforcing these laws; on the other hand, it could include certain economic benefits that would come with easing of these laws.

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<sup>22</sup> <https://www.memri.org/tv/marcel-ghanem-lebanon-israel-peace-resistance-critique>

<sup>23</sup> <https://www.washingtonpost.com/opinions/2025/11/10/lebanon-israel-peace-negotiations-trump/>