

Hizbollah embroiled in Ponzi scheme

Contributed by Abigail Fielding-Smith in Beirut, telegraph.co.uk
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Lebanon's militant Islamic group Hizbollah has had its reputation for ideological purity tarnished by a growing scandal involving an alleged Bernie Madoff-style Ponzi scheme.

A Lebanese businessman with close links to the party has been arrested on suspicion of defrauding investors of up to £500 million.

A Hizbollah MP is among those who have lost money, and victims are thought to include a number of other senior officials, ordinary members and supporters.

The scandal has forced Hizbollah on to the defensive, with its secretary general, Hassan Nasrallah, having to deny involvement.

The scandal has been particularly damaging because financial speculation and the accumulation of personal wealth appears to directly contradict the party's religious ideology.

"Its public image has been tainted," said Amal Saad Ghorayeb, a Hizbollah expert. "Wealth taints you if you are a Khomeinist ideological party."

Some investors now say they expect the party to compensate them, claiming they were encouraged to invest with the businessman, Salah Ezzedine, because of his closeness to Hizbollah officials.

"Hizbollah must do something," said one investor, 33, who asked to be called Ali. "Ezzedine was close to them, they should be responsible about this."

Mr Ezzedine, a Shia known for his piety who also ran a number of legitimate businesses, was charged with embezzlement after his scheme collapsed.

Hizbollah's Shia heartland in South Lebanon has been hit hard with one resident estimating that at least 70 people in the towns of Toura, Shour, and Maaroub had bought in. Some of them are thought to have been investing on behalf of several other people.

"They are blaming me for the loss of their money," Ali said. He said he sold family land and gathered money from his mother, sister and two friends to invest £200,000.

Mr Ezzedine's middle men allegedly told clients they were investing in commodities such as gold and iron, and promised profits of up to 40 per cent.

But the scheme – believed to be like a Ponzi, in which one investor's money would be used to pay another – collapsed as losses spiralled out of control.

Investors say they had doubts about the improbably high returns and the lack of paperwork but they were mollified by the strength of Mr Ezzedine's Hizbollah connections.

"We heard people close to Hizbollah were doing business with him, and the party said that he was a trustworthy person," Ali said. "I thought, what the hell, everyone's making money, I should as well."

Although the group has its own private army, it is also a political party with a crucial role in current negotiations to form the next Lebanese cabinet.

The party is not itself accused of wrongdoing, and is said to have helped in Mr Ezzedine's arrest.

But its implicit endorsement of Mr Ezzedine has put it in a difficult position, and it has been forced to deny that it is considering some kind of compensation scheme.

The pro-Hizbollah newspaper Al Akhbar also ran a critical editorial, saying that the apparent willingness of so many party

members and associates to invest in the scheme should sound an "alarm bell".

The organisation, famous for its probity and discipline, could be permanently damaged, it said.

"People are kind of shocked now," said one resident of a South Lebanon village. "They are not mad at Hizbollah, they can never be, they worship the party.

"But they started saying it looks like the poor will stay poor, fight and die poor, and the rich become richer."

<http://www.telegraph.co.uk/news/worldnews/middleeast/lebanon/6261720/Hizbollah-embroiled-in-Ponzi-scheme.html#>