

THE BATTLE OVER SYRIA'S RECONSTRUCTION

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ABSTRACT:

Reconstruction is becoming the new battleground in the Syrian conflict—its continuation by other means. It is instrumentalized by the regime as a way to reconsolidate its control over the country and by rival regional and international powers to shape the internal balance of power and establish spheres of influence in the country. The paper examines the Asad regime's practices, including co-optation of militia leaders via reconstruction concessions and use of reconstruction to clear strategic areas of opposition-dominated urban settlements. The paper then surveys how the geopolitical struggle in Syria has produced an asymmetry as regards reconstruction: those powers that lost the geo-political contest on the ground seek to use geo-economic superiority to reverse the geo-political outcome. Then the impact of proxy wars and spheres of influence in the country on the security context for reconstruction is examined. Finally, the reconstruction initiatives of the various external parties are assessed, including Russia, Iran and Turkey as well as the spoiler role by which the US seeks to obstruct reconstruction that would spell victory in Syria for its Russian and Iranian rivals.

KEYWORDS: reconstruction, Syria, authoritarian resilience, geo-economics, competitive interference, proxy wars

POLICY IMPLICATIONS

To mitigate the instrumentalization of Syria's reconstruction as a continuance of the power struggle over the country's future, the main stakeholders, Russia, the EU and the UN, with the most leverage and the most vital interests at stake, should coordinate their efforts to 1) nudge the regime toward a more inclusive reconstruction; 2) to advance human stabilization; 3) to overcome divisions across the spheres of influence into which Syria is fragmented; and to 4) mitigate the US "weaponization" of the world financial system to prevent reconstruction.

Reconstruction is becoming the new battleground in the Syrian conflict. It is a battle that is being played out against the background of the new balance of power emerging from eight years of a violent geo-political struggle and it is a continuation of the conflict by other—geo-economic--means with the potential to have a significant impact on Syria's future (Arslanian 2018; Berti 2017). The new phase of the conflict is also replicating the main characteristic of the geo-political struggle: that no side is in a position to wholly prevail and hence the high risk that stalemate may result. This could end in a frozen conflict but also an inadvertent collision among the rival intervening powers; only some compromise among the parties can break the logjam. Several studies have already begun to address the reconstruction issue (in addition to Arslanian and Berti see, e.g. Ausseberg and Oweis (2017); Cochrane (2017), Heydemann (2017, 2018); Lund (2017); Van Veen 2019). This study builds on and synthesizes these analyses, while locating the issue in the wider context of the struggle for power in the region and

at the global level over world order. This allows an assessment of the balance of forces at each—domestic, regional and global—level, allowing us explore if there are realistic ways forward from the current stalemate.

Explaining the Battle over Reconstruction: Framework of Analysis:

The battle over Syria's reconstruction is most convincingly depicted in realist terms: a battle over power, territory and resources conducted by hard power assets (arms, money and men) and power balancing. However, because the power struggle over Syria bridges the domestic-international divide, the interaction of the inside-outside levels has to be traced, as in the tradition of neo-classical realism (Lobell et. al. 2009). Further, realism must be embedded in the wider political economy context, notably literatures that forefront the struggle over resources in world geopolitics and the use of resources and financial tools in such power struggles (Klare, 2002; Spiro 1999). As such, the interrelation of factors at three levels of analysis must be traced to understand Syria's battle over reconstruction:

1) *The Internal Level* involves the '**domestic**' *struggle for power* of rival coalitions of Syrian (with their links to external patrons) actors to attract resource flows, monopolize concessions and contracts (mineral, infrastructure, town construction) and use them to consolidate power in what could be called 'competitive regime formation.'

2) *The Regional focused geopolitical* struggle involves an on-going struggle for spheres of influence, centred around several fault line/flashpoints, among competing regional (but also global powers insofar as they intervene regionally), directly or also via proxies, with reconstruction being instrumentalized for rival geo-political ends. This struggle is determining whether a security architecture compatible with reconstruction emerges and whether nationally-integrated or rival parallel forms of reconstruction take place.

3) *The global focused geo-economic* struggle shapes whether resources become available for reconstruction and on what terms. Because the powers that are geopolitically strongest on the ground in Syria (Russia, Iran) are geo-economically weaker than those who lost the geopolitical conflict (US, EU, Gulf), the latter are using the capital that they can withhold and obstruct or else contribute—as leverage to effect the looming winding down of the military conflict. They, together with the World Bank, are making their participation conditional on a political settlement. Specifically, this will

affect whether the regime will be able to reconstitute authority over the country's territory and its reconstruction, or will be forced into some sort of power sharing/territorial confederation or, these failing, reconstruction deepens fragmentation. If the parties do not reach a compromise the outcome could be a frozen conflict consolidated by separate--and minimalist--reconstruction tracks.

In summary, the stakes of the battle over reconstruction are: whether the regime is able to use reconstruction to restore its authority; whether outside actors will be able to sustain spheres of influence that make for fragmented reconstruction; and whether external funding will become available for reconstruction (and on whose terms) or be withheld.

The paper reviews, first, the domestic struggle over power and reconstruction, then the geopolitical struggle for Syria during the mostly military phase of the uprising before focusing on the international geo-economic battle over reconstruction. On the basis of this it ends with a look at possible ways forward.

The Internal Context of Syrian Reconstruction

This section analyses the power-building practices of Syrian actors (albeit in coalition with external forces), with an eye to their impact on incentives for reconstruction and its likely features.

Authoritarian Resilience: The Asad regime's adaptation to civil war: The regime adapted to conflict by adopting a more violent, exclusivist and de-centralized form of neo-patrimonialism. The top elite contracted to its more coercive and sectarian core as all those who had advocated compromise or power-sharing with the opposition were expelled from it. The core rested on several pillars. The Alawite sect was absorbed en-mass into the army, security apparatus, and state, constituting the main loyalist base. The regular (cross-sectarian) Syrian army, was downsized, owing to defections and resistance to conscription, with the gap filled by pro-regime militias as loyalist communities assumed the burden of their own self-defence; this resulted in a decentralization of power to local fiefdoms, such that centre-periphery relations became as much matters of personal loyalties and bargaining (material incentives, threats), as of bureaucratic command, contracting regime infrastructural power. The regime, suffering from revenue constraints and unable to collect sufficient taxes, allowed its operatives to extort fees from the population; pervasive corruption not only

threatened the integrity of public administration and redistributed resources from the least to the better off, it was also a deterrent to reconstruction investment. Decentralisation allowed the regime to off-load the costs of governance but will be difficult to reverse as those enjoying local fiefdoms can be expected to resist loss of their autonomy and prerogatives. Although the regime tried to counter this by incorporating militias into a centrally-commanded National Defence Forces, this was only partially successful. The regime, moreover, lacks the manpower to fully extend command relations over much of the country and will be dependent on deals with local leaders; central government penetration will face new local barriers and gatekeepers—often traditional notables, but also tribal leaders and armed warlords. A major side effect has been substantial lawlessness, such that reconstituting a minimum of law and order is essential to the predictability needed for investment in reconstruction. The domestic power struggle is intimately interlinked with the regional and global levels. Most specifically, the regime’s allies—Russia and Iran--each have fostered their own Syrian clients, who, in turn, rely on the support of these patrons. The intimate interweaving of regime forces with those of Hizbollah, Iran’s Revolutionary Guards and Shia (or Shi’i) Iraqi militias added to the loosening of control by the regime centre and the enhanced sectarian composition of this ‘post-Ba’thist’ regime (ICG 2013; Lund 2015; Khaddour 2015a; Khaddour 2015b; Samaha (2017).

Russia’s intervention aimed to strengthen state institutions and impose a modicum of order. Besides restoring the army as a disciplined fighting force, Russia encouraged the police and intelligence services to curb the lawlessness of the militias and incorporated some of the latter into new regular army units—e.g. the 5th Corps. At least in key areas such as the coast, most of the lawless militias were disbanded. Russia’s aim was not rule of law but *rule by law*, essential to the predictability needed for economic revival and reconstruction investment (Arab Reform Initiative 2018; Heller, 2016). In 2019, a submerged struggle for power appeared to be taking place between power centres within the regime—e.g. Rami Makhlouf and Maher al-Asad--their military proxies, and their external patrons, but with no one side in a position to wholly prevail (see e.g. Kasapoglu and Kaya 2019).

The Political Economy of Civil War in Syria:

Economic fragmentation resulted from the conflict as internal trade barriers sprang up, controlled by fighters levying taxes on the flow of goods, including massive arms

smuggling inward and crude oil outward (Herbert 2014). As conflict made normal economic life more precarious, young men became dependent on salaries from armed groups dominated by localized warlords who resorted to smuggling, kidnapping and taxation of goods at checkpoints, as well as external funding and which therefore had an incentive to keep the fighting going. Another common predatory activity was the widespread looting of territories conquered from the other side (Abboud 2104). The war economy transformed economic agency in Syria: what might be called 'war crony capitalists' arose, thriving on sanctions busting or acting as 'middleman' between the regime and opposition fighting groups that controlled Syria's hydrocarbons or taking cuts on economic flows at checkpoints (Samaha 2016). This new economic elite is much more decentralized than its pre-war counterparts: a 'many-headed hydra of armed actors running their own rent-seeking operations' (Lund 2018a) Four big warlords and some 20 to 30 smaller ones under each of these dominated the war economy (Cochrane, 2017). They are a deterrent to a revival of a productive economy unless they can be brought to invest in productive activities and rent seeking is made more costly.

Preparing for Reconstruction: power consolidation by geo-economic means.

The regime is further adapting itself to manage reconstruction in such a way as to consolidate, not undermine, its hold on power. Its power has always depended on the patronage needed to satisfy loyalist elites and, to a lesser degree, the wider public. However, regime coffers have been depleted, the foreign reserves that allowed it to carry on are nearly gone, replaced by accumulating debt to its allies, and Iranian credit lines crucial to economic survival are falling as Iran itself suffers under US sanctions. Nor, following massive capital flight, is there available open liquidity in the private sector, at least not in on-shore private banks that held only \$3.5 billion. Also important is the loss of human capital with the large exit of the middle class (Montgomery 2015; Yazigi 2017). In this respect there the regime seems in no hurry to repatriate the many thousands who exited during the conflict, which, often opposition backers, it sees more as security risks than reconstruction assets. It is, however, worth noting that without the return of much of this "human capital" the capacity to undertake reconstruction may be significantly constrained (Batrawi and Uzelac 2018).

As, during the civil war, loyalists were encouraged to extract resources directly from the war economy, central control over local regime proxies declined, and while the threat from the opposition kept them loyal, in the post-war period, the regime aims to

tighten their co-optation and stake in the post war order by encouraging the investment of their illicit income in legalized reconstruction schemes (Heydemann 2018). The centerpiece of the government's economic strategy for reconstruction, named the National Partnership, launched in February 2016, is private-public partnerships. Public bodies such as cities and provinces can (under decree 19) form private investment companies, largely providing public land and inviting funding from private sector partners. Private firms can also manage and develop state assets (Osseiran 2017). Private investors are thus, increasingly likely to take over the remnant of the public sector while new enterprises would have ostensibly 'public' partners allowing the state to keep control of economic activity. This may lure new investors and consolidate support for the regime among key patrons and their clientele networks. But it may also enable them to effectively milk and appropriate the public sector at the expense of the state treasury. And it is questionable whether businessmen who got rich as fixers and via extortion can make the change to productive enterprise. Also important in the regime's reconstruction repertoire were laws on property and urban reconstruction, such as Law 66 of 2012 and Law No 10 of 2018, that seemed aimed at redistributing property from displaced opposition supporters in suburban slums to new pro-regime stakeholders that would build new upscale housing; this will consolidate the support of the former but undermine return of refugees and, by creating uncertainties about security of property, could deter all investors except crony capitalists who can manipulate such uncertainty (Mostapha 2018)

While some argue that Syria does not need massive funding from the outside, given the limits of locally-mobilizable capital, the regime has developed strategies to attract external funding. It seeks to tax all financial inflows, from cash sent by expatriates to their families still in Syria to humanitarian assistance which must be funnelled through regime sponsored NGOs (Sinjab 2017). The regime is seeking to attract into reconstruction the \$100 billion of Syrian money said held outside the country through generous tax breaks and establishment of the Syrian International Business Association (SIBA) under World Bank sponsorship. Analysts point to the obstacles to such external investment. Much of the capital that exited is invested in permanent assets abroad, many diaspora investors will find it hard to compete with loyalists for contracts, and all external investors would have to pay off corrupt officials and partners. Many exiled businessmen backed the opposition and the regime has frozen the assets of businessmen who left. Additionally, multilateral sanctions imposed

by the US and the EU in 2011 and US sanctions expanded in 2016 targeting government officials, state institutions and regime connected businessmen cut Syria off from the international banking system. (Cochrane, 2017: Sayigh 2016)

The Syrian government has declared that reconstruction contracts will be accorded to its allies, not foreign countries who backed opposition ‘terrorists.’ Concessions of landed property and mineral resources are one of the few things the regime can use to attract investment and recompense its Russian and Iranian allies, but this may mortgage Syria’s future economic independence. Regime controlled Syria seems likely to emerge economically linked, in an unprecedented way, to Russia and Iran, with a corresponding decline in its former economic links to the West (former destination of much of its oil), Turkey, and the Arab Gulf (sources of investment). This will much reduce the leverage of its former economic partners, which, however, may engage in parallel reconstruction in non-regime controlled areas.

The emerging parameters of reconstruction carry major consequences for the Syrian social fabric. Already the war economy has generated enormous new inequalities: super riches for war profiteers, impoverishment of the rest: the move toward deepened neo-liberalization will accentuate this. The operations of even a free market would itself allow those at the top to grow richer; but the rigged market shaping up exaggerates this effect and will minimize the benefit for ordinary people. The so-called ‘National Partnership’ constitutes a new social contract between the regime and a very narrowed base of constituents; it replaces the ‘social market economy’ of the 2005-2010 period that itself had already superseded the more inclusive and egalitarian populist contract on which the Ba’thist regime was initially established. Experiences from post-war countries’ reconstruction warn how corruption, crony capitalism and ‘rigged’ laws worsen socioeconomic problems and feed further violence; Syria risks replicating this tendency.

Geopolitics: Competitive Intervention and the Changing Balance Of Power in the Syrian Crisis

The Regional Power Struggle and Early Competitive Intervention in Syria

Syria’s strategic position and role as hub of Pan-Arabism has always made its fate a matter of competition among regional powers and a new ‘battle for Syria’ was unleashed by the Syrian uprising with the ‘competitive interference’ of regional and

global powers seeking to affect the outcome in the belief this was pivotal to the regional power balance.

The post-Uprising regional power struggle was a continuation of pre-2010 dynamics that pitted the 'moderate' pro-Western Arab regimes led by Saudi Arabia and Egypt, tacitly aligned with Israel, against the Shi'i-majority 'Resistance Axis' led by Iran and including Syria, Hamas and Hizbullah. While the Syrian Uprising started as an internal conflict, it was much intensified by regional forces, which turned Syria into a battleground of the Resistance Axis against the GCC (led by Saudi Arabia and Qatar), with Turkey joining the latter. The uprising threatened to replace the Asad regime, the linchpin connecting the eastern and western wings of the Resistance Axis, with a Sunni ruling group aligned with Turkey and/or Saudi Arabia. The rivalry of the two axes escalated into a proxy war—competitive arming and financing of armed client groups. The safe haven provided by Turkey to the armed opposition particularly enabled it to 'liberate' vast areas bordering Turkey from regime control. In parallel, rivals increasingly instrumentalized sectarianism in their discourse and choice of proxies. However, in time, parallel to sectarianization, was a growing fragmentation in the 'Sunni' camp, dividing the AKP in Turkey, promoting the modernist form of political Islam exemplified by the Muslim Brotherhood and Qatar's similar support for it from the anti-Brotherhood Saudis and Emirates; Sunni fragmentation was paralleled by the fragmentation of the Syrian opposition groups backed by these rival powers (Mohns and Bank 2012; Ryan 2012; Hinnebusch 2015a Hinnebusch 2015b).

Global rivalry impacts Syria

The Syria crisis also drew in the global great powers, and became the arena for a contest between Washington's attempt to sustain its global hegemony in the name of a liberal world order, and the efforts of rival great powers, notably Russia and China, to promote a multipolar world that prioritized state sovereignty.

US off-shore balancing: The Arab Uprising came at a time when US hegemony in MENA appeared in retreat, after overambitious attempts at regime change, exemplified by the invasion of Iraq, which inadvertently empowered Iran. Fatigue from costly interventions led the Obama administration to draw back to 'off-shore balancing' in the region: the US would much lessen direct intervention and instead work through alliances to sustain a power-balance preventing its opponents from prevailing. In this context, for Obama, intervention in Syria was seen as risking involvement in another

Middle East quagmire; at the same time, there was an expectation that Asad would fall without overt intervention. These factors led the US to limit its interference in the Syrian conflict. This 'vacuum' impelled regional powers to be more proactive in the conflict even as those opposed to Asad continued to seek ways of drawing Washington in.

From the outset there was, nevertheless, interference by the US and its European allies, beginning with the US and EU sanctions meant to deprive the regime of oil revenue; this was a key step in the debilitation of the Syrian *state* and of its capacity to provide basic services to the population, *but not of the regime*, which found alternative sources of revenue, notably from Iran. Somewhat later the US trained and armed thousands of rebels at bases in Turkey and Jordan, directed their campaigns from operations centres in these countries, and provided its proxies with anti-tank weapons which neutralized the regime's military advantage and allowed the opposition seizure of large parts of the country; but the US did not provide them with the anti-aircraft weapons that could have decisively shifted the power balance against the Asad regime, owing to the risks they might fall into jihadist hands. These policies resulted in partial *state* failure but the regime proved unexpectedly resilient. Its ability to slip out of the tightening external stranglehold depended on its links to Iran and Iraq that provided both economic and military assistance; later on, Hizbullah fighters entry into the fray tipped the balance toward the regime in the western areas bordering Lebanon. US policy was thereafter diverted into defeating the IS challenge (Phillips 2017; Itani and Rosenblatt, 2018). The war on IS after 2014 led to the establishment of a US-dominated zone of influence in northeastern Syria that Washington sought to leverage into cutting Iran's transit routes to Syria and Hizbullah, to bring pressure on Iran to leave the country and to force the Asad regime into power sharing with US proxies, as a prelude to regime change. In the meantime, the US was set on keeping control over the area, and especially its oil reserves, in order to prevent the Asad regime, Russia and Iran from claiming it or the Islamic State insurgency from reviving (*Washington Post* March 16, 2018).

Enter Russia: Russia used the conflict in Syria to re-assert itself as a global power (Lo 2015; Rodkiewicz 2017). NATO and EU eastward expansion during a period of Russian political weakness after 1990 had created a nationalist determination, as Moscow's economic and military capacity recovered under Putin, to restore Russia's global stature. Russia, as well as China, promoted, against a globalized liberal order

under US hegemony, a multi-polar world in which respect for state sovereignty and the authority of the UN Security Council were keys to constraining Western interventionism. Following what they saw as the Western abuse of a UN Security Council humanitarian resolution to effect regime change in Libya, they began to assert the norm of sovereignty to constrain US activism in Syria, notably in the Security Council. Syria's Ba'thist regime was a historical ally, hence was seen to be in Russia's sphere of influence and Moscow had interests that could be damaged if the regime fell, including naval facilities and arms and oil deals (Blank 2011)

Russia's support for the Asad regime enabled it to assume veto power in the conflict and made it a necessary partner, with the US, in international diplomacy in the Syria crisis, under UN Syria envoys, Kofi Annan and Lakhdar Brahimi. However, it was Moscow's 2015 military intervention in Syria that allowed it to assert a more central role than the US, which in any case, had become more preoccupied with the threat from IS. Russia enabled the regime to rebuff the jihadist surge that had threatened to overwhelm it in 2015 and to begin an incremental recovery of territory from the opposition. This empowered Moscow to bring Turkey and the exhausted opposition fighters as well as Iran into diplomatic negotiations at Astana, putting itself at the centre of a tripartite alliance with Turkey and Iran (through which it detached Turkey from its alignment with the West's anti-Asad stance) which would try to manage the outcome of the Syrian crisis without US participation. Russia's centrality to the crisis also allowed it to mediate between the main rivals--both Iran and Israel, the Syrian Kurds and Turkey--and to defend the Syrian regime without sacrificing ties with the GCC states (Kozhanov, 2018; Lund 2018b: 21-2, 32).

In parallel, Russia aimed at a resolution of the conflict that left its Syrian ally in place, allowed a reduction of Russia's military role and legitimized its presence in the country. Toward this end, it invested in the reconstruction of Syrian state institutions, especially the regular army. Its diplomacy aimed to bridge the gap between the regime and those 'acceptable' elements of the opposition who were willing to buy into a settlement in which Asad would remain in power; this, however, remained unacceptable for much of the opposition as well as the Western powers.

Reshuffling the Regional Cards.

Exit the GCC: The outcomes of the asymmetric involvement of US and Russia in the Syrian crisis shifted the calculations of regional power competitors. While Asad's

opponents had previously sought to draw the US into direct intervention against him, the US prioritization of the anti-IS campaign (and constraints on provision of advanced anti-aircraft weapons to jihadists) combined with Russian intervention (and Saudi-Emirati involvement in Yemen) led, after 2015, to a gradual withdrawal of the GCC from the conflict, accelerated by the growing cleavages between the two main GCC interveners in Syria, Saudi Arabia and Qatar (Perry and Khalidi 2017). This left Israel, Iran and Turkey as the main regional actors still in the game, but with the latter two changing from opponents to uneasy collaborators.

The realigning of Turkey: Turkey's initial intervention in the Syrian Uprising aimed at the removal of the Assad regime and the rise of a Muslim Brotherhood led Turkey-friendly government in Damascus. Although Turkey had previously been an Assad ally, his use of force against mainly Sunni protestors and refusal to share power with the Muslim Brotherhood led Turkey to organize the Syrian opposition in exile, the Syrian National Council and to arm and train the Free Syrian Army in its safe havens near the Syrian border. As the conflict led to a massive exit of Syrian refugees to Turkish territory, Ankara lobbied the US for a no-fly zone that would exclude regime aircraft from operating over northern Syria. However, the resilience of the Assad regime and the rise of Syrian Kurdish PYD political control along Turkey's borders gradually brought Ankara to prioritize the Kurdish threat. It began backing Islamist radicals as proxies against both the regime and the Kurds, to the point of allowing the flow of foreign fighters to IS and export of IS controlled oil from Syria (Washington Post 2014; Phillips, D., 2016). A further shift in Turkish priorities away from confronting Assad followed the near confrontation with Russia, after Turkey downed a Russian aircraft operating in Syria; this brought Russia to enforce an economic boycott of Turkey and to establish its control of Syrian airspace near Turkey, temporarily excluding Turkey from the northern Syria arena. When these factors combined to realigning Turkey with Russian policy, crowned by its participation in the Astana conference, the door was open for Turkey to begin an incremental Russian-approved military intervention in the north, which brought significant areas of northern Syria into a Turkish zone of influence (Gurcan 2016; *al-Monitor* 2016; Candar 2017). The October 2019 Turkish incursion into Kurdish controlled areas along the Turkish border (and the US failure to prevent it) may further entrench Turkey's claim to a semi-permanent sphere of influence in Syria, thereby further hardening the latter's loss of sovereignty over its territory. On the other hand, it

may give Russia and the regime new leverage in dealing with the Kurds, enabling some sort of “oil for autonomy” deal to be struck between Damascus and the PYD.

Steadfast Iran: Compared to other powers, Iranian policy has been consistent in its continual backing of Assad, both because it has more at stake than the other actors but also because its ambitions were most congruent with the US-Russian power balance in the Syrian arena. Iran professed to see the battle for Syria as an existential war in which its security but also that of Shiites in general were at risk, making it prepared to pay high costs, not so much to prevail as to avoid defeat. Tehran understood the Syrian Uprising to have been manufactured so as to destroy the widespread popular support for the Resistance Axis in the pre-2010 period and to bring down the key lynch pin of the axis (linking Lebanon and Hizbullah to Iraq and Iran), the Damascus regime. Survival of the regime became even more crucial as the Syrian opposition came to be dominated by *takfiris* who saw Iran as an occupier and Shi'is as apostates. Syria remained essential to Iran's ability to supply Hizbullah, which constitutes its deterrent and strategic depth against Israel. It sought to constrain the US re-intervention in Iraq from 2014 by its substantial capacity to conduct asymmetric wars of attrition via the Iraqi and Afghan militias it fostered in Syria and Iraq. Its presence on the ground in Syria gave it cards for leverage in any potential political settlement there, which it feared could result in agreements requiring its withdrawal to the benefit of Israel (Sadeghi-Boroujerdi 2014; Hashem 2017a; Hashem 2107b)

Geo-Economics: the Battle for Reconstruction

As the overt geo-political battle apparently wound down, it overlapped with and could soon be largely superseded by a geo—economic struggle around reconstruction. The aims and geo-economic capabilities of the actors are surveyed below.

Russia: sponsoring reconstruction:

Russia is the leading power promoting Syrian reconstruction. Its motives are principally strategic, that is, to stabilize Syria as a client state that demonstrates the pivotal geo-political role of Russia in the regional and international arenas. Russia has provided the Syrian regime with massive military and economic support over long periods and has forgiven Syria's debt multiple times. To be sure, Russia has indeed sought economic concessions in Syria but mainly to recoup some of its substantial investment in

defending the regime and to rescue prior investments jeopardized by the uprising: Russian investments in infrastructure and energy had totalled \$20 billion in 2008.

The Asad regime has actively solicited Russian investment in reconstruction. Russia was granted a preferential role in rebuilding Syria's energy and infrastructure sectors; a Russian energy-security firm was offered 25 percent of profits from oil and gas fields it could capture from the Islamic State. Russia's resources are limited and the risks of investment in Syria are substantial, both from the conflict and, for Russian businesses with international operations, from the threat of US sanctions. The companies most prepared to work in Syria seem to be those run by oligarchs close to Putin and already under sanctions, such as Gennady Timchenko's construction company, Stroytransgaz, closely linked to EuroPolis, under another Putin ally Evgeny Prigozhin.

Given Russia's limited resources to lead a reconstruction effort itself, its diplomacy is geared to attract other investors and its own resources are concentrated on reconstruction of the state institutions needed to establish the security needed for reconstruction. Its diplomacy aims to attain some minimally acceptable political settlement with amenable parts of the opposition that would leave Asad in power but also enable the return of at least some refugees and entice funding support for this from Europe and international organizations. Putin has tried to sell to Europe participation in restoring basic services as a necessity to enable refugees in Europe to return home (Mardasov 2018; Katona 2018; Sogoloff (2017)

The US as Spoiler

Washington, having established a sphere of influence in northeastern Syria, is using it to block Asad's ambition to restore control over Syria's territory as a prelude to integrated reconstruction and also to deprive the regime of access to the energy resources crucial to Syria's reconstruction that are located there.

The US campaign against IS devastated Raqqa but reconstruction there has remained limited to stabilization measures. The Trump administration tried to get the Saudis to assume the burden of reconstruction (asking for \$4 billion) but Riyadh offered much lesser sums. The US goal was to start enough reconstruction to deter any move in the area to join regime sponsored re-construction efforts (Harris 2018; Alaaldin et. al. 2018; US Congress 2018; Burcher 2018).

As for regime-controlled parts of Syria, Washington moved to block reconstruction funding in these areas. US pundits argued that the regime would

inevitably be empowered by reconstruction and should not be rewarded for its brutal repression of the uprising; anti-regime interest groups moved not only to preclude US funding but also to erect obstacles to others participating in reconstruction. In April 2018 the US Congress passed the No Assistance for Assad Act (NAAA) which was designed to prevent any drift from humanitarian assistance to reconstruction stabilization, and according to Faysal Itani, had the effect of 'killing any World Bank dreams to get.... funding to operate in Syria.' Indeed, the US has a long history of directing the flow of world financial capital via sanctions, conditionality, etc. for its geo-political purposes; in Syria it seeks to manipulate money (geo-economics) to obtain what it could not achieve via geo-politics: specifically, keeping Syria a failed state that would make it a resource-draining burden for Russia and Iran, rather than as asset. As critics pointed out, however, this risked keeping Syria a black hole of instability damaging to Europe (notably by deterring a significant return of refugees or displaced persons) and to the millions of Syrians living in the regime controlled areas (Lund 2017; Lund 2018c). US priorities were starkly underlined in the wake of the October 2019 Turkish intervention in northern Syria when the US withdrew its forces from their defence of its Kurdish allies, the PYD, but announced its intention to redeploy forces to the Deir ez-Zor oil fields in order to prevent Assad or IS from accessing them.

Europe: in between

The EU has much more at stake in the Syrian conflict than the US since the refugee crisis has strained its socio-political fabric and the Syrian conflict contributed to terrorist recruitment among European populations of Muslim origin. The EU has been a major donor of aid to Syrian refugees in surrounding countries (some 10.8 bn E). But it has much less capacity than the US or Russia to affect outcomes in Syria. The official EU position is that it will not participate in reconstruction until a credible political solution, 'consistent with UNSCR 2254 and the Geneva Communiqué,' is underway. The EU is thus still loath to provide assistance likely to strengthen the Assad government. Russia is trying to broker some minimalist version of a political settlement that might be used, with Turkish backing, to leverage the Europeans to join reconstruction as a way to enable the return of refugees. The EU however is banking on the Syrian government being forced by its allies' inability to finance reconstruction to accept European conditionality; but the regime will certainly not give up power to get such funding. Various forms of humanitarian assistance and stabilization (e.g.de-mining), which fall in

a grey area, might be sponsored by European states and indeed individual European states have pursued limited undertakings in both regime- and opposition-controlled areas (Asseburg and Oweis 2017; Batrawi 2018a).

Iran

Iran's presence in Syria is essentially geopolitical: to acquire a permanent foothold in the country, enabling it to expand its deterrent capacity against Israel and to keep its Saudi rival out. Syria is increasingly indebted to Iran financially. Iran has assisted the Assad regime with over \$16 billion since 2012. Tehran opened a \$3.5 billion credit line in 2013, and extended it by \$1 billion in 2015, which helped keep the Syrian economy afloat; \$6.4 billion was given to the regime and \$700 million to pro-Iran militias in Syria.

Iran has, however, also tried to recoup some of its investment in the regime's survival through reconstruction concessions. It has shown interest in rebuilding Syria's infrastructure. It had the largest presence at the 2018 international reconstruction exhibition in Damascus. The Revolutionary Guards, which own the biggest construction firms in Iran and have vast experience in reconstructing their own country after the Iran-Iraq war, have signed major contracts with Syria, including a license for a mobile phone service and for phosphate mining. However, the \$1 billion Iran has pledged for reconstruction is a fraction of what is needed and indeed, the Iranian role in Syrian reconstruction is also likely to be substantially constrained by US sanctions on its own economy. Moreover, Iran was angered when Rami Makhlouf reportedly blocked Iranian competition with his own mobile network and at Russia muscling it out of the phosphate concession (Cochrane, 2017; Heydemann, 2017; Sharafedin and Francis 2017)

Turkey and the Arab states

Turkey remains one of Syria's top trading partners, with northern Syria a captive market for it. Syrian exiled businessmen have prospered in Turkey and invested in the country: in 2014, more than 26 percent of all new foreign companies in Turkey were established by Syrian investors especially in the borderlands from where they carried out economic activity in Syria. Many of these businesses were supportive of the opposition and could be enlisted in the reconstruction of the Turkish zone, in parallel with a return of Syrian refugees to the area. This, together with Turkey's geographical proximity to Syria and the advanced capacity of its construction sector encourages

Turkish aspirations for a substantial part in the reconstruction process in Aleppo city. The Syrian government opposes this but Russian mediation might facilitate it, in view of the enormous reconstruction needs of Aleppo, which has barely started, and of Turkey's construction potential (Tastekin 2018). Jordan and Lebanon have both shown interest in participating in Syrian reconstruction, but would only be capable of mounting modest efforts. The Gulf Arab oil states are of course wealthy and their sovereign wealth funds have \$4 trillion accumulated; however, their participation in Syrian reconstruction is contingent on the exit of Iran from the country and, for some, probably regime change; however, the UAE has indicated that it might participate as a way of limiting Iran's influence (Kattan 2017). Still, as Yazigi (2017) points out, the last example of a large reconstruction effort in the region, that of Lebanon, rested on a power-sharing deal backed by the main regional and international players and strong financial support from Saudi Arabia. Neither scenario will be forthcoming in Syria.

China and Asia

China is one of Syria's largest trade partners, has an economic interest in the country and has shown interest in participating in its reconstruction; it also has an enormous concentration of investable capital. A Chinese-Arab Exchange Association event on reconstruction drew about 1,000 Chinese firms. The Chinese government committed \$2 billion for industrial reconstruction in Syria. However, Syria has few of the natural resources that usually attract Chinese investment and while China had in the pre-uprising period obtained some oil concessions in Syria, they are now located in the US controlled zone. Private Chinese investors will be wary of corruption and those Chinese companies that operate globally and in the US market may be deterred by US sanctions. However, Syria is a geostrategic asset to China, being astride one of the branches of China's Silk Road initiative. Moreover, China values Syrian government cooperation against some 500 Chinese Uighurs fighting with jihadists (concentrated in Idlib) (Marks 2018).

India is similarly a power with enormous potential investment resources. It never broke off diplomatic relations with Syria during the Uprising and has reportedly offered 4 billion in construction assistance, including a steel factory. Thirty Indian construction companies participated in the Damascus exhibition (Syrian observer. com 2018).

As part of its effort to wholly relocate its economic dependencies away from its

Western/Arab opponents and also to diversify its dependence on Russia and Iran, the regime seeks to elicit Asian investment. Whether this will be forthcoming depends, in good part, on the global power struggle over the extra-territorial reach of US sanctions of which Syria, together with Iran, are the testing grounds.

Conclusion

Without reconstruction, Syria will remain an at least partially failed state, with its economy unable to give people a stake in stability, with consequent high risks of violence, terrorism, refugee flows and the potential of great power confrontation. Given Syria's pivotal regional role, it would remain a source of spill-over of continuing regional disorder. Key players in the battle of reconstruction, notably Europe and Russia, have an interest in avoiding such negative outcomes and some capacity to alleviate the risks.

There is, unfortunately, a reconstruction stalemate in Syria, with forward movement obstructed by the following factors:¹ 1) The regime's resistance to a compromise political settlement and the equal unwillingness of much of the Western-centred international community to commit to the country's reconstruction without such a settlement. 2) The regime's strategy of using reconstruction to consolidate its power and marginalize opponents, the monopolizing of contracts by regime-connected crony capitalists and the insecurity of property rights under the regime. Not only has this excluded large-scale reconstruction from the West but also it is likely to put off even companies that have no political agenda. Similarly, the widespread insecurity from the fragmentation of authority and proxy wars will deter investors, particularly those investing in fixed assets. 3) The division of the country into the rival spheres of influence risks an un-integrated form of reconstruction that could harden the divisions of the country and further debilitate its sovereignty; 4) The spoiler role of the US which may prefer to see reconstruction fail since its success would be a victory for Russia and Iran and its failure would bog them down in a quagmire. If Washington's strategy is to inflict pain on the population in the hope that this will pressurize the regime or generate revolt against it, it is unrealistic (as sanctions in Iraq clearly demonstrated) and unethical (Aronson 2018).

In these circumstances of deadlock, a likely outcome is that minimal reconstruction proceeds, as now, on parallel tracks in the spheres of influence into

¹ For another assessment, see Van Veen 2019

which Syria is divided: thus in what appeared to be the US-Kurdish zone and in the Turkish areas a certain stabilization has moved forward while in regime controlled areas, resources are being concentrated in loyalist areas and/or those strategic for the regime, particularly Damascus and the coast and areas linking them, to the relative neglect of the large areas reclaimed from opposition control, including major cities such as Hama, Homs and Aleppo. Idlib will likely remain an epicentre of low intensity war. This will do little to solve the problem of displaced persons nor give Syrians the stake in rebuilding their economy needed to marginalize radical groups.

Is there any agency for moving beyond the stalemate? Two powers, Russia and the EU, have the greatest interest in ameliorating the Syrian crisis by beginning the reconstruction process and they have the most potential leverage over the regime and elements of the opposition (other players would prefer to see regime collapse (US), have insufficient leverage/resources (Iran) or are insufficiently invested (China). But for Europe and Russia to reach an agreement on Syrian reconstruction, they would need to converge on a realistic understanding of what is possible. The EU has the carrots (funds) but in making unrealistic demands regarding a political settlement, it may dissipate its potential leverage: it would need to accept that no major regime change is going to happen but that incremental reform toward some minimal power-sharing and more inclusion of the opposition that still leaves the regime standing is possible and desirable. Russia needs to accept that enough political reform to coopt major portions of the opposition is unavoidable. While Russia has provided 'carrots' in trying rather unsuccessfully to nudge the regime toward a more inclusive form of reconstruction, it ought to be able to get more leverage via 'sticks'--intimating that its commitment is neither open-ended nor unlimited and depends on progress on a more inclusive process; it has moreover, intimate influence within the regime itself, especially units of the army under its patronage. If they are to converge in a push to overcome the stalemate, both the EU and Russia would also have to understand that the alternative would be worse: a failing state with potentially damaging spillover for the EU and a loss of its significant investment in the stabilization of Syria for Russia. This is leaving aside the humanitarian costs for millions of Syrians living in regime-controlled areas. Of course, given the rivalries and mistrust between these two major players, until they start to feel actual pain it may be too much to expect they will move beyond the status quo.

Already, however, there are indicators of how a compromise might be forged. The painstaking investment of Russia in brokering the formation of the constitutional committee, to proceed under UN auspices, suggests that it is not impossible to move

incrementally toward a minimalist sort of political settlement that might acquire enough international legitimacy to open the door to *some* reconstruction funding. The EU could make incremental increases in funding conditional on incremental increases in political inclusion. There are, Batrawi observed (2018a), various form of assistance that fall in a grey area between humanitarian and reconstruction aid which the EU could pursue and which individual European states are actually doing. A division of labour might also be possible: while the regimes' allies concentrate investment in the regime heartland, thus advancing at least a minimal stabilization of the economy, the EU, together with the UN and World Bank, could focus on funding reconstruction of formerly opposition held areas that the regime has less interest in rehabilitating, working through local charities, as the UNDP is currently doing. They could more broadly prioritize the re-establishment of essential services on which the population depends, such as water, utilities, as well as assisting people in providing their own basic housing in the destroyed urban neighbourhoods (Batrawi 2018b). This would allow the return of refugees and relieve the suffering of the non-combatant population. Russia, Turkey and the EU ought also to cooperate to reintegrate the country's now-fragmented energy supply system, a precondition for integrated reconstruction, by e.g. brokering deals between the regime and the Kurds (and Turkey's October 2019 incursion into Kurdish areas of northeast Syria could precipitate such a bargain). In dealing with the US spoiler role in Syria (and elsewhere, notably Iran), other major powers, including the EU, China and Russia, could further pursue the (so-far rudimentary) development of alternative financial systems that would dilute the ability of the U.S. to abuse the current world financial system, via extraterritorial unilateral sanctions, for its particularistic (often domestic driven) geo-political interests (as we see in the Iran case). The strategy of inflicting pain on populations to push them into revolt against targeted regimes has everywhere succeeded in the former and failed in the latter.

Policy recommendations:

1) The EU and Russia should reach an agreement, under UN auspices, on using sticks and carrots to make their support for reconstruction in regime areas conditional on the regime's move toward a more inclusive form of reconstruction in which the vital interests of both sides would be protected.

2) To alleviate human suffering in Syria, the EU, UN and World Bank should prioritize funding for humanitarian stabilization, particularly in formerly opposition-controlled territories.

3) To prevent a frozen conflict, Russia, the UN and the EU should broker deals for cooperation across the divisions between regime areas and the Turkish and Kurdish-US regions.

4) The EU, Russia and China should co-ordinate their separate efforts to mitigate the U.S. abuse of the world financial system in order to play a spoiler role in Syrian reconstruction.

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