

Despite positive calls, reconstruction remains a far-off dream

As Assad forces have reclaimed the majority of Syria, the issue of reconstruction is brought to the table by countries such as China, Iran, Turkey and Russia. Increasingly, Arab states which excluded Syria from the Arab League in 2011 are considering investing in Syria to tone down Iranian influence in the Levantine country, but their financial involvement are likely to be directed toward non-Assad territories and assigned to strictly humanitarian purposes. Western countries, led by the US, are also likely to adopt the same policy, but with a more powerful legal structure outlawing financial transactions for reconstruction if the latter empower Assad.

Syria, a country in dire need of reconstruction:

After 8 years of conflict, Syria is in tatters and in a dire need of reconstruction. According to the World Bank, a third of Syria's housing stock has been destroyed while two thirds of the medical and educational facilities are wrecked. From 2.46 million in 2007, the number of Syrians living in extreme poverty is now close to 11 million, that is more than half the population. For the country to be turned around, investments worth \$400 billion will have to be made.

Western reluctance in propping Assad:

Despite the abysmal needs for rebuilding in Syria, serious obstacles lie ahead, especially from the US and the European Union. Understandably, Western governments do not wish to prop the Assad regime by allowing investments into Syria for reconstruction. In the US, Senators have passed the Caesar Syria Civilian Protection Act (H.R.1677) which requires America's executive branch to sanction individuals or entities engaged in major transactions with the regime of Bashar al Assad and any non-state actors allied with the Syrian state in sectors like construction, defence, energy and engineering.

Additionally, the US Senate's Foreign Relations Committee passed in early 2018 the No Assistance for Assad Act (H.R.4681). This bill goes even further than the Caesar Syria Civilian Protection Act by ensuring that no US taxpayer money is spent on reconstruction and stabilisation in Syrian territories controlled by Bashar Al Assad as long as 2022 and as long as Damascus is accused of attacking civilians, infringing upon human rights, violating international obligations, continuing missile development and deployment, and finally putting obstacles to the repatriation of refugees.

Iran and Syria:

Iran on the other hand is a country interested in investing for Syria's reconstruction. Having vested interests in Assad's survival in power, Tehran has voiced its willingness to support Syria in its reconstruction. On the 28th January, Iran's Vice President Eshaq Jahangiri visited Bashar Al Assad in Damascus with a senior economic delegation. The visit resulted in 9 memoranda of understanding and other agreements pertaining to geomatics, cinematography, education, real estate, public services, cultural cooperation, money laundering and counter-financing of terrorism.

During that visit, Iran and Syria also held their fourteenth economic cooperation council. This meeting was seen as a harbinger that the war was approaching its end and that it was high time for reconstruction. Both countries being targets of US financial sanctions, Iran and Syria agreed upon bilateral bank transfers. According to the chairman of the Iranian-Syrian chamber of commerce, Keyvan Kashefi, the two countries lacked strong banking ties since the beginning of the war, all this despite the IRGC's strong presence in Syria and its vast financial support to Assad. In fact, a report from the Financial Times in early 2018 claimed that Iran provided Assad with \$6 billion in lines of credit and gave Syria a significant chunk of \$16 billion used to prop up friendly regimes and non-state actors throughout the Middle East. This for a country only worth \$58 million in bilateral annual trade.

Iranian contractors are often said to reap the benefits of post-war reconstruction in Syria. Faced with a slumbering domestic market, they could indeed make good use of a country with so much reconstruction needs. MAPNA, an Iranian energy conglomerate is set to construct a 526MW power plant in Latakia in addition to a 70km pipeline and three gas units for the price of \$413 million over the next three years. Yet, instead of being a common case, this project is more an exception to the rule. In spite of having signed dozens MOUs, Iranian companies do not seem to reap the benefits they expected in Syria, but rather pick up the scraps that more powerful and financially more potent states leave. On paper, Iran's position looks good, with MOUs in phosphate mines, mobile operating services, agricultural lands and even Syrian branches of the Islamic Azad University. The reality however, is that Assad prefers to limit Iranian influence while Syrian customers prefer to purchase better quality goods and services from other countries. Indeed, being primarily handed by state-picked and IRGC-held companies, contracts given to Iran in Syria are likely to be beset by inefficiency and corruption.

Another important aspect is that Iran does not have the financial might to reconstruct Syria on its own, and giving it too much leeway in the country would significantly reduce the possibility for Damascus to strike deals with other countries, particularly the Gulf. Yet, Iran's presence remains crucial in Syria, not only for security reasons but also for regime survival. Iran has a much different

idea of reconstruction than what is understood by other countries. In fact, what matters for Tehran is for Assad to be kept in power and possibly kept dependent on Iran. For this, Iran only needs to disburse a few hundred millions to redevelop some neighbourhoods in Syria's disaffected big cities and proceed with social engineering, by bringing non-local populations allied to Assad into regime strongholds. The Syrian state has already developed the legal structure for widespread expropriation. With Law 10, developers in Syria can obtain construction contracts easily and use land that was previously at the hand of former inhabitants, thus disenfranchising as much as 8 million Syrian refugees and internally displaced persons. Many poor neighbourhoods of Syria's major cities are being redesigned with expansive and lucrative development schemes, that do not account for their previous dwellers.

Syria and other countries:

Just like Iran, Russia is another country that has closely helped the Assad regime but is by no means in the position to individually take care of reconstruction. Rather, Vladimir Putin is seeking to convince European leaders to let go of their sanctions and omertà concerning Assad. Indeed, Russian officials have time and again portrayed Western politicians as the only obstacles to the rehabilitation of Assad and the reconstruction of Syria.

Much less involved in the Syrian conflict but much more affluent, China could be part of the solution to Syria's reconstruction but the country remains reluctant to provide more than humanitarian assistance. In July 2018, China pledged nearly \$30 billion to Arab states, including \$90 million in humanitarian aid to distressed Arab countries like Syria. Recognising the potential of this coastal state on the Mediterranean, and the role Syria could have in the Belt and Road Initiative, China did in fact pledge to invest \$2 billion in Syrian industry in 2017, but much of these investments remain to be materialised.

Closer to Syria, Turkey is currently undergoing an important change of policy. Traditionally backing anti-Assad forces during the war, Recep Tayyip Erdogan seems to understand that there might be more good in cooperation with Assad than bad, especially in the area of counter-terrorism. Indeed, Turkey and Syria signed the Adana Agreement in 1998 which has consistently been used by Ankara to justify attacks on the Kurdish People's Protection Units in Syria (YPG). The YPG is considered an ally of the Workers' Protection Unit (PKK), a group deemed to be terrorist by Turkey. Erdogan recently admitted that his country had maintained low level ties with the Syrian intelligence services to track

down those it deemed terrorists. Yet, counter-terrorism is not the sole concern of President Erdogan. With stagflation and difficult relations with the US, Turkey's contractors could well use the boost provided by Syria's reconstruction market in the future.

Arab countries and Syria:

Just like Turkey, Arab states are currently undergoing a massive change of heart, but for different reasons. Also supporting the losing side of the Syrian war, Arab states seem to have come to terms with the fact that they cannot push for Assad to step down anymore. What they wish to achieve now is to minimise Iran's market shares in the country. Theoretically, by rehabilitating a historic member of the Arab League and heavily investing in Syria, Gulf countries could reap great benefits, especially through their successful logistics and engineering firms as well as their numerous investment groups. However, it is clear that none in the Gulf is ready to risk such investments. GCC countries that have entertained closer relations to Syria, such as Bahrain and Oman, simply do not have enough financial power to help for reconstruction.

When it comes to the GCC's major player, Saudi Arabia, the Kingdom's leadership has made it clear that investments for rebuilding would not happen before those are supported by the United Nations Security Council, something that remains impossible up to 2022 as recent US regulations prohibits just that. Additionally, Saudi Arabia is wary of Iranian presence in Syria and would like to see a significant drop in that influence before investing in the country. However, the country could well consider providing aid to Syrians in non-Assad controlled territories, by helping rebuild dams (and avert an acute environmental crisis which worsens the migratory crisis of Syria), hospitals and schools. Late last year, Saudi Arabia handed \$100 million for humanitarian aid to the Syrian people, to be delivered indirectly through American agencies mainly. The UAE, being the centre of business in the Arab world have already had two companies sanctioned by the US for doing business in Syria, which shows the high risks of being involved in Syria. Abu Dhabi's opening of an embassy in Damascus should rather be seen as a move to facilitate humanitarian aid, particularly the repatriation of Syrians living in the Emirates. Therefore, when Iran defines Syrian reconstruction in terms of propping up and coup-proofing Assad, GCC countries rather define Syrian reconstruction and investments as humanitarian aid, similar to China.

Those countries who could greatly benefit from economic interactions are Syria's neighbours: Lebanon, Jordan and Iraq. Those countries have suffered from the cutting of trucking routes due to

the war and must pay for the millions of Syrian refugees dispersed alongside the country. Jordan and Egypt are two other examples of Arab countries that are likely to benefit from reconstruction in Syria. The two countries could ease their debt crises and unemployment problem by involving themselves in the rebuilding of Syria. Jordanian contractors could make good use of their previous experience in the country and their intimate knowledge of it, without running the risk of being targeted by the US, with whom they do not sustain much ties.

A rather impossible task:

In conclusion, the path toward Syrian reconstruction remains open to doubt. The US and EU remain unwilling to allow investments into Syria as this would reinforce the Assad regime. Countries that have supported Assad until now, Russia and Iran, do not have the financial means to foot the \$400 billion bill. The question remains whether countries not aligned with Assad will gradually start investing in the country and start pressuring the West in order to facilitate the rebuilding of Syria. This is highly unlikely as those countries are not as interested in Syria as they were before. Now that ISIS gradually becomes a thing of the past and more urgent dossiers such as Yemen exist, Syria will further fall into the sidelines for Gulf countries. As long as perceptions of Assad and legal regimes against him will remain in place, money and goods flowing into Syria are more likely to fall into the category of humanitarian assistance, indirectly delivered by NGOs and state agencies, rather than proper foreign direct investments meant to rebuild the country anew.

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