

## Syria's Reconstruction Scramble

In a Game Fraught with Political Risk, Europe Should Aim for Long-term Stabilization

Muriel Asseburg and Khaled Yacoub Oweis

By November 2017, as the civil war abated and the so-called Islamic State (IS) was all but defeated, Moscow increased its efforts to reach what it regards as conflict resolution in several fora beyond the UN-led Geneva process. Moreover, as the US administration made it clear that it would not be engaging in reconstruction efforts, Russia has sought European financial assistance to help cover the costs of rebuilding the country, together with Arab Gulf states. Although the European Union had, in April 2017, ruled out support for reconstruction without a political transition, calls have now been mounting in Europe to accommodate Bashar al-Assad, help in the reconstruction of Syria, and send back refugees. Yet, the fighting is far from over. More importantly, the mere reconstruction of physical infrastructure would do little to instill stability, but would rather raise the risk of fueling new conflicts. Europeans should therefore make clear to Russia that they will stick with their own approach. They should play the long game and develop leverage to make future contributions serve state- and peace-building purposes. Meanwhile, they should focus on increased levels of humanitarian aid, early recovery measures, such as de-mining and restoring basic water and health infrastructure, building human capital in Syria and among Syrian refugee communities, in addition to concentrating on civil society and local governance support where they have credible partners.

By late 2017, the Syrian regime and its allies had regained control over most of the urban centers in the country, and the Caliphate proclaimed by the IS had lost all but its territorial base. The rebels had been mainly squeezed into several pockets but were still holding onto strategic junctures and main border crossings. At the same time, ever since its direct military involvement in Syria, Russia has developed into the dominant military force. Moscow has been keen to translate that achievement

into taking the lead on the diplomatic stage and acting as mediator in the conflict. Washington, whose interest in Syria since 2014 has been limited largely to combating the IS, has been unwilling to challenge the Russian approach. Nor has it shown willingness to contribute meaningfully to Syria's reconstruction after its heavy bombing of Syria's east. Russian bombardment, especially of Aleppo in 2016, caused wide-scale destruction, drawing strong EU condemnation for the "deliberate targeting of hos-

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pitals, medical personnel, schools and essential infrastructure.” Yet, Moscow has turned to Europe for reconstruction support while chiding European countries for linking reconstruction to a political transition and predicted the conflict would soon be over. De-escalation was portrayed as having created the “de facto conditions” for full-scale reconstruction in Syria. Today’s reality, however, looks different, with control still very much fragmented between a variety of forces on the ground in the de-escalation zones, the territories liberated from the IS, the areas controlled by the Kurdish Democratic Union Party (PYD), as well as those areas under the control of the regime and its allies – with the fighting doing anything but drawing to a close.

### **De-escalation Zones**

Moscow first used its military backing mainly to help the regime and its allies reconquer territories. Over the course of 2017, it aimed at reducing the levels of violence through a new approach that was to prepare the ground for pacification. In this vein, in the Kazakhstani capital, Astana, in May 2017, Russia agreed with Turkey and Iran on so-called de-escalation zones in regions held by various rebel forces. The deal was supposed to result in a halt to fighting in places where the revolt had not been crushed, offering the possibility of sustained humanitarian relief and the restoration of basic services (see Box 1).

In reality, the zones have evolved to present an array of local situations: from improved living conditions to the continued siege and massive carnage caused by the regime’s and Russia’s bombings of civilian targets in areas that Moscow had marked as being part of the de-escalation zones. For Assad, the zones were considered to be a temporary arrangement, if at all, and were to follow the path of other besieged areas that the regime had captured after “terrorists” (which is the regime’s term for all rebels) were given the chance to disarm and “return to the bosom of the state.”

### **Box 1: The Astana Agreement**

Signed in May 2017, the Russia–Iran–Turkey deal stipulated ceasefires in four de-escalation zones, the halt of airstrikes, “rapid, safe, and unhindered” humanitarian access, the restoration of basic infrastructure, and the creation of conditions for the voluntary return of internally displaced persons (IDPs). The fight against jihadists would still continue in the zones, with attacks on the IS and HTS, an al-Qaeda offshoot, being exempted from the ceasefires.

The zones comprise:

1. the north: Idlib province and parts of Aleppo, Latakia, and Hama governorates on the border with Turkey;
2. Homs: rural areas north of the city of Homs;
3. the Eastern Ghouta, i.e., the eastern suburbs of Damascus; and
4. a southwestern zone in areas adjacent to Jordan and the Israeli-occupied Golan Heights.

Out of the four zones, the Damascus and Homs zones in the center of the country have been besieged by the regime. The three guarantors were to deploy military observers to see through the implementation of the ceasefire agreements.

### **Makings of a Mini-recovery**

At the same time, bombing and sieges on areas in other zones abated, most notably in the countryside near Homs and in the southern governorate of Deraa. The window of temporary stability spurred fairly brisk activity in the private construction sphere. For example, some residents in rural Homs moved back to their hometowns from camps on nearby farmlands and started to repair or rebuild their houses. Mud is reportedly being used instead of concrete, as prices for construction materials imported from regime areas remain high. The cost of most other goods and staples, such as sugar and rice, has fallen since the de-escalation deal came into effect in August 2017, breaking

the monopolies of local traders, who had enjoyed a captive market. Two crossings with the regime opened, increasing the overall level of supplies. An export market slowly opened, too. Rebel areas sent sheep and cattle to regime areas, and the number of farmers who planned to plant crops increased, as they expected large enough sales to make a profit.

The potential of improved access could also rejuvenate the local councils, which activists had set up during the revolt to replace the regime's administration after Assad's forces withdrew from rebellious areas. The councils in rural Homs are now seeking to link up with donors and with the opposition's interim government. At the same time, the siege of the region may have been a blessing in disguise for the local structures, isolating them from outside meddling. In the southern governorate of Deraa, local activists see the reach of Jordan and other Arab countries as having tainted local governance structures. Figures linked to third countries penetrated or took over many of the local councils, undermining their merit and competence.

### **Al-Qaeda Lurks**

Apart from continued regime bombings and the threat of the regime attempting to reconquer further rebel areas, the highest hurdles to potential reconstruction in the de-escalation zones come from within. By August 2017, Hay'at Tahrir al-Sham (HTS, or the Association for the Liberation of the Levant) – an offshoot of al-Qaeda and successor of the Nusra Front – all but finished off its Salafist rival, Ahrar al-Sham, and took control over most of Idlib province.

The area of influence of HTS also included the main border crossing with Turkey, through which flows humanitarian aid and infrastructure supplies. Borrowing from Lenin's dictum of "peace, land and bread," HTS took over the bakeries in the various towns across Idlib, many of which relied on Western programs for wheat supply. Keen to build up legitimacy with the local popu-

lation and be seen as succeeding in governance, HTS indicated that it would not prevent outside assistance to Idlib.

At the same time, the group had its hand in many of the local administrative structures, as well as schools, charities, and refugee camps, without necessarily staffing them outright with its members or conspicuously patrolling them. HTS also dissolved local councils or ousted council members who were critical of the group. In addition, they co-opted existing supervisory bodies, such as the Idlib Administrative Board, or nudged civilian allies to set up new ones. Among them is the so-called Syrian Salvation Government, formed in November 2017, with the apparent aim of displacing the opposition's interim government. Many qualified cadres in the various local administrations of Idlib remained in their posts despite their distaste of HTS. They preferred to hold onto their jobs and their links to donors to keep aid deliveries going.

Western support for Idlib's population, in contrast, abated markedly after HTS' takeover, as foreign donors were anxious about indirectly supporting the group or its front organizations. Activists had hoped that the entry of Turkish troops into Idlib in October 2017 would roll back HTS. The Turkish show of force was mandated by the implementation of the northern de-escalation zone foreseen in the Astana agreement. Yet, it was aimed at the Kurdish People's Protection Units (YPG) militia, which is linked to the PYD, a Syrian offshoot of the Turkish Kurdistan Workers' Party (PKK) in the nearby region of Afrin; this was done with the goal of preventing a contiguous Kurdish self-administration zone along the Turkish border.

The risk, however, of renewed warfare in the zone remains high, with Turkey and Iran raising the tone of their assertive rhetoric. Ankara, boosted by its newfound understandings with Russia, said it needed to clear Afrin of the YPG. Iran, in turn, indicated that the Assad regime would soon overrun Idlib to fight the jihadists there. The mostly Kurdish Afrin region has an

estimated 300,000 inhabitants living in 20 cities and towns, whereas Idlib province has an estimated two million people, of whom one-third have been displaced there from other provinces. They settled in Idlib after fleeing fighting elsewhere in the country because Turkey had closed its border to refugees. Also, thousands of rebel fighters, their families, and other civilians were transported to the province in the regime's "green buses," which became synonymous with the population transfers that accompanied rebel surrenders in besieged areas under so-called reconciliation agreements.

### **Kurdish Expansion**

Signs have emerged of an overreach by the PYD, in particular after the United States encouraged the capture of mostly Arab-inhabited territories in eastern Syria from the IS by the Syrian Democratic Forces (SDF), which are dominated by the YPG, the PYD's fighters. In addition, the PYD's declared goal of linking two contiguous self-rule areas (the so-called cantons of Jazeera and Kobanê) with the Afrin canton also appeared to be farfetched. By late 2017, it became clear that the United States (and Russia) would not back the Syrian Kurds' political ambitions against Turkey beyond combating the IS; nor would Russia prevent the regime from recapturing territories liberated from the IS.

The PYD has set up local governance structures in these areas. Although these structures of "people's democracy" are nominally independent and inclusive, the PYD remains the power behind the scenes. One such arrangement has been installed in the mostly Arab town of Manbij, which the YPG captured from the IS in August 2016. The PYD appointed Farouk al-Mashi, a tribal figure, as the joint head of the Manbij City Council. The appointment invited scorn by opposition activists on social media, who compared the PYD's methods of coercion and control to that of the regime. They also pointed out that al-Mashi was the son of Diab al-Mashi, a member of the rubber

stamp Syrian parliament from 1954 till his death in 2009.

### **Pay-up Time for the Regime**

Even though the Assad regime by no means controlled the entirety of Syria's territory, it sensed the winds in its favor. It sought to employ reconstruction to placate its constituencies and compensate for the thousands who had died fighting for Assad. At the opening of the Damascus International Trade Fair in August 2017, an Assad aide said Syria had "made a U-turn" and was on the path of rebuilding. The regime portrayed reconstruction as a done deal and announced that no contracts would go to countries that had supported what it regards as terrorism.

Domestically, the authorities indicated that the rebuilding effort would reward mainly Assad's loyalists; it was not an attempt to mitigate the grievances that had fueled the revolt by addressing issues related to institutional legitimacy and capacity, justice, and political and social inclusion. At an official rally in November 2017 – held to mark the coup that brought Hafez al-Assad to power more than four decades earlier – a senior Baath Party operative boasted that Syria would be "built with the hands of its honorable sons." The rally was held in Homs, from which the regime and Iran-backed militias had displaced hundreds of thousands of mainly Sunni inhabitants as they crushed the rebellion there. Of the 8 billion Syrian pounds (\$15.5 million) that the government announced in July 2017 would be allocated to projects in Homs governorate, most of it went to Alawite and Christian communities as opposed to Sunni areas destroyed by regime bombing.

So far, the regime has, at least on paper, awarded projects to its cronies and struck initial agreements with Iran and Russia. The deals range from residential towers and a shopping center to be built on bulldozed homes in Damascus that had belonged to pro-democracy demonstrators, to a cell-phone license and oil refinery in Homs, and

energy and mining concessions in eastern Syria. The regime apparently hopes to play the external powers against each other in the hopes that they will cough up the cash for hardcore infrastructure projects requiring long-term investment.

### **International Blueprints**

As the civil war in Syria was seen as coming to an end, UN agencies, development organizations, and international finance institutions have drawn up a wealth of reconstruction blueprints for the country. According to UN estimates, reconstruction would cost at least \$250 billion.

### **Governance issues**

What unites most of these plans, however, is that they deal with reconstruction mostly as if it were a technical issue, whereas not much attention is being paid to the kind of governance system under which it is supposed to take place. Rather, a competent central authority oriented toward the public good – able and willing to engage in an equitable restoration of human capital and the social fabric – is just assumed.

Also, these plans do not detail how a competitive business environment would be instilled – under the same regime that deprived most Syrians of equal opportunity for decades. With the courts and bureaucracy beholden to the kleptocracy, foreign companies have barely been able to operate in Syria or to win or execute major contracts without partnering with the ruling elites or their agents. If anyone who is not in league with the regime comes close to winning a tender, rules are arbitrarily changed and they are disqualified. Cartels and rackets run by the top tiers of the security apparatus abound. The judiciary and regulatory bodies are massively rigged. Ministries and the central bank act as private instruments for the Makhloufs, who are Assad's cousins on his mother's side. The Makhloufs and two other branches of the Assad family have the public tenders

and procurement system locked up between them.

### **Fragmentation**

What is more, most of these plans assume that Syria would work as a unitary state and do not account for the fragmentation that has resulted from the civil war. The fluidity of local dynamics, the emergence of new power brokers, and militia rule are all ignored. Among the forces that emerged during the civil war is a new breed of crony capitalists, shaping the business environment and poised to obstruct – together with more established regime business figures – any reconstruction that is not in their favor. Also linked to the war economy are jihadists and other militia seeking to maximize their returns. In regime areas, organized crime and gang violence linked to various pro-Assad militia have spiked. Loyalists have targeted other loyalists in their quest for loot while cutting off roads and imposing tolls.

### **Third parties' motives**

International reconstruction blueprints also take for granted cooperation between third countries for the good of Syria. In reality, however, many of the regional and international players see reconstruction as a means to consolidate their presence in Syria in the long term and as a tool to assert their (vital) interests in the broader power struggles of the Middle East. They also tend to focus on their immediate interests, such as quick financial returns or alleviating themselves of Syrian refugees.

The regime reportedly promised at least one Russian company linked to Russian security contractors a quarter of the oil and gas in the fields captured from the IS. Iran has encouraged private investment in real estate in Syria and signed memorandums of understanding for reconstruction in Aleppo as well as the restoration of mobile communications, which would bring in revenues and give them a surveillance edge. Ankara,

officially shut out by the regime, has repaired basic infrastructure, schools, and a hospital in the Turkish-controlled enclave of al-Bab. Along with the more crucial absence of airstrikes, the rehabilitation has contributed to the return of some of the population into the small enclave. China has said it would also get involved in reconstruction, but it has not provided any specifics.

The European Union and the United States have invested billions of dollars in humanitarian aid and stabilization in opposition-held areas. The Europeans see their work in Syria as being different to that of the Americans, in that they generally aim at building streamlined institutions across a multitude of regions and support civil society, whereas the United States prefers to work with individual actors to set up and test organizations that would act as a role model to be followed in other areas.

### **Outlook, Risks, and Dilemmas for the EU**

Under various short- to mid-term scenarios, the violence is not expected to halt, and militia rule and the war economy are set to remain entrenched. Still, European policymakers are under pressure to focus on what can be done immediately to help foster a settlement and stabilize the region, not least in view of the urgency they feel due to rising populism in the EU and the pressure to repatriate refugees.

Assad will happily take more freebies from the EU. For the regime, reconstruction is to serve, first and foremost, its own consolidation as well as ensure the permanence of social and demographic shifts and strengthen the loyalty of its citizens. A view espoused by the Assad regime and echoed in international aid meetings warns that Europe will lose out to Moscow and Tehran unless European nations help in the reconstruction of Syria.

In April 2017, the EU ruled out engaging in reconstruction “until a comprehensive, genuine and inclusive political transition ...

is firmly under way.” Still, in practice, the European approach has been inconsistent – European countries have financed UN rebuilding programs that work in collaboration with the regime. The programs are ongoing or slated to start in regions where the dust has barely settled on forced population transfers, such as in Homs. No safeguards were devised to ensure the right of return for the original inhabitants, the halt of the falsification of public records, or a reversal of the regime’s confiscation of property in rebel districts it had captured. Also, the EU has not made the departure of Assad a precondition for engaging in reconstruction efforts. Rather, EU member states’ representatives have increasingly been acknowledging that Bashar al-Assad might well play a role in the transition period, and even beyond. EU member states have been divided between those taking a stance against any cooperation with what they regard as a regime that cannot be reformed, and those willing to placate Assad in the hope of quick stabilization or of opening up a supposedly lucrative reconstruction market to their companies and development agencies. As a consequence, the EU has shied away from spelling out if a genuine transition would be possible if Assad and his immediate entourage were to remain in power.

Reconstruction thus poses a dilemma for the EU and its member states, as the chances for any real change to Syria’s authoritarian and repressive system are fading. Indeed, the Russian approach and the emergence of an emboldened Assad regime have complicated the realization of a European strategy on reconstruction (see Box 2). Moscow has portrayed its activities as being complementary to the UN Special Envoy’s efforts at achieving a negotiated conflict settlement based on the 2012 Geneva Agreement and UN Security Council Resolution 2254 of December 2015. But the Russian way has actually undermined the approach and list of priorities agreed upon in Resolution 2254, the centerpiece of which was supposed to be a transitional governing

### Box 2: The EU Strategy of April 2017

The EU offers its support to Syria in fields such as **security**: disarmament, demobilization, and reintegration (DDR), security-sector reform (SSR), international monitoring; **governance**: constitutional process, elections, institutional reform; and **peace-building**: dealing with detainees and missing persons, property-dispute resolution, return of refugees/IDPs, transitional justice, reconciliation.

As a precondition for its engagement in reconstruction efforts and the lifting of sanctions against the regime, its institutions, and its representatives, the EU stipulates the existence of a “genuine and inclusive political transition, negotiated by the Syrian parties in the conflict ... under the auspices of the UN Special Envoy.”

EU support will be undertaken “in an incremental way, and only in response to concrete and measurable progress” in this transition. The EU will not engage in early recovery or stabilization efforts that “could support social and demographic engineering.” The EU stresses that “special responsibility for the costs of reconstruction should also be taken by those who have fueled the conflict.”

body – comprised of regime and opposition representatives – with full authority. Rather, Russia has sought legitimization of the Assad regime by leading a process of limited reform – including the adoption of a federal constitution, devised in Moscow – through a Conference of the Syrian Peoples or national dialogue conference, followed by elections.

### Conclusions and Recommendations

The Russian-dominated conflict-settlement approach and the expected continued presence of Iran-backed militias is unlikely to bring about even a minimum of the security, administrative, and economic reforms

that would address Syria’s deep-rooted socio-economic and sectarian imbalances. Reconstruction cannot, as Russia implies, be reduced to the physical reconstruction of infrastructure and economic recovery. Rather, measures to safeguard citizens’ security, establish effective governance, and lay the ground for reconciliation are key for peace-building (see Box 3, p. 8).

Under such circumstances, European involvement in reconstruction during the early phases runs the risk of feeding destructive dynamics and foregoing incentives for political settlements. The Europeans should therefore stick to the approach outlined in the April 2017 strategy, and clearly say so. They should also gauge when to throw around their weight and leverage their diplomatic, financial, and technical support so as to achieve conditions under which reconstruction would serve long-term stabilization rather than lead to renewed violent conflict and radicalization.

At a later stage – and because of the sheer amount of investment needed – the regime will not be able to depend only on its allies, as it has boasted. Rather, it might be forced to turn to Western, Gulf, and international sources of financing. That might be the starting point for pushing toward the realization of measures aimed at building credible institutions. One should not exaggerate the chances of success, though: Such a development is by no means guaranteed, as the regime might choose to continue defying European conditionality, even if it comes at the cost of massive North Korean-style human suffering.

In the near future, some of the de-escalation zones could become the settings for larger European efforts at recovery – under the condition that the arrangements stick, which is more likely for some areas (in the south and north of Homs) than for others (Eastern Ghouta and Idlib). The challenge in these zones is that some of the areas are controlled by forces that cannot be partners in reconstruction, such as al-Qaeda linked groups, meaning that support can only be

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### Box 3: Long-term Stabilization

Experts widely agree that the following conditions need to be fulfilled to allow for reconstruction that serves peace-building:

1. an effective **division of power** with functioning checks and balances; the establishment of effective economic and administrative oversight bodies;
2. large-scale **demilitarization**; an end to militia and warlord rule; establishing army and security services loyal to the state and its citizenry, not to the regime; comprehensive disarmament of militias;
3. addressing **forced displacement** and expropriation of property; allowing for social reconciliation;
4. an **inclusive constitutional process** in which majority and minority rights are respected; a political climate in which free and fair elections are possible, political rights are guaranteed, and civil society can operate.

administered through civil society organizations rather than the local councils and the interim government. Also, the rebels are often so fragmented in terms of actual control that no zone-wide de-escalation projects can be administered.

Europeans will therefore have to look for tailor-made approaches, depending on the conditions and partners available in each of the areas. These approaches should focus on humanitarian aid, early recovery, and support for non-violent community-based organizations – not least to counter jihadists' propaganda and influence – as well as continued support for local governance, where possible. It is far-fetched to believe that with such kinds of support, one would be able to create "islands of stability," which could be the basis for nation-wide stabilization. But Europeans should still strive toward helping local civilian and governance structures survive.

Humanitarian aid, the provision of basic services, and support for civil society should

also be the focus of European support in the PYD-controlled areas, where repression of opposition forces and independent activists and forced recruitment have become major problems, despite the progressive and inclusive image projected by the PYD.

Last but not least, rather than thinking about sending refugees back to situations where their lives and existence are threatened, Europeans should focus more on building Syria's human resources in the neighboring countries and among the refugee communities across Europe.