



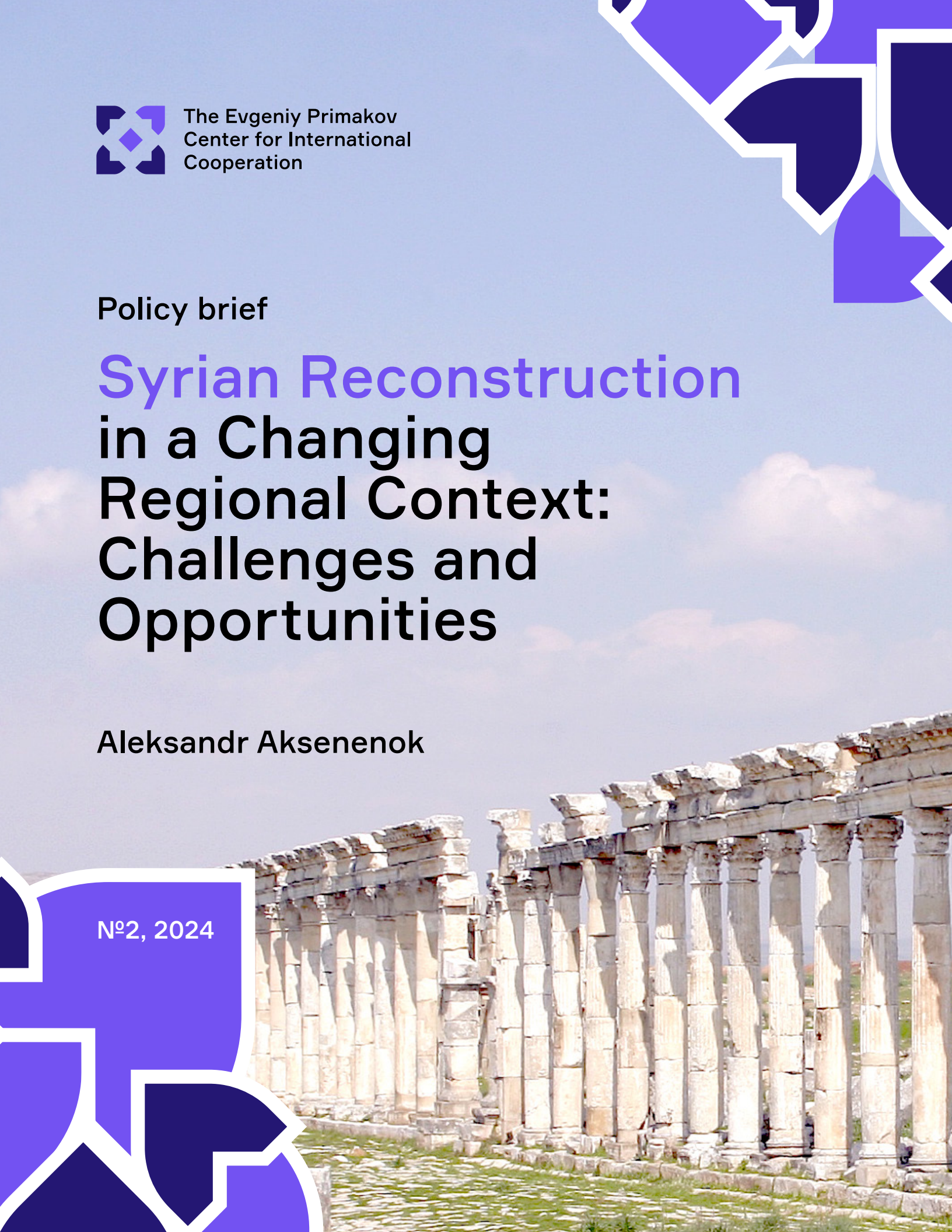
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Policy brief

Syrian Reconstruction in a Changing Regional Context: Challenges and Opportunities

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Yevgeny Primakov Center for International Cooperation

Policy brief

Syrian Reconstruction in a Changing Regional Context: Challenges and Opportunities

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Summary

- Syria's reconstruction is one of the main and most pressing challenges of its post-war development. The civil war has ended per se, but the conflict itself remains unresolved and its material cost is enormous. Under the conditions of the Western sanctions and difficult relations with the Arab states of the Persian Gulf, there are practically no prerequisites for extensive reconstruction and implementation of large investment projects.
- At this stage, only so-called "early recovery" is possible, which is limited to the maintenance of the population's livelihood and the functioning of the social sphere. With dwindling resources, it is becoming increasingly difficult for the Syrian Government to keep the economy afloat and address social issues. At the same time, external assistance from potential sponsors of such works remains subject to a number of political conditions in the area of conflict resolution.
- The economic situation in the country continues to deteriorate while the living standards of the majority of the population are falling rapidly. In this context, the post-war reconstruction process, which can provide relief to Syrian citizens, is inextricably linked to politics, security and the restoration of the territorial integrity of the country through peaceful means and national reconciliation. Moreover, it is also conditional on the implementation of governance reforms, both in the center and the periphery. Thus, the reconstruction process is multidimensional and requires certain compromises. However, no practical steps in that direction have yet been taken by the Syrian authorities.
- External factors such as sanctions pressure, fragmentation of the national territory and continued American control over much of Syria's resources are only partly responsible for the dire economic situation in Syria. In addition, there are serious problems in the area of governance. In recent years, the public administration system has been significantly transformed and rendered ineffective without significant external changes.
- In May 2023, the conditions for Syria to attract external assistance were more favorable. This was due to the country's return to the Arab League, the emerging trend towards easing regional tensions and the construction of a new security architecture in the Middle East. Despite the external normalization, there has been no significant change in the practicalities

of investment cooperation and financial support for Syria. The Arab States continue to proceed on the basis of the need to implement the principle of “One Step for One Step”.

- Damascus links the possibility of political reforms and the launch of the Constitutional Committee with the Arab commitment to the lifting of Western sanctions. At the same time, the authorities are focusing on parliamentary elections in July 2024. The process of normalization of relations between Syria and Turkey, which began in 2023 initiated by Russia, is also facing similar difficulties.
- At this stage, the situation in and around Syria is not conducive to achieving quick results and overcoming the crisis of the country’s post-war economy. Russia and Iran continue economic cooperation with Syria, but the capabilities of the two countries are not sufficient to rebuild the shattered Syrian economic system. There are three possible channels for external financial and technical support in the near term. These are the UN Trust Fund, humanitarian exemptions from the sanctions of the U.S. and a number of EU member states, as well as opportunities of the UN Development Program, under which some reconstruction works are being carried out. If the political process moves forward, a number of Gulf Arab states can also be expected to participate in reconstruction activities.

1. Socio-Economic Situation in the Syrian Arab Republic

The reconstruction of Syria is one of the most important and most pressing challenges of its post-war development. The peculiarity of the challenging situation in the country is that the civil war has ended per se, but the conflict itself remains unresolved. Its root causes have not been addressed, and the socio-economic and political consequences, aggravated by Western sanctions, continue to have a destabilizing effect. With limited domestic resources and insufficient external financing, there are few prerequisites for broad reconstruction and the implementation of major projects. At this stage, we are talking about nothing more than reconstruction works to maintain the population's livelihood and the functioning of the social sector as a whole, which is part of the "early recovery" concept common in the West.

The term "early recovery" implies humanitarian assistance that does not cover projects related to economic reconstruction. It includes work on water, sanitation, electricity, trade logistics, rehabilitation of health and education networks up to advice on local governance, reintegration of refugees and displaced persons¹. There is still no clear line drawn between recovery and reconstruction, and there is debate among Western policymakers on this issue. Another fact complicates the overall situation. On the one hand, in 2020 and in 2023, various kinds of "exemptions," "authorizations," and issuance of "special licenses" were introduced to provide humanitarian assistance to Syria to combat COVID-19 pandemics and eliminate the consequences of the earthquake damages. On the other hand, the United States is increasing the "maximum pressure" on Syria and threatening secondary sanctions on those countries, including the Arab countries, which are ready to provide financial and material support to Syria. According to a number of European specialists, the provisions on sanctions waivers are not effective in practice, not so much for political reasons, but because the multitude of restrictions adopted over the past twenty years duplicate each other and create a tangle of confusing bureaucratic procedures².

The main problem is that Syria's territory is a fragmented military and political space. De facto, the country has also developed several parallel economies:

1 Al-Issa J., Ibrahim H., Karazi H. Early recovery projects in Syria and political obstacles // Enab Baladi, 30 May 2024. – URL: <https://english.enabbaladi.net/archives/2024/05/early-recovery-projects-in-syria-and-political-obstacles/>

2 Briefing: Just how "smart" are sanctions on Syria // The New Humanitarian. – URL: <https://www.thenewhumanitarian.org/analysis/2019/04/25/briefing-just-how-smart-are-sanctions-syria>

- Syrian government-controlled territories (about 68%);
- the northeast, controlled by the Kurdish Autonomous Administration for Northern and Eastern Syria (AANES), supported by the US military (about 22%);
- the “buffer zone” of northern Syria, under the control of Turkey and the Syrian militias it supports (about 5%);
- the Idlib province zone, controlled by the terrorist organization Hayat Tahrir al-Sham (banned in Russia) and governed by the “National Salvation Government” (about 2%);
- the US-dominated At-Tanf zone in the southeast of Syria (about 3%).

As a result, economic and trade communications have been severed. With dwindling internal and external resources, it is becoming more difficult for the government to keep the economy afloat and address social issues than during the active phase of hostilities. For their part, the USA, the European Union, and the Gulf Arab states are imposing preconditions that the Syrian government is not yet ready to meet.

The majority of Syrians are struggling to survive in the face of constantly rising prices, shortages of food, energy and fuel. Of all the conflict hotspots in the region, Syria has suffered the greatest losses. They are in the form of material destruction, human casualties and a decline in the quality of human capital. Total war damage is estimated by the Syrian Ministry of Finance at \$300 billion³. More than half of the basic infrastructure has been destroyed. The health care system, one of the most developed in the Middle East before the war, has been significantly undermined.

◆ **The living standards of the vast majority of the population are plummeting. Mass poverty is a particular problem. According to the UN, 90% of Syrians live below the poverty line, 70% are in need of international humanitarian aid, and life expectancy has fallen by 20 years⁴.**

Minister of Economy and Foreign Trade Samer Khalil was forced to admit that 2022 was “the most difficult year in the last 50 years⁵”.

The economic situation in the country continues to deteriorate. Not only in the provinces, but also in the capital, the population continues to

³ Syrian Finance Minister: 300 Billion Dollars in War Losses // The Syrian Observer, 23 May 2024. – URL: <https://syrianobserver.com/society/syrian-finance-minister-300-billion-in-war-losses.html>

⁴ Security Council: 12 years of war, leaves 70 per cent of Syrians needing aid // UN News, 25 January 2023. – URL: <https://news.un.org/en/story/2023/01/1132837/>

⁵ 2022 Worst Economic Performance in 50 Years: Regime’s Economy Minister Promotes Magical Decisions // The Syrian Observer, 3 February 2023. – URL: <https://syrianobserver.com/news/81565/2022-worst-economic-performance-in-50-years-regimes-economy-minister-promotes-magical-decisions>

- ◆ **be forced to live with a lack of sustainable electricity supply (in some areas electricity is supplied for one to two hours a day, in others for an hour every five or six hours), interruptions in water supply and constant shortages of essential commodities.**

Growing budget deficits and galloping inflation are forcing the authorities to reduce the size of government subsidies and narrow the range of recipients, which previously had kept prices more or less affordable. With production plummeting and imports, including counterfeit imports, prices for essential commodities are determined by the dollar exchange rate. Since February 2023, the Syrian lira has depreciated almost two and a half times against the US dollar⁶.

The measures taken by the government to bring the official and unofficial rates of the Syrian lira closer together had limited effect, and did not fundamentally change the situation. Despite the fact that the government doubled salaries in the summer of 2023, inflation literally “ate” all the gain, and the population’s income decreased. As a result of such actions, job compensations in dollar equivalent became even lower. The rampant price increases (averaging about 10% per month) in fuel and basic foodstuffs such as flatbread, chickens, eggs, olive oil, etc. are particularly painfully affecting the population. Lamb and other traditional animal meat dishes are gradually disappearing from the daily diet of most Syrians.

The Syrian Government is making efforts to mitigate the social and political consequences of the crisis to the best of its limited capacity, including through a combination of market and state regulation and partial reform of the tax system. However, in addition to external negative influences, there are a number of objective internal obstacles to economic recovery, which is virtually impossible without an inflow of investment from the Arab Gulf States and the West.

These are, first and foremost, problems in agriculture and the lack of water resources, which is linked to climate change. According to Syrian agricultural specialist Jalal Al-Attar, in 2015, water volumes in the Syrian part of the Euphrates decreased by 40% compared to 1972⁷.

- ◆ **Earthquakes and frequent droughts have affected wheat harvests, leaving Syria with an acute shortage of this strategic crop, satisfying the demand for it with imports, including from Russia. Fuel shortages have further complicated the situation, exacerbating the energy crisis. The problem**

⁶ Syrian Arab Republic: 2024 Humanitarian Needs Overview (December 2023) // Unocha.org, 21 December 2023. – URL: <https://www.unocha.org/publications/report/syrian-arab-republic/syrian-arab-republic-2024-humanitarian-needs-overview-december-2023>

⁷ Source: author’s personal archives.

is that while domestic oil demand is 3 million barrels per month, only 300,000 barrels are produced in government-controlled territories⁸.

The rest of the oil is produced in the Kurdish AASIS (Autonomous Administration of Northeast Syria) zone. After the USA, occupying this zone, imposed a de facto embargo on oil supplies from there for Damascus, there is a severe shortage of fuel in the areas under government control. The shortage is compensated by oil supplies from Iran and partly from Russia.

New non-military but no less dangerous challenges oblige the Syrian Government to adequately assess the risks, assuming that the real threats are posed primarily by the economy. Pockets of protests periodically emerge in the south and north-west of the country, but a sharp deterioration in this area could lead to more radical manifestations of the accumulated contradictions in their most unexpected forms.

However, in the current situation, economic reconstruction, which can alleviate the situation of the majority of the population, is inextricably linked to politics, security, the restoration of the country's territorial integrity by peaceful means on the basis of national reconciliation, and the reform of public administration in the center and the periphery. The reconstruction process is multifaceted and requires compromise. However, no practical steps in that direction have yet been taken by the Syrian leadership. This is evidenced by the analysis of Damascus's domestic and regional policy in the context of the emerging new security architecture in the Middle East, taking into account the crisis in Gaza and the nature of its relations with the major stakeholders and players.

⁸ Polyakov D. Syria in 2023: Decline and Unfulfilled Hopes (Polyakov D. Siriya v 2023 Godu: Upadok i Nesbyvshiesya Nadezhdy) // RIAC, 11.01.2024. – URL: https://russiancouncil.ru/analytics-and-comments/analytics/siriya-v-2023-godu-upadok-i-nesbyvshiesya-nadezhdy/?sphrase_id=146557723

2. Syria's Return to the League of Arab States: the Results of the Past Year

In May 2023, a decision was taken to renew Syria's membership in the LAS, which had been suspended since the outbreak of the civil war in 2011. This was followed by a series of steps towards normalization with Saudi Arabia. These include the opening of diplomatic missions in Damascus and Riyadh, exchange of ambassadors (the UAE, Bahrain and Oman had done so earlier), reciprocal high-level political visits, partial unfreezing of bilateral trade and resumption of air travel. There has been a change of tone in "top-down" statements in Syria itself. President Bashar al-Assad participated in two meetings of heads of state in Jeddah (LAS + OIC in May 2023) and Manama (LAS in May 2024), which shows pragmatism in approaches to international and regional politics. Certainly, the position of Saudi Arabia is of particular importance for Syria, since Riyadh is gaining weight in the region and, together with other Gulf states, is best positioned to mitigate the pressure exerted on Syria by the United States and Israel.

The turn towards Syria's return to the Arab vector has taken place against the backdrop of the trend over the past two years towards building new regional alliances. This was prompted by such factors as fatigue from ongoing conflicts, the need for mutually beneficial economic cooperation in the face of slowing global growth and disillusionment with United States Middle East policy. Signs of the easing of tensions, a kind of Middle East detente, include a number of important developments in this direction. Turkey has taken the path of reconciliation with neighboring Arab states. During Erdogan's trip to the Persian Gulf region (July 2023), many economic agreements were signed in Saudi Arabia, Qatar and the UAE. Turkey has signed agreements totaling \$50.7 billion with the UAE alone. In addition, Saudi Arabia signed contracts favorable to Turkey for the purchase of a large batch of drones⁹. There has been a rapprochement between Turkey and Iran, most of the internal disagreements that had hampered the work of the Gulf Cooperation Council (GCC) have been resolved, and the role of the UAE, Egypt and Qatar as moderators of the conflicts in Lebanon, Iraq and Libya has increased significantly. The diplomacy of Qatar and Egypt has made an indispensable contribution to negotiating the terms of the ceasefire in the Gaza Strip. The

⁹ Dalay G. Turkish Foreign Policy in an Unhinged World // Middle East Council on Global Affairs, 30 May 2024. – URL: <https://mecouncil.org/publication/turkish-foreign-policy-in-an-unhinged-world/>

ongoing discussions on the terms of Saudi Arabia's recognition of Israel, dubbed the "grand bargain", also fit into this context.

It is important to emphasize that the new regional dynamics, including the decision to return Syria to the LAS, would hardly have been possible without the restoration of diplomatic relations between Saudi Arabia and Iran in March 2023. This major breakthrough, preceded by mediation efforts not only by China but also by the Arab states themselves, has contributed to the healing of the region. Syria was also part of the broad Saudi-Iranian "package deal".

All these changes have not yet become irreversible, although they have been tested by the Palestinian-Israeli conflict, which escalated after October 7, 2023. The exchange of missile strikes between Israel and Iran in May this year did not have negative consequences for the region. Saudi Arabia took a balanced stance while Iran reduced the presence of proxy militias under its control in the Golan Heights region of Syria. High-level political contacts, including between Saudi and Iranian intelligence agencies, have continued unabated. Bilateral security arrangements also continue to be in place. In Yemen, despite escalations in the Red Sea caused by the crisis over the Gaza Strip, the longest ceasefire remains in place while Saudi Arabia has removed itself from interfering in the area of Iranian interests inside Syria and Iraq.

The Middle Eastern states prefer to find their own ways of solving the accumulated internal problems and try to avoid American dictate. Most of them are gravitating towards an adaptation policy, diversifying their foreign policy in the context of the unfolding global confrontation. However, there have been no significant developments in terms of addressing the practical issues of investment cooperation and financial assistance so important for Syria after the restoration of its membership in LAS. Saudi Arabia and other Arab States continue to believe that it should be a two-way street.

◆ **The Arab "summit" in Jeddah decided to form a five-state LAS "contact group" (Egypt, Saudi Arabia, Iraq, Lebanon, Jordan) and Syria. The statement of the members of this group explicitly states as follows: "We emphasize the need for effective practical steps towards a gradual resolution of the crisis on a step-for-step basis¹⁰".**

That is to say, the resumption of economic cooperation is conditional. Syria is required to reaffirm its seriousness in seeking national reconciliation. This means reaching agreements with the moderate opposition through a political process based on the UN Security Council Resolution 2254, which also provides for constitutional amendments and "free and fair elections" under UN auspices.

In the initial phase, the LAS ministerial team established to oversee the

10 Hendawi H. Syria granted conditional return to Arab League // The National, 7 May 2023. – URL: <https://www.thenationalnews.com/mena/syria/2023/05/08/arab-league-syria-return/>

implementation of the preliminary agreements is prioritizing issues such as stopping the smuggling of narcotic substances from Syria to the Gulf countries through the border with Jordan, creating a safe environment for the return of refugees and the release of political prisoners not involved in terrorist activities.

◆ **In terms of “early recovery”, the flow of financial resources has so far been limited to humanitarian aid from the special Center named after the King of Saudi Arabia and other Gulf States to deal with the consequences of the earthquake of 2023. It is indicative that with the delayed and politicized reaction of the West, 74% of the urgent humanitarian aid to Syria between February 6 and 13, 2023, was provided by Arab countries.**

Bashar Assad, for his part, agreed to open two additional border crossings from Turkey (Bab As-Salameh and Ar-Rai) in the non-government-controlled northwest of Syria.

However the hopes of Syrian citizens for post-war reconstruction and assistance from external donors cannot be realized due to U.S. sanctions. Since the end of 2023, they have had a harsher impact on third countries cooperating with Syria and have also become extraterritorial in nature.

◆ **The vagueness and breadth of the sanctions have created an atmosphere of “overcompliance,” in which potential donor governments, companies, commercial organizations, and NGOs tend to play safe and avoid direct involvement even in small projects.**

Some Gulf Arab states have signaled that they are willing to support reconstruction in the expectation of creating a counterbalance to Iranian influence, but are not yet willing to take the risk.

3. Conflict Resolution

The UN Secretary-General's Special Envoy for Syria Geir O. Pedersen, in briefings to the Security Council, regularly urges the international community to keep Syria in focus, warning of the continuing risks of an unresolved - some even say "forgotten" - conflict. In his assessment, the situation in Syria is in a state of "strategic stalemate" and a solution can only be found on the political track. The work of the Constitutional Committee, created with great difficulty with Russian assistance in 2019, stands still. Since May 2022, it has been practically paralyzed. Syrians themselves no longer seem capable of negotiating, still trapped in political delusions. The government feels victorious, while the motley opposition does not give up its demands and ambitions.

Tactically seen, Damascus is trying to engage Saudi Arabia in mediation efforts and has offered Riyadh as a venue for the resumption of the Constitutional Committee. The kingdom, for its part, has so far shown no interest in getting more involved in inter-Syrian affairs, while watching developments around Gaza and US mediation efforts to negotiate the terms of final normalization with Israel, which include committing to a solution to the Palestinian case.

The outcome of the August 15th, 2023 meeting of the Arab Ministerial Group in Cairo showed that the restoration of Syria-Gulf Arab relations is going through significant difficulties. The Syrian side links political reforms, including the launch of the Constitutional Committee, to the commitment of the Arab countries to guarantee the lifting of Western sanctions, and also refers to the parliamentary elections in July 2024. By and large, Bashar Assad has not yet shown willingness to make concessions, without which it is impossible to obtain the necessary assistance. President Assad's meeting with Saudi Crown Prince Mohammed bin Salman in Manama in May did not yield tangible results. The text of the declaration adopted at the end of the "Arab Summit" repeats the Arab position and contains no indication of any change, and the next meeting of the LAS ministerial group on Syria has been postponed indefinitely¹¹.

Russian diplomacy has been working for years to warm the political climate around Syria in the Arab world and provide it with channels for external investment. Now, after Syria's return to the LAS, its inflexible line at a time when the majority of the Syrian people are on the brink of survival is perceived in Moscow with a certain discontent.

11 Full text of the Arab League summit's Bahrain Declaration // The National, 16 May 2024.
– URL: <https://www.thenationalnews.com/news/mena/2024/05/16/full-text-arab-league-summit-bahrain-declaration/>

4. Syria–Turkey

In many ways, the situation is similar to the process of normalization of Syrian-Turkish relations. The rapid changes in the global and regional dimensions in 2022-23 pushed the leaders of Syria and Turkey to realize that further balancing on the brink of direct confrontation is not beneficial for both countries. The movement toward rapprochement began at the initiative of Russia, which sees the easing of military tensions and political arrangements between Syria and Turkey as one of the possibilities for advancing a peace settlement after the peace process in Geneva stalled.

◆ **The strip of territory on the Syrian-Turkish border represents a single “eco-space” in terms of economy, trade exchanges, transit of people and security. Inside Turkey, the issue of restoring relations is directly related to the migration crisis and the need to return (repatriate) Syrian refugees, whose number, only registered, was estimated at 3.3 million in mid-2023.**

Damascus also expects to benefit from the rapprochement with Turkey, given the official confirmation of the Turkish side’s commitment to the principles of territorial integrity and the fight against terrorism, although there are deep disagreements over who should be classified as terrorists. In the context of Syria’s state structure, the agreements with Turkey are ultimately linked to the solution of one of the constituent problems of the political settlement - the Kurdish problem.

By mid-2022, closed communication channels between the Syrian and Turkish intelligence services demonstrated their readiness to continue negotiations at the military and political levels, as well as their interest in Russia’s assistance. Later, a mechanism of interaction was built through successive negotiations in three formats: intelligence services, defense ministers and foreign ministers. Iran’s accession to this process gave it additional weight. The final outcome of the series of meetings in this format was to be the summit talks. Such readiness on the Turkish side was officially announced by President Erdogan¹².

In 2023, talks at the level of defense (April 25th) and foreign ministers (May 10th) were held, preceded by working-level meetings of deputy ministers. The negotiation process was very difficult, both from an organizational point of view and in terms of the course of discussions on substantive differences. The Russian representatives managed to bring the Syrian and Turkish participants to tentative agreements on agreeing on a road map and restoring relations with a view to

¹² Dalay G. Turkey’s New Syria Narrative // Middle East Council on Global Affairs, 24 October 2022/ – URL: https://mecouncil.org/blog_posts/turkeys-new-syria-narrative/?utm_campaign=MECGA%20Soft%20Launch&utm_medium=email

preparing for the summit. Further progress, however, could not be achieved.

The Syrian side insisted on preconditions, chief among which was the provision of a timetable for the withdrawal of Turkish forces from Syrian territory. Without concrete commitments on this issue, a meeting with Erdogan in Damascus was considered premature. Turkey, while showing willingness to normalize relations without preconditions, emphasized the need for a security guarantee if Turkish troops leave the buffer zone in northern Syria.

◆ **The armed formations of the Syrian Democratic Forces (SDF), which serve as the backbone of the Kurdish Autonomous Administration of North and East Syria (AANES), are considered by the Turks as a terrorist organization. Therefore, Turkey prefers to solve the whole set of issues related to the withdrawal of troops gradually, as relations normalize and in conjunction with security issues.**

Otherwise, as Ankara believes, and not without reason, the withdrawal of Turkish troops could lead to a new large-scale outbreak of hostilities involving terrorist organizations concentrated in Idlib and the north-west of Aleppo province.

5. Features of the Political System and Governance

Syria's dire economic situation is only partly the result of external factors - the sanctions regime, the fragmentation of the territory, the continued American control over much of Syria's natural resources. In addition, there are serious problems of governance. Without seemingly significant changes, the system has been severely transformed in recent years, and its effectiveness has declined significantly.

As the military de-escalation progresses, the Government's own unwillingness or inability to establish a system of governance that would provide the conditions to contain corruption, criminalization and the transition from a "war economy" to normal trade and economic relations has become increasingly evident.

◆ **Today, the country has several parallel verticals of power: family and clan groups; special services and armed forces; the state apparatus; the Ba'ath party structure; and religious institutions. These structures overlap each other, while at the same time competing with each other for control over financial flows.**

Recently, a network of non-profit organizations has also formed, the influence of which is linked to the country's first lady, Asma al-Assad. Each of the power structures operates on its own resource base, headed by key figures from the president's inner circle.

According to the assessments of prominent Syrian economists, the central government in Damascus is failing to regain control over economic life in the outlying provinces. Even in areas under government control, the "rules" of the local economy are still in force, with widespread levies on all types of trade, transit, transportation, humanitarian convoys for the benefit of a chain of privileged army and security forces, commercial intermediaries and associated big businessmen loyal to the government, both traditional, close to the president's family, and the nouveau riche who enriched themselves during the war¹³.

◆ **Power is consolidated through a system of patronage. Multilevel governance through formal state institutions and a shadowy network of socio-economic and confessional relations, built on the client-patron**

¹³ Aksenenok A. War, Economy, Politics in Syria: Broken Links (Aksenenok A. Vojna, Ekonomika, Politika v Sirii: Razorvannye Zven'ya) // Valdai Club, 17.04.2020. – URL: <https://ru.valdaiclub.com/a/highlights/vojna-ekonomika-politika-v-sirii-razorvannye-zvenya/>

principle. This system constantly fuels a corrupt environment in the distribution of financial flows and natural rents.

The centers of influence and business structures formed during the years of war are not interested in the transition to peaceful development, while in the Syrian society, in the circles of entrepreneurs from the real economy sectors and among part of the state apparatus, there is a demand for reforms (“Syria can no longer be the way it was before the war”).

The current situation in and around Syria is not conducive to achieving quick results and alleviating the crisis in its post-war economy. Moreover, the Government of the Syrian Arab Republic today lacks a comprehensive strategy for development in the new environment. The Syrian leadership also lacks the necessary flexibility and fears making political concessions that could entail unacceptable risks.

In practice, however, there are three channels for potential external financial and technical assistance for reconstruction. A prerequisite for this would be that the United States and EU countries soften their stance on normalization with the SAR at the regional level, given that the Syrian side has taken a neutral position in the Gaza crisis and refrained from supporting Hamas. Thus, such possible channels for providing support to the SAR include the UN Trust Fund, assistance from a number of European states and the UN Development Program, which implies the implementation of separate reconstruction works in Syria with a budget of \$692 million in 2024-2026¹⁴.

In the second half of 2023, in accordance with the Security Council resolutions adopted in the period from 2022 to 2023, the UN specialized services together with the Syrian government began work on the preparation of the Syrian Early Recovery Program and the procedure for its financing through a special Fund to be created for these purposes. The amount of funds to be raised is estimated at \$500 million for a period of five years. The UN apparatus expects that against the background of the crisis in Gaza and the possibility of its spread to neighboring countries, a number of obstacles to the allocation of funds will be removed. The UN-backed trust fund is seen as an alternative channel for donors wary of sanctions¹⁵.

The latest eighth European Union donor conference held in Brussels at the end of May 2024 demonstrated that there are divergences among European

14 Syria: United Nations Development Programme // UNDP.org. – URL: <https://www.undp.org/syria>

15 Al Dassouky A. Early Recovery Trust Fund in Syria: A Technical Approach With Political Implications and Associated Risks // OMRAN Strategic Studies, 16 May 2024. – URL: <https://www.omranstudies.org/index.php/publications/papers/early-recovery-trust-fund-in-syria-a-technical-approach-with-political-implications-and-associated-risks.html>

countries on the issue of rebuilding Syria in the face of a rapidly deteriorating humanitarian situation. While Germany and France continue to take a hard line, making exceptions only for opposition-controlled northeastern areas, a group of eight EU member states (Austria, Czech Republic, Cyprus, Denmark, Greece, Malta, Poland) advocated for a “reassessment” of the situation in Syria in light of the worsening humanitarian crisis. This group of eight European countries is most interested in creating an environment conducive to the return of refugees, which should be facilitated by programs that fall under the category of “early recovery”¹⁶¹⁷.

Thus, the reconstruction of Syria with external resources from the United States, Europe and the Gulf States is essential. At the same time, the problem of post-war reconstruction of the Syrian Arab Republic remains politically conditioned. At the same time, military and political tensions in the world and sanctions pressure limit the ability of Syria’s allies Russia and Iran to provide financial and economic assistance to Syria in the required amounts. China, in turn, is taking a wait-and-see attitude, limiting itself to general statements of readiness to provide funding.

The Russian Federation’s military involvement at the numerous requests of President B. Assad, as well as its firm political position at the international level, allowed Damascus to preserve its statehood, defeat numerous terrorist organizations and return to the orbit of regional politics. In the post-war period, Russia has also made significant efforts to provide real assistance to the SAR in rebuilding its devastated economy. The government is encouraging Russian businesses to work more closely with Syrian companies on a public-private partnership and most-favored-nation basis, although “command methods” are no longer as effective in the Russian economy as they were in Soviet times. At the same time, the Syrian government is required to take consistent steps towards a comprehensive development strategy, establishing a central and local public administration system capable of combating corruption. In addition, preferential treatment for foreign investors, respect for the law, and an early transition from a “war economy” to normal trade and economic relations are expected.

Russia is also making an important contribution to the rehabilitation and modernization of the energy sector. Russian companies that are under sanctions are taking part in the reconstruction of oil FEC infrastructure facilities, including hydroelectric power plants and refineries, and are also carrying out work to explore and exploit new oil and gas fields. Stroytransgaz, in cooperation with Syrian partners, is implementing a project to develop the civilian part of the Tartus port, and since 2018 has been producing phosphates, the export of which was an important

16 Brussels VIII: A Year of Prolonged Crisis and Unresolved Challenges for Syria // The Syrian Observer, 4 June 2024. – URL: <https://syrianobserver.com/refugees/brussels-viii-a-year-of-prolonged-crisis-and-unresolved-challenges-for-syria.html>

17 EU members say conditions in Syria should be reassessed to allow voluntary refugee returns // AP World News, 7 June 2024. – URL: <https://apnews.com/article/migrants-refugees-syria-eu-lebanon-safe-zones-returns-3b52a8b2d55acb6838c1e34916638f4b>

source of foreign currency revenues to the budget until 2011. It is noteworthy that in the field of energy and transportation infrastructure rehabilitation, Russia and Iran have recently shifted from competition to cooperation, complementing each other.

A comprehensive analysis of the prospects for Syria's economic "rehabilitation" in the post-war period shows that this urgent task can only be solved by coordinating efforts at the international level. This could be a point of convergence between the interests of all parties, where economic and humanitarian assistance would be seen as inseparable from progress on the political track.



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