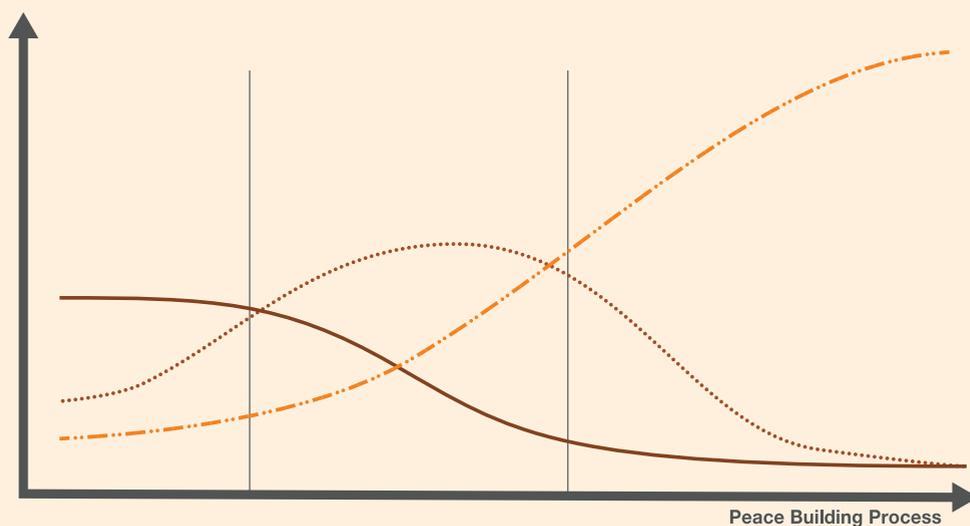




عمران  
للدراسات الاستراتيجية  
OMRAN  
FOR STRATEGIC  
STUDIES

# Economic Recovery in Syria:

## Mapping Actors and Assessing Current Policies



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OmranDirasat.org

**Economic Recovery in Syria:  
Mapping Actors and Assessing Current Policies**

## **Note of Appreciation**

Omran for Strategic Studies expresses its gratitude for support received from:



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**Economic Recovery in Syria:  
Mapping Actors and Assessing Current Policies**

**Omran Center for Strategic Studies**

## **Omran Center for Strategic Studies**

An independent think tank and policy research center focusing on presenting an objective understanding of Syria and the region to become a reference for public policies impacting the region.

Omran began in November 2013 in Istanbul, Turkey. It publishes studies and policy briefs regarding Syrian and regional affairs in the areas of politics, economic development, and local administration. Omran also conducts round-table discussions, seminars, and workshops that promote a more systematic and methodical culture of decision making among future leaders of Syria.

Omran's outputs support decision making mechanisms, provide practical solutions and policy recommendations to decision makers, identify challenges within the Syrian context, and foresee scenarios and alternative solutions.

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Published in Arabic and English August, 2019

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## **Introduction**

The conflict in Syria that has been dragging on since 2011 generated many challenges that began to take shape as the conflict is coming to an end. Some of the key challenges pertain to early economic recovery which has already started in the various areas of the country, with their different influences, needs, resources and potentials. Given the current situation in Syria—with the consolidation of zones of influence and the faltering political process - local, regional, and international policies have begun to adapt to this reality, with key stakeholders launching early economic recovery projects in the established zones of influence.

The political and military landscape in Syria remains precarious and questions of the capacity of different actors, reality of these regions and the political context pertaining to economic recovery in these areas must be addressed in order for stakeholders to successfully implement early recovery projects. Accordingly, the Omran Center for Strategic Studies has developed a research series to understand the dynamics, political compass, requirements, and challenges of these early recovery projects so for them to facilitate the establishment of stability on the ground.

Early recovery is critical because it is the phase that is supposed to transition the country from conflict to peace and stability and lay the foundation for the subsequent reconstruction process. This phase has political and social dimensions that are of equal importance to its economic dimension. The political dimension involves working to stop violence throughout the country, establishing new governance institutions, and reaching a political solution that generates stability. The social dimension includes relief work, accommodations and housing for refugees, and national reconciliation after the preparation of an appropriate security environment. The economic dimension includes the restoration of basic public utilities, relaunching of the economy moving, rebalancing the macroeconomic framework, and dismantling the components of the conflict economy in areas both outside of and under state control. The above political, social, and economic

elements are significantly intertwined and success in any one area depends on success in the other two.

The research orientation of Omran Center assumes that the coming phase in Syria will take place in a military post-conflict setting and that a most likely scenario to play out will be one of two: The first scenario is the instilment of the zones of influence: a ‘useful Syria’ with Iranian and Russian influence, eastern Syria with Western-Arab influence, and northern Syria with Turkish influence. The second scenario is continued investment in the ceasefire by regional and international actors, with priority placed on declared or undeclared negotiations to reach a new form of authority in which the existing regime maintains the largest share, thanks both to the efforts of its allies and the regime’s success in retaining the mechanisms of control.

The overall objectives of the research orientation of Omran Center are to identify criteria for an effective early economic recovery that is conducive to stability and development and to create a policy framework for implementing those recovery efforts. This research also aims to define the requirements and conditions for early recovery as they relate to security, governance, and development and to reach a position regarding the regime’s ability to handle Syria’s post-conflict challenges and to implement recovery and reconstruction policies. In this context, Omran has produced five reports:

1. A political analysis paper on the political context of early recovery in Syria;
2. An analytical paper of early economic recovery in Syria: challenges and priorities;
3. A paper on the political economy of early recovery in Syria;
4. A study on Early Recovery in Syria: An Assessment of the Regime’s Role and Capability; and
5. A study on the Turkish approach to early economic recovery in Syria, Euphrates Shield area as a case study.

Ammar Kahf, Ph.D  
Executive Director

## *Chapter 1*

# *The Political Context of Early Recovery in Syria*

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## **Chapter 1: The Political Context of Early Recovery in Syria**

### **I. Introduction**

This paper proceeds from the need to understand the current political context in Syria and the position of early recovery efforts within that context in order to determine how compatible the early recovery approach is with the generators of stability and social cohesion. This issue will be assessed from three different perspectives:

The first perspective will test the hypothesis that military operation drivers are over, leaving the complex security landscape under the current zones of influence, which may develop into one of two scenarios: a permanent situation where the security borders between the de facto different zones of influence will become political borders, leading to all the necessary changes in the structure of the political system. Or the situation will turn into a state of expected confrontations between these zones of influence due to the divergent approaches.

The second perspective is related to the political compass of early recovery mobility, identifying indicators of normalization and adaptation with the current military equation. Accordingly, the report tries to identify whether this recovery is a step towards overcoming the challenges faced by the regime, and if this political compass is capable of effectively generating and delivering services according to good governance frameworks that require community involvement while considering the lack of safe environment and administrative structures.

The third perspective is related to the identification of obstacles and political conditions of early recovery, which are closely connected to the concepts of security, local response, and good governance frameworks. That also includes policies linking supporting the economic recovery process with the need to reach a political solution in Syria and implementing a set of structural changes in the structure of the Syrian state.

## **II. Indicators of Recovery or Normalization of the Zones of Influence Borders?**

The so-called early recovery policies are taking shape in light of the security borders that are being further instilled following a series of security agreements that dominated Syrian territories and the military landscape to establish a security reality whose borders are divided between three zones of influence and different regional and international powers. As the military approaches of regional and international actors focused on different and sometimes conflicting security objectives, the dynamics and interaction of these approaches have created a local reality on the ground. Administrative and developmental efforts are required for this reality to improve livelihoods and to provide an “acceptable” level of stability in order to launch the process of early recovery. However, the military and strategic requirements governing these approaches are still primarily linked to security objectives that threaten any early recovery efforts, especially in light of the failure to reach a political solution.

**The American approach**, which focused on the “priority of counterterrorism” and entailed the need to support the Syrian Democratic Forces (SDF) militarily and administratively, is now moving towards escalation in order to impede the Iranian project in a manner that does not drag the US-led global coalition into direct confrontation with Iran. This, however, does not mean that confrontation levels will remain under control; rather, they are likely to develop in two directions: an American-Russian agreement to give Israel the green light to engage in this confrontation inside Syria; and the deployment of new American bases in Iraq and Syria. This approach conflicts with the strategic security determinants of Ankara, which regards Washington’s ally, the Syrian arm of the Kurdistan Worker’ Party (PKK), as an enemy. As a result, Turkey continues to consider military options in Syria which makes any early recovery efforts precarious. Although negotiations to reach a political deal are ongoing, they have not yet borne fruit.

**The Russian approach**, based on Russia’s dominant position in the Syrian arena, sought to make pre-political-agreement arrangements that calmed different fronts of the conflict through security understandings. Russia has

continued to provide military support and advice to the regime's forces and allies to consolidate the regime's structure to empower it for the requirements of the coming phase. Even if excluding the collision file with Tehran, which is competing with Moscow in the acquisition of the structures of the Assad regime and restructuring it, the Russian approach still clashes with two issues that are likely to restore military momentum, and which would lead to a shift in attention from challenges related the regime's depleted structure and development to possible military mapping. Indicators of these maps are beginning to appear in the Idlib issue (one of these two issues), which could lead to possible attrition and a threat to "de-escalation" formulas that reduced the cost of Russian military involvement. The second issue is related to the potential faltering of negotiations with the Democratic Union Party (PYD), whose political terms are dependent on the fluctuating American parameters.

**Iran's approach** seeks to protect Iranian gains in Syria and ensure their sustainability. Iran continues to consolidate its force deployment in the Badiya desert area and maintain a security threat to Israel near the southern front in order to improve its own security leverage in the agreements for those areas. This will enable Iran to protect its land routes in the Syrian Badiya desert and implicitly resist Moscow's attempts to seize full control over military dynamics, including Moscow's pressure on its allies to coordinate and restrict the support to the Hmeimim room, taking advantage of Moscow's need for human resources which the regime has lost but Iranian, Lebanese, Iraqi and Afghan militias still have, or of its organic involvement within the structure of the regime.

Tehran's strategy in Syria runs up against the approaches of other actors all of whom agree on the need to curtail Iran's influence and reduce the size of its forces in Syria. The tactics of these approaches to contain Iran include qualitative economic sanctions, the designation of the Iranian Revolutionary Guard Corps as a terrorist organization, and the concentrated efforts of the countries of the February 2019 Warsaw Conference to implement multi-faceted containment policies<sup>(1)</sup>. Although seemingly under control, these efforts indicate that conditions are moving towards a major war.

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<sup>(1)</sup> Jan Smolenski & Virginia Pietromarchi, US-led Middle East conference in Warsaw: All you need to know, 13 February 2019, Aljazeera: <https://bit.ly/2tjciZg>

**The Turkish approach**, which is based on a policy of vigilance and preparedness, aims to strengthen the areas of Turkey's security line of defense around Afrin and the Euphrates Shield zone in northwestern Syria. Turkey pursues this policy by equipping Syrian opposition police and security structures with logistic requirements and training programs, aiming to create a local force able to counter attacks by any forces that threaten general security in northwest Syria and near the Turkish border. Turkey also believes it is necessary to prepare for a decisive confrontation with the Autonomous Administration in order to redefine the administrative control in areas of northeastern Syria and to undermine all the efficiency tools of what it considers to be arms of the PKK. Although the Turkish approach seems very cautious in addressing expected clashes, the ingredients for potential confrontations are there, such as those imposed by the implications of the situation in Idlib where Russian bombardment is escalating. Hence, opportunities for indirect confrontations with the regime are more likely as the regime seeks to exploit all of these dynamics to consolidate its security, military, and political control over all areas of Syria, including those related to Turkish military intervention east of the Euphrates River. This makes early recovery take a step-by-step approach with a policy accomplishment by proxy instead of establishing governance frameworks which would reflect negatively on the Astana track.

The approaches of international actors described above have contributed to the development of several factors that have come to define the Syrian landscape. The most important of these is the fact that the conflict has not fully ended as Moscow has been unable to adopt a political exit strategy. Instead, it continues to pursue a zero-sum solution both politically and militarily which increases the chances of a confrontation at the regional and international level. Further, enhancement of the emerging zones of influence gradually transforms their security borders into institutionalized political borders to form a new political system that would constitute an entry point for developing a political deal. In this context, the positioning of early recovery is starting to crystalize with no clear political agenda and varying perspectives in the different zones of influence.

### **III. The Absence of National Political Parameters**

If we link early recovery (as an approach embraced by existing administrative structures) with the security reality on the ground, it will lead us to examine the impact of local response of existing structures to security issues in order to meet the challenges. It will also lead us to analyze how stability and recovery are connected to the effectiveness of security sector roles, which was affected structurally and functionally by the multiplicity of security and governance models in Syria on the one hand and various governance performance on the other hand.

Despite the expanding control of the government's authority since 2018, which should in theory create a safe environment that is conducive to the return of refugees and Internally Displaced Persons (IDPs) and serve as a driver for the initiation of early recovery efforts, many factors render the environment in regime-controlled areas unstable. These factors include: the temporary security models that demonstrate that past security policies could resume, which undermine any social synergy with any approach seeking recovery; and the intrinsic relationship between the return of refugees and IDPs and reconstruction policies. According to the United Nations (UN) assessments, reconstruction in Syria will cost 400 billion USD without counting the human costs of the conflict.<sup>(2)</sup> Reconstruction policies are still linked to complex political agreements between the parties to the conflict and external donors in order to create the necessary security and investment conditions.

In general, the regime's reconstruction program seeks to reestablish central control because it sees reconstruction as a path to the normalization of relationships with international actors. Yet the conditions necessary for national restructuring are still absent within the authorities assigned with the task of providing and maintaining security, such as the judiciary and the military authorities. The regime also cannot move towards the formation of strong political and administrative institutions that have a real will to change and are able to improve legal and social monitoring and accountability. The regime does not consider it necessary to build a compatible security sector

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<sup>(2)</sup> Carl Bildt, The legacy of the war: Who will pay the bill for the reconstruction of Syria?, 26 August 2018, blogs of Aljazeera: <https://bit.ly/30XEAAa>

based on an unbiased approach that includes societal consensus on the components of the social system and the principles of a fair economy. Instead, it continues to push towards enhancing its controlled networks and governance.<sup>(3)</sup>

As for the areas that are outside of the regime's control, the unstable security situation has negatively affected the stability of local governance structures (the key stakeholders in response operations), particularly as instances of displacement have increased as a result of recent settlements in opposition areas. Areas governed by local councils face opposing forces that have different ideologies, aims, relations, and approaches. Most local councils have chosen not to play a direct role in local security for many reasons, including: adopting a holistic socioeconomic security approach away from the military aspect; a desire to avoid conflicts of interest with local security bodies, especially those affiliated with opposition factions; and lack of resources that would be required to form security bodies affiliated with them. Instead, local councils have opted to concentrate on providing basic services to all residents, including infrastructure restoration, setting up water and sanitation networks, and implementing development projects that help rehabilitate local communities. The local councils consider these efforts as key pillars that complement their partners' efforts to provide local security and launch early recovery plans and programs. Despite the fact that local councils have accumulated experience and their governance mechanisms have matured, their effectiveness at providing services is still linked to having a stable security environment, which is in turn dependent on a precarious political climate, moving towards enhancing borders of zones of influence, and at the same time contain factors of transition to regional and international levels of confrontation.

Accordingly, in areas outside the regime's control, directives controlling early recovery are governed by a security situation that is still suffering from functional impairments and serious problems related to challenges of institutionalization and consistency as well as ineffectiveness and eroding independence of local structures in relation to donors.

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<sup>(3)</sup> Changing the Security Sector in Syria, Omran Center for strategic studies, 23 October 2017, Turkey: <https://bit.ly/30UgQnM>

The former also face challenges that make it difficult for them to develop and perform their missions of imposing local security, deterring threats, and countering terrorism. In addition, the multiplicity of security actors and the absence of a unified framework and reference governing security work in these areas, led to the poor performance of these bodies and the failure to achieve what was expected of them. These areas feature weak institutionalization and the spread of security chaos in their localities. Levels of this chaos vary from one area to another according to the number of actors, their conflicts of interests, the nature of their interrelations, the type and the size of their capabilities, and the situation in which they operate. It is worth mentioning that the reasons that lead to the weakness of those local structures can be attributed to complex challenges beyond their capacity.

In addition to the above, the political constraints of early recovery are also deepened by: the implications of sociopolitical and developmental problems for the emergence of a recovery-conducive atmosphere, including internal and external displacement and the strain they have put on host areas in terms of development and security where local response rates vary; in addition to issues of social cohesion and the policies of local reconciliation (not surrender), which are still absent as social actions that pave the way for peace as opposed to being dynamics imposed by military victory; as well as the impact of the destruction of physical and social infrastructure which reflects on the work of the formed structures; let alone lack of effective governance mechanisms, as those in place still lack legitimacy, efficiency and fragility in institutionalization and function.

#### **IV. Early Recovery Obstacles and Political Conditions**

Military and security realities in Syria are conducive for the implementation of the Russian definition of a political solution in such a way that neither leads to peace dynamics on which Syrians can agree, on the one hand, nor safe environments that drive Syrians to return, on the other hand. Components of such a solution formula include regaining regime control, relocation of opposition and revolutionary forces and transforming political imperatives into a question of governance by going forward with the “Astanzation” of the Geneva process.

The Russian scheme faces a set of obstacles that differ in their intensity and the repercussions they will have on the early recovery on the mid- and long-terms, making this scheme unstable and increasing the political cost of intervention. These obstacles include:

1. **Obstacles related to the structure of the army**, which has been largely eroded. The army, after its structural and organizational disruptions and attrition in the ranks of both conscripts and volunteers, has become a large militia. This is especially true since the legitimization of local and foreign militias within the army's administrative framework.
2. **Obstacles related to stability**, as well as the effects of demographic manipulation and the negative impacts associated with the absence of transitional justice. There are four criteria that post-conflict environments need and the regime does not meet. These are: programs for the dignified return of the refugees which require local responses and controlled security reality, political consensus, social cohesion, and restoring state legitimacy in preparation for the test of reconstruction.
3. **Obstacles linked to political imperatives**. The lack of a viable political solution in Syria will be an important obstacle to the challenges of state building. In addition, the exclusion of the real Syrian opposition forces from the post-conflict political configuration will represent one of the political obstacles that will make the approach of current regime restructuring more obvious among other approaches. Moreover, the latter obstacle is still has an unspecified cost.
4. **Obstacles related to the Assad regime itself**. The Assad regime's approach to what it calls recovery and reconstruction does not address questions related to the legitimacy and capacity of institutions which do not provide security, justice, or political integration for citizens, nor does the regime consider recovery a step towards ending the economic crisis or a catalyst for social reform. Rather, the regime regards it as an opportunity for self-enrichment and a way to reward its loyalists and punish its opponents. The regime also considers recovery to be an essential part of its efforts to instill the social and the demographic shifts that emerged from years of conflict.

The policy of the European Union (EU) has been surprising in this context. In the beginning, the EU announced that it would not take part in the reconstruction of Syria until comprehensive and real political transition is realized in the country. However in practice, the EU approach has been inconsistent, with EU countries funding UN-sponsored reconstruction programs that work in cooperation with the regime. These programs are still being carried out today, or in some cases they are scheduled to begin in areas where conditions have stabilized following the forcible transfer of the population, as in Homs. There are no guarantees giving original residents the right of return, nor are there attempts to stop the falsification of public records, or efforts to end the regime's confiscation of properties in opposition areas recaptured by regime forces. Furthermore, the EU has not insisted on the need for Assad to leave power as a precondition for participating in these reconstruction efforts. Instead, representatives of EU member states have increasingly acknowledged that Assad may play a role in the transitional period, and perhaps even beyond.

EU member states have been divided between those who have taken a firm stand against any attempt to cooperate with what they consider a regime that is beyond reform, and those who want to appease Bashar al-Assad in hopes of achieving rapid stability, or opening up a lucrative reconstruction market for their companies and development agencies. As a result, the EU over time has distanced itself from stating clearly whether it feels a real transition of power is possible at all or whether President Assad and his entourage can continue to hold power in the country.<sup>(4)</sup>

Therefore, this paper calls for a renewed need to determine the political conditions that must be present in the dynamics of early recovery and reconstruction, so that the latter are not interpreted as a government mission and one of the challenges of the regime which still resists and opposes democratic transition. These challenges also include the implementation of a ceasefire in all Syrian territories; promoting the principle of "safe zones"; monitoring the implementation of a ceasefire through a mechanism agreed on

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<sup>(4)</sup> Muriel Asseburg, Khaled Yacoub Oweis, Syria's Reconstruction Scramble, German Institute for International and Security Affairs., December 2017: <http://bit.ly/2InBnLi>; Abir Hasan, The Reconstruction of Syria, the Field of a Third World War, al-Khaleej Newspaper, 21 April 2018: <http://bit.ly/2F9xt6D>; Annie Sparrow, How UN Humanitarian Aid Has Propped Up Assad, Foreign Affairs, 20 September 2018: <https://fam.ag/2KleBpq>.

by relevant state actors; addressing security, local governance, and good governance frameworks through training packages and materials for administrative structures; and linking support policies to the political solutions and a set of structural changes in the state, especially those related to the security establishment and its policies.

## **V. Conclusion**

The early recovery phase is very important because it is the phase that is supposed to transition the country from war to peace and stability, and the phase that prepares the groundwork for the subsequent reconstruction process. This paper finds that the early recovery phase has political and social dimensions that are of equal importance to the economic components. The political dimension involves working to stop violence throughout the country, establishing new government institutions, and focusing on achieving a political solution that generates stability. The social dimension includes relief work, accommodation for IDPs and creating the conditions conducive to dignified and safe return for refugees, and national reconciliation—after the creation of an appropriate security environment.

The economic aspect includes macroeconomic rebalancing, infrastructure rehabilitation, revitalization of the local economy, and dismantling of conflict economy institutions. The social, economic and political components are highly intertwined, and success in any of them depends on success in other activities.

In all conceivable short- to medium-term scenarios, it is unlikely that hostilities will cease, and the roles of the militias and the conflict economies are likely to solidify and continue. Therefore, the chances are good that early recovery programs will indirectly contribute to overcoming the challenges of the regime. This is especially true in light of the confused policies of donor countries, which have approached this issue regardless of change in the political process, allowing the regime to take advantage of the process to re-legitimize itself and strengthen its grip on power.



## *Chapter 2*

# *Early Economic Recovery in Syria: Challenges and Priorities*

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*Dr. Salam Said\**

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\* Dr. Salam Said is a researcher and lecturer, her research focuses on Arab Economics, Political Economy of Syria, Economic and Trade Reform policies and socio-economic developments.

## **Chapter 2: Early Economic Recovery in Syria: Challenges and Priorities**

### **I. Introduction**

Early Economic Recovery (EER) can contribute to stability and support durable peacebuilding in post-war countries. Therefore, economic strategies in early post-conflict phases should be efficiently designed and integrated into long-term reconstruction policies and should focus on the urgent needs of local populations, creating jobs for people in need and ex-combatants, and reviving economic activities. These strategies should prioritize economic recovery to increase the chance of sustainable socioeconomic development. The main challenges that such early recovery efforts might face include political pressures, distorted prioritization by national leaders, and a lack of human, institutional, and financial capacity.

At the beginning of 2019, Syria faces a set of challenges that will complicate EER in the future. First, the country is divided into four main territories, each controlled by a different political and military proxy power, of both foreign and domestic origin (the Assad regime, Turkey, the Islamic opposition or the Autonomous Administration). The borders between these territories continue to shift and the socioeconomic recovery and development in each area is highly dependent on the dominant power. Second, the bulk of international attention and efforts has gone towards the security sector and political negotiations rather than economic recovery. Third, there is international disagreement on how to deal with the different Syrian territories and how/whether international donors will support or finance economic recovery in Syria under the current contentious circumstances. All these factors can have negative effects on the economic recovery process and undermine all stabilization and peacebuilding efforts in Syria.

Against this background, this paper will demonstrate the need to prioritize economic recovery in Syria, especially in regions that have experienced the most infrastructure destruction as a result of devastating air attacks, and those that host the largest numbers of internally displaced people. Security and peaceful agreements might be important to ensure minimum stability, but

they cannot tackle socioeconomic problems such as inflation, unemployment, poverty, the decline of local production, and the shortage of basic goods and services. Accordingly, stakeholders must rethink their approaches to post-conflict Syria.

This paper will begin with an overview of the concept of EER, before presenting an analysis of the current socioeconomic situation, destruction and economic activities in the different regions in Syria, identifying the main challenges to EER in each. Finally, the report will highlight the main issues to be considered in setting an effective EER program for Syria.

## **II. The Concept, Goals, and Timeframe of Early Recovery**

The term “early recovery” is frequently used in the context of post-conflict countries and peacebuilding strategies. Although there is no unified definition of the term, there is a kind of consensus that it refers to an approach which bridges the gap between humanitarian relief work in the short-term, and sustainable development and durable peacebuilding efforts in the long-term.<sup>(1)</sup>

The first “Guidance note on Early Recovery” was published by the United Nations’ (UN) Cluster Working Group on Early Recovery in 2008.<sup>(2)</sup> It defines early recovery as:

A multidimensional process of recovery that begins in a humanitarian setting. It is guided by development principles that seek to build on humanitarian programmes and to catalyze sustainable development opportunities. It aims to generate self-sustaining, nationally owned, resilient processes for post crisis recovery. It encompasses the restoration of basic services, livelihoods, shelter, governance, security and rule of law, environment and social dimensions, including the reintegration of displaced populations.<sup>(3)</sup>

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<sup>(1)</sup> See Rolf Maier, (2010). Early recovery in post-conflict countries: A conceptual study. Clingendael Institute: <https://bit.ly/2YG6CWH>, Accessed 22 January 2019.

<sup>(2)</sup> In 2005, as part of the reform of the international humanitarian system, the Inter-Agency Standing Committee on Humanitarian Affairs (IASC) assigned UNDP as cluster lead for early recovery to influence the humanitarian community to include development-thinking into humanitarian response. UNDP leads this cluster at global level. More information on this topic, see UNDP (2012). UNDP and Early Recovery: <https://bit.ly/2yE6yMA>, Accessed 12 January 2019.

<sup>(3)</sup> UNDP (2008). UNDP Policy on Early Recovery, p. 7: <https://bit.ly/31aEU66>, accessed 24 February 2019.

In 2016, the Global Cluster for Early Recovery (GCER) redefined early recovery as:

An approach that addresses recovery needs that arise during the humanitarian phase of an emergency, using humanitarian mechanisms that align with development principles. It enables people to use the benefits of humanitarian action to seize development opportunities, builds resilience, and establishes a sustainable process of recovery from crisis.<sup>(4)</sup>

Yet, De Vries and Specker (2009) argue that early recovery should only be seen as a “period of time” between the humanitarian phase, during and immediately after the conflict, and the developmental phase in the medium- and long-term.<sup>(5)</sup> This period of time is differently defined in the literature on early recovery, even if there is a general agreement on its transitional nature. While some researchers and development agencies consider the first three years after the *end* of the conflict as the timeframe for early recovery,<sup>(6)</sup> according to the United Nations Development Programme (UNDP) it could start even before the conflict parties agree on a political settlement. This is because negotiation processes may take several years, during which large-scale funding or long-term reconstruction projects would not be possible.

Regardless of the different definitions of early recovery, it is essential to help local communities return to some form of normalcy, as well as to stabilize the situation from falling back into crisis.<sup>(7)</sup> Its overall goal is twofold: *first*, to restore the basic physical and social infrastructure that helps affected communities restart economic and social activities, earn their livelihoods, and rebuild effective and functional institutional structures; and *second*, to provide sustainable solutions for present problems and consider long-term development goals.

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<sup>(4)</sup> GCER (2016). Guidance Note on Inter-Cluster Early Recovery: <https://bit.ly/2GkYLZW>, Accessed 02 March 2019. P.12. The GCER was created by the UN to lead, coordinate and integrate developmental aspects from the onset of humanitarian operation in all sectors of work. See GCER: <https://bit.ly/2yEOkKK>

<sup>(5)</sup> Hugo De Vries and Leontine Specker, (2009). Early Economic Recovery: concepts, goals, Timing and Actors, Clingendael Institute, p. 8: <https://bit.ly/2M1gwQY>, Accessed 22 January 2019.

<sup>(6)</sup> Rolf Maier, (2010). p. 40.

<sup>(7)</sup> UNDP (2008). pp.7-8.

To reach these goals, early recovery strategies have to take into account a set of general issues:<sup>(8)</sup>

- Rebuilding better, rather than simply building back
- Recognition of pre-conflict socioeconomic imbalances and the promotion of equality, non-discrimination, and accountability
- Destabilization factors that emerged during the conflict (e.g. war economy, ex-combatants, internally displaced population) and future conflict prevention
- Creation of a favorable environment for sustainable development and peacebuilding processes
- Respect for national ownership, non-discrimination and participation principles.

The conceptual linkage between short-term humanitarian work and long-term development and peacebuilding, makes early recovery – whether it is a “period of time,” an “approach,” or a “process” – a great challenge for all local and international actors involved in humanitarian and development work of post-conflict countries, including international and local NGOs, UN organizations, development agencies of donor countries, and national/local governments. Their work on the ground requires a high degree of coordination to avoid overlap, to improve aid effectiveness, to reduce vulnerability, and to contribute to durable solutions and sustainable development goals.

## **1. Early Economic Recovery**

In contrast to the broad concept of early recovery, which includes security, political, developmental, and humanitarian dimensions, EER focuses on the restoration of local economies, market stimulation, macroeconomic stability, job creation, and socioeconomic development. In addition, it aims to deal with two categories of socioeconomic challenges: the first category is pre-war development problems and inequalities, the second category is the challenges that emerged during the conflict, such as war economy, illicit trade networks, informal economic activities, rising unemployment, the loss of human and financial resources, and the weakening of local and national institutions. EER

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<sup>(8)</sup> See UNDP (2008), p. 11 and GCER (2016), pp. 14.

can be also understood as the first stage of long-term economic reconstruction process.

EER is essential for post-conflict communities to move from dependency on foreign aid to self-reliance, to create job opportunities for former combatants, to encourage the return of refugees, to promote local investment and therefore to stabilize the country. In spite of this, the economic aspect of early recovery has not attracted as much attention as humanitarian relief, political stability, and security.

Economic growth, employment, economic governance, and socioeconomic development are typical priorities in the long-term reconstruction of a war-torn country after political stability is achieved. The American approach to early recovery is one of the few that pays significant attention to economic growth in the immediate post-conflict period (2-3 years). Still, the United States (U.S.) approach does not consider inclusivity, equality, income, and socioeconomic development,<sup>(9)</sup> all of which are factors that have been identified as triggers for conflict recurrence.<sup>(10)</sup> At the same time, the International Monetary Fund (IMF) and the World Bank (WB), which typically prioritize macroeconomic stabilization, economic liberalization, and growth in their recovery programs for post-conflict countries, disregard the sensitivity and fragility of post-conflict situation. Their approaches have been severely criticized due both to assistance and loan conditionality and also to the neglect of socioeconomic stabilization factors such as equality, local development, and micro-level activities. While many researchers recommend that IMF and WB include political economy and social analysis into their approaches to improve their recovery programs, others argue that their interventions have no meaningful effect on economic recovery at all, or, if they do have any effect it is negative.<sup>(11)</sup>

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<sup>(9)</sup> See Rolf Maier, (2010).

<sup>(10)</sup> UNDP (2008), Post-conflict economic recovery: enabling local ingenuity: <https://bit.ly/2ZTKiul>, Accessed: 2 February 2019, p.17.

<sup>(11)</sup> Critics on involvements and policies of IMF and World Bank in post-conflict countries have been discussed by Graciana Del Castillo, (2008). Rebuilding war-torn states The Challenge of Post-Conflict Economic Reconstruction, Bell, E. (2008). The World Bank in fragile and conflict affected countries. "How", not "How much". International alert. James. K. Boyce, (2008). Post-Conflict Recovery: Resource Mobilization and Reconstruction, and also by Woodward, S.L. (2013). The IFIs and Post-conflict political economy, in Mats Berdal and Dominik Zaum, (2013). Political Economy of Statebuilding: Power after Peace, 1<sup>st</sup> Edition. Routledge. US.

Although the UN and other international providers of development aid<sup>(12)</sup> consider the sensitivity of fragile states and pay special attention in their recovery programs to local economy, communities, poverty eradication, food security, and the promotion of agriculture and agribusiness, experience shows that their approaches face many challenges on the ground, in particular: how to effectively coordinate between humanitarian and development work efforts, and how to set appropriate priorities.

## **2. Challenges and Priorities during Early Economic Recovery**

### **A. Humanitarian and Development Aspects: Complementary or Conflicting?**

During EER, humanitarian and development work take place concurrently. The former focuses on promoting livelihood creation activities at the community level, while the latter seeks to improve the socioeconomic status of citizens and promote self-sustaining development.<sup>(13)</sup> While this functional division exists in theory, on the ground the line between these two processes is less clear. For instance, humanitarian relief assistance is usually delivered impartially as a response to serious threats to people's lives, without involving the host country's institutions, while development aid is provided through official cooperation with legitimate state institutions and aims to improve socioeconomic development by reducing inequality, unemployment, building capacities, and boosting inclusive growth.<sup>(14)</sup>

In a conflict situation, the legitimacy and efficiency of national and local institutions are greatly diminished, especially when state institutions are a part of the conflict. For this reason, UNDP recommends direct cooperation with communities at the local level during EER.<sup>(15)</sup> Such cooperation can help local communities overcome the institutional shortages that arose during the conflict, but also runs the risk of delegitimizing existing local and national authorities and weakening their long-term institutional capacities.<sup>(16)</sup> To avoid

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<sup>(12)</sup> In addition to the development banks and agencies of traditional donors, the EU is considered one of the greatest providers of development aid. See Rolf Maier, (2009).

<sup>(13)</sup> De Vries, H. and Specker, L. (2009). pp.10-12

<sup>(14)</sup> Ibid.

<sup>(15)</sup> UNDP (2008), pp. 9-13.

<sup>(16)</sup> This risk is discussed in line with long-term fund for post-conflict reconstruction. See De Vries, H. and Specker, L. (2009). PP. 26-27, and Boyce, J.K. (2008). Post-Conflict Recovery: Resource Mobilization and Reconstruction: <https://bit.ly/2YkE5uu>, Accessed on 4 February 2019. P. 45.

these pitfalls, capacity-building and respecting the principles of national ownership should be a priority from the onset of EER initiatives.

Humanitarian and development actors might also work against one another when operating in the same sector in post-conflict scenarios.<sup>(17)</sup> For instance, humanitarian aid programs aim to provide needy people with immediate basic services on a charity basis, e.g. health, education, water, and electricity, while development programs prefer to help local authorities deliver services for fees, to enable financial independence. Also, humanitarian actors allocate funds to provide people with temporary goods and services, while development actors tend to invest in sustainable solutions such as long-term housing projects instead of temporary shelter, or the restoration of water networks instead of the distribution of water bottles. During conflicts, humanitarian work takes priority, but development approaches gain importance in the EER phase.

## **B. Priorities and Trade-Offs**

Some of the main challenges facing local and national decision makers in the planning of post-conflict economic recovery include setting sector and target group priorities and weighing trade-offs between short- and long-term economic goals. Some questions that might arise in this regard are: Which economic sectors should be prioritized? Should economic recovery programs focus on infrastructure, agriculture, or industry? Who are the most important target groups (ex-combatants, in order to prevent them from continuing to fight or should refugees, rural populations, marginalized groups, and young people be the top priorities)? What kind of job creation programs should be adopted? Should the focus be on stimulating private business and investment or public employment? When should capacity-building and training start? When is the right time to deal with problems such as warlords, their networks, illicit trade, and informal businesses? How should such networks be handled? What kind of economic policies should be followed at the national and local levels?

The answers to these questions are neither simple nor standard. They differ from country to country and from region to region within a given country.

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<sup>(17)</sup> De Vries, H. and Specker, L. (2009). pp.10-11.

They depend highly on the pre-conflict situation and the degree of destruction that occurred during the conflict. Yet, the UN created a program for EER<sup>(18)</sup> with three “tracks” that start concurrently at different speeds and intensities during the process of negotiations for a peace agreement or political settlement (see the figure below). They identified priorities and objectives in each track:<sup>(19)</sup>

**Track 1: Stabilization Track – Stabilizing income generation and emergency employment.** This track targets ex-combatants, young people, refugees, and those returning to war-torn areas. Priority is given to short-term measures that create jobs and to supporting self-employment. This track recommends programs that are crucial for improving livelihoods and enhancing stability such as cash-for-work, emergency public employment, training and start-up grants.

**Track 2: Local Reintegration Track – Local economic recovery for employment opportunities and reintegration.** The target groups in this track are communities, local governments, and authorities in affected rural and urban areas. Programming efforts focus on stimulating businesses in production sectors, local small-scale livelihood activities, institutional capacity-building, empowering rural entrepreneurs, creating farming cooperatives, and promoting value added chain activities (raw materials, production tools, transportation, and marketing). Assistance programs, microfinancing, and small-scale investments can be directed towards restoring infrastructure and reactivating local production sectors like agriculture, the handicrafts industry, and small businesses.

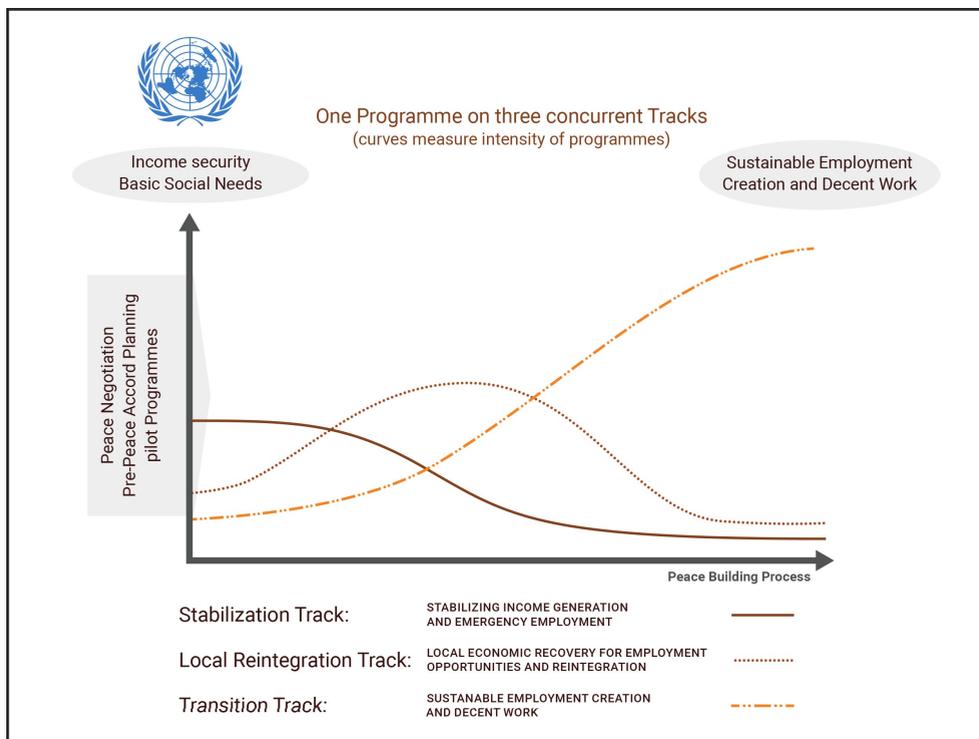
**Track 3: Transition Track – Sustainable employment creation and decent work.** This track aims to sustain growth and create high quality employment. It involves a wide range of public and private sector stakeholders including the government, employers, and employees. In this track, the focus is on planning macroeconomic policies, particularly fiscal policies and labor market policies.

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<sup>(18)</sup> United Nations (2009), United Nations Policy for Post-Conflict Employment Creation, Income Generation and Reintegration, UN system-wide policy paper: <https://bit.ly/337K7xb>.

<sup>(19)</sup> For more detailed information about the tracks see De Vries, H. and Specker, L. (2009) and UNDP (2009).

Within these tracks, there are cross-cutting issues to be considered such as equality, particularly gender equality, participation, and non-discrimination. Accordingly, projects that empower women, rural populations, and marginalized regions and social groups should be prioritized in each track.



Source: United Nations (2009), United Nations Policy for Post-Conflict Employment Creation, Income Generation and Reintegration in, UN system-wide policy paper. p. 22

As shown in the figure above, tracks 1 and 2 are very important at the beginning of EER, while track 3 becomes increasingly important over time.

### III. Challenges to and Determinates of Early Economic Recovery in Syria

Syria today is facing a series of challenges that complicate the EER process. **The First challenge** is that the country is divided into four territories, each controlled by different political and military proxy powers, of both foreign and domestic origin: the Assad regime supported by Iran and Russia, Turkish-backed opposition forces in the Euphrates Shield area, the Autonomous

Administration, and the Islamic opposition in Idlib governorate. While Assad's goal is to seize control of all of Syria's territory, the Autonomous Administration and opposition groups are unwilling to be subordinated to the central state in Damascus without a political settlement and system-wide changes. Because of this, the conflict is nowhere near over and the current internal borders between the control zones will not remain constant. In other words, the country will not have the stability and security needed to allow for sustainable economic recovery without a political agreement.

**A second challenge** is that the international community is divided on whether, when, and how they will engage in a short- or long-term economic recovery process in Syria in the absence of a peace agreement. Whereas the U.S. and the European Union (EU) reject any participation in the Syria reconstruction under the current circumstances, other potential donors like China, India, and Brazil have promised involvement, but are hesitant to take action due to the remaining uncertainty and to the EU and U.S. sanctions on Syria, in particular the U.S. Caesar Syria Civilian Protection Act of 2019.<sup>(20)</sup> Unsurprisingly, the regime's allies, Iran and Russia, have signed a number of investment and cooperation agreements to support reconstruction in regime-held areas. But still, EER on the ground is very limited and thus far has attracted much less international attention than the security sector and political negotiations.

**A third challenge** is that the livelihood conditions in Syria are bad and deteriorating to varying degrees, with no hope for fundamental recovery in sight. The socioeconomic challenges are enormous and include the huge number of people in need (mainly refugees and internally displaced people [IDPs]), the lack of basic services and infrastructure, the economic and social destruction, and the absence of a favorable environment for self-sustaining economic activities. According to the UN, 80 percent of the Syrian population now lives below the poverty line. About 13.2 million<sup>(21)</sup> people are in need of basic assistance, including food (which accounts for 50 percent of the delivered aid), health care, shelter, water, sanitation, and hygiene. According

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<sup>(20)</sup> According to this act, all actors, institutions, companies and government that deal or cooperate with the Syrian regime must expect consequences. For more detailed information about this act see: <https://bit.ly/2VzXlby>

<sup>(21)</sup> See also UNOCHA (2019). UNOCHA (United Nations Office for the Coordination of Humanitarian Affairs). 2016. 2017 Humanitarian Needs Overview: Syrian Arab Republic: <https://bit.ly/2KeswMx>

to the WB, 6.2 million Syrians (approximately 50 percent of the population inside the country) are IDPs and another 5.6 million are refugees in other countries.<sup>(22)</sup> Unemployment had already reached a worrying level of 57.7 percent in 2014, with 78 percent youth unemployment in 2015. About 45 percent of Syrian children are out of school and they have little access to sufficient health care.<sup>(23)</sup> Since the beginning of 2019, dozens of children in northeast Syria have died, mostly from hypothermia.<sup>(24)</sup>

**A fourth challenge** is that the Syrian economy was systematically shattered during the conflict, rendering it incapable of meeting the socioeconomic challenges described above. Currently, it is difficult to measure or evaluate the exact amount of economic destruction in Syria, but existing estimates present a very pessimistic outlook. The WB indicates that Syria's GDP contracted by 63 percent during the 2010–2016 period and its oil revenue dropped by 93 percent. Manufacturing production in 2015 reached no more than 35 percent of its 2010 levels. The trade, transportation and communication, and agriculture sectors shrank by 23, 14, and 11 percent respectively from 2010 to 2015. Total fixed capital formation decreased from 21 to 5 percent over the same period of time. More important is the decline in investment. Public investment in 2015 was estimated to be at only 7 percent of its 2010 levels and private investment at 19 percent.<sup>(25)</sup> In addition to the sharp drop in exports in 2015 (92 percent), the financial resources of the government in Damascus declined to less than 3 percent of GDP and gross public debt rose to 150 percent.<sup>(26)</sup> Inflation measured by the consumer price index has increased dramatically since the onset of the conflict, exceeding 80 percent in 2013 and measured at 58 percent in 2016. About 30 percent of private and public banks were destroyed or became non-operational during the conflict. In 2015, the Syrian pound officially depreciated by 459 percent of its value compared to 2010. Syrian Center for Policy Research (SCPR)

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<sup>(22)</sup> See World Bank (2019), *The Mobility of Displaced Syrians: An Economic and Social Analysis*: <https://bit.ly/2i4FNGW>, Accessed 26.02.2019. Detailed indicators on Syrian destruction are available in the report *Confronting Fragmentation* created by Syrian Center for Policy Research (SCPR) in 2016: <https://bit.ly/2MOHvMr>

<sup>(23)</sup> See World Bank (2017). *The Toll of War The Economic and Social Consequences of the Conflict in Syria*: <https://bit.ly/2OeNGKU>, Accessed 25.02.2019. See also the report of SCPR (2016).

<sup>(24)</sup> See World Health Organization WHO (2019). WHO concerned over critical health situation in Al-Hol camp, Al-Hasakeh. News on 31 January 2019: <https://bit.ly/2G3jp0u>, Accessed 04.02.2019.

<sup>(25)</sup> SCPR (2016), pp. 14 – 28.

<sup>(26)</sup> World Bank (2017). *The Toll of War The Economic and Social Consequences of the Conflict in Syria*, p. vii.

estimated an annual loss of 45.5 percent of the value of the Syrian pound in the informal market between 2013 and 2015.<sup>(27)</sup>

**A fifth challenge** is the state fragility and inefficient institutional structure in all parts of Syria, which can undermine economic recovery efforts. Corruption and low institutional capacity were an important feature of pre-conflict Syrian governance and one of the triggers of the conflict.<sup>(28)</sup> During the conflict, the problem of corruption and institutional incapability got worse. In 2018, Transparency International ranked Syria as tied with South Sudan for the second worst worldwide with a ranking of 178 out of 180, down from its pre- conflict ranking of 127 in 2010.<sup>(29)</sup> Local governments and councils that emerged during the conflict in areas outside of the regime's control suffer from a large number of difficulties, including a lack of consistent financial resources, clear structure, legal framework, legitimized political leadership, and transparency. Additionally, they work in insecure and unstable environments due to ongoing military operations and armed conflict.<sup>(30)</sup> Since their creation, these local authorities have benefitted from a number of governance-related training and capacity-building programs run by several donors. These programs, however, targeted local partners on bilateral level in the absence of a broad, comprehensive capacity-building strategy or effective coordination among donors. Institutional deficiency is a major obstacle during EER, in which needs assessments, data collection, fund governance, and designing broader stabilization and development strategies are urgent and fundamental tasks.

**A sixth and final challenge** is economic sanctions, which have had a massive effect not only on the economic recovery of regime-held areas, but also on regions outside of regime control. Even businesses run by Syrians in neighboring countries face problems when trading with other countries and sending or receiving international bank transfers. Parts of Syria out of

<sup>(27)</sup> See World Bank (2017). *The Toll of War The Economic and Social Consequences of the Conflict in Syria and SCPR* (2016). *Confronting Fragmentation*.

<sup>(28)</sup> World Bank (2017). *The Toll of War The Economic and Social Consequences of the Conflict in Syria*, pp. 9-15. See also, Bassam Haddad (2011). *The Political Economy of Syria: Realities and Challenges*: <https://bit.ly/2yEst69>

<sup>(29)</sup> See Transparency International on <https://www.transparency.org>

<sup>(30)</sup> For more information about local governments See e.g. Mazen Gharibah, (2018). *Local elections in post-agreement Syria: opportunities and challenges for local representation*. London School of Economics, Conflict Research Programme, London, UK. Also see *Centralization and Decentralisation in Syria: The Concept and Practice*. Omran Center for Strategic Studies. 2018, Istanbul.

regime's control do not have independent economic, monetary, or financial systems and are still dependent on each other and on the areas under Assad's control to obtain basic goods and services, to sell local products, and for trade, currency, and banking.<sup>(31)</sup> So, any investments or transactions needed for EER are – at least informally – interlinked with the sanctioned regime's economy and might therefore be a subject of sanctions themselves, unless the sanctions systems can differentiate between them. Together with the conflict economy, sanctions have stimulated the rise of smuggling, tax evasion schemes, and informal employment and businesses. Completely separate economic systems (e.g. different regulation, banking systems, and/or currency) might be a theoretical way to isolate the Assad regime while still supporting the other existing local governments in the country. Practically, this is a risky option and is not feasible as it encourages political, economic, and societal fragmentation and would require transparent and efficient local institutions, which currently do not exist.

In addition to the challenges listed above, there are three main determinants that should be considered in EER planning in Syria: the degree of destruction, the pre- conflict socioeconomic conditions, and current levels of economic development.

## **1. Different Degrees of Destruction**

The level of economic and social destruction caused by the Syrian conflict varies according to the intensity of military operations and controlling power on the ground. Generally speaking, all regions, cities, and towns that were held by the opposition have witnessed the most physical destruction. A WB study of eight Syrian governorates and ten cities showed that 32 percent of housing stock was fully (9 percent) or partially (23 percent) destroyed as of early 2017.<sup>(32)</sup> Aleppo was among the most destroyed cities with more than 202,000 damaged housing units. Deir Ezzor governorate had the largest proportion (10 percent) of fully destroyed housing units. The most damaged

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<sup>(31)</sup> A study published in 2016 has shown precisely how these different areas, including the area under Islamic State at that time, were intertwined; see e.g. Armenak Tokmajyan, (2016). War Economy In Northern Syria: <https://bit.ly/2KdQzLE>

<sup>(32)</sup> The ten cities included in the study are Aleppo, Raqqa, Dar'a, Duma, Deir Ezzor, Homs, Hama, Idlib, Kobani, and Tadmur (also called Palmyra) and the 8 governorates are Aleppo, Dar'a, Deir Ezzor, Hama, Homs, Idlib, Raqqa, and Rif Dimashq, which witnessed intensive conflict. See World Bank (2017). pp. 19-21.

type of infrastructure observed in the studied governorates and cities was in the health (about 50 percent) and education (53 percent) sectors, which in turn has severely affected the socioeconomic conditions for the populations living in these areas. Water infrastructure was also massively damaged in these governorates, many of which already had limited access to water before the conflict. For instance, physical damage was observed in almost all water supply and sanitation infrastructure assets in these areas (for a total of 457 assets).<sup>(33)</sup>

The damage of infrastructure in Syria that is critical for economic growth, such as power and transportation networks, has led to the collapse of many industrial and agricultural activities, resulting in lower levels of production and of supply of goods activities.<sup>(34)</sup> Northeastern Syria was well known as the main supplier of food and oil for the whole country. In addition to agricultural production, Aleppo city and its suburbs hosted the most important manufacturing (particularly textile and garment) and agribusiness (olive oil) industries in Syria before the conflict. Together with the cotton sector, these industries made up the greatest share of the country's non-oil exports (about 45 percent) and were therefore an important source for foreign exchange reserve, as well as major employers.<sup>(35)</sup>

According to a 2017 survey of Syrian businesses, surviving firms cited cuts in electricity, fuel, and water among the greatest challenges they faced during the conflict.<sup>(36)</sup> An additional challenge was the loss of a skilled labor force due to military recruitment, migration, and death. On top of all of these challenges, businesses have had to spend more money on security and on restoring physical destruction, while experiencing a lack of financial resources and difficulties accessing local and export markets. The primary barrier to access local markets was the lack of transportation options due to the military operations, while exports were hardly possible at all as a result of

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<sup>(33)</sup> World Bank (2017), p. 17-46.

<sup>(34)</sup> Ibid.

<sup>(35)</sup> Salam Said, (2010). The effects of Trade Liberalization on Syrian Industry: the Case of the Textile and Olive Oil Industries. In Syrian Foreign Trade and Economic Reform. University of St. Andrews Centre for Syrian Studies. Scotland. pp. 29-63.

<sup>(36)</sup> Assaf, N, Francis, D., Salmon, K. (2018). Surviving Firms of the Syrian Arab Republic A Rapid Assessment. Policy Research Working Paper 8397. World Bank: <https://bit.ly/2OEKVXr>

the sanctions in place since 2011.<sup>(37)</sup> Additionally, input supply chains either collapsed or became more expensive during the conflict. According to the survey, between 2010 and 2017, supply cost increased by 436 percent.<sup>(38)</sup>

Large enterprises seem to have demonstrated greater ability to survive the conflict than small and medium enterprises (SMEs).<sup>(39)</sup> SMEs were often family businesses and made up more than 80 percent of the private sector in Syria before the conflict, while the surviving and large businesses generally belong to well-connected regime supporters and economic elites. According to the above-mentioned survey, only Aleppo-based companies were able to continue exporting during the conflict, mostly to Gaziantep in Turkey. This is not surprising, since the majority of Syrian manufacturers from Aleppo increasingly moved their operations to southern Turkey as a result of the destruction of the major industrial zones in and around Aleppo. The textile and garment sectors saw particularly high levels of contraction during the conflict. In 2015, Syria became a net importer of garments. Imports of fabric and yarn (production inputs) decreased and the export of raw materials (cotton and wool) increased. Today, imported Turkish garment products might be manufactured in Turkey-based factories run by former Syrian businessmen. These changes in trade structure have had two important impacts on the economic structure in Syria: a) The manufacturing sector and the local value-added chain (cotton-textile-garment) have contracted. This means that Syria has returned to an older pattern representing a lower level of development, in which countries export raw materials or low value-added products and import finished products. The outcome of such a pattern is that exports decline in value and unemployment grows. b) Unproductive activities such as trade and import are expanding at the expenses of productive ones. Consequently, not only will the country's dependence on foreign supplies increase, but its trade deficit will as well.

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<sup>(37)</sup> The sanctions have not been imposed directly on Syrian exports, but complicated financial transactions with Syrian businessmen. As per a producer of soap in suburb-Damascus in 2013: "My clients in Europe hesitate to transfer money to a bank account in a Lebanese bank owned by Syrians". Interview conducted by the author in September 2013 in Beirut.

<sup>(38)</sup> A Syrian industrialist, who is still operating in Damascus, has confirmed this challenge. Interview by author in September 2018 in Beirut.

<sup>(39)</sup> See Assaf, N, Francis, D., Salmon, K. (2018).

Social and human losses in Syria are difficult to estimate, particularly since the conflict is still ongoing.<sup>(40)</sup> In 2017, Hamilton and Nguyen estimated the combined permanent loss in the country's human capital stock at 30 percent compared to 2010 levels, with the losses largely resulting from casualties, forced dispersion, and reduced investments in human capital formation.<sup>(41)</sup> Also in 2017, SCPR showed that the social capital index (including a networking index, a participation index, and a trust index) in Syria decreased by 30 percent during the conflict, with most of this loss concentrated in the most conflict-affected cities and governorates.<sup>(42)</sup> Despite the high levels of economic destruction and the lack of security, food, housing, and social and physical infrastructure, these heavily impacted governorates have hosted most of the country's IDPs who sought security, shelter, and the provision of basic goods and services. Aleppo, Rural Damascus, and Idlib in particular have hosted the largest shares of Syria's IDP population.<sup>(43)</sup>

Syria's labor force has decreased annually by 1 percent since 2011.<sup>(44)</sup> With the majority of skilled and educated workers having either emigrated or been killed, remaining young men and women in Syria have sought out paid work and income by involving themselves in the military, violence, criminal activities, smuggling, and the informal sector.<sup>(45)</sup> There is no precise data on employment in Syria during the conflict, but UN agencies and national and international NGOs seem to have become major sources of employment, particularly in opposition-held areas. A 2017 survey on civil society

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<sup>(40)</sup> Since 2011, as to the WB more than 400,000 have been killed by different conflict parties during the Syrian conflict, most of them by the forces of the Syrian regime and its allies, with 5 million seeking refuge abroad and over 6 million displaced internally, according to UN agencies, see Human Rights Watch (2017): <https://bit.ly/2Jlbq6J>. According to the Syrian Network for Human Right, 85 thousands forcibly disappeared since 2011. More information and reports about the war victims in Syria are available at <http://sn4hr.org>. Also see also Amnesty International (2017). Syria: Tens of thousands of disappeared must not be forgotten/: <https://bit.ly/2YAnBOj>

<sup>(41)</sup> Hamilton and Nguyen (2017) cited in World Bank (2017). pp 53.

<sup>(42)</sup> SCPR (2017). Social Degradation in Syria: <https://bit.ly/2KutROr>

<sup>(43)</sup> An exception is the governorate of Quneitra bordering Israel, which hosts a large number of IDPs but has not been bombed heavily due to the standstill agreement with Israel. See World Bank (2017). pp. 51.

<sup>(44)</sup> World Bank (2017). pp. 68.

<sup>(45)</sup> See e.g. the SCPR (2014). Alienation and Violence Report: <https://bit.ly/2LZON34>; and also, Barakat, S and Milton S (2015) Houses of Wisdom Matter: The Responsibility to Protect and Rebuild Higher Education in the Arab World. Brookings Doha Centre: <https://brook.gs/2LZVlhQ>, (accessed 2 November 2016).

organizations (CSOs) conducted in Syria estimated that the CSO sector employed about 42,000 workers and 27,000 volunteers.<sup>(46)</sup>

## 2. Pre-Conflict Socioeconomic Disparities

The areas of the country that were most heavily affected during the conflict, as discussed in the prior section, were also discriminated against by pre-conflict economic policies. Specifically, the vast majority of the rural population in northeastern Syria and the inhabitants of suburbs in Aleppo, Damascus, Homs and Dara'a, were politically, socially, and economically marginalized. Since 2011, the Syrian regime has implemented neoliberal economic reforms that led to the liberalization of foreign trade, the privatization of public enterprises, the relaxation of business regulations and taxes on foreign investments, the cutting of subsidies, and a reduction in public expenditures on social services, infrastructure, and investment. At the same time, these reforms benefited well-connected economic elites by protecting their market monopolies and oligopolies. All of these policies have favored the country's political and economic elites, especially in the urban centers of major cities, at the expense of rural populations who were greatly harmed by the drought of 2007 to 2010.<sup>(47)</sup> Therefore, it was not surprising that the 2009 multidimensional poverty index in Syria was highest in Al-Hasakah, Deir Ezzor, and Raqqa governorates.<sup>(48)</sup> Pre-conflict levels of unemployment, gender inequality,<sup>(49)</sup> and poor social and physical infrastructure were also higher in the northeastern and the southern parts of the country and were worse in rural areas within each region.

These existing pre-conflict regional, center-periphery, and urban-rural disparities, as well as income and gender inequalities, have all been deepened by the conflict, as the disadvantaged areas and populations have experienced higher degrees of destruction and violence than elsewhere in Syria. Therefore, any planning of economic reconstruction in general and EER in particular

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<sup>(46)</sup> The survey has been conducted by the Germany-based NGO Citizens For Syria. More Information on the methodology and results of this survey: <https://bit.ly/2KgKxdt>

<sup>(47)</sup> See Said, S. (2011), SCRP (2015). Roots and Impacts of the Syrian Crisis: <https://bit.ly/2KehqHE>; and see also Barout (2011). The past decade in Syria: the dialectic of stagnation and reform: <https://bit.ly/2YQ9UuM>

<sup>(48)</sup> UNICEF (2014). Multidimensional Poverty in Syria: <https://bit.ly/24ZH1Hg>

<sup>(49)</sup> The gender gap in Syria was high before the onset of the conflict, the country ranked 124 out of 134 countries in 2010 and 2011. See UNDP (2011). On gender inequality see also: <https://bit.ly/2GgG5cW>; and: <https://uni.cf/2GJX1e>; (SYRIA: MENA Gender Equality Profile, Status of Girls and Women in the Middle East and North Africa: <https://bit.ly/1MLxEPx>

must aim to reduce these socioeconomic disparities in order to achieve stabilization and to be self-sustaining.

### **3. Current Economic Activities and Trade Relations**

The internal borders between the four de facto territories in Syria have not only created different economic foreign relations and structures, but they have also increased the importance of trade as a means of generating income. Taxes on trade – usually informal trade or smuggling – between territories within the country and with neighboring countries, became one of the most important sources of revenue for all military factions controlling Syria’s four territories, including the regime’s army and security forces.

#### **A. Euphrates Shield Area**

The Euphrates Shield area in the northwest is economically very dependent on the Turkish economy, since there are no economic transactions (at least formal transactions) either with regime-controlled areas or with the Autonomous Administration areas under the control of the Syrian Democratic Forces (SDF). As a result of the decrease of foreign aid to the Euphrates Shield area, Turkey became a major aid provider and an economic partner. Consequently, imports of a wide range of commodities from Turkey increased, including construction materials (iron and cement), electricity generators, electric appliances, clothing, and food products.

To overcome the absence of banking services in the Euphrates Shield area, there are a few centers for money transfer and some Turkish banks have attempted to set up ATM machines. Tax revenues levied on trade with Turkey usually go to the controlling military power in a given area. In some cases there are agreements between local military forces and local councils in which revenues are shared, enabling local councils to run some basic civil services. Otherwise, tax revenues are administered and used directly by the military powers.<sup>(50)</sup>

While official and unofficial import from Turkey to the Euphrates Shield area is encouraged by the Turkish side, exports from opposition-held areas to

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<sup>(50)</sup> In some border crossing points, there is more than one military party controlling the border with Turkey. In this case they share the revenues.

Turkey are less welcome since Syrian products compete with Turkish ones for market share. The absence of certificates of origin, which are usually issued by official national or local authorities, is an additional obstacle for Syrian exports.<sup>(51)</sup> According to the head of the Stabilization Committee of Aleppo, almost all Syrian agricultural crops (like cotton, olive oil, wheat) from northwestern Syria are smuggled into Turkey at prices so low that Syrian farmers can hardly cover their production costs. This imbalance trade relation with Turkey is likely to have negative effects on the local Syrian economy. It means that the service and trade sectors are expanding at the expense of the productive and labor-intensive agricultural and manufacturing sectors. This ultimately increases northwestern Syria's dependence on the Turkish economy and reinforces the damage to the local agricultural and manufacturing value-added chain. In addition to these economic difficulties, there are some thousand ex-combatants hosted in the Euphrates Shield area who are jobless, dependent on assistance, and have the potential to return to fighting if the socioeconomic situation of their families worsens.

The circumstances described above are harmful for economic stabilization, self-reliance, and development, the main goals of early- and long-term recovery programs. It is therefore important to encourage cross-border trade in both directions; especially since trade and its related logistics and transportation jobs currently represent essential income-generating activities in all areas of Syria. Economic cooperation with Turkey should not be limited to assistance and one-way trade, but should also include free or facilitated access to the Turkish market for Syrian goods and services produced in the northwest.

## **B. Idlib**

Idlib governorate, which has been controlled by the controversial Hay'at Tahrir al-Sham (HTS) and its affiliated civilian "Salvation Government" since 2017,<sup>(52)</sup> is currently isolated from other areas and is submitted to intermittent attack by the regime's forces. A large portion of the official foreign aid to Syria went to Idlib from 2011 to 2016. Since HTS took control

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<sup>(51)</sup> Interviews conducted by the author with the Head of Stabilization Committee of Aleppo Provincial council (Zurich, February 2019).

<sup>(52)</sup> In addition to Idlib governorate, HTS controls parts of the northern suburbs of Hama and Latakia.

of Idlib, the flow of aid has dropped precipitously, leaving millions of civilians without any support.<sup>(53)</sup> The only survival strategy available to these people, many of whom are IDPs and people in need, is to participate in informal trade and smuggling with the regime-controlled areas and Turkey.<sup>(54)</sup>

The governorate of Idlib was neglected even before the conflict. The livelihood of its population depends on agriculture, particularly olive cultivation and some agribusiness, mainly olive oil industry.<sup>(55)</sup> Today, the regime-controlled areas seem to be the most important sales market for Idlib's agricultural products as well as a primary procurement market for its inputs. Yet, because of fees imposed by the controlling authorities inside Idlib and the bribes that must be paid to personnel at regime checkpoints, farmers and consumers are severely disadvantaged in terms of the price and cost of goods. Like in other opposition-held areas, the currency used in Idlib is the Syrian pound and the banking system is out of operation. For the moment it seems that this economic situation will remain, unless there is a political settlement for Idlib made with the Assad regime and/or with HTS.

### **C. The Northeastern and Eastern Governorates**

Syria's northeastern and eastern governorates, namely al-Hasakah, Raqqa, Deir Ezzor, and parts of the suburbs of Aleppo, under the control of the Autonomous Administration are rich in natural and agricultural resources, including oil, cotton, and wheat. These areas also contain the main power stations in Syria, located at the Tabqa, Baath, and Tishrin Dams on the Euphrates River. Because of this, the Autonomous Administration areas of the country were estimated to produce about 55 percent of Syria's GDP in 2016. The main revenue in the Autonomous Administration's budget comes from trade, oil sales, and customs duties, which finance among other things the salaries of about 3,700 employees. The bodies in charge of these activities earned an estimated 350,000 USD annual income in 2016.<sup>(56)</sup>

<sup>(53)</sup> See McKernan, B. (2019). Aid Agencies pull out of Idlib in face of new Terror threat Syria. The Guardian. 12 February 2019: <https://bit.ly/2YHxI3K>

<sup>(54)</sup> See e.g. the Humanitarian situation overview Syria (2018) on: <https://bit.ly/2Zvtjyb>

<sup>(55)</sup> See e.g. the study entitled „Economic security is needed for governing and developing infrastructure” conducted 2015 by Al Bdullah, M. in Arabic. Available on: <https://bit.ly/2Zvtl9h>

<sup>(56)</sup> See Drwish, S.M. (2016). Will Syria's Kurds Succeed at Self-sufficiency?. Al Monitor. 3 May 2016: <https://bit.ly/2YHzq0Z>

These areas controlled by the Autonomous Administration border Turkey and Iraq, including the Kurdistan Region of Iraq, so cross-border transactions are common and easier than in other areas. Locally-produced agricultural products, sheep, and oil are usually sold to Iraqi Kurdistan, Turkey, or the Assad regime. In contrast, much-needed consumer products and manufacturing goods imported into these areas from Iraq are usually of Iranian or Chinese origin. While Raqqa and Deir Ezzor have witnessed large-scale destruction, al-Hasakah is among the few Syrian governorates that have not witnessed a significant bombing or destruction during the conflict. Due to agreements between the political-military leadership of the Autonomous Administration and the Assad regime, some centrally administered economic activities are still operational, e.g. some oil fields and banking services. In 2017, the Assad regime, the Democratic Union Party (PYD), the Syrian offshoot of Kurdistan Workers' Party (PKK), agreed to share the revenues of the oil extracted from the regime-controlled fields in al-Hasakah.<sup>(57)</sup>

As a result of their economic activities, these Autonomous Administration areas could theoretically achieve a certain degree of self-reliance. In the practice, their growing needs as a result of the conflict, destruction, and large number of IDPs likely exceed their available revenue. In the absence of transparent economic statistics, it is hard to assess whether the development problem in these relatively rich governorates is due to insufficient resources relative to their needs, or whether it is related to their resource distribution policies.

The economic elites that recently emerged in the northeastern and eastern governorates and who control the bulk of the lucrative economic activities (oil, money transfer and trade) are well connected to the military and political powers in the area (PYD and PKK) and have family ties with key military and political figures. According to a survey conducted by the Center for Operational Analysis and Research (COAR),<sup>(58)</sup> the region's unofficial money transfer businesses or "al-Hawala offices" in al-Hasakah are run by families either related to the SDF, PYD/PKK or the political elite of the

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<sup>(57)</sup> See Middle East Monitor (2017). Syria, PKK/PYD share oil revenues in Al-Hasakah. 27 July 2017: <https://bit.ly/2T3ahg9>

<sup>(58)</sup> Center for Operational Analysis and Research COAR (2019). Beyond Checkpoints: Local Economic Gaps and the Political Economy of Syria's Business Community: <https://bit.ly/33d5m0u> (accessed 29 April 2019).

Autonomous Administration. Other observers claim that oil smuggling from the eastern oilfields is controlled by a small, powerful group of people who “accumulated huge wealth” during the conflict<sup>(59)</sup> As a result, the dominant political economy (the military-mercantile complex) under the Assad regime has been reproduced in the Autonomous Administration areas. Therefore, it is important to pay attention to the following issues in this part of the country: income and wealth (re-)distribution policies and political economy.

#### **D. Regime-Controlled Governorates**

Regime-controlled governorates in Syria generally suffer from socioeconomic problems due to the austerity policies of the government, high military spending, and international sanctions. Currently, the main problems facing these areas are: the lack of fuel, the scarcity of imported goods, and unemployment. Cities and communities that were recaptured by the regime from opposition forces are facing the additional challenge of removing significant amounts of debris and rebuilding houses and infrastructure. After the recent U.S. and EU sanctions, energy production (fuel, gas, and electricity) in Syria became scarcer and more expensive, which disadvantages the local industry as well as the poor and middle-income classes. Iran delivered oil to Syria throughout the conflict, but after the imposition of new sanctions, the number of oil tankers and cargo ships from Iran declined.<sup>(60)</sup>

The Syrian regime itself is under great financial pressure. Oil and tax revenues dropped significantly, foreign reserve assets declined as a result of the conflict, and international sanctions have hindered foreign trade and other transactions with the regime. New financial assistance from Iran or Russia is unlikely, since both countries themselves are suffering from either economic crises or sanctions. Large- or small-scale international funding for restoration or reconstruction under the Assad regime has remained out of question so far.<sup>(61)</sup> Recent cuts in government subsidies, tax increases, and rising prices for state services indicate the government’s urgent need for revenue. Given

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<sup>(59)</sup> Interview conducted by the author with M.I. (anonymized responsible person from the region)

<sup>(60)</sup> See The Straits Times (2019). In Syria’s Aleppo, gas shortages add to daily woes. 18 February 2019: <https://bit.ly/31jNcbP>; and Lund, A. (2019). The blame game over Syria’s winter fuel crisis. On 3 March 2019: <https://bit.ly/2T56Up1>

<sup>(61)</sup> See Said and Yazigi (2018). The Reconstruction of Syria: Socially Just Re-integration and Peace Building or Regime Re-consolidation?. International Policy Analysis. Friedrich-Ebert-Stiftung, December 2018.

these developments, the poor socioeconomic indicators mentioned above, e.g. poverty and unemployment, are expected to continue to deteriorate and provoke a new wave of protests, despite the continued political repression.<sup>(62)</sup> In other words, this will lead to further destabilization in regime-controlled areas.

From a political economy point of view, it is interesting to mention that major pre-war providers of goods and services that were loyal to the regime regained their markets in recaptured cities by driving out of business local providers that emerged during the war. One example of this is Syriatel (owned by the cousin of President Assad),<sup>(63)</sup> which returned to Eastern Ghouta and took control of most of the area's internet and telecommunication market after 2018. Syriatel allowed small market segments in Eastern Ghouta to be managed by local providers, who might eventually become the new "allied and loyalist businessmen."

Despite the diverse economic situations in the four Syrian territories, they all share some common characteristics: high military expenditures at the expense of social and developmental spending, growing informal economies, expanding unproductive economic activities, a deepening of their pre-conflict socioeconomic disparities, and the recreation of pre-conflict political economies and the military-mercantile complex.

In this discussion of Syria's economy, it is also worth noting that in recent years, personal remittances have become one of the main sources of income for many Syrian families in all parts of the country. Financial transfers from Syrians abroad reached 1.5 billion USD in 2017 and exceeded the total amount of registered wages and salaries paid in Syria that year.<sup>(64)</sup> The amount of money that reaches an average family through remittances is just a few hundred U.S. dollars per month, which is important for daily survival and

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<sup>(62)</sup> While the regime achieved many military victories in the last 2 years, protests against its austerity policy and calls for more socioeconomic security were growing under regime-loyalists. More about these protests see e.g. Spencer, R. (2019). Loyal Syrians criticize President Assad over fuel shortages. The Times. On 28 January 2019: <https://bit.ly/2MEFRQa>

<sup>(63)</sup> See COAR (2019), p. 13-14.

<sup>(64)</sup> See The Syrian Observer (2018). Value of Annual Remittances to Syria at \$1.5 Billion. On 1 March, 2018: <https://bit.ly/2BW97f4>, Accessed 29 April 2019.

may cover some reparation work, but is insufficient for setting up investment projects.<sup>(65)</sup>

#### **IV. Policy Recommendations for Early Economic Recovery in Syria**

Despite the recommendation to start as early as possible with EER in post-conflict countries, these efforts in Syria are thus far limited either to modest initiatives under the umbrella of local councils/governments, or to small-scale development programs provided by NGOs and UN agencies for specific social groups (rural populations, women) and in certain forms (e.g. microfinance).

The majority of official aid flows to Syria from 2011 (39 million USD) until 2016 (2.584 billion USD) was targeted at food security (50 percent), health care, and emergency shelter, while early recovery activities received less than two percent of funding up until 2016.<sup>(66)</sup> Starting in 2016, non-humanitarian aid targeting local councils and governments, civil society, and stabilization increased considerably, particularly from European countries and the EU, which spent 1.210 billion USD on these issues.<sup>(67)</sup> However, the EU funding focused mainly on building the capacity of local institutions and authorities as well as political-military stabilization. Similarly, the multilateral Syria Recovery Trust Fund, which was founded in 2013, supports projects exclusively in the fields of infrastructure, food security, health, and education, but does not support EER activities.<sup>(68)</sup>

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<sup>(65)</sup> Hatahet, S. (2018). The Impact of Remittances and Investment on Post-Conflict Reconstruction in Syria, unpublished paper presented in a workshop entitled “Reconstruction of Syria Socially just re-integration and peace building or regime re-consolidation?” organized by Friedrich-Ebert-Stiftung in 26-27 September 2018 in Beirut

<sup>(66)</sup> Official foreign aid to Syria has increased 131 percent annually from 39 million USD in 2011 to 2 584 million in 2016. The main donors were the US (23 percent), Germany (21 percent), and the EU and UK (12 percent). See WB (2017), pp. 72.

<sup>(67)</sup> Between 2016 and 2018, the UK’s Conflict, Stability, and Security Fund provided £133 million. Until 2018, the European Union has spent €1.035 billion (approximately \$1.210 billion) in stabilization and related non-humanitarian assistance. On a bilateral level, Western donors, including Germany, Sweden, and the Netherlands, have also funded programs to build local governance capacity and support civil society in Syria. See Brown, F. Z. (2018). Dilemmas of Stabilization Assistance: The Case of Syria. Carnegie Endowment for International Peace. October 2018. P. 38.

<sup>(68)</sup> See The Syrian Recovery Trust Fund: <http://www.srtfund.org>

In addition to the lack of funding for EER in Syria, there is also no comprehensive strategy or plan through which international donors and local actors can orient and coordinate their efforts. Indeed, it is challenging for stakeholders to set the objectives and priorities of such a strategy in light of the increasing sanctions on the Assad regime, the isolation of HTS, the ongoing insecurity, and the fruitless long-running negotiations for a political settlement. However, without an EER strategy, there can be no stabilization or recovery in the country.

Against this background, Syria's EER requires special efforts and innovative approaches that take into consideration all the challenges and constraints of the Syrian context. Given the sanctions and limited funding available for Syrian economic recovery without a peace agreement, EER funding from the western countries and International and Financial Institutions (IFIs) will not flow into Assad controlled areas and will be based on *small-scale funding* with a focus on *local projects*. The following priorities and considerations can help decision makers design effective EER strategies and programming for Syria.

## **1. Goals and Scope**

EER programs should be seen as part of a broader peacebuilding and development strategy. Therefore, trade-offs must be made between long-term development and short-term stabilization goals, and also between the local, regional, and national levels.

### **A. Development and Stabilization Goals**

Due to the high number of unemployed people, ex-combatants, and aid-dependent families and individuals in Syria, *emergency employment programs* should be a high priority at this stage. As mentioned above, a considerable part of the stabilization funding for Syria has gone to capacity-building, institutional development, and training, particularly since 2016. The main target groups for this support were CSO employees, local institutions and governments, which are in charge of providing local services and repairing infrastructure.

Now is the right time to pay more attention to *income-generating projects*, especially since the military de-escalation in the northern, eastern, and northeastern parts of the country. This includes not only microfinance, cash-for-work, and start-up grants, but also special programs that support farmers, craftsmen, cottage industries, and small-businesses. Rural communities should be encouraged to create farmer cooperatives, to produce basic agro-industrial products, even with simple tools, and to market their crops at fair prices. The female and youth segments of the labor force should be targeted with both higher education and vocational training programs so that they can access new job opportunities. Special support should also be given to activities that are part of the local value-added chains, e.g. cotton-yarn-fabric-cloths, olives-olive oil, wheat-flour-pastry. International donors (e.g. Turkey and the EU countries) could support local economies in Syria through special agreements that allow local products to access their markets tariff-free.

### **B. Reintegrating the local, regional, and national levels**

The current fragmentation in Syria due to the conflicts between local powers adds a significant challenge to early recovery programs. Local economic recovery projects should be closely coordinated to prioritize long-term reintegration of the Syrian economy and society. Accordingly, all local infrastructure projects should be designed based on a regional approach. For instance, the restoration of transportation networks between the Syrian territories would be a significant step towards facilitating the mobility of goods and persons among them.

## **2. Local Institutions and State Fragility**

Local actors (communities and authorities) are the main stakeholders and cooperation partners for international funders in the EER phase. They are not only the main providers of the needs and damage assessment data required for EER planning, but they are also key designers, administrators, and coordinators of recovery projects. As mentioned above, ownership, participation, and non-discrimination principles in early recovery should be maintained through close cooperation with communities and effective support to local institutions.

In the Syrian case, the institutional capacity of local governments in the opposition-held areas and Autonomous Administration areas is insufficient despite the large number of trainings and capacity-building programs run in these areas in recent years. During the conflict, the security situation, permanent demographic change, and unsteady incomes have affected local institutions and led to the attrition of well-trained and qualified personnel. Also, the lack of stable revenue and self-financing has made these local institutions dependent on the donors and donor priorities, which strains their credibility with their constituents. Although most local councils were elected based on a bottom-up approach, many of them still suffer from legitimacy and representation problems, particularly with regards to gender equality. Finally, the absence of an efficient overarching institution to supervise local councils and coordinate their activities has contributed to their overall institutional weakness.

Despite these challenges, international donors should keep working closely with the national institutions and local actors during the EER phase to help strengthen their capacity. Replacing incompetent local institutional actors with more efficient international bodies is a short-sighted solution, as this could create parallel institutions, reduce local ownership, and undermine the self-sustaining potential of local institutions.<sup>(69)</sup>

A higher degree of coordination between local and international efforts is necessary in Syria to meet the needs of communities, empower local governments, and support self-sufficiency. Due to the lack of coordination, international assistance providers and local councils in Syria have at times been in direct competition with each other as employers and service providers. The salaries of teachers, doctors, engineers, and technicians paid by international NGOs and donors are several times higher than the ones offered by local authorities and NGOs, making them less attractive to highly skilled and competent employees.<sup>(70)</sup> This wage disparity has led to income disparities within communities and caused local institutions to lose qualified employees to foreign employers. This not only puts financial pressure on the already-limited local budgets, but with only less-qualified staff available to

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<sup>(69)</sup> See Boyce, J.K. (2008) and Hugo, D.V., Specker, L. (2009).

<sup>(70)</sup> See e.g. the reports of information unit of Assistance Coordination Unit (ACU): <https://bit.ly/2Kt9eSA>

them, it also affects the quality of services provided by local institutions. Similarly, foreign aid providers offer many services and goods for free, which is important during the war, but has a negative effect on the self-sufficiency of communities in the EER phase. According to the head of the Stabilization Committee of Aleppo, the local council's attempts to finance itself by collecting fees for its services (e.g. electricity) have faced challenges as a result of competition from suppliers of free services.<sup>(71)</sup> A better solution might be for international NGOs and/or donors to provide financial support to poor families so that they can pay the electricity bills to local providers.

Finally, cooperation between international donors and local authorities during EER cannot succeed under highly repressive regimes (e.g. a radical Islamic government or the Assad regime). Such regimes are discriminatory in nature and incapable of implementing the rule of law. In addition to the general fragility of Syrian state institutions, local administrations under the Assad regime have been created using the same top-down approach and are highly corrupt, associated with intelligence units, and represent little more than administrative local branches of the central government in Damascus.<sup>(72)</sup>

### **3. IDPs and Other Vulnerable Social Groups**

One of the most important priorities of EER programs is promoting marginalized and disadvantaged populations. IDPs, women, young people, the poor, and minorities are among the most vulnerable groups in a post-conflict society. Local EER projects should target these groups and protect them from discriminatory measures. In the Syrian case, this applies in particular to Arab minorities in the Kurdish-held regions; Kurdish and non-Muslim minorities in the opposition-held areas; returnees and the populations of recaptured cities and suburbs of regime-controlled territories; and rural and female populations in all areas. A higher degree of female participation should be integrated in all EER programming. Infrastructure projects in rural and suburban areas that were highly neglected before the conflict must be prioritized, especially education, health, and water infrastructure.

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<sup>(71)</sup> Interview conducted by the author in February 2019 in Zurich.

<sup>(72)</sup> According to the law 107, elected local authorities have –by law- limited influence in decision-making process and are under control of a central figure (Governor), who is appointed by the president. See Gharibah, M. (2018).

In order to meet the needs of poor populations in Syria (which represent, at the moment, 80 percent of the Syrian population), EER projects such as social housing and low cost restorations should take precedence over large and high cost recovery projects. Community initiatives for economic recovery, such as collective farmers marketing initiatives or collective transport of debris, should receive financial and technical support. It is also highly beneficial to involve local labor forces and resources in EER activities.

The principle of non-discrimination should be strictly adhered to and repeatedly examined in EER programming in order to avoid corruption by regime officials. For instance, UNRWA's microfinance program in Syria was supposed to target poor and vulnerable people during the conflict; in practice, the powerful elite, mainly members of the military and intelligence apparatuses, have enjoyed preferential access to this program at the expense of people in need.<sup>(73)</sup>

Finally, poor socioeconomic infrastructure and conditions are among the main destabilizing factors in societies in general and in post-conflict countries in particular.<sup>(74)</sup> To address this, EER programming in Syria must give priority to the most marginalized and destroyed cities and districts within cities, such as Raqqa, Deir Ezzor, and affected districts of Aleppo, Homs, and Rural Damascus (Eastern Ghouta).

#### **4. Productive Sectors and Self-Sustaining Activities**

Local production should be highly prioritized in the EER phase for three reasons: to create jobs, to reduce the costs of living, and to increase self-reliance. Despite the rising production costs caused by the conflict in Syria, imports are still more expensive than local products due to the sharp devaluation of the Syrian pound since 2011. Moreover, industrial and agricultural production can stimulate backward and forward linkages and support local value-added chains. Syria's pre-conflict economy demonstrated a high degree of food security and self-sufficiency in many agro-industrial and manufacturing products. Post-conflict policies related to foreign trade and investment should take this economic potential into account and ensure a

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<sup>(73)</sup> For more information about this case see Ali, W. M. (2018). UNRWA's Loans serve Regime's Loyalists. In Arabic: <https://bit.ly/2PAhIYN>

<sup>(74)</sup> UNDP (2008). pp.17.

certain degree of protection and support for local SMEs and farmers. Doing so will help avoid a post-war scenario like Iraq, in which trade liberalization after 2003 damaged non-oil productive activities. Iraq today is not only a net importer of manufacturing and consumer goods and heavily dependent on oil exports, but it also cannot offer the basic infrastructure requirements to support local productive economic activities.<sup>(75)</sup>

## 5. The Role of International Donors: Aid vs. Investment

The role of international donors and foreign aid in post-conflict countries has been heavily criticized.<sup>(76)</sup> While many researchers call for investment instead of aid in order to reduce the aid dependence of post-conflict communities and support instead sustainability, others claim that aid programs can even undermine self-sustaining efforts. According to the latter, large-scale funding for recovery does not ensure successful outcomes, but instead has a high risk of creating patronage networks connected to “reconstruction businesses”. Small-scale and community-based projects at the transitional stage of recovery might reduce this kind of risks and therefore have more effective outcomes.

Experiences from other post-conflict countries have shown that significant international involvement is usually associated with intervention in economic policy. Some scholars even believe that it is the interventions themselves and the behavior of the donors that are responsible for failed post-war reconstruction and peacebuilding processes.<sup>(77)</sup> Economic liberalization, for instance, is one of the fundamental demands that donors and international institutions make to support businesses involved in reconstruction. While this policy serves the business interests of big companies from donor countries, it harms local economies and works contrary to development and self-

<sup>(75)</sup> See in this regard Dodge, T. (2013). Back to the future: The failure to reform the post-war political economy of Iraq. in Berdal, M. and Zaum, D. (2013). *Political Economy of State building*. Routledge. London and New York. pp. 191-208.

<sup>(76)</sup> See e.g. Boyce, J.K. (2008). *Post-Conflict Recovery: Resource Mobilization and Reconstruction*: <https://bit.ly/2YkE5uu>, Accessed on 4 February 2019; Collier, P. (2009). *The Bottom Billion*. Oxford University Press. pp. 98-175; del Castillo, G. (2008). *Rebuilding War-Torn States: The Challenge of Post-Conflict Economic Reconstruction*. Oxford University Press. del Castillo, G. (2010). *Peace through Reconstruction: An Effective Strategy for Afghanistan*. *Brown Journal of World Affairs* 16, No. 2: 195-211; Bhatia, Michael. 2005. *Post conflict Profit: The Political Economy of Intervention*. *Global Governance* 11, no. 2: 205-24.

<sup>(77)</sup> See e.g. Boyce, J.K. (2008), p.5, 24 and Woodward, S.L. (2013). *The IFIs and post-conflict political Economy*, in Berdal, M. and Zaum, D. (2013). *Political Economy of State building*. Routledge. London and New York, pp. 140-157.

sufficiency goals. International providers of aid and loans for Syrian EER should take this issue into consideration and promote economic policies that support and protect local economies and productive sectors during the recovery period.

Finally, donor countries should not limit their support of EER to cash inflows. They should also support Syrian recovery through trade and economic agreements that favor Syrian producers from opposition-held governorates and offer them special treatment in their markets abroad. For example, the EU and Turkey could ensure free access to their markets for Syrian industrial and agricultural products, at least during the early recovery years, and could facilitate the procurement of intermediate products and manufacturing equipment and tools. Support could also be given in form of developing solutions to current production and export obstacles, such as the lack of official certificates of origin and challenges accessing banking networks in the areas that are outside of the control of the heavily sanctioned Assad regime and HTS.

## **V. Conclusion**

The main goal of this paper was to identify the main priorities, determinants, and challenges that policy makers and donor communities face in the drafting of an EER policy for Syria. Although the fighting in Syria has not yet ended and peace negotiations are sluggish, there is an urgent need to start working on economic recovery and stabilization. As described in the paper, the socioeconomic deterioration, growing social disparities, and growing economic inequality throughout all areas of Syria territories are alarming. Regardless of the outcome of political negotiations, a new wave of protests calling for more social justice, freedom, and the rule of law is likely to arise throughout Syria unless efforts are made to improve the socioeconomic situation of the population.

Syria needs an innovative approach for EER that considers both the political complexity and the high degree of urgency for socioeconomic improvement. International sanctions should be carefully designed and implemented to avoid collective punishment against areas and populations that have already been the primary victims of the conflict and of pre-conflict political

repression. The negative impacts of sanctions on the Assad regime can easily spill over into other regions due to formal and informal economic interlinkages between different territories.

Finally, sustainable recovery and stabilization in Syria depends on reaching a fair political solution and on bringing about an end to the armed conflict. Without security and peace there can be no economic recovery and prosperity, and vice versa.



## *Chapter 3*

# *The Political Economy of Early Recovery in Syria*

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## **Chapter 3: The Political Economy of Early Recovery in Syria**

### **I. Introduction**

As the conflict in Syria winds down without clear prospects for peace in sight, the discussions taking place today are focused on early recovery and reconstruction. The processes connected with economic recovery and reconstruction are not limited solely to the economic dimension—represented by the relaunching of the economy—but rather they are complex processes taking place in different social environments and that have political implications. As these processes are shaped by preexisting conditions, it is important to address the Syrian political economy and its actors by addressing the following question: what was the situation like before the conflict and how has it shifted during the years of conflict?

Before the start of the conflict in 2011, Syria's political economy had been designed to benefit the interests and objectives of the governing elite. Hafez al-Assad pursued policies that were favorable to conservative bourgeoisie elites, leading to the formation of informal economic networks between those in power and wealthy capital owners. These networks have gone through changes since the period of Syrian economic liberalization in the early 1970s, which gradually decreased the central role of the state. They acquired a new dimension after Bashar al-Assad assumed power, ushering in a flexible authoritarian regime in which trade-oriented businessmen who have relations abroad served as the main drivers of economic growth and created bridges for integration into foreign markets. While economic growth was achieved through investment in the rent-generating sectors, its financial benefits accrued only to the economic elite allied with the regime, whereas the negative impacts and political consequences of economic growth affected society and the Syrian state. The resulting discontent was one of the key factors that drove segments of Syrian society to take to the streets in protest in 2011.

Syria's political economy has been reshaped during and as a result of the years of conflict. Decentralization is the most prominent characteristic of the emerging political economy. There is no longer a central administration that

monopolizes resources and controls the Syrian economy. Instead, there are a series of local economies, whose economic patterns, trade networks, resources, structures of economic management, and actors are different from one area to another. In regime-held areas there are partnerships between the public and private sectors, with loyalist businessmen and emerging economic elites acting as the main vehicles of growth. In opposition-held areas and areas under the control of Hayat Tahrir al-Sham (HTS), the political economy can be characterized as decentralized and dependent on donor support. These areas are economically linked to Turkey through the emerging commercial networks in the north with its influential hubs. In contrast, the political economy in the Autonomous Administration areas is centralized largely under the authority of the Democratic Union Party (PYD), in addition to some governmental bodies affiliated with the Assad regime whose presence is limited to representing sovereignty.

Furthermore, the political economy in the three zones of influence is also characterized by heavy dependence on rentier. The economies in the three zones of influence in Syria are dependent on available natural resources that can be acquired by the local conflict actors involved in the conflict economy, through collecting fees at checkpoints, smuggling, flows of foreign aid from donors, and expatriate remittances.

The emerging political economy in Syria limits the effectiveness of early recovery programs and plans to restore stability and consolidate peace, and can even be a catalyst for further conflict. The current form of de facto decentralization hinders the country's ability to work towards an integrated national vision for early recovery and its management. The rentier economy will keep on distorting economic growth and failing to stimulate sufficient job creation. The challenges of early recovery are exacerbated by a 'Peace for prosperity' approach that prioritizes restoring order and generating economic growth, the benefits of which are monopolized by the elite at the expense of the public.

## **II. Syria's Pre-Conflict Political Economy**

Before the conflict, Syria's political economy was shaped according to the considerations and tendencies of the ruling elite, shifting from socialism in

the Baath era in the 1960s to state capitalism under Hafez al-Assad, with the emergence of elite economic networks. The most profound transformation, however, took place under Bashar al-Assad with the rise of the authoritarian capitalism, with its new elite economic networks seeking swift profits generated from rents. That shift caused social turbulence and economic developmental crises, which in turn motivated the conflict of 2011.

### **1. The Political Economy under Hafez al-Assad: Elite Economic Networks**

The policies of the radical wing of the Baath party between 1966–1970 increased the urban-rural polarization in Syrian society and exacerbated enmity between classes and political divisions. These policies also led to the external isolation of the regime after the Six-Day War of 1967. The pragmatic wing of the Baath party, led by Hafez al-Assad, exploited this weakness to seize power in 1970.

The Syrian regime wanted to move towards economic consolidation by creating an economic elite that was closely tied to the regime. To achieve this, the regime sought to build undeclared stronger relations with the conservative bourgeoisie, eased restrictions on the private sector, and most importantly, it increased the size of the public sector by boosting public spending. These steps served as the first wave of economic liberation in Syria. These policies strengthened the economic role of the state, transforming it into an economic player with the ability to manipulate social forces and socioeconomic relations, rather than itself being subject to these forces and their relations.<sup>(1)</sup>

As a result of these policies, economic networks composed of the regime elites and wealthy businessmen who engaged in informal partnership arose in the early 1970s. These networks allowed the regime and the business community to share the economic revenues generated by the abundance of foreign aid, particularly from the Gulf States, which would ultimately peak at ten percent of Syria's GDP by the late 1970s and early 1980s.<sup>(2)</sup> The higher echelons of the regime's political, security, and military elite (the bureaucratic

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<sup>(1)</sup> Volker Perthes, *The Political Economy of Syria under Asad*, Riad al-Rayyes publishing house, 1<sup>st</sup> edition, 2010, P. 26.

<sup>(2)</sup> Bassam Haddad, *Business Networks in Syria: The Political Economy of Authoritarian Resilience*, Stanford University, 2011, P. 29.

bourgeoisie), provided security cover and bureaucratic facilitation to wealthy business leaders, who in turn put their management acumen and commercial networks to work in the service of the regime.

The elite economic networks created by Hafez al-Assad's policies entered a new phase between 1978 to 1985, when they expanded to include representatives of the senior bureaucracy of state institutions and the newcomers who accumulated fortunes through illicit activities such as smuggling and black market trading. Syria's shadow economy saw unprecedented growth due to the intervention in Lebanon and domestic shortages in consumer goods and raw materials. During this period, members of the country's elite economic networks quietly continued working with one another in order to secure their interests.

The rentier economy, smuggling networks, and the black market all served to incentivize the expansion of Syria's elite informal economic networks from 1970 to 1985, throughout the two phases described above, creating a class of economic elites that included the bureaucratic bourgeoisie, wealthy business class, commodity and fuel smugglers and financial service providers. A new group of businessmen, whose wealth was linked to foreign exports, was added to these economic networks in the third phase of their expansion.

Following Syria's 1986 foreign exchange crisis, the regime adopted a new export strategy to acquire foreign currency from the Soviet Union and later repay this debt with consumer goods.<sup>(3)</sup> This allowed a number of businessmen and some members of the bureaucratic bourgeoisie who had accumulated fortunes in prior periods to enter the industrial and commercial sectors during the second wave of economic liberalization. This wave, defined as economic pluralism, included the liberalization of foreign exchange control in 1986 to 1988, enactment of laws in 1988 permitting the private sector to get into partnerships with the public sector in agriculture projects and opening the space for the private sector to invest in broader sectors, through the enactment of Law No. 10 of 1991. This wave in turn resulted in a contraction of the central role of the state in managing the economy and giving the private sector a larger role in this regard. This was also indicated by the fact that representatives of the independent private sector held seats in the parliament, the chambers of commerce and industry, and the

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<sup>(3)</sup> Volker Perthes, *The Political Economy of Syria under Asad*, PP100-101.

Advisory Board (The official link between the state and the private sector since 1981).<sup>(4)</sup>

## **2. The Political Economy under Bashar al-Assad: Authoritarian Capitalism**

The Syrian experience shows that there is not necessarily an organic link between the development of a capitalist market economy and the adoption of liberal values and a democratic transition. Economic liberalization can occur under an authoritarian political regime, creating an authoritarian capitalist system where the elite monopolizes the fruit of economic growth. This sort of system may produce developmental crises, economic imbalances, and social disturbances.

Hafez al-Assad died in June 2000, passing on an accumulation of structural crises to his successor and son, Bashar. Bashar al-Assad tried to tackle these crises by adopting a multi-track reform approach that he articulated in a speech during his swearing in ceremony. By some accounts, this political reform agenda was aborted under pressure from the regime's old guard and because new security threats were emerging from the turbulent regional environment.<sup>(5)</sup> However, the regime continued to liberalize the Syrian economy through partial implementation of a market economy under the name social market economy. This led to the consolidation of the positions of the block calling for the liberalization of the national economy and favoring private sector and rentier economy within the regime's economic network, which formed into two main alliances, Sham Holding and Syria Holding.<sup>(6)</sup> This came at the expense of the state bureaucracy, whose representatives had lost most of their positions by the year 2006 with the flight of then-Vice President Abdul Halim Khaddam and the suicide of the former Interior Minister Ghazi Kanaan.<sup>(7)</sup> Additionally, a number of businessmen who opposed the rise of Bashar al-Assad and his elite lost their positions within

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<sup>(4)</sup> Aurora Sottimano, *The Syrian Business Elite: Patronage Networks and War Economy*, Syria Untold, 16 November 2016: <https://bit.ly/2OZBEVB>.

<sup>(5)</sup> Azmi Bishara, *Syria: A Way of Suffering to Freedom (2011 – 2013)*, Arab Center for Research and Policy Studies, 5 September 2013, PP47-48.

<sup>(6)</sup> Sham Holding, al-Iqtisadi website: <https://bit.ly/2MA8ezS>; Syria Holding, al-Iqtisadi website: <https://bit.ly/2BuhIQg>.

<sup>(7)</sup> Mohammad Jamal Baroutt, *The Past Decade in Syria: The Dialectic of Stagnation and Reform*, Arab Center for Research and Policy Studies, 1<sup>st</sup> edition, 2010, P46: <https://bit.ly/31938O6>

the existing economic networks, including the well-known businessman Riad Seif.<sup>(8)</sup>

Bashar al-Assad's economic liberalization policies created a flexible authoritarian capitalist system in which rising businessmen allied with the regime were the main engines of investment and its gateway to attracting foreign capital to generate economic growth. The traditional authoritarian populist structures—represented by the Baath party and its organizations—were retained, but with weaker roles, and non-governmental civil society organizations were transformed into mere facades for government policy.<sup>(9)</sup>

Syria's authoritarian capitalist system under Bashar al-Assad managed to achieve relatively high average growth rates of 4.45 percent from 2001 to 2010.<sup>(10)</sup> The liberalization of the economy led to the end of the state's monopoly on vital economic sectors such as foreign trade, insurance, and banking, opening them to private sector investment. As a result, the private sector's contribution to the GDP increased to 66 percent according to 2010 government estimates, whereas it had never exceeded 30 percent when Hafez al-Assad was in power.<sup>(11)</sup> However, the indicators of relatively high economic growth and the increasing size of the private sector did not lead to genuine development or improved standards of living for Syrian citizens since the benefits of the economic growth accrued mainly to the regime's economic elites. The economic elite's focus on investment in rent-seeking sectors led to structural imbalances in the Syrian economy. Government policies favoring the interests of the economic elite have led to the erosion of the social contract, the collapse of social protection networks, and a wider developmental gap, which contributed to the start of the protest movement in 2011.

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<sup>(8)</sup> For more information about Riad Seif see: Review, Riad Seif, Carnegie Middle East Center: <https://bit.ly/2MyWBrX>

<sup>(9)</sup> Baroutt, PP147-152.

<sup>(10)</sup> Rabie Nasser, Zaki Mehchy & Khalid Abu Ismail, Socioeconomic Roots and Impact of the Syrian Crisis, The Syrian Center for Policy Research, 10 January 2013, P16: <https://bit.ly/31IMo6p>

<sup>(11)</sup> Samir Seifan, Income Distribution Policies and Their Role in the Social Explosion in Syria, The Syrian Revolution's Backgrounds, Syrian Studies, Arab Center for Research and Policy Studies, 1<sup>st</sup> edition, 2013, Beirut, P110.

### **III. Political Economy during the Conflict: Emerging Elites and Active Trade Networks**

Syria's political economy was reshaped during and because of the conflict, with the central government's control growing weaker as regional economies emerged, and changes impacting the structure of the traditional business community with the rise of new economic elites. Local and regional commercial networks have been reshaped with the atrophy of some commercial centers and the rise of others, as well as the consolidation of the approach of rentier economy.

#### **1. Decentralization, the Emerging Elites, and their Commercial Networks**

The protest movement that started in 2011 gradually turned into a complex open-ended and multi-dimensional conflict. This led to the geographical disintegration of Syria into zones of influence, the deterioration of the national economy, and the distortion of economic patterns. In general, decentralization has arisen as the most prominent characteristic of Syria's new political economy. There is no longer a central administration that monopolizes resources and controls the levers of the economy, but rather there are local economies whose economic patterns, commercial networks, resources, structures of economic management, and actors differ from one area to another.<sup>(12)</sup> Volatile interactions between these local economies occur through smuggling networks, informal crossings, and commercial middlemen. The boundaries of these new local economies largely align with the country's three zones of influence, which are divided as follows: 1) the Autonomous Administration zone in the east, 2) the regime-held zone which extends from the south, into central Syria towards the coast, and includes parts of the north, and 3) the opposition-held zone in the areas of the Euphrates Shield and Afrin in the northeast, as well as the territory under the control of HTS in Idlib.

The Syrian economy has been greatly changed by the ongoing conflict, as much of the country's physical infrastructure and economic and the human

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<sup>(12)</sup> Osama al-Kadi, The Impact of the War on Syrian Economic Assets, Al Jazeera Centre for Studies, 26 January 2017: <https://bit.ly/2TdO1jP>

capital has been destroyed. By some estimates, the Syrian economy declined by more than 70 percent between 2010 and 2017.<sup>(13)</sup> To confirm this statistic, one only needs to look at changes in the size of the state's budget from 2010 to 2019 as shown in table (1). The World Bank estimated the volume of Syria's GDP losses from 2011 to 2016 to be around 226 billion USD, or four times the size of the country's GDP in 2010.<sup>(14)</sup>

Table (1): Changes in the state general budget in Syria and its distribution by sectors from 2010 to 2019<sup>(15)</sup>

Year	Budget (in Billion SYP)	SYP/USD Exchange rate	Budget in Billion USD	Deficit ratio	Current spending ratio	Investment spending ratio
2010	745	45.5	16.5	6.5%	81%	19%
2011	835	45.5	18.3	5.78%	55%	45%
2012	1326.5	55	24.1	39%	71.7%	28.3%
2013	1383	67.5	20.07	56%	80.05%	19.5%
2014	1390	160	8.18	40.5%	82%	18%
2015	1554	158	8.5	38%	73.6%	26.4%
2016	1980	250	6.6	31%	74.3%	25.7%
2017	2260	517	5.1	27%	87.7%	12.3%
2018	3187	500	6.3	25.3%	74.1%	25.9%
2019	3882	435	8.92	---	35.4%	33.3%

The regime and its associated economic circles and allies have been subjected to a wide range of sanctions, most notably those imposed by the European Union and the U.S.<sup>(16)</sup> The shrinking economy, sanctions, and capital flight have reshaped Syria's major business community.<sup>(17)</sup> To adapt to the emerging reality, businessmen have repositioned themselves both inside Syria and abroad in search of economic opportunities. The regime has adapted to Syria's changing economy by restructuring its central economic networks

<sup>(13)</sup> The 2019 Economic Freedom Index, The Heritage Foundation: <https://heritag.org/2zZzdf>

<sup>(14)</sup> Toll of War: The Economic and Social Consequences of the Conflict in Syria, World Bank, 10 July 2017: <https://bit.ly/2QTsPNo>

<sup>(15)</sup> The figures in the table are from al-Hal.net newspaper, Hussam Saleh, Syria's Budget in 2019: No Increase for Salaries, Decrease in Subsidies, and Reconstruction Needs Half a Century to be Completed, 5 November 2018: <https://bit.ly/2B0k9zA>.

<sup>(16)</sup> List of Syrian Individuals under Sanctions by the European Union, The Syria Report, accessed 30 January 2019: <https://bit.ly/2MxlQuN> ; List of Syrian Entities under Sanctions by the European Union, The Syria Report, accessed 22 January 2019: <https://bit.ly/2YBRgm9> ; List of Syrian Individuals and Entities under Sanctions by the U.S. Administration, The Syria Report, accessed 27 November 2018: <https://bit.ly/2LXzA2j>

<sup>(17)</sup> Samer Abboud, The Economics of War and Peace in Syria, Century Foundation, 31 January 2017: <https://bit.ly/2zj4AIT>

to secure its basic needs and to circumvent the robust international sanctions programs. It has also tried to deplete the resources of its domestic opponents by excluding from these networks those whose loyalty is in doubt or who refused to support the regime, such as Imad Ghreiwati.<sup>(18)</sup> Additionally, the regime has expanded its economic networks by integrating rising businessmen such as Waseem al-Qattan and the Qaterji family, who have taken advantage of the vacuums created by the disintegration of old economic networks to raise their statuses and positions. The process of selecting newcomers to join these networks was conducted in the influential centers in the presidential palace, based on a “patronage for loyalty” approach.<sup>(19)</sup>

The decentralization of Syria’s economy, the restrictive sanctions, the damaged productive sectors, and the country’s increased dependence on imports have all reinforced the importance of local traders. These traders have assumed the important roles of making goods available, linking local economies together, and serving as commercial middlemen to connect the Syrian localities with the places that produce the commodities they need. Without realizing it, their activities have contributed to the restructuring of local trade networks and hubs.

In the context, Aleppo has lost its position as an economic and commercial center for northern Syria, as a significant part of its local merchants and manufacturers have moved their businesses to Turkey, particularly the city of Gaziantep. They employed their networks to establish trade with Syria and the Arab world, contributing to the growth of Gaziantep’s economy.<sup>(20)</sup> The size of trade between Gaziantep and Syria increased by 411 percent between 2012 and 2013, up from rise approximately 55 million USD in 2012 to over 278 million USD in 2013. In 2017 the trade between Gaziantep and Syria reached 378 million USD.<sup>(21)</sup> Sarmada provides an example of how the emerging commercial networks have created new economic hubs. In recent

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<sup>(18)</sup> Imad Ghreiwati is a businessman from Damascus who was one of the key founders of the Emar al-Sham Company, Sham Holding, and al-Sharq Bank. He was previously the largest agent for exporting and assembling cars in Syria and he held the position of the president of the Damascus and Damascus Countryside Chamber of Industry for two consecutive terms before he resigned in 2012 and fled Syria.

<sup>(19)</sup> Ayman al-Dosouki, *The Emerging Economic Elites in Syria: al-Kattan and al-Qaterji Family as Examples*, Omran for Strategic Studies, 22 February 2019: <https://bit.ly/2UhMY1D>.

<sup>(20)</sup> Ayman al-Dosouki, *The Rise of Local Merchants in Syria, in Local Brokers in post-2011 Syria, Transformation and Continuation*, Friedrich Ebert Stiftung, paper pending publication.

<sup>(21)</sup> GAZIANTEP, A Trade, Culture, and Gastronomy Center Located on the Historical Silk Road: <https://bit.ly/32PqJ8j>



## 2. The Rentier Nature of the Syrian Economy

A rentier economy is defined as the dependence of the state on one source of income for national revenues; in most cases this is a natural resource that does not require production mechanisms. The modern rentier economy takes the form of a service economy, be it financial or real estate.<sup>(26)</sup> Based on the definition above, the Syrian economy is a rentier economy because of its dependence on rents generated from oil exports and foreign aid starting during the reign of Hafez al-Assad. The economic liberalization policies implemented under Bashar al-Assad have only increased the rentier nature of the economy, with the economic elite focusing their investments in service and rent-based sectors that generate quick profits such as real estate and banking services, taking into account the ability of the Syrian state to control investment opportunities in the rent-seeking sectors and distributing them within its elite economic networks.

The conflict has strengthened the rentier nature of the Syrian economy, particularly with the extensive damage caused to the country's productive sectors, like agriculture and manufacturing. In this regard, the regime has increased its control over real estate in light of the declining public sector revenues; the oil and gas fields of the Euphrates are under the control of the Autonomous Administration; and Russia—and to a lesser degree Iran— has secured control over the revenues generated from exploration and investment in Syria's mineral resources for decades to come.<sup>(27)</sup> The Syrian regime has issued a number of laws and regulations to facilitate its control over real estate and to monopolize the financial revenues it generates, presenting them as a legal framework for reconstruction and early recovery in conflict-affected areas. Among these new regulations are: Law No. 10 of 2018 which allows the establishment of one or more urban renewal and development zones in Syria's local administrative units;<sup>(28)</sup> Law No. 5 of 2016 on public-private partnerships;<sup>(29)</sup> Legislative Decree No. 19 of 2015 allowing the

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<sup>(26)</sup> Walid Abu Suleiman, What is the Rentier Economy, The New Arab, 17 November 2014: <https://bit.ly/2XH4Hld>.

<sup>(27)</sup> Sinan Hatahet, Development of the Syrian Political Economy during the War, Lubab Magazine, Aljazeera Center for Studies, Edition zero, November 2018, P252.

<sup>(28)</sup> Law No. 10 of 2018, Syrian Prime Ministry Website: <https://bit.ly/2ECtyxZ>.

<sup>(29)</sup> Law No. 5 of 2016 on Public-Private Partnership, Syrian Prime Ministry Website: <https://bit.ly/2A0h4iR>.

establishment of private joint stock holding companies to manage and invest all or part of the properties of administrative units.<sup>(30)</sup>

Internal checkpoint crossings have emerged as a key source of revenue for parties to the conflict, estimated to have generated billions of Syrian pounds over the years of the conflict. These revenues started to decline in mid-2018, as the number of checkpoints decreased from around 30 in early 2018 to just 17 crossings by early 2019. This decline came after regime forces took control of opposition areas in Eastern Ghouta, the northern countryside of Homs, and Daraa and Quneitra governorates.<sup>(31)</sup> Most of the remaining internal checkpoints today are concentrated in northern Syria.<sup>(32)</sup>

The rent generated at internal checkpoints has been given different names, such as “accompanying fees” and “passing fees.” In the case of the accompanying fees, formal and informal military groups charge fees to escort commercial goods and protect them from being searched or confiscated while in their respective areas of control. The 4<sup>th</sup> Division of the Syrian Army is one of the most prominent operators of this activity because of its wide area of deployment and affiliation with Maher al-Assad.<sup>(33)</sup> As for passing fees, these are amounts charged for the transit of the crossing of individuals and commercial goods between two different spheres of influence. The right to benefit from the crossing is usually granted to a local commercial middleman, who serves as a facade for the key businessmen and regime security officials.<sup>(34)</sup>

Foreign aid provided by donors through governmental and non-governmental organizations and remittances were the two main rentier sources for the Syrian economy during the conflict. Figure (2) below shows the volume of donor financial aid to Syria through the UN’s Syria crisis response plan from 2012 to 2018, which was in excess of 20 billion USD total. However, the needs were never met by the fundings.

<sup>(30)</sup> Legislative Decree No. 19 of 2015, Syrian People’s Assembly Website: <https://bit.ly/2EOkOpN>.

<sup>(31)</sup> Statistics concluded by the researcher after observing the internal crossings in Syria.

<sup>(32)</sup> Special File – Syria: Licit and Illicit Internal and External Crossings, a Complicated Map and Porous Borders, Pont Post Website, 13 November 2018: <https://bit.ly/2tSBPZM>.

<sup>(33)</sup> The 4<sup>th</sup> Division: from Militarization to “Trade,” Sada al-Sham, December 2017: <https://bit.ly/2IRSZAZ>.

<sup>(34)</sup> Parties to the Conflict in Syria are Divided by Fighting and Brought Together by Millions, France 24, 31 July 2018: <https://bit.ly/2VEFbv4>.

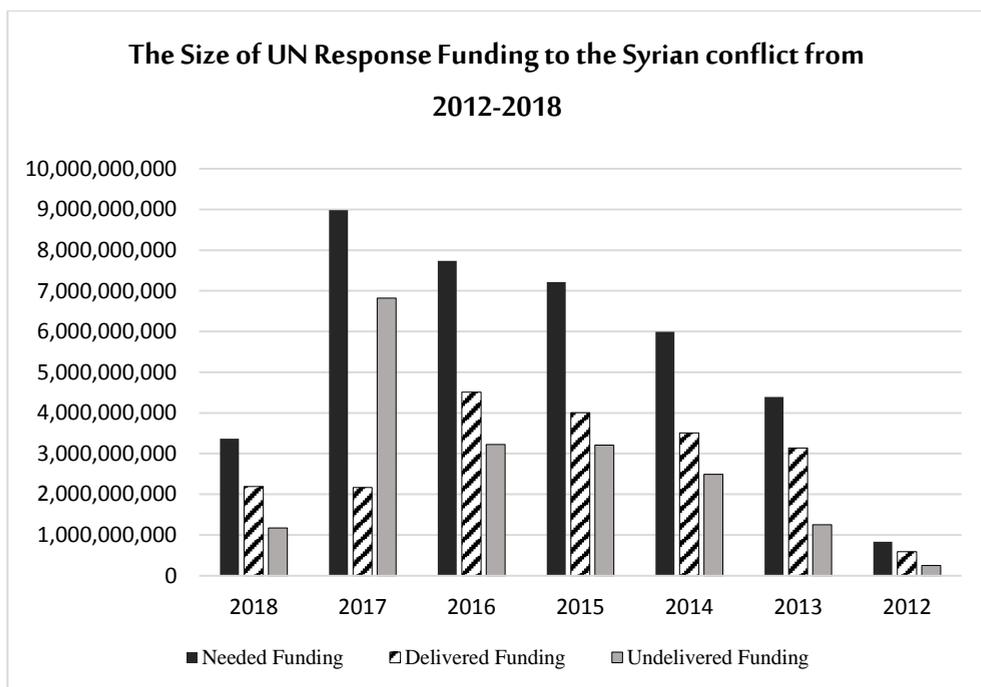


Figure (2): The size of UN response to the Syrian crisis from 2012 to 2018<sup>(35)</sup>

As for foreign remittances, one of the main sources of foreign currency for the regime, the 2017 statistical collection figures issued by Syria's Central Bureau of Statistics show an increase of those remittances from 1.22 billion USD in 2011 to 2.37 billion USD in 2016. The statistical abstract also showed a rise in the share of foreign remittances in Syria's national income from 1.9 percent in 2011 to 19 percent in 2016, which exceeds the 18 percent estimated contribution of the industrial sector in 2016.<sup>(36)</sup>

#### **IV. The Political Economy of Early Recovery in the Different Zones of Influence: Attitudes and Policies of the Actors**

The conflict destroyed Syria's national economy and led to the geographic disintegration of the country into zones of influence, which differ from one another in terms of the patterns of their political economy and the approaches

<sup>(35)</sup> The figures in the table are derived from UN OCHA's Financial Tracking Service, Tracking Humanitarian Aid Flows: <https://fts.unocha.org/>.

<sup>(36)</sup> Economic Analysis: 6.5 Million USD is the Value of the Net Remittances into Syria, Making 19% of the National Income and More than the Social Subsidies in the Budget by 11%, al-Watan Newspaper, 23 July 2018: <http://alwatan.sy/archives/159655>.

of their respective actors. The economy in regime-held areas is based on cooperation between the public and private sectors; the economy in opposition-held areas and areas of HTS control is characterized by dependent decentralization; and the economy of the Autonomous Administration areas is controlled by their central authority.

### **1. Regime-Held Areas: Partnership between the Private and Public Sectors**

The international sanctions, the economic recession, and the need for capital have forced the Syrian regime to increasingly depend on the private sector, allowing it to access economic sectors that were previously monopolized by the state. This was given a legal framework through Law No. 5 of 2016 on Public-Private Partnership (PPP), which built upon policies that started in the 1990s and then intensified in the 2000s.

The second wave of Syrian economic liberalization policies in the 1990s created space for the role and size of the private sector to grow. These economic and investment policies, including Law No. 10 of 1991, broke the state's monopoly over certain economic sectors, making them available to the private sector through the creation of holding companies. These changes also gave the state's bureaucratic elite an opportunity to invest their capital in the local economy.<sup>(37)</sup>

Holding companies in Syria gained momentum with the issuance of Legislative Decree No. 7 of 2000, which amended the 1991 investment law.<sup>(38)</sup> As the government increasingly relied on holding companies as investment vessels to raise the rate of economic growth, two main holding companies emerged: Syria Holding and Sham Holding. Government policies were designed to benefit these two companies, granting them advantageous government contracts and opening up more sectors to them that had been run solely by the state, especially services such as banking and communications. In doing so, the government protected their investments from competition.

Sanctions, the economic recession, and the decrease in public spending have forced the regime to rely increasingly on the private sector and its elites as a

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<sup>(37)</sup> Mohammad Jamal Baroutt, *The Past Decade in Syria: The Dialectic of Stagnation and Reform*, Ibid, PP62-65.

<sup>(38)</sup> Legislative Decree No. 7 of 2000, Syrian People's Assembly Website, 13 May 2000: <https://bit.ly/2KAJaBd>

way to boost economic growth and generate revenues, to provide the basic needs of the regime in their capacity as its middlemen, and to undertake some of the governmental functions. In addition, they are also leading the regime's reconstruction efforts because of their regional and international economic relations and connections. The regime has issued a number of laws and regulations to provide a legal framework for the new role of the private sector and the cooperative relationship between the public and private sectors. On top of those laws are Law No. 5 of 2016 on public-private partnerships, and Legislative Decree No. 19 of 2015.

Syria's rent-generating sectors, especially oil and real estate, have seen the most prominent impacts of the cooperative relationship between the private and public sectors in recent years. The regime issued a number of resolutions authorizing the private sector to import and distribute oil derivatives; an activity that was previously exclusively carried out by the Syrian Company for the Storage and Distribution of Petroleum Products – Fuel (SADCOP).<sup>(39)</sup> The government's dependence on the private sector to secure oil derivatives has increased with the intensified European and U.S. sanctions,<sup>(40)</sup> and the regime's economic elite has benefited from this liberalization of the oil sector. Muhammad Hamsho, for example, worked through a company called Ebla Trade Service, which is registered in Lebanon under the name of his children, to transport oil products to the port of Baniyas.<sup>(41)</sup> The businessman Rami Makhoulf has relied on commercial brokers like the Qaterji family to make deals to transport oil from the areas controlled by the Autonomous Administration.<sup>(42)</sup>

Real estate has become an increasingly important source of revenue for the regime, especially given the scarcity in oil supplies and their inability to generate enough oil revenue to run the state economy.<sup>(43)</sup> For this reason, the

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<sup>(39)</sup> The Private Sector is Permitted to Import Fuel and Diesel, al-Iqtisadi, 2 October 2014: <https://bit.ly/2VIUpiZ>.

<sup>(40)</sup> Chambers of Industry and Industrialists are Allowed to Import Fuel and Diesel from the Land and Sea for Three Months, News of Syrian Oil and Gas, 5 March 2019: <https://bit.ly/2ZubFur>

<sup>(41)</sup> Nizar Ghazali, Assad's Men: Secrets of the Syrian Regime's Circumvention of International Sanctions, The New Arab, 5 April 2016: <https://bit.ly/2Tn9LwT>.

<sup>(42)</sup> Rami Makhoulf monopolizes the transportation and importation of oil products from eastern Syria via trade middlemen, such as al-Qaterji and al-Sheikh Fuad Abu Dillo, a skype interview between the researcher and a journalist specialized in economic affairs living in Syria, date of the interview 1 February 2019; see also The Relation of al-Qaterji and His Partner Abu Dillo with the Gas Crisis in Syria, Jisr Online Newspaper, 10 February 2019: <https://bit.ly/2EFDEOD>.

<sup>(43)</sup> Hatahet, P250.

regime opened the door for the private sector to enter into real estate partnerships with the public sector, formalizing these arrangements with a number of laws, the most prominent of which were Law No. 10 of 2018 and Legislative Decree No. 19 of 2015. The most prominent example of a public-private partnership in the real estate sector in Syria is the partnership contract signed by Damascus-Sham Holding—which manages the properties of the government of Damascus governorate along with a number of private holding companies owned by business elites—to invest in Marota City and Basilia City Projects.<sup>(44)</sup>

The partnerships between the elite government officials and the emerging economic elites have given them all the opportunity to integrate their newly created wealth into existing economic networks. It also allowed the economic elite to expand from being just commercial intermediaries to playing deeper roles in the economy.<sup>(45)</sup> One example of this is the rising businessman Waseem Qattan, who has made multi-million dollar investments in state service and tourism facilities.<sup>(46)</sup> The 2016 public-private partnership law also facilitated the transfer of the ownership of state assets to private investors affiliated with the regime.<sup>(47)</sup>

## **2. Opposition-Held Areas: Dependent Decentralized Economies**

The Syrian opposition suffered major setbacks in 2018 with the loss of areas it controlled in southern and central Syria, limiting its areas of control to just three zones in the north and northwest. Although these areas differ in terms of their dominant actors and their administrative systems, they all have dependent decentralized economies. Today, the presence of the Syrian opposition is limited to the areas known as Euphrates Shield and Afrin as well as the portions of Idlib, the Aleppo countryside, Hama, and Latakia that are still outside of regime control. Armed factions operating under the umbrella of the “Syrian National Army”, which was established in 2017, are present in

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<sup>(44)</sup> For more about Damascus-Sham Holding and the contracts signed with the private holding companies see Damascus-Sham Holding Website: <https://bit.ly/2IVtC1k>.

<sup>(45)</sup> Samer Abboud, From the Social Market Economy to the National Partnership: The conflict elite and public-private partnerships in a post-war Syria, The London School of Economics and Political Science, Conflict Research Programme, 31 January 2019: <https://bit.ly/2KhPmDn>

<sup>(46)</sup> Al-Dosouki, The Emerging Economic Elites in Syria: al-Kattan and al-Qaterji Family as Examples.

<sup>(47)</sup> Jihad Yazigi, Destruct to Reconstruct: How the Syrian Regime Capitalises on Property Destruction and Land Legislation, Friedrich-Ebert-Stiftung, July 2017, P11: <https://bit.ly/2uASwsi>

the Euphrates Shield and Olive Branch areas, while the parts of Idlib that are outside regime control are dominated by HTS, in addition to the factions affiliated with the so-called National Front, which was established in 2018, and a number of jihadist formations of various names, as shown in figure (3).

Just as these three opposition areas are not controlled by a single military actor, they also lack a unified administrative structure. Local councils in Idlib government have different administrative affiliations: some of them are nominally affiliated with the Syrian Interim Government, and others are affiliated—voluntarily or by force—with the Syrian Salvation Government. There are also some independent local councils that are not affiliated with any administrative authority.<sup>(48)</sup> The local councils in the Euphrates Shield and Afrin areas are administratively linked to the adjacent Turkish provinces.<sup>(49)</sup>

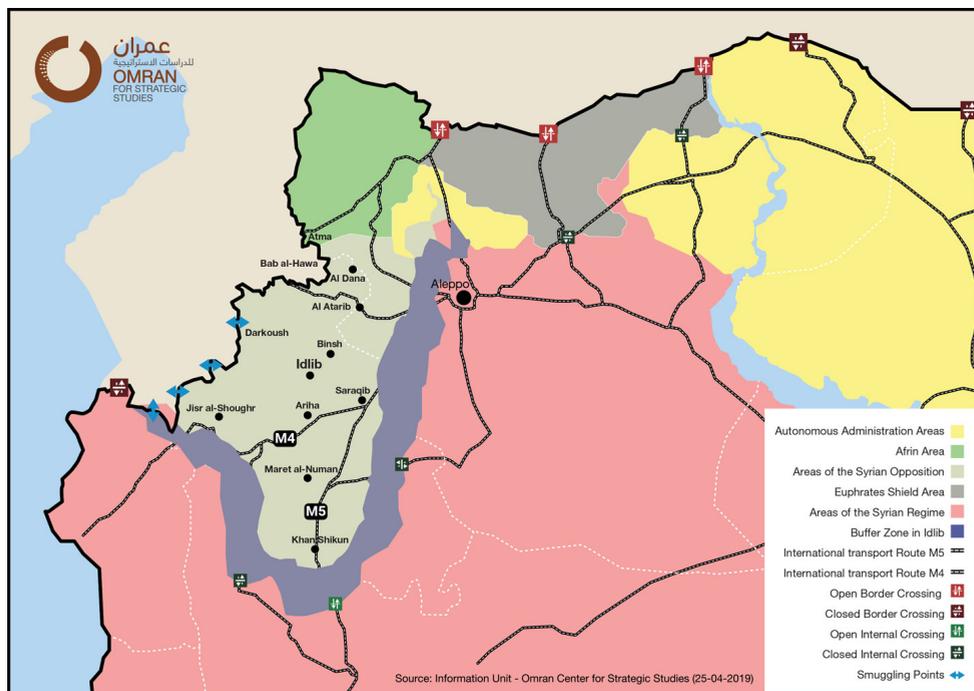


Figure (3): Map of the distribution of formal and informal border crossings, as well as internal crossings in opposition-held areas

<sup>(48)</sup> Munir al-Fakir, The Reality of Local Administrative Structures in Idlib in 2018, Omran for Strategic Studies, 31 January 2018: <https://bit.ly/2SQAVqA>.

<sup>(49)</sup> Khaled al-Khateeb, “Euphrates Shield”: Local Governments Supported by Turkey, al-Modon, 1 July 2018: <https://bit.ly/2tW9iCo>.

Military and administrative fragmentation, the breakdown of the systems of production, donor policies, and the conflict economy have all undermined efforts to create a unified economic system in these areas, one that could provide an alternative to the local economies that are completely dependent on foreign support provided by foreign donors and their local partners, of which there are estimated to be around 300 entities providing permanent or intermittent support.<sup>(50)</sup> Local councils and communities rely heavily on this foreign aid in terms of job generation and the provision of basic services, particularly in the health and education sectors. Accordingly, the quality and stability of services in areas where local councils are active in Idlib were adversely affected after the expansion of the Salvation Government in late 2018, which led to a 50-60% decrease in foreign aid flows and the suspension of many stabilization projects.<sup>(51)</sup>

The local economies in opposition-controlled areas are dependent not just on foreign aid, but they are also linked to the Turkish economy and rely on it to secure basic goods and services, especially given the disruption of local production. The formal and informal border crossings play such an important role in linking the local economies in opposition areas to Turkey that they have led to the reconfiguration of local trade networks and influential commercial centers in northern Syria. According to the Trade and Customs Directorate of the Southern Anatolia Region, the volume of Gaziantep exports to the northern and north-eastern countryside of Aleppo during the first ten months of 2018 reached 560 million USD, with an increase of 22% in compared to the same period in 2017, approximately amounting to half of Turkish exports to Syria.<sup>(52)</sup> 40% of these exports went through the Carchemish-Jarabulus crossing.<sup>(53)</sup> One manifestation of the economic reliance of these areas on Turkey is the use of the Turkish Lira rather than the Syrian Pound in trade transactions and financial services, and the use of Turkish Lira to pay the salaries of employees in service institutions and

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<sup>(50)</sup> An estimate made by the researcher through monitoring donors and their local partners working with local councils. This number is not fixed and continues to change based on several fluctuating factors.

<sup>(51)</sup> Noor Dalati et al, Terrorism Concerns, a Pretext to Cut Down on the Support for Civil Projects, Enab Baladi, 11 November 2018: <https://bit.ly/2Kd6Hx5>

<sup>(52)</sup> Southeastern Gaziantep's exports to Syria record 22 pct rise in 10 months, Daily Sabah newspaper, 14 November 2018: <https://bit.ly/2YCUc1Y>.

<sup>(53)</sup> Turkish Exports to Syria Are on the Rise, Yeni Safak, 14 November 2018: <https://bit.ly/2ZrzByM>

fighters in the Euphrates Shield and Afrin areas.<sup>(54)</sup> Furthermore, Turkey has opened branch offices for a number of its formal institutions, including its postal agency (PTT) in these areas,<sup>(55)</sup> and Turkish companies supply parts of the Euphrates Shield area with power, water, and telecommunications.<sup>(56)</sup>

### **3. Autonomous Administration Areas: Centralized Economy in Authorities' Grip**

The Autonomous Administration has managed to expand the scope of its control and implement its vision of governance by relying mainly on American support. While the Autonomous Administration went through various stages of transformation, it has not changed its practices of centralized political and economic control.

The SDF, the military wing of the Autonomous Administration, secured some key gains on the ground against the Islamic State in eastern Syria, becoming the most prominent local actor in that region, which is still effectively governed by the Autonomous Administration based on the administrative units and structures in place since mid-2014, along with the areas annexed to it including Raqqa, Deir Ezzor, and Manbej. Although the “Democratic Federation of Northern Syria” was declared in 2017,<sup>(57)</sup> as well as the Executive Commission of the General Assembly of the “the Autonomous Administration of North and East Syria” in October 2018,<sup>(58)</sup> these structures remained rather loose titles than actual governance structures on the ground.<sup>(59)</sup>

In 2014 the Autonomous Administration introduced a Social Contract that defined the economic system in the areas under its control as a participatory economy based on comprehensive and sustainable development and the

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<sup>(54)</sup> Khaled al-Khateb, FSA takes hit with slump of Turkish Lira, Al-Monitor, 8 August 2018: <https://bit.ly/2Ys6HSM>

<sup>(55)</sup> Mahmoud al-Hirek, Opening a Fifth Branch of the Turkish PTT Post Institution in the Countryside of Aleppo, Baladi News, 8 November 2018: <https://bit.ly/2VKfUQo>

<sup>(56)</sup> Joudi Arash, Details of the Turkish Project to provide the Euphrates Shield Areas with Electricity, Orient News, 20 August 2018: <https://bit.ly/2XLKWcz>

<sup>(57)</sup> For more about the context of the establishment of the Autonomous Administration see Badr Malla Rasheed, The Governance Reality in Autonomous Administration Areas, a research paper included in Omran's fourth annual book under the title: On Centralization and Decentralization in Syria: Between Theory and Practice, Omran for Strategic Studies, September 2018: <https://bit.ly/2N7mnQH>.

<sup>(58)</sup> Is there any Difference between the Old and New Autonomous Administration?, al-Modon, 4 October 2018: <https://bit.ly/2XM6t4E>.

<sup>(59)</sup> A skype interview between the researcher and a local source in al-Hasaka, 8 March 2019.

principle of “each according to his work.” This principle prevents the formation of monopolies, seeks to achieve social justice, ensures national forms of ownership of the means of production, guaranteeing the rights of workers and consumers, protects the environment, and promotes national sovereignty.<sup>(60)</sup> The Social Contract gave the Legislative Council control over the general budget, public policy, and development plans (Article 53), while assigning the mandate to implement these policies at the provincial level to the boards of Executive Councils, Local Administration Councils, and Communal Councils (Komins), in observance of the spirit of the Social Contract which rejects the idea of centralization and central governance.<sup>(61)</sup>

In practice, the actual economy in the Autonomous Administration areas differs from the one described in the Social Contract, as it is subject to control from a central authority, represented by the Kurdistan Workers Party (PKK), through a shadow network of cadres embedded in the Autonomous Administration’s formal institutions,<sup>(62)</sup> as well as through parallel structures formed by the Democratic Union Party (PYD) and the Democratic Community Movement (TEV-DEM), and through informal channels.<sup>(63)</sup> For example, the head of the Energy Commission in the Jazeera area oversees the process of refining oil from al-Rumeilan field into diesel and gasoline, but one of the cadres trained by the PKK determines distribution, prices, and revenue collection.<sup>(64)</sup> The above example is consistent with the affirmation by Samar Hassan, the vice president of the co-presidency of the Autonomous Administration’s Energy Commission, that her commission is not concerned with oil distribution and sales.<sup>(65)</sup>

In addition to its formal authority, the Autonomous Administration has several additional mechanisms through which it can intervene in the economy. For example, as part of the Autonomous Administration’s effort to curb the sugar crisis, a commercial firm close to the Autonomous

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<sup>(60)</sup> The Social Contract Document of the Democratic Autonomous Administration, The Jazeera Region, article 42, 6 January 2014: <https://bit.ly/2J2Uqg6>.

<sup>(61)</sup> The Social Contract Document of the Democratic Autonomous Administration, The Jazeera Region, article 53, Ibid.

<sup>(62)</sup> The PKK’s Fateful Choice in Northern Syria, International Crisis Group, 4 May 2017: <https://bit.ly/2p8S136>

<sup>(63)</sup> Jano Shaker, After Four years of Ruling the Area: Laws of the Autonomous Administration from Inequality to Selective Application, Rok Online, 26 July 2018: <https://bit.ly/31dPuZZ>

<sup>(64)</sup> The PKK’s Fateful Choice in Northern Syria, P9.

<sup>(65)</sup> Dia Ouda, Economy of the Federalism in the North: the Keys are in the Hands of the Neighbors, Enab Baladi, 22 October 2017: <https://bit.ly/2YGokcC>

Administration named Hevgirtin took control of sugar supplies coming into the Syrian Jazeera region from Iraqi Kurdistan and distributed them through the Komins at reasonable prices.<sup>(66)</sup>

Alongside the Autonomous Administration's own economic governance, vital sectors of the economy in the Autonomous Administration areas are still controlled by the Syrian regime. For example the Autonomous Administration relies on the regime's technical staff and public servants to operate important economic facilities such as the Tabqa dam. It also relies on the regime for the management, operation, and maintenance of oil and gas facilities through informal contracts between the parties brokered by local intermediaries.<sup>(67)</sup>

## **V. Conclusion: A Political Economy that is a Catalyst for Conflict**

The conflict in Syria that has been going on for more than eight years has left behind a heavy legacy of destruction of the country's physical and human capital. The conflict has caused structural disruptions in the economy that have impacted its characteristics, sectors, patterns of capital accumulation and wealth distribution, and led to social disruption through displacement, migration, and demographic change. Perhaps the most important impact of the conflict has been the generation of a decentralized political economy with varying patterns that include socialism, dependency, and authoritarian control characterized by excessive rentierism.

The emerging political economy presents a challenge to the emergence of the environment conducive to early recovery processes that might lead to stability. In its current form, Syria's political economy is a driver for the continuation of the conflict, as existing early recovery programs are subject to the interests and approaches of the various actors in the three zones of influence along with their allies or donors, preventing their integration at the national level. This could instill decentralization in the country with the

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<sup>(66)</sup> Fareed Edwar, Economy of the Autonomous Administration between the Double Standards of Laws and Taxes, Suwar Magazine, 21 April 2017: <https://bit.ly/2EZ2cUb>.

<sup>(67)</sup> Muhammad al-Husseini, "Sousi", a New Businessman Appearing in the Gas Deals between SDF and the Regime, Eqtsad Website, 18 January 2019: <https://bit.ly/2Ztbz6h>

various economic forms and governance structures present in the different areas, leading to political and social implications that could result from such decentralization.

The conflict economy, the international sanctions, and the withdrawal of some businessmen from the economic scene allowed a new economic elite to emerge. This emerging economic elite is no different from the pre-2011 elite in terms of its focus on investing in rent-generating sectors, primarily real estate. Their continued reliance on these rent-generating sectors for capital generation and economic growth will generate economic bottlenecks with high social costs. Unlike the pre-2011 elite, however, the emerging elite does not constitute a socially or economically cohesive block. As a result, it is unable to wield significant political influence or form the nucleus of a political force independent from the center, which could be relied upon in the reconstruction arena or even in domestic policy calculations.

Economic sanctions and economic downturn have increased the regime's dependence on the private sector and allied elites, as they become the regime's tools to induce economic growth and generate rents. They are also intermediaries to help the regime fulfill its basic needs and perform certain government functions, and spearhead regime's reconstruction strategy because of their relationships with regional and international economic actors. All of these developments contribute to the further erosion of the state's economic and social development roles, which are likely to give rise to a series of social and economic crises.

The decentralization prevailing in opposition-controlled areas precludes the emergence of centralized mechanisms that would be capable of introducing and managing an economic vision or program in these areas. The excessive dependence of local actors on foreign donors and their economic ties to Turkey hinder any attempts to launch local production activities in these areas and undermine local governance structures and independence. This all exacerbates the humanitarian and services crises and causes further deterioration of the already poor economic conditions in these areas, pushing desperate people to engage in informal economic activities or conflict-related activities to make a living.

The economy in the Autonomous Administration areas is being used to tighten the PYD's grip over local communities by linking the livelihoods and basic needs of local populations to the PYD's political project. It is also used to serve the PKK's larger regional agenda, which provokes local sensitivities, deepens the Arab-Kurdish divide and further involves the area in conflicts beyond Syria's borders. The Autonomous Administration's dependence on the Syrian regime for the operation and maintenance of vital economic facilities further undermines the Autonomous Administration's endeavors to develop its governance capabilities and projects.

## *Chapter 4*

### *Early Recovery in Syria: An Assessment of the Regime's Role and Capability*

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## **Chapter 4: Early Recovery in Syria: An Assessment of the Regime's Role and Capability**

### **I. Executive Summary**

- The structure of the laws pertaining to economic policies adopted gradually by the Syrian regime in the decades preceding the conflict that erupted in 2011 affected its approach in dealing with developments in the country in the years that followed the conflict. A detailed study of this structure reveals three main characteristics of its associated policies. First: The politicization of laws, which have been designed to favor the regime's patronage networks, composed of a coalition of businessmen, senior bureaucrats, military figures as well as warlords who have been gradually added over the years of the conflict. Second: The selective application of policies to serve the interests of certain groups or geographic areas at the expense of other groups or areas, either as deliberate punishment strategy by the regime or because of a lack of financial resources required for enforcement. Third: A growing push towards centralization which has manifested politically as support for the regime's institutions, and economically as support for loyalist economic networks in a manner that both ensures the regime's survival and reinforces loyalty of those networks.
- The regime's practices and policies for managing the early recovery phase so far in areas it controls—which are likely to grow to cover most of the Syrian regions in the next few years—reveal that there have been few changes in how the regime approaches these efforts. Notably, the regime has heavily focused its early recovery and infrastructure rehabilitation efforts on areas that were always under its control. By concentrating its investments in these less damaged areas and in more profitable sectors, the regime hopes to secure the cash it requires to gradually move on to work in the areas of greater damage.
- The regime pursued a policy of isolating the areas that it brought back under military control, first from one another and then from their

regional surroundings. The regime tightened its security grip on these areas by utilizing security clearances and arbitrary detentions, as well as intensifying compulsory conscriptions. In general, recaptured areas experienced insecurity and saw sharp declines in their economic conditions and in local service provision after they came under regime control. One of the main reasons for this was the control imposed by pro-regime militias and armed groups over these areas and their economy, which led to a collective reluctance to return to the areas among internally displaced persons and refugees, consequently undermining the chance of recovery.

- The Syrian regime's policies are not likely to lead to early recovery throughout the country in the long run for several reasons, the most important of which is the nature of the investments focused in the real estate and financial services industries. A large portion of the revenue generated by these industries is controlled by the private sector and the economic networks allied with the bureaucratic elite. Additionally, Iran and Russia have gradually taken control of the Syrian economy which will impact the policies related to the allocation of investment, and the support to the governorates according to the interests of these countries and their local economic networks. Furthermore, the regime's policy of attracting capital and investments without seeking to restore the depleted labor force, and even targeting the remaining labor force through compulsory conscription, will undermine the recovery capabilities of economic sectors that depend largely on a strong labor force such as industry, agriculture, and infrastructure. It will also ensure that large swathes of the country, namely the formerly opposition-held areas, remain marginalized and poor in terms of their human and financial capital.

## **II. The Legislative Structure Pertaining to the Economic Policies of the Syrian Regime After 2011: A Continuation of the Same Approach**

### **1. The Structure of the Syrian Economy before 2011: Bureaucrats Enter the Market**

Syria experienced radical changes in its economic policies in the 1980s. After decades of the state's adoption of socialist policies, including the implementation of nationalization and agricultural reforms that targeted top landowners and the bourgeoisie, policies of economic openness and liberalization were gradually adopted. Under Bashar al-Assad, social market economy came into use. The global drop of oil prices impacted Syria by reducing the financial support provided by the Gulf States and the remittances from expatriates, particularly living in those countries. As a result, the Syrian government found itself forced (willingly) to adopt more liberal policies, sacrificing social support policies in favor of privatization and widely opening the door for the private sector and foreign investors to enter the Syrian market. The center of economic gravity gradually shifted from agriculture and industry towards the financial, banking, and services sectors, as their quick profitability was attractive to domestic and foreign investors alike.

The phase of economic liberalization in Syria had a massive impact on the political and economic structures of the regime. Despite claims made by the proponents of this ideology, the neoliberal reforms in Syria did not necessarily mean the state's withdrawal from the market and the decline of its role. On the contrary, the state kept the same level of involvement in the market but this time intervening in favor of capitals and investors at the expense of ordinary citizens and working classes.<sup>(1)</sup> The state and its bureaucratic organs played a crucial role in this period of economic transformation, enacting legislation, directing the government support, and employing its capabilities to serve certain sectors, merchants, and investors. Later on, the market witnessed the direct entry of the state's bureaucratic

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<sup>(1)</sup> Bob Jessop, Liberalism, Neoliberalism, and Urban Governance: A State-Theoretical Perspective, *Antipode* 34, No. 3 2002: PP 452-472.

apparatus as an owner and investor rather than just an organizer and observer.<sup>(2)</sup>

It is important to note that these liberal reforms in Syria were limited to the economic sphere only, and no corresponding political reforms were made. The reforms were later employed to give liberty to the alliance of bureaucrats and merchants in the market without infringing on their political and security privileges. The country saw little noteworthy improvement in terms of the political representation of rural and marginalized areas or strengthening popular control over the state budget and public spending. Instead, the national economy became dependent on influential networks and their narrow interests, making nepotism and corruption both the dominant characteristics and drivers of the economy. Ultimately, the state abandoned its social responsibilities and repositioned itself in the market as an owner rather than an organizer of the economy. This led to the collapse of the social contract and drove Syrian society to the verge of explosion on the eve of popular uprisings that started in some Arab countries in 2011.<sup>(3)</sup>

## **2. The Regime's Response to Protests in the First Few Months**

Contrary to its traditional security and military policy pursued in Syria, in the early months of the conflict the Syrian regime tried to contain the crisis by enacting laws and regulations that gave some financial privileges to specific categories of people to appease them, namely state employees and military personnel. For example, Legislative Decrees No. 44, 41, and 46 of 2011 all stipulated lump sum payments and proportional increases in the salaries of public sector employees and the addition of a heating oil allowance, in addition to covering retired public sector employees with the health insurance. Legislative Decree No. 47 of 2011 exempted farmers from fines on irrigation, Decree No. 58 of 2011 exempted civilians from fines incurred on electricity, and Decree No. 121 of 2011 rescheduled the repayment of industrial loans in arrears. At the political level, the regime issued Decree No. 49 of 2011, which approved Syrian nationality for those registered in the

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<sup>(2)</sup> Ali Kadri, *The Unmaking of Arab Socialism*, London: Anthem Press, 2016; Raymond Hinnebusch, 'The Political Economy of Economic Liberalization in Syria', *International Journal of Middle East Studies* 27, No. 3 2009: PP 305-320, available at: <https://www.jstor.org/stable/176253>.

<sup>(3)</sup> Shamel Azmeh, 'Syria's Passage to Conflict: The End of the "Developmental Rentier Fix" and the Consolidation of New Elite Rule', *Politics & Society* 44, no. 4 2016, PP 499-523: <https://bit.ly/2YLhyT5>

foreigners' registry—pertaining to the Syrian Kurds who were denied citizenship—in Al-Hasaka. The Deir Ezzor Development Fund was established by Decree No. 84 of 2011. Finally, the State Security Court was abolished by Decree No. 53 of 2011, a general amnesty law was issued in May through Decree No. 61 of 2011, and the state of emergency that had been in continuous effect since 1963 was lifted by Decree No. 161 of 2011. However, the effects of martial orders and decisions issued during that period ordering the expropriation of movable and immovable property of some individuals and entities remained in effect (Decree No. 56 of 2011).

In the first year of the uprising, the regime maintained a pattern of appeasing regional groups and members of specific social and economic sectors with immediate reforms and gifts paid from the state treasury in order to discourage them from engaging in the protests.<sup>(4)</sup> These policies were selective and limited in terms of their target audience, without any serious moves by the regime to change the economic approach that led to the protests in the first place. In the following years, the regime maintained essentially the same policy, based on partial containment and providing immediate benefits. For example, Decree No. 14 of 2016 made it possible for a judge to cancel a decision to fire a civil servant if they did their compulsory or reserve military service. The regime also issued Decree No. 7 of 2015, which gave 4,000 SYP (around 20 USD) per month to public sector employees as a living allowance in an attempt to appease state civil servants who used to be considered the historical base of the regime and the guarantor of its stability. The policy of giving privileges to military and security personnel as well as retired military personnel and their families continued in several other decrees.<sup>(5)</sup>

### **3. Entry into the Conflict Economy**

As battles intensified in the early years of the conflict and the regime lost control of more than two thirds of the country, the conflict economy became dominant in most economic sectors and territories, and among the various actors therein. Several factors played a major role in the decline of the Syrian economy and the structural change it went through. Key factors include:

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<sup>(4)</sup> Khaled Turkawi, War Economy in Syria, Jusoor for Studies, November 2018: <https://bit.ly/2tBodC7>

<sup>(5)</sup> See Legislative Decrees No. 14, 17, and 58 of 2011, Decree No. 39 of 2013, and Laws No. 43 and 45 of 2018 for example.

**First:** the economic sanctions imposed on the regime early on by the international community, especially by the U.S. and European Union, targeting government institutions, technocrats, and private institutions that supported the regime in the energy, financial, and defense sectors.<sup>(6)</sup> These sanctions caused the greatest damage to the oil and gas sectors in terms of production and marketing, which casted a shadow over the fiscal deficit, contraction in GDP, and contraction in the state revenues. Despite the major damage these sanctions inflicted on the Syrian economy, they failed to change the regime or its behavior because the regime was able to adapt, relying on its network of interests and utilizing unknown businessmen to circumvent the sanctions.<sup>(7)</sup>

**Second:** capital flight, especially to neighboring countries such as Lebanon and Turkey. For example, in 2012 around 100 billion SYP (around 1.5 billion USD at the time) were withdrawn from Syrian banks and transferred outside of Syria to be reinvested abroad.<sup>(8)</sup> Syrian companies constituted an estimated 26 percent of the total foreign companies registered in Turkey in 2014.<sup>(9)</sup>

**Third:** the massive destruction of infrastructure, especially in the energy, water, and transportation sectors, along with the regime's loss of control over areas rich in natural resources.<sup>(10)</sup>

The abovementioned factors created many challenges to the regime, in terms of its ability to protect its interests and shore up its foundations. So the regime had to reorganize its priorities and take a number of measures to face these challenges during this time of reconfiguration. Thus, the outlines of the regime as it functions in the current phase and in the post-conflict phase began to emerge. The most important of these features are:

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<sup>(6)</sup> INSIGHT: Syria Sanctions, Skuld, 21 November 2018: <https://bit.ly/2E1FkOm>.

<sup>(7)</sup> Sanctions and their Impact on Totalitarian Regimes: The Syrian Model, Continuity of Authoritarianism and its Transformations, Nusuh Blog, 28 August 2017: <https://bit.ly/2tsWyDe>.

<sup>(8)</sup> Samer Abboud, Syrian Money that Fled Syria Wore Masks that Make its Return to Syria Difficult, 12 May 2013: <https://bit.ly/2XnODF8>.

<sup>(9)</sup> Samer Abboud, The Economics of War and Peace in Syria, The Century Foundation, 31 January 2017: <https://bit.ly/2zj4AIT>.

<sup>(10)</sup> Jihad Yaziji, Syria's War Economy, European Council on Foreign Relations, 7 April 2014: <https://bit.ly/2V7hH1F>.

## A. External Orientation

Following the first year of the conflict, the Syrian regime adopted policies aimed at making up for its financial and production shortages. Towards this end, the regime signed several cooperation agreements with “friendly” states such as Iran, Russia, North Korea, Romania, Venezuela, and Belarus.<sup>(11)</sup> The regime granted benefits to Iran in the areas of free trade (Law No. 87 of 2011), the banking sector (Law No.1 of 2013), and customs (Law No. 40 of 2015). It also gave Iran huge investment concessions in key sectors including energy, telecommunications, and natural resources, in exchange for the financial and military support provided to Iran by the Syrian regime since the beginning of the conflict.<sup>(12)</sup> The Iranian presence in the Syrian economy has increased significantly in recent years, signing a comprehensive cooperation agreement in the banking and finance sectors in late 2018 that opened the door for Iranian companies to invest in Syria.<sup>(13)</sup> Being directly linked to the Syrian economy serves Iran's main goal to incorporate Syria and Iraq into the Iran’s domestic energy and transportation networks.<sup>(14)</sup>

In addition to Iran, Russia is also eager to reap the rewards of its military and political support for the regime by ensuring its economic and geopolitical interests are represented through its presence on the Mediterranean coast, along with its maintenance of arms sales and control of the gas trade in the region.<sup>(15)</sup> In terms of investment, Russia is focused mainly on the energy and phosphate sectors as well as oil and gas exploration. In 2018 alone, around 80 Russian companies entered the Syrian market to explore the investment opportunities in the shipping, energy, agriculture, and tourism sectors in the coastal and central areas of the country.<sup>(16)</sup> In November 2017, the Syrian

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<sup>(11)</sup> Most of these states like Belarus, Abkhazia, and Sudan, represented political and symbolic opportunities for the regime, rather than sources of real support. See Decrees No. 51, 93, and 98 of 2011, Decree No. 9 of 2012, and Decrees No. 16 and 33 of 2015.

<sup>(12)</sup> For example, in the first three years of the crisis Iran provided only three billion USD in financial loans to the regime, in addition to its ongoing commitment to military support. See: Salam al-Saadi, Iran’s Stakes in Syria’s Economy, Carnegie Endowment for International Peace, 2 June 2015: <https://bit.ly/2YUPiBD>

<sup>(13)</sup> Hashem Osseiran, Iran to reap rewards in Syria’s reconstruction, says Syria economy minister, The National, 31 December 2018: <https://bit.ly/2EX7Oi8>.

<sup>(14)</sup> Azad Jamkary, Signing MoU to Link Electricity between Syria, Iraq and Iran, Rudaw, 22 November 2017: <https://bit.ly/2DUuoFS>; Iran Begins Establishing a Railway that Links it with Iraq and Syria, Arabi 21, 12 November 2018: <https://bit.ly/2ROxTTE>.

<sup>(15)</sup> Simon Saradzhyan, Russia’s Interest in Syria is Not Assad, Belfer Center for Sciences and International Affairs, 21 October 2015: <https://bit.ly/2iCkePM>.

<sup>(16)</sup> Russia Controls the Economy of the Syrian Coast and Seeks to Intensify its Influence, Jisr TV, 7 January 2019: <https://bit.ly/2GVsVCD>.

regime signed a special protocol with the Russians granting them huge investment privileges in the field of reconstruction.<sup>(17)</sup>

In general, the issue of foreign debt—on which the regime relied heavily to cope with many of its crises—is one of the issues that will cast a long shadow over the Syrian economy, with a current debt that exceeds 60 billion USD, mostly from Iran and Russia.<sup>(18)</sup> This debt will remain a heavy burden on the economy in the coming stages and will inevitably lead to the subordination of the regime to those states it is indebted to.

### **B. Austerity at the Expense of the Marginalized**

Figures derived from the analysis of the general budget of Syria from 2011 to 2019 show a sharp drop in the total value of the budget. The regime has tried to obscure this fact by publishing these figures in Syrian pounds and presenting them to the public as an annual increase, claiming it is the largest increase in the history of the country despite the conflict. However, calculating these figures in U.S. dollars shows a sharp decline in the real size of the budget, as illustrated in figures (1-4) below. In general, this dramatic drop in the budget is due to the decreased revenue from service provision and tax collection (originally caused by an imbalance in the tax system itself and evasion by top tax payers and people in authority), as well as the decrease in the oil and gas revenue.

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<sup>(17)</sup> Seeking to Acquire Contracts for the Reconstruction of Syria, Russia Signs a New Economic Protocol with the Government of the Assad Regime, Souria.net, 9 November 2017: <https://bit.ly/2U4uDFy>.

<sup>(18)</sup> Nidal Yousef, Syria is Overwhelmed with Blood and Debts, Suwar Magazine, 27 May 2017: <https://bit.ly/2SPEWk3>.

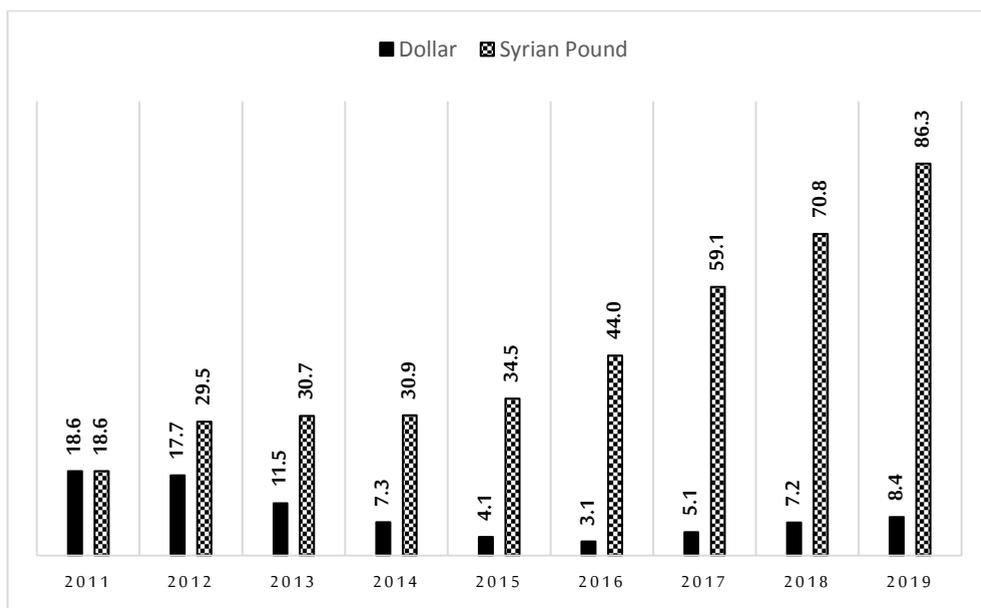


Figure (1): The general budget in SYP from 2011 to 2018 and its corresponding value in USD (billions)

The regime has taken a number of steps to avoid or mitigate the impacts of its shrinking budget, sacrificing social subsidies, reducing salaries and wages, and cutting its investment spending. At the same time as it was making these cuts, it increased spending on defense and security. In 2011, 6.7 billion USD (36 percent of the state budget) was allocated for social subsidies. This amount has been continuously reduced over the years, reaching only 1.8 billion USD (21 percent of the budget) in 2019. Similarly, the regime decreased spending on salaries and wages from 3.4 billion USD in 2011 to less than one billion USD in 2019. This led to a huge drop in the income of citizens as the price of basic goods including bread, fuel, and electricity skyrocketed. The cost increases were driven by the regime's decision to reduce subsidies, or "rationalize" them, to use the government's terminology.

The decrease in government spending on investment has had a devastating impact on the creation of new job opportunities for citizens. For example, the 2016 budget provided 30 thousand fewer job opportunities than the preceding year. At the same time, the capacity of the private sector to provide job

opportunities shrank because of the security conditions, contributing to a massive increase in unemployment rates.<sup>(19)</sup>

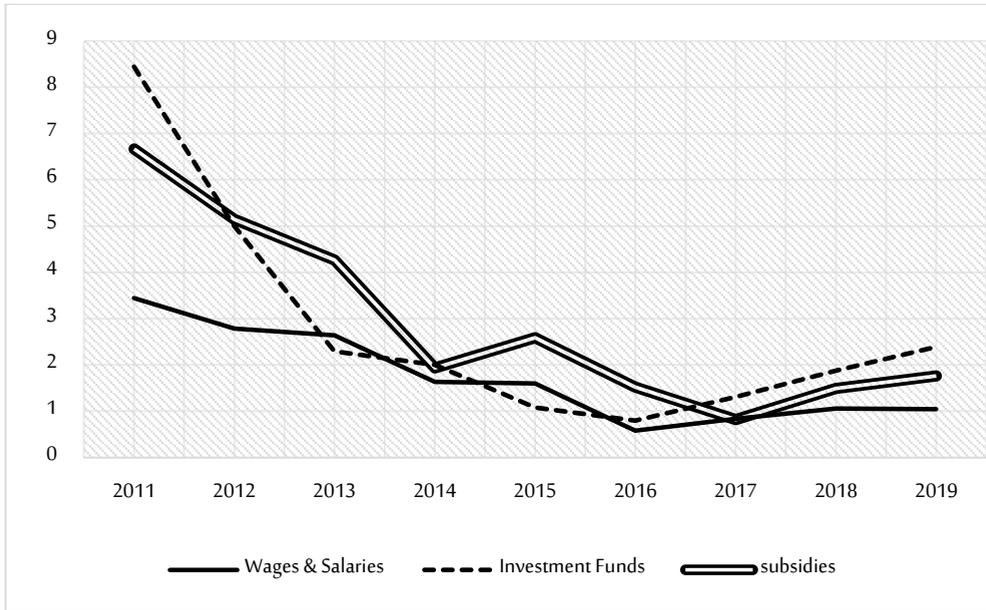


Figure (2): Key Budget Expenditures from 2011 to 2019 (in USD billion)

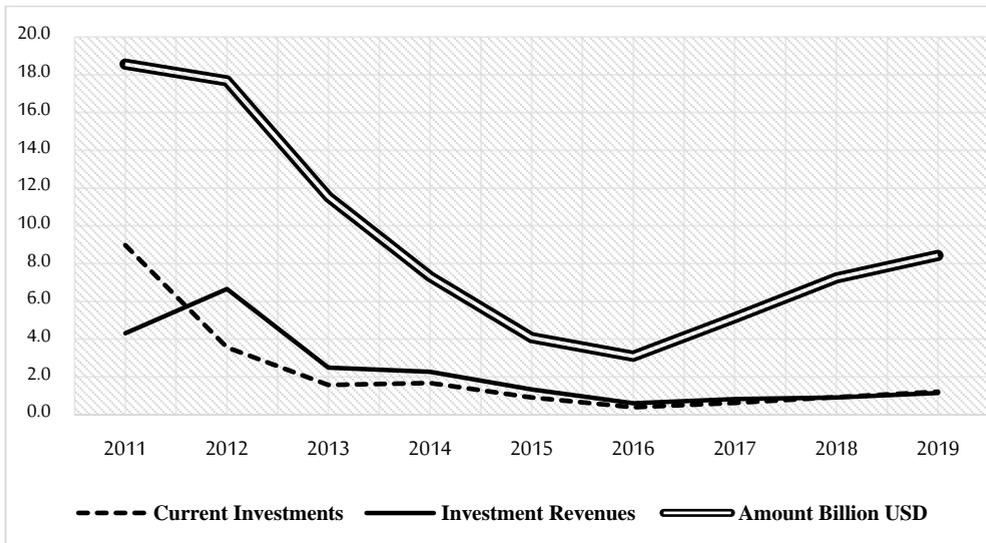


Figure (3): Revenues in the general budget from 2011 to 2018 (in USD billion)

<sup>(19)</sup> 2016 Budget: Inflation Swallows the Rest of the Syrian Economy, al-Hal, 12 January 2016, available at: <https://bit.ly/2T8Nwd8>.

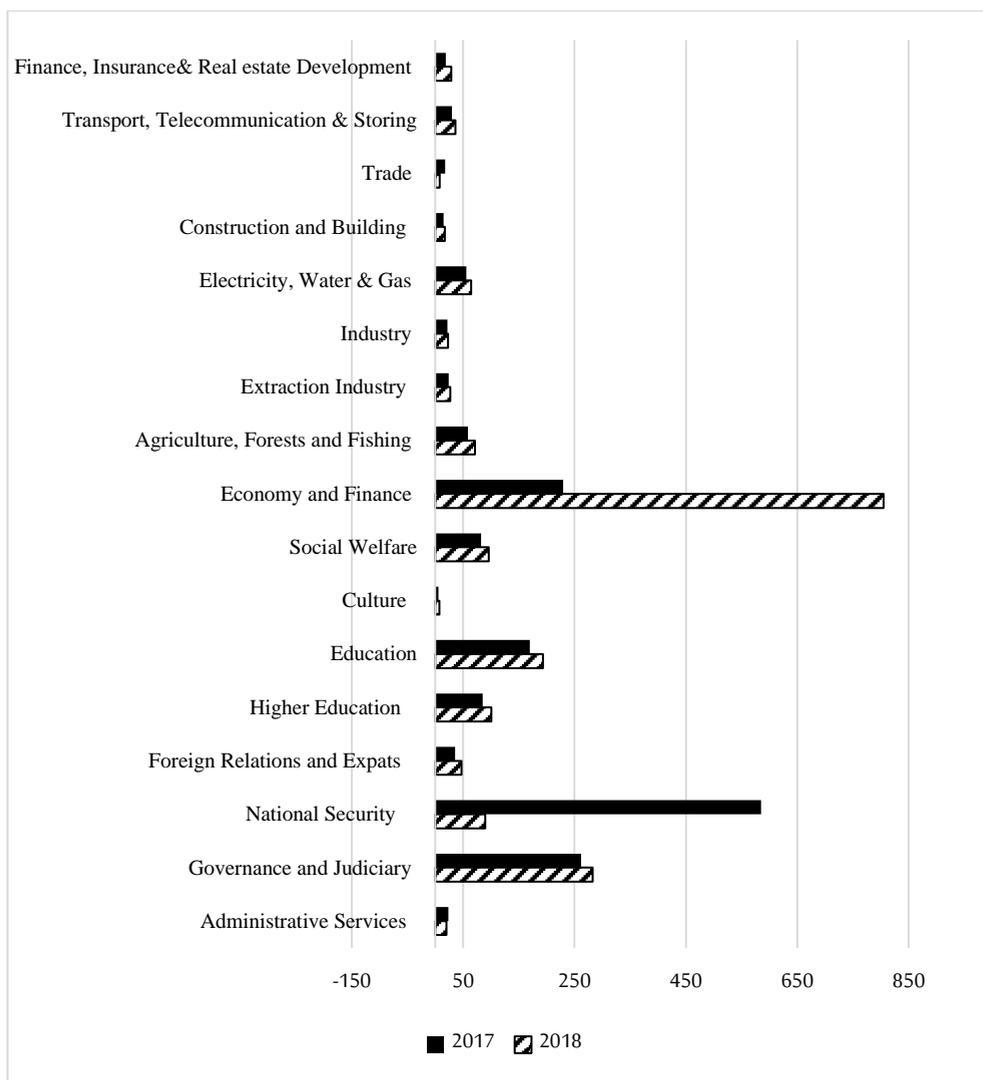


Figure (4): Syrian State Budget Spending in 2017 and 2018 (in SYP million)<sup>(20)</sup>

### C. Domestic Borrowing

The Syrian regime was forced to resort to domestic borrowing, turning to the central bank to borrow it money and issue larger amounts of paper currency to help it compensate for the ongoing fiscal deficit without using foreign currency. Ultimately, this strategy led to a rise in prices and an increase in

<sup>(20)</sup> 2017 Budget Expenses - Full details, The Syria Report, 23 May 2017; 2018 Budget Expenses – Full details, The Syria Report, 10 May 2018.

inflation rates against the depreciation of the Syrian pound. According to some estimates in 2018, the value of the regime's domestic debt reached four trillion SYP (eight billion USD). The regime tried to address this issue by putting increased pressure on public sector revenues, insurance funds, and pensions, with devastating consequences for Syria's economic growth and activity.<sup>(21)</sup> According to the general budget for 2019 -which expanded its lending of loans and granting advanced payments to cover the deficit in the general budget- the state deferred the payment of treasury bonds used for cash coverage in addition to the cumulative deficits of the general budgets and payable interests that have not been paid until 2019. They will now be paid in ten equal annual installments, the first of which shall be payable on 1 October 2034.<sup>(22)</sup>

#### **4. The Politicization of the Economy and its Use as a Tool of Conflict**

Authoritarian and totalitarian regimes generally tend to take all possible steps to consolidate their authority, strengthen their hegemony over all aspects of public life, and accumulate profits for their patronage network. For those regimes, the need to politicize these issues at the time of crises and resource scarcity is amplified. The Syrian regime is no exception. Since the adoption of its neoliberal policies, which coincided with the gradual decline of its revenues, decisions around the distribution of services such as electricity, health, and education have become more politicized and subject to regional and sectarian considerations. Its goals are primarily to strengthen its own powers, serve its patronage networks, and undermine its opponents. Figures 5 and 6, which illustrate the distribution of government support provided to local administrative units in November 2018 and the distribution of investment projects by governorate during the first half of 2018, provide a striking example on the regime's selectivity. The issues of land regulation and informal settlements have emerged as the clearest examples of the regime's manipulation of laws and regulations as tools to pressure its opponents. At the same time, the regime has continued with its approach of aligning with

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<sup>(21)</sup> The General Budget of 2019 in Syria: a Tool to Disguise the Economic Reality, Omran for Strategic Studies, 24 January 2018: <https://bit.ly/2GQKkMJ>.

<sup>(22)</sup> Mustafa al-Sayed, The Budget Deficit is a Debt to be Paid by the Coming Generations of Syrians as of 2034, Geiron, 9 January 2019: <https://bit.ly/2GCV4Pf>.

business elites and facilitating their control over the Syrian economy's capabilities at the expense of the middle and lower classes.

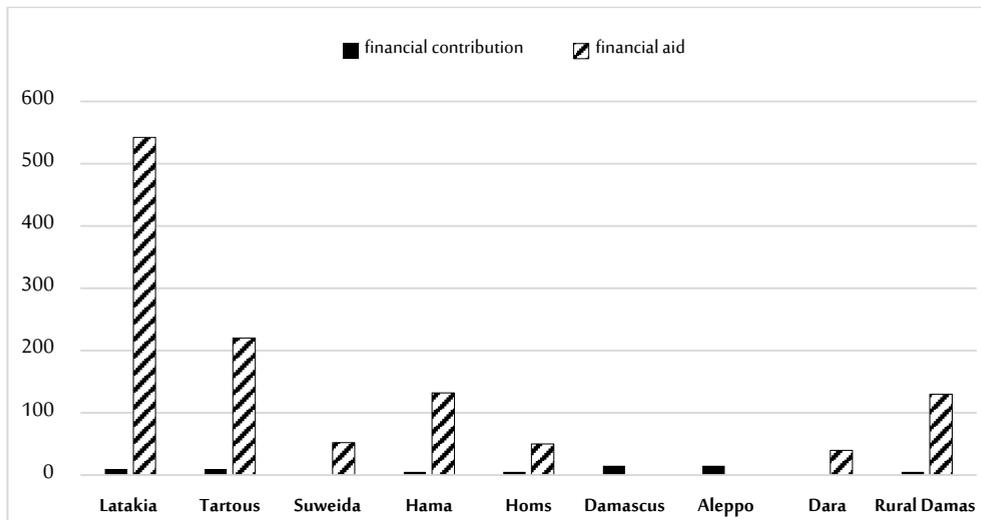


Figure (5): The distribution of government support to local administrative units by governorate and type of support in November 2018 (Million SYP)

With the beginning of the economic crisis in the 1980s and the waves of migration toward Syria's urban centers, the crisis of housing and informal settlements became a big problem. The solution adopted by the Syrian regime, for example in parts of Aleppo, Damascus, and Rural Damascus governorates,<sup>(23)</sup> was to rely on Law No. 60 of 1979 to expropriate large parts of these informal settlements in order to transfer them at low prices to the real estate development companies owned by businessmen linked with the regime, who would turn them into luxurious neighborhoods and reap huge profits. In this context, the Syrian conflict represented a golden opportunity for the Syrian regime and its allied businessmen to expand the implementation of this policy on a wider scale and revitalize urban development projects in Damascus, Homs, and Aleppo. However, in many cases, the Syrian regime failed to implement these projects due to the difficulty of evacuating these crowded informal settlements and the resistance of their residents to the evacuations. Accordingly, the regime pursued a policy of targeting and

<sup>(23)</sup> Shaaban Ahmad and Walid Muheithawi, Expropriation Threatens Mo'adamiyat al-Sham, it Covered 81% of its Land Area, 11 Thousand Houses and 120 Thousand Olive Trees... The People's Assembly Issued Recommendations and Damascus Governorate Breached Them, Syrian Days, 28 May 2008: <https://bit.ly/2V3vW7w>.

destroying marginalized areas which were mostly inhabited by the poor population opposed to the regime. After displacing the residents of these areas and confiscating, expropriating, and looting their property, the regime has presented these areas as prime candidates for post-conflict reconstruction programming. The regime had its legislators draft several pieces of legislation that will facilitate the implementation of this plan and its codification into law, such as Law No. 66 of 2012, Law No. 26 of 2013, Law No. 23 of 2015, and Law No. 10 of 2018.<sup>(24)</sup>

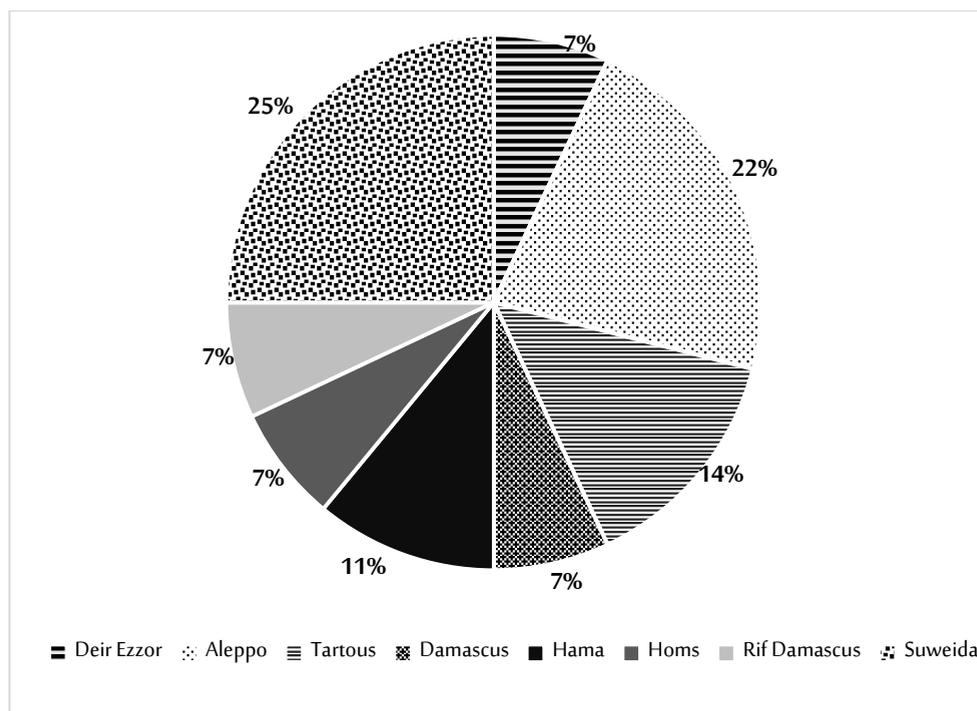


Figure (6): Distribution of investment projects by governorate in the first half of 2018<sup>(25)</sup>

Politically, the regime has used property confiscation as a means of punishing its opponents, both as individuals and as communities. After the state of emergency that had been in force since 1963 was lifted, it was immediately replaced by the counter terrorism Law No. 19 of 2012 and Law No. 22 of 2012, which established the Counterterrorism Court. The latter law allowed

<sup>(24)</sup> Munqeth Othman Agha, *Class and Exclusion in Syria*, Rosa Luxemburg Foundation, 20 July 2018: <https://bit.ly/2SPG6Mr>.

<sup>(25)</sup> *The Situation of Governance and Reconstruction in Syrian Regime-held areas during July 2018*, Omran for Strategic Studies, 13 August 2018: <https://bit.ly/2IClSkq>.

the regime to seize both movable and immovable property of anyone accused of perpetrating “terrorist acts” against the country.<sup>(26)</sup> Amendments to the compulsory service law, Law No. 25 of 2017, recognized the “confiscation of movable and immovable assets of individuals liable to pay the military service exemption fees but failed to do so.”<sup>(27)</sup>

The examples above reflect just a few of the many ways the Syrian regime has used laws and regulations to punish its political rivals and to deplete marginalized social and economic classes, stripping them of their property as well as their civil rights while funneling wealth to loyalists, militias, and regime-aligned economic networks. At the same time, state investments have been concentrated in safe (pro-regime) areas and in certain service sectors such as telecommunications, and real estate development.

## **5. The Bureaucrat-Trader Alliance: More Power and Control**

The regime’s bureaucrat-trader alliance maintained its strength throughout the years of conflict, despite changes in its structure. The group of businessmen who previously benefited from their ties to the regime maintained their loyalty during the conflict. They funded militias to defend the regime and did not transfer their capital abroad, which helped save the Syrian economy from total collapse. In return, the regime rewarded them with financial and social gains. As the country plunged deeper into the conflict economy, the need increased for a new generation of businessmen to deal with this phase.<sup>(28)</sup> In the beginning, these businessmen were unknown traders who could circumvent the economic sanctions and facilitate commercial movement between regime areas, Islamic State (ISIS)-held areas, and the Autonomous Administration areas. This group of businessmen simultaneously engaged in military and political action. Husam Katerji, Muhyiddin al-Manfoush, Nader Kaliy, and Samer Fouz are the most prominent examples of this group. These traders benefited from the departure of some of the former leaders in the business community who opposed the

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<sup>(26)</sup> Newspaper: Leaked Decision Made by the Government of the Regime Providing for the Confiscation of Money of Assad’s Opponents, al-Souria.net, 30 August 2017: <https://bit.ly/2R2whE>.

<sup>(27)</sup> Law No. 3 of 2018 on Removing Debris of Damaged Houses for Natural or Non-Natural Causes, or for Being Subject to the Laws Stipulating their Destruction, Syrian Prime Ministry Website, 12 February 2018.

<sup>(28)</sup> For example, the Damascus and Aleppo chambers of commerce witnessed big changes in their memberships. In Aleppo, ten out of twelve elected members were new investors, most of whom were not known before the uprising. In Damascus, seven out of twelve members were from a similar background.

regime, buying up their assets at low prices. Gradually, this process contributed to the concentration of wealth in the hands of a small number of businessmen.<sup>(29)</sup>

The influence of the private sector on the Syrian economy increased greatly during the years of conflict. This was further reinforced by Law No. 5 of 2016 on public-private partnerships, which allowed the private sector to enter all economic sectors except for the oil sector. The legislative structure of the economy has become one of the tools used to empower this group of businessmen, offering them the opportunity to have greater control over the domestic economy. So, according to sources close to the regime, by mid-2016 fewer than a dozen businessmen controlled as much as 60 percent of Syria's import trade.<sup>(30)</sup> The political and economic behavior of the regime has also been influenced by its militaristic mindset. Pro-regime armed militias and groups of "*shabiha*" entered the conflict economy and imposed themselves as major players in trade and the monopoly of public services.<sup>(31)</sup> These pro-regime militias also committed organized looting and theft campaigns in all Syrian cities that they entered, especially those in former opposition-held areas.<sup>(32)</sup>

## 6. Conclusion

Through an analysis of the legislative ground and the economic policies that were the focus of the Syrian regime during its management of the crisis since the beginning of the conflict, it becomes clear that the policies it pursued have been characterized by three main features: selectivity, politicization, and the concentration of power. These policies did not differ much from what the regime has been adopting for decades in the administration of the country, and it is also not expected to see the regime change them in the management

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<sup>(29)</sup> Joseph Daher, The Assad Regime is Still Relying on the Remnants of the Sunni Bourgeoisie, Syria Untold, 2 January 2018: <https://bit.ly/2T829gL>.

<sup>(30)</sup> Joseph Daher, The political economic context of Syria's reconstruction: a prospective in light of a legacy of unequal development, European University Institute, Robert Schuman Centre for Advanced Studies, 5 December 2018: <https://bit.ly/2VcbRw1>.

<sup>(31)</sup> For more information about Shabiha groups see: Bassam Jouhar, The Assad Shabiha in Syria, Geiron, 2 May 2017: <https://bit.ly/2KcdsiE>.

<sup>(32)</sup> Aron Lund, Who Are the Pro-Assad Militias?, Carnegie Middle East Center, 2 March 2015.: <https://bit.ly/2E3R7PR>.

of the stages of early recovery or reconstruction, signs of which have already begun to appear.

The regime politicized laws and regulations and applied them selectively, using them as effective tools to increase its influence and control over society, after its failure and unwillingness to meet the demands of the Syrian society. However, the regime tried, at the same time, to fulfil some of those demands in a way that goes in line with its interests to appease a segment of its loyalists.<sup>(33)</sup> The regime didn't consider the implications of some laws and regulations on the poor and marginalized groups of the population or the opposition both inside Syria and abroad.<sup>(34)</sup> The selective application of laws has also taken on regional dimensions, as the regime has targeted some measures at specific areas. For example, in the past few years, cities like Suweida, Latakia and Tartous have hosted 68 percent of the investment projects licensed by the Syrian Investment Agency, compared to just 11 percent of total investments in 2010.<sup>(35)</sup> In contrast, areas that were opposed to the regime were subject to destruction, looting, the confiscation of property, and the loss of their rights.

The regime has destroyed all alternative civil and service structures that emerged across the country during the conflict.<sup>(36)</sup> The regime also tried to restore its old political, economic, and security structures in the areas that it restored control of in the past years. It used service provision to link them to urban centers in pro-regime areas, breaking their previous links to opposition urban centers. By making these places dependent on the regime for services it is much easier to control them in the future. The results of the latest local administration elections held in regime areas illustrated the involvement of

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<sup>(33)</sup> For example, Law No. 36 of 2014 gave families of martyrs and the like half of the vacancies, to be filled through admissions tests and exams conducted by public bodies.

<sup>(34)</sup> For example, the regime tried to compensate for its shortage of foreign currency by having the central bank impose conditions on the withdrawal of remittances and foreign currency exchange, shifting the financial pain to citizens. The conditions prohibit the receipt more than one transfer per month and mandated that it be paid in Syrian pounds. In certain cases, people were required to leave the remittances in the bank for three months as a deposit or pay a fine of 10 percent of the value of the transfer. See: The Syrian Central Bank Constrains Receiving Money Transfers, Al-Hayat, 1 November 2017: <https://bit.ly/2XdQVX4>; A New Way of Looting and Harassing Syrians Legally, Baladi News, 1 November 2017: <https://bit.ly/2DYtybd>.

<sup>(35)</sup> Joseph Daher, The political economic context of Syria's reconstruction: a prospective in light of a legacy of unequal development, European University Institute, Robert Schuman Centre for Advanced Studies, 5 December 2018: <https://bit.ly/2VcbRw1>.

<sup>(36)</sup> Kheder Khaddour, The Assad Regime's Hold on the Syrian State, Carnegie Middle East, 8 July 2015: <https://bit.ly/2NiJWrj>

the patronage networks in the key institutions of the state. There is absolute control of the Baath party in all constituencies, whereas seven out of 14 elected governors were either businessmen or of military backgrounds and all of them were Baathists.

### **III. An Assessment of the Regime's Ability to Launch an Effective and Inclusive Early Recovery Process**

#### **1. Analysis of the Post-Crisis National Development Program for Syria**

In early 2017, the Planning and International Cooperation Commission, affiliated with the Prime Minister's Office, published a paper entitled: *The Post-Crisis National Development Program for Syria*, with the aim of "providing a framework for crisis management planning and building a precise approach to plan for the phases of moving beyond the crisis period," and "move from the developmental stagnation caused by the crisis to gradually unleashing the potentials of society and the economy, advancing all components of economic and social development, both sectorial and geographical."<sup>(37)</sup> The paper adopted the concepts of inclusive growth and developmental balance by sector and geographic area as its basic premises and it divided the transition to a "post-crisis Syria" into four phases: relief and response, recovery, prosperity, and then sustainable development. It described the recovery phase (the focus of this current study) as a focus on reconstruction activities (in particular the concept of infrastructure rehabilitation) and embody the concept of early recovery, as well as the provision of necessary services based on the damage inflicted on infrastructure and various sectors. The following is a critical review of the key points described in the regime's national development program:

**Institutional Reform:** The Post-Crisis National Development Program emphasizes combating corruption as a hedge to protect the transition process, so that Syria does not become a hole in which all efforts are wasted. The program also focuses on the central role of the state in leading the transition process as a whole through the existing institutions, without considering the

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<sup>(37)</sup> The National Development Program for Post-Crisis Syria: accelerating steps to provide a framework for planning and unleashing the potentials of the community and crystalizing the visions of development and reconstruction, Prime Ministry, 27 July 2018: <https://bit.ly/2Vbftyk>.

establishment of new institutions. This leads to the obvious conclusion that the regime intends to restore its administrative institutions in their previously centralized forms and does not intend to recognize administrative and governance structures that have emerged in different regions of Syria. Actually, it might even seek to destroy them as a first step towards restoring the old ones. At the same time, the Syrian regime—as with other totalitarian regimes—has long worked to politicize “combating corruption” as a means or rewarding loyalists and getting rid of opponents or those suspected of disloyalty within the regime’s institutions. That policy was manifested by keeping the enforcement of the law of illicit income confidential, according to the head of the Central Authority for Inspection and Control.<sup>(38)</sup>

**National Dialogue:** The regime stresses the importance of national reconciliations as the only way to return to the arms of the homeland, as described in the document. This national reconciliation is described as the main pillar for creating the appropriate environment for the sustainability and success of the national dialogue and to promote social cohesion and a sense of belonging to the national identity. The document does not recognize a national dialogue based on realizing the demands of Syrian citizens irrespective of their social and political affiliations, one that calls for the accountability of criminals, as the starting point for a fair and inclusive national social transition. On the contrary, it sees the “national reconciliation” model experienced by surrendering Syrian communities as the only path.<sup>(39)</sup> This vision threatens the return of the millions of Syrian refugees and internally displaced persons (IDPs) who reject “national reconciliation” with the regime in the medium- and long-term, deepening the attrition of human capital that the country has suffered from throughout the conflict.

**Growth and Development:** In terms of infrastructure and key economic sectors, the Post-Crisis National Development Program stresses the need to start with the “least damaged and most profitable” sectors. Although this strategy may seem logical from the perspective of pure economic feasibility,

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<sup>(38)</sup> The Situation of Governance and Reconstruction in Syrian Regime-Held Areas during August 2018, Omran for Strategic Studies, 19 September 2018: <https://bit.ly/2IqYPsN>.

<sup>(39)</sup> The experience of reconciliations pursued by the Syrian regime thus far has shown how the regime broke its former agreements by arbitrarily detaining or assassinating individuals who had already completed the reconciliation steps.

it could give rise to serious risks later on. This approach necessarily means excluding a large portion of the formerly opposition-controlled areas from rehabilitation because they are the most damaged in terms of infrastructure, economic development, and services. Addressing these areas will be postponed until appropriate conditions are present, according to the program. By contrast, early recovery funds allocated by the state will be pumped into regime areas and their constituencies, because they are the least damaged and investment in these areas is safer in terms of making swift profits. The program also highlights the monetization of production, which will happen by swiftly turning production into cash to fill the funding gap. This means focusing investment on the finance, banking, services, and real estate development sectors, contrary to the program's claim that it prioritizes agriculture and industry. This strategy focuses on the sectors of financial, services and development real estate through the regime's attention to investments in large housing projects that cannot be unaffordable for most Syrians living below the poverty line, as shown through an analysis of the organizational charts for Aleppo, Damascus, and Rural Damascus governorates.<sup>(40)</sup>

## **2. Theoretical-Applied Approach of the Early Recovery in Regime-Held Areas**

In the context of war and armed conflict, early recovery can be defined as the phase that occurs between the cessation of hostilities between the conflicting parties and reconstruction. Early recovery is a multidimensional process involving the restoration of basic services, housing, and livelihoods for citizens, the activation of local administration, and importantly, the stabilization of markets and the revival of a minimum level of local economic activity. It also aims to establish good governance, the rule of law, and security, taking social and environmental dimensions into consideration. Early recovery starts in the context of humanitarian aid and relief work and continues until the stage of national sustainable development. It includes the return of refugees and IDPs to their original homes. The complexity of the

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<sup>(40)</sup> Nisreen Zreik, World Bank: Aleppo is the Key of Life and the Heart of Economy, al-Akhbar Newspaper, 3 August 2018: <https://bit.ly/2IsE2oW>.

objectives of this process and their multiple levels of implementation are reflected in the wide variety of actors and tools involved.

The early recovery process is based on three main pillars: the economic networks that fund it, the legal foundations on which it is based, and the government institutions and non-governmental organizations (NGOs) that implement these programs on the ground. As illustrated in Figure (7), the ability to generate job opportunities and revitalize key economic sectors such as agriculture, trade, and industry, are the ultimate goals that determine whether an early recovery process is successful. The repair of infrastructure such as water, electricity, roads, telecommunications, and housing, is a prerequisite to achieving the goals described above. Furthermore, there are a number of subsidiary variables that are necessary for the success of early recovery, such as the return of refugees and IDPs and the provision of security and the rule of law.

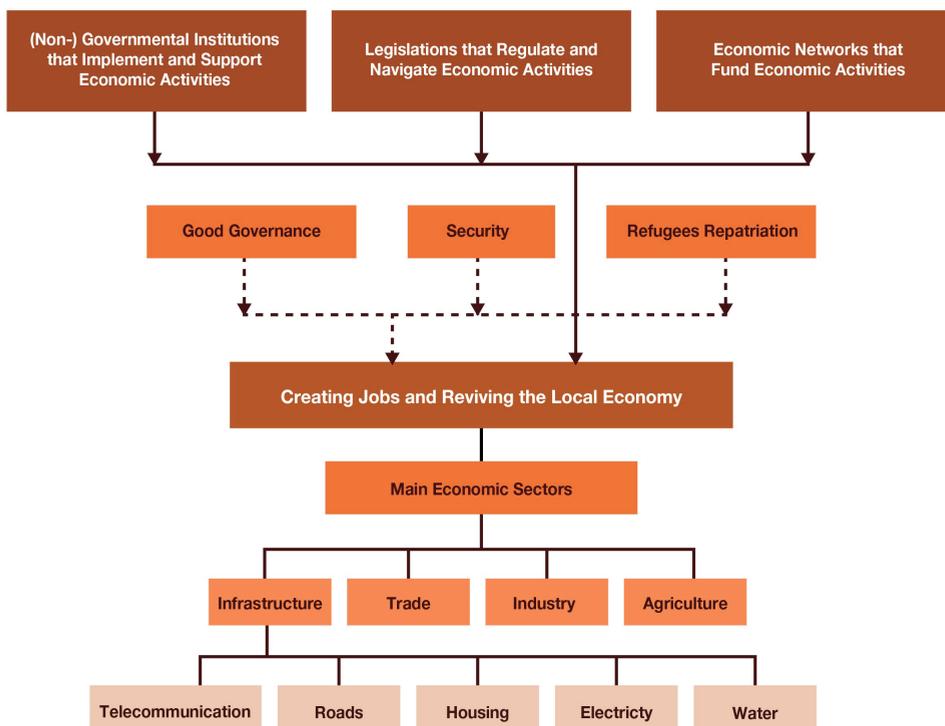


Figure (7): The Dynamics of Early Recovery in Regime-Held Areas

The following will include a preliminary assessment of the Syrian regime's capability of and willingness to launch legitimate early recovery processes by providing a brief overview of the three main components of early recovery.

The next section will then explore early recovery in western Aleppo city as one of the parts that remained under regime control throughout the conflict. Another section will explore Duma city in Damascus countryside as one of the cities that have been recaptured by the regime in its latest military operation, or the so-called "reconciliation areas". A comparison between Duma and Aleppo city will be made by comparing security in both cities and the key actors in that sector. Then, the regime policy towards rehabilitating the infrastructure or towards specific sectors of it will be explored. Finally, the capability of the local economy of both cities for recovery and integration into the coming process of reconstruction and development will be analyzed.

### **A. The Provision of Security**

The provision of security always precedes the implementation of early recovery programs because a minimum level of security, safety, and rule of law is needed to incentivize the regeneration of markets, to attract new investment and encourage the return of capital that previously fled, and to promote the return of refugees and IDPs. By contrast, insecurity and the continued manifestation of arms and militias serve to deepen the human and economic depletion, the destruction of infrastructure, and the disruption of basic services. These trends in turn impact the wellbeing and income of individuals and hinder people's ability to enter and be reintegrated into the economy. Practically speaking, continued insecurity and the proliferation of weapons and militias hinders the implementation of disarmament, demobilization, and reintegration (DDR) programs, which means that economic sectors are unable to recover the large numbers of workers that they previously lost to combat.

Most of the areas controlled or recaptured by the Syrian regime have suffered from insecurity; the uncontrolled proliferation of weapons; and amplification of the authority of local armed groups and foreign militias, which came to govern public life and provide basic needs such as bread, cooking gas, and water and to assert control over chambers of commerce and industry, and

local councils. These phenomena can be attributed to one of the following: either the regime's inability to impose security in areas under its control (except the security of the regime itself); or the regime's indifference to many of the areas it restored control over, leaving them as spoils of conflict for the militias that helped in their recapture, as part of the regime's policy of collective punishment. Ultimately, these unstable conditions undermine the chances for social and economic recovery in these areas.<sup>(41)</sup>

UNHCR, the UN's refugee agency, estimated that by the end of 2018, the numbers of Syrian refugees who chose to return voluntarily did not exceed 103,000 people out of the more than 5.6 million registered.<sup>(42)</sup> This indicates a clear reluctance to return despite the fact that major military operations across Syria had decreased several months prior. A World Bank report attributed that reluctance to return to several factors, including insecurity and the lack of services.

## **B. The Repair of Infrastructure and Restoration of Services**

Syria's infrastructure was heavily damaged during the course of a conflict that saw massive destruction inflicted on housing, public service facilities, water networks, and power grids. In a 2017 report, the World Bank assessed the scale of destruction in the housing sector in ten Syrian cities to be approximately 27 percent, including both partially and completely destroyed structures. In those same ten cities, the report also estimated that 16 percent of medical facilities were completely destroyed and 50 percent were partially destroyed. The supply of electricity throughout the country decreased by 70 percent<sup>(43)</sup> and the number of schools decreased by 38 percent.<sup>(44)</sup>

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<sup>(41)</sup> In many cases these policies were rejected by locals, who took up arms in response, such as the so-called Popular Resistance Movement, or Saraya al-Janoub in Daraa city, which assumed responsibility for a number of military operations targeting security forces in Daraa. See: Nazeer Rida, Talbiseh and Daraa. the Second Revolution?, al-Modon, 3 January 2019: <https://bit.ly/2DYua0v>.

<sup>(42)</sup> The Mobility of Displaced Syrians: An Economic and Social Analysis, The World Bank, 6 February 2019: <https://bit.ly/2DiDU5s>.

<sup>(43)</sup> The Toll of War: The Economic and Social Consequences of the Conflict in Syria, The World Bank, 10 July 2017: <https://bit.ly/2tJxMxX>.

<sup>(44)</sup> Reem Rabea, The National Center for Research and Opinion Polls Opens a Dialogue about the problem of Vocational Education in Syria; Kharasani: Accelerated work to close the gap with the labor market and intensive skills in the outputs of the vocational high schools and institutes, al-Baath Media, 10 November 2018: <https://bit.ly/2VccZQh>.

Many service sectors in regime-held areas suffer from other difficulties in addition to physical destruction, including the phenomenon of the illegal use of utilities and failure to pay the required fees.<sup>(45)</sup> This phenomenon usually accompanies states of insecurity, the decreasing control of the state, and the weakening of state institutions. Additionally, warlords and their political and military allies often formed lobbies that hindered (or discouraged) the restoration of basic services in an effort to maintain the economic gains they achieved through controlling alternative means such as power generators and water tankers. This widespread destruction of infrastructure has had a significant impact on the disruption of economic networks and the loss of human capital. By the end of 2018, according to some estimates, unemployment rates reached 60 percent, extreme poverty exceeded 60 percent, and general poverty rates were higher than 83 percent all over Syria.<sup>(46)</sup>

The regime regained control of large swathes of territories in 2017 and 2018, without a parallel expansion of control over important financial resources including oil, gas, and international roads. As a result, the regime faced an increased burden and the doubling of its financial and governance deficit, especially in light of the increasingly strict international sanctions. This was reflected in acute crises in terms of service provision in areas under the regime's control.<sup>(47)</sup> Nonetheless, most service sectors witnessed fluctuating improvement as government institutions increased their ability to collect taxes and custom fees and due to the increasing oil and gas production. An increase of 90 billion SYP (200 million USD) was noticed in local revenue between 2017 and 2018.<sup>(48)</sup>

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<sup>(45)</sup> In this regard, the Minister of Electricity suggested exempting subscribers in areas that were under control of armed groups from interest and accumulated unpaid fees. See: Minister of Electricity, Proposal of a Decree to Exempt Subscribers in Liberated Areas from Fees and Interests, Shaam Times News Agency, 8 July 2018: <https://bit.ly/2Sf42DW>.

<sup>(46)</sup> Economy of Syria, Fanack, accessed, 21 February 2018: <https://bit.ly/2T5GbLj>.

<sup>(47)</sup> The crises of a lack of electricity, gas, bread, and water prevailed in most Syrian cities, increasing in intensity in the winter. The regime generally blamed these crises on international sanctions, but the financial deficit, weak governance, and the continuation of war economies all had a significant impact as well. See: Fadi Shubat, Details and Figures about the Gas Crisis in Syria, Eqtisad, 26 January 2018: <https://bit.ly/2ItVN7a>; A New Bread Crisis and the Reason is Smuggling!, DP News, 16 September 2018: <https://bit.ly/2T210J3>; The Bread Crisis in Aleppo: Regime Militias and the Black Market, al-Modon, 29 November 2018: <https://bit.ly/2E2kVfI>.

<sup>(48)</sup> The Situation of Governance and Reconstruction in Syrian Regime-held areas during September 2018, Omran for Strategic Studies, 2 November 2018: <https://bit.ly/2GSdECi>.

The regime has prioritized the electricity and transportation sectors from 2016 to 2018. The capacity of the power grid increased from 1200 megawatts in 2016 to 4200 megawatts in 2018 as a result of the repair of a number of power generation plants and a large increase in the supplies of gas and fuel.<sup>(49)</sup> However, this increase in electricity was not sufficient to meet the increasing demand, especially in the winter, and it was not regular enough to power the factories and commercial facilities that were dependent on alternative sources of power. The majority of the most heavily damaged parts of the country were still without electricity as of early 2019.

In terms of the transportation sector, the regime focused in recent years on restoring control and rehabilitating commercial roads and key border crossings because of the huge economic gains that they can generate. In 2019, the regime's top transportation priorities are the rehabilitation of some main roads as well as focusing on the seaports and railways in order to reconnect Syria with the region. The budget of Syria's Ministry of Transportation for 2019 reached 44.7 billion SYP, including 700 million SYP allocated for the General Directorate of Ports, 10 billion SYP for the Railways General Establishment, and 29.5 billion SYP for the General Establishment for Road Transportation.<sup>(50)</sup> However, reconnecting Syrian cities both internally and externally is far more difficult than it appears because of the massive destruction inflicted on the transportation infrastructure and the fact that large sections of international roads are still out of the regime's control, and checkpoints of different pro-regime militias are spread across the parts that are under its control.

### **C. Economic Recovery**

It is estimated that the Syrian economy has lost 75 percent of its value since the beginning of the conflict, across all economic sectors including energy, agriculture, water, transportation, education, health, and others. For example, the size of the oil and gas sector shrank by 93 percent and non-oil sectors

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<sup>(49)</sup> The Government: An alternative plan to provide oil products, the results of which will be seen within days and citizens are always right in their demands. Ghanem: new contracts and increased production to meet the gas demand. Rahmoun: police patrols to accompany gas convoys from the receiving stage to the distribution centers, al-Watan Newspaper, 14 January 2019: <https://bit.ly/2EILVII>.

<sup>(50)</sup> The Reality of Governance and Reconstruction in Syrian Regime-Held areas in January 2019, Omran for Strategic Studies, 15 February 2019: <https://bit.ly/2EIQCRD>.

shrank by 52 percent as of 2016, while foreign currency reserves decreased from 21 billion USD in 2010 to just one billion USD by 2015.<sup>(51)</sup> US and European sanctions as well as the refusal of Western states to take part in funding the reconstruction processes under the status quo, have increased the economic suffering of the regime. Additionally, neither Syria's infrastructure nor its investment environment can attract foreign capital into the country, as previously described.

The above factors drove the Syrian regime and associated businessmen (especially those who returned their capital to Syria because they have been targeted by sanctions) to invest in the banking, financial, and real estate sectors, which are considered the safest and most profitable investment opportunities in light of the weak investment environment for other sectors such as agriculture and industry.<sup>(52)</sup> This concentration of investment led to a significant increase in the financial assets in private banks in Syria. By the end of 2018, the total financial assets in just 14 private banks reached 2.078 billion SYP, an increase of 9.5 percent in comparison with 2017. Between 2014 and 2018, the value of assets in both conventional and Islamic banks increased by 154 percent.<sup>(53)</sup> Accordingly, in February 2018, Syria's central bank made a decision to allow banks to reissue loans at an interest rate of around 13 percent after a three year pause.<sup>(54)</sup> The text of this decision stipulated that banks are not permitted to provide financing of any kind, including housing and restoration loans, to unstable and unsafe areas.<sup>(55)</sup>

Since the end of 2017, government policy has expanded in the area of granting loans and providing banking facilities that encourage borrowing, targeting people in the agriculture, industry, and public sectors as well as retired and low-income people. Towards this end, in 2018 the Commercial Bank of Syria agreed to develop a lending plan worth 30 billion SYP and direct credit

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<sup>(51)</sup> Matthew RJ Brodsky, The Financial Viability of the Assad Regime in Syria, Security Studies Group, 14 August 2018: <https://bit.ly/2Vu9Afl>.

<sup>(52)</sup> The Reality of Governance and Reconstruction in Syrian Regime-held areas in July 2018, Omran for Strategic Studies, 13 August 2018: <https://bit.ly/2IClSkq>.

<sup>(53)</sup> Private banks assets have increased 17% within 1700 days in USD, al-Watan Newspaper, 19 January 2018: <https://bit.ly/2EIN6bd>.

<sup>(54)</sup> Rola Attar, Syria: Banks reopen loans.. public sector job guarantees the repayment, al-Modon, 8 February 2016: <https://bit.ly/2DZ7rBC>.

<sup>(55)</sup> Rola Attar, Syria: Restore your home with a loan, al-Modon, 6 February 2018: <https://bit.ly/2GV3xgg>.

facilities of 25 billion SYP.<sup>(56)</sup> Furthermore, the Council of Ministers issued decision No. 35 of 2017 based on a government plan to support small and micro enterprises (SMEs) that target rural and agricultural sectors. The National Social Aid Fund will cover four percent of the annual interest rate, which amounts to ten percent of the project, as illustrated in table No. 1.<sup>(57)</sup> For this purpose, the Noor Microfinance Foundation was established in February 2018 with capital of one billion SYP (2.3 million USD), making it the largest and leading SME lending company in Syria. Noor Microfinance offers loans based on personal or in-kind guarantees, or even without any collateral, and it is fully owned by Rami Makhoulouf.<sup>(58)</sup>

Table 1 SMEs Loans as approved by the Prime Minister by virtue of Law 35/2016

Type of loan	Maximum amount (SYP)	Enterprise size
Commercial	20 million	1 – 5 workers
Agricultural	5 million	1 – 5 workers
Service-Based	15 million	1 – 10 workers

Most banks have taken precautionary measures to improve their capabilities to collect and deal with non-performing loans.<sup>(59)</sup> However, the regime's failure to take serious steps to improve the legislative and investment environments or reform the infrastructure sector increases the potential for failure of a large number of these investment projects. Such failures would dramatically increase the number of defaulting loans in Syria, foreshadowing financial and economic crises in the medium- and long-term. Additionally, preferential loan conditions are often given to state employees, and in other cases, loans are linked to the completion of compulsory military service and obtaining security clearances. These types of conditions exclude large

<sup>(56)</sup> Manhal al-Sagheer, Investment loans in public banks are limited and shy.. Is it a problem of facilitations, industrialists or the banking culture?, Tishreen Newspaper, 19 September 2018: <https://bit.ly/2tvWK11>.

<sup>(57)</sup> Muhammad al-Wawi, Does the government plan feed the millions hungry mouths with "SMEs"?, al-Ayam Newspaper, 25 May 2018: <https://bit.ly/2GEUWx5>.

<sup>(58)</sup> Marwan Kayali, A plan to seize savings of the poor: "Noor Company" owned by Rami Makhoulouf, al-Modon, 28 August 2018: <https://bit.ly/2tvGlgB>.

<sup>(59)</sup> For example the central bank approved the establishment of a loan risk guarantee corporation, see: Dania al-Dos, The Central Bank Announces Establishment of the Credit Risk Insurance Corporation, Tishreen Newspaper, 8 October 2018: <https://bit.ly/2T72EaJ>.

segments of the Syrian population and undermine people's ability to return to the job market and invest.<sup>(60)</sup>

More broadly, in a bid to attract more deposits to the banking sector, in early 2019, the central bank announced the issuance of certificates of deposit in Syrian pounds with fixed interest rates for the first time in its history.<sup>(61)</sup> However, given the volatility of the Syrian pound's exchange rate, and the high rates of inflation, and in light of the price of issued certificates of deposit (100 million SYP) and their 4.5 percent interest rates, this shift in monetary policy is not expected to have such a positive impact on the economy.<sup>(62)</sup> The regime builds hopes on the return of Syrian funds from abroad, particularly from Lebanon, Turkey and the Gulf states, but so far this has not taken place as expected, largely due to political concerns.

Overall, the regime is not pursuing a clear political plan to bring the country into the desired phase of early recovery. First, because of its weak capabilities and, second, due to its lack of willingness to channel its limited resources towards areas that are largely not loyal to it. The regime's early recovery efforts are focused on specific sectors in specific geographical areas, and political rather than technical criteria are the main determinants driving its support, development, and investment. The politicization of these processes and the selectivity in their application risks deepening the development gaps between different regions of Syria in the medium- and long-term, creating economic and social disparities and institutionalizing horizontal inequalities in society.<sup>(63)</sup> The following case studies will show how "reconciliation areas" have gradually shifted primarily into consumer areas, relying on the regime to allow in consumer goods and medical supplies. Furthermore, there are no

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<sup>(60)</sup> Tartous and Latakia are always on top of the list of cities benefiting from personal loans and the loans of low-income groups. See: Abdul Hadi Shubat, Latakia and Tartous are on top of Governorates applying for loans. five thousand employees are getting the low-income groups loan with a monthly value of 2.4 billion SYP from the Popular Credit Bank, al-Watan Newspaper, 12 December 2018: <https://bit.ly/2V9YxIk>.

<sup>(61)</sup> The Central Bank announces it is issuing certificates of deposit in Syrian pounds, the first edition based on the fixed interest rate for traditional banks operating in the Syrian Arab Republic, the Central Bank of Syria, 4 February 2019: <https://bit.ly/2U5r3ek>.

<sup>(62)</sup> Mohammad Bassiki, As sanctions loom, Syria looks to retrieve funds from abroad, Al-Monitor, 15 February 2019: <https://bit.ly/2V9Uzzt>.

<sup>(63)</sup> Horizontal inequality is defined as the systematic inequality between ethnic, religious, or regional groups, which is not individually based, as the normal case is. Horizontal inequality represents a source and driver of conflict and political instability in most cases, as the disfranchised groups feel upset and may attack the more advantaged groups for resources or revenge. See: Frances Stewart, Horizontal inequalities as a cause of conflict, Bradford Development Lecture, November 2009: <https://bit.ly/2EpkCxa>.

measures being taken to encourage the population to reinvest in vital sectors in these areas, making them completely dependent on the regime to access services and for economic recovery.

### **3. General Features of the Regime's Policies in Areas Under its Control: W. Aleppo City as an Example**

Aleppo was one of the most important cities in the Middle East before the conflict. It was the largest city in Syria with the most economic capital. Its strategic location gives it an advantage in commercial exchange with its local surrounding areas, which are rich in agriculture, water, and oil, and its regional surroundings, connecting Turkey, Damascus, Jordan, and the Gulf states through international roads. Aleppo also lies in relatively close proximity to the coast, facilitating its import of affordable raw materials. In the past, Aleppo city relied on trade and industry as its main resources, especially the textile and food industries, whereas the countryside of Aleppo acquired its fame from agriculture and related industries. The successive waves of migration from the countryside (especially from al-Bab and Afrin) to Aleppo city played a role in supplying the city's industrial sector with a continuous source of cheap workforce, which could be found in the informal settlement areas in the east of the city which provided cheap, safe housing. These dynamics helped create a successful, cohesive local economy for the city that lasted for years, but they also created a social rift rooted in the class divisions among the neighborhoods of the city. The middle and wealthy classes of merchants and industrialists were concentrated in the western neighborhoods of the city, while the poorer classes (who mainly had come from the surrounding countryside) lived in Aleppo's eastern neighborhoods.

After the Free Syrian Army (FSA) entered Aleppo city in 2012, it and other revolutionary bodies concentrated mainly in the eastern neighborhoods as they found these neighborhoods to be a popular incubator for their cause. From that point until the end of 2016, military operations based on the previous socio-economic segregation lines continued without pause in one form or another. The eastern part of the city was subjected to fierce military offensives by the Syrian regime, supported by a Russian air cover and Iran-backed militias. These offensives inflicted unprecedented destruction on the infrastructure and housing sectors in the eastern areas then under the control

of the opposition. They also created waves of mass displacement, the last of which occurred in December 2016 when the regime fully restored control over the city and almost entirely emptied out the eastern neighborhoods of the city. The following is an overview of the three main topics for early recovery in Aleppo:

### **A. Security**

The Syrian regime's dealings with Aleppo city after having restored its complete control over the city took on a special and a complex character due to the complexity of its social and economic composition and the enormous disparities between its neighborhoods. The regime's policy towards the city was primarily focused on security, which was reflected in the appointment of Hussein Diab as the governor of Aleppo in September 2016. Diab came from a security and military background and this security-focused mentality was evident throughout the city's administration and through the penetration of the Military and Security Committee into all aspects of life in the city.<sup>(64)</sup>

In general, the current instability in the city of Aleppo is caused by the following: 1) The division of the city down to several sectors controlled by different militias, so that foreign militias like al-Baqir Brigade, al-Nujaba, and Abu al-Fadl al-Abbas, are deployed in the eastern areas, which they helped recapture for the regime.<sup>(65)</sup> The state security agencies, National Defense Forces (NDF), and popular committees maintained control over Aleppo's western areas. Security checkpoints run by these groups are stationed at the various different entrances and neighborhoods of the city,<sup>(66)</sup> and they impose royalties and fees on individuals and goods that pass through, severely hindering commercial movement. In many cases, people are required to

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<sup>(64)</sup> A few months before the last military offensive against the governorate, the regime appointed a new commander for the Military and Security Committee of the city. The committee is composed of representatives of military and security agencies operating in the governorate and it is considered the actual ruler of the governorate. The commander appointed was Maj. Gen. Zaid Saleh who is close to Russia. He was dismissed from this position after pressure was exerted by the military intelligence agencies and he was replaced with Brig. Gen. Malek Alia in November 2017, then Maj. Gen. Salim Harba assumed position in December 2018. This series of appointments reflected the conflict between the power centers of the security and military forces in the city.

<sup>(65)</sup> Shiite Militias, a foreign occupation force in Aleppo, Aljazeera, 18 December 2016: <https://bit.ly/2GFFS4b>.

<sup>(66)</sup> These groups wreak havoc on the city and are considered a key cause of insecurity and panic amongst residents because of their repeated clashes. See for example: Deaths resulted from clashes between National Defense Forces and the Criminal Security in Aleppo (images), Orient.net, 6 September 2018: <https://bit.ly/2BOzovN>; Walid Abu al-Kheir, Clashes between pro-regime militias in eastern Aleppo, Diyarna, 15 October 2018: <https://bit.ly/2BQ93gN>.

obtain security approvals before they are allowed to return to their original communities.<sup>(67)</sup> 2) The pro-government militias and armed groups dominate a large number of the local institutions, such as the city council, and control other basic services, such as gas and bread, resulting in several crises related to the challenges of supplying citizens.<sup>(68)</sup> 3) Organized theft, pillaging, and kidnapping for ransom are common throughout the city, causing widespread resentment among city residents and preventing many displaced residents from returning.<sup>(69)</sup>

Another dynamic in Aleppo city is the compulsory conscriptions and arbitrary detentions taking place at the regime checkpoints spread out around the city. These stops are a major source of concern for young people in Aleppo and they deter displaced youth from returning and reintegrating into the job market. These checkpoints also serve as sources of profit for security personnel and officers who run smuggling and brokerage operations.<sup>(70)</sup> Unpublished UN statistics indicate that the population of the city of Aleppo dropped from 2.3 million people in the 2005 census to fewer than 1.6 million by the end of 2018, including 220,000 IDPs. With regards to the return of IDPs and refugees, only 75,000 returnees were registered in all of 2018.

## **B. The Repair of Infrastructure and Restoration of Services**

Aleppo is one of the most damaged cities in Syria. Given the size of the city and the nature of its economy based on commerce and industry, it cannot recover without the rehabilitation of infrastructure, roads, and damaged residential areas to help the work force return. The number of industrial

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<sup>(67)</sup> Khaled al-Khatib, Your guide to Aleppo city under regime control, al-Modon, 5 May 2017: <https://bit.ly/2BPaHiB>.

<sup>(68)</sup> See for example: An Iranian militia seizes a seat in “Aleppo’s Provincial Council”! (Images), Orient.net, 18 September 2018: <https://bit.ly/2BOL4hO>; The commander of al-Nayrab Regiment militia became a member of Aleppo Provincial Council! (images), Orient.net, 23 September 2018: <https://bit.ly/2NqomkK>; Aleppo Hal Market: the city council is at the service of the National Defense Forces, al-Modon, 15 November 2018: <https://bit.ly/2VbwpEE>; The bread crisis in Aleppo: regime militias and the black market, al-Modon, 29 October 2018: <https://bit.ly/2E2kVfI>.

<sup>(69)</sup> See for example: Insecurity is increasing in Aleppo city and leading to more crimes, the last of which was the murder of a child after he was kidnapped and his body was thrown in the city, Syrian Observatory for Human Rights, 13 February 2018: <https://bit.ly/2E1jA8Y>; Firas al-Ali, Theft and murders are increasing in Aleppo.. who is behind them?, Syria TV, 12 October 2018: <https://bit.ly/2U90HIo>.

<sup>(70)</sup> Conscription campaigns paralyze movement in Aleppo: 3000 USD to dodge serving in Assad’s army, alsouria.net, 3 February 2019: <https://bit.ly/2TaeEzF>; Compulsory Conscription, the youth’s nightmare and a source of wealth for regime soldiers in Aleppo, Aljazeera, 12 February 2019: <https://bit.ly/2RYEYRr>; Obaida al-Nabwani, The retreat of security scrutiny in some neighborhoods of Aleppo during Ramadan, while security harassment continues in al-Sukkari neighborhood, Smart News, 25 May 2018: <https://bit.ly/2BQmD3F>.

facilities in Aleppo's textile sector decreased from 5,545 to 853 during the crisis and the value of investment in the sector decreased from 231 million to less than 17 million SYP by late 2018.<sup>(71)</sup> To date, the only major infrastructure rehabilitation projects in Aleppo city have been in the electricity sector, which was one of the most damaged sectors and one of the most costly in terms of losses.<sup>(72)</sup> These projects only serve limited neighborhoods that are mostly located in the western part of the city where the infrastructure remained largely intact and which continued to receive some electricity services throughout the crisis, with a fluctuating number of daily hours. The regime's recapture of the Tishreen Dam in late 2018 helped increase the hours of electricity supply available to these areas. By contrast, the city's southern and eastern neighborhoods still receive very limited electricity from the public grid,<sup>(73)</sup> and are still forced to depend mainly on alternative means of power generation. The regime has announced large-scale projects to rehabilitate power plants and transmission substations at a cost of 390 billion SYP,<sup>(74)</sup> but its ability to secure such an amount is questionable, especially given the conflicting news about the contributions of Iran and Russia.<sup>(75)</sup>

In terms of transportation and roads, the main obstacles to restoring internal connections within Aleppo city include the widespread physical damage to both main and secondary roads and the significant need for rubble removal. The city also suffers from an acute shortage in the number of public buses available as well as a scarcity of qualified drivers who can operate them.<sup>(76)</sup>

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<sup>(71)</sup> Mais Barakat, Smuggled imported textile is stamped with "Made in Syria," an industrial attempt in Aleppo to resist the concept of considering fabric a production input?!, al-Baath Media, 21 September 2018: <https://bit.ly/2SVE1Pe>.

<sup>(72)</sup> This is due to the destruction of the city's main thermal plant, which provided around 60 percent of the city's energy. The al-Zarba Plant in the southern countryside of Aleppo is still outside the control of the regime. Eleven out of 16 substations have been partially or completely destroyed.

<sup>(73)</sup> Khaled Zankalo, Tishreen Dam cuts down the power rationing hours in Aleppo, al-Watan Newspaper, 16 February 2019: <https://bit.ly/2Sj17tO>.

<sup>(74)</sup> The most important of which are the rehabilitation of a 400 kV line for a length of 150 km, the rehabilitation of the Aleppo F Plant, and the rehabilitation of the thermal plant, in addition to the establishment of 500 centers to restore the electrical system to Aleppo's eastern neighborhoods, see: Muhammad Humejo, Electricity under the Dome of the People's Assembly.. 2019 is the year of electricity for Aleppo.. Kharboutly: we lack 5.5 million square meters of gas for generation plants.. a meeting with the "Oil" to increase quantities, al-Watan Newspaper, 5 December 2018: <https://bit.ly/2E9n6hA>.

<sup>(75)</sup> See for example: Iran controls electricity in Syria and provides Aleppo with energy, The New Arab, 4 March 2018: <https://bit.ly/2HSYM8P>; Syrian Minister of Electricity to Sputnik: Russia rehabilitates our electricity system (video), Sputnik, 7 October 2018: <https://bit.ly/2E4ux9Y>.

<sup>(76)</sup> Syria Damage Assessment of selected cities Aleppo, Hama, Idlib, Phase III, World Bank Group, March 2017: <https://bit.ly/2STxky>.

A train has been activated but it operates inside the city only and has limited routes. Aleppo's airport is not yet operational despite the completion of maintenance work. Assessments put the cost of rehabilitating the city's roads between 470 and 530 million USD.<sup>(77)</sup> There are additional obstacles that prevent the restoration of transportation services as well as services in other sectors. For example, transportation along with the sanitation and education sectors have all seen such massive decreases in the numbers of available workers that they are unable to operate at even a minimum level of capacity.

In Aleppo's housing sector, assessments indicate that by the end of the 2016 military offensive, 24 percent of the city's residential buildings had been partially destroyed and 40 percent were completely destroyed, with an estimated reconstruction cost of between 4-5 billion USD.<sup>(78)</sup> Figure (8) shows the distribution of destruction in the city across its neighborhoods. According to UNOSAT data, as of November 2017, the total number of reconstructed buildings in the city of Aleppo had not exceeded one percent of the 35,000 buildings that were destroyed.<sup>(79)</sup> In practice, there has been no rehabilitation for residential buildings in the city except in the form of operations by individual citizens who want to avoid paying high rents while displaced elsewhere. However, many of these buildings are no longer inhabitable and they are vulnerable to collapse, risking the lives of their residents, as illustrated in figure (8).<sup>(80)</sup>

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<sup>(77)</sup> Ibid.

<sup>(78)</sup> Ibid.

<sup>(79)</sup> Alameen Najjar, Damage Caused by the Syrian Civil War: What the Data Say, Towards Data Science, 27 June 2018: <https://bit.ly/2Eqrk6b>.

<sup>(80)</sup> Eighty thousand apartments are at the risk of collapse in Aleppo, whereas 85% of Aleppo's buildings are cracked, Alsouria.net, 3 February 2019: <https://bit.ly/2tHMJRW>.

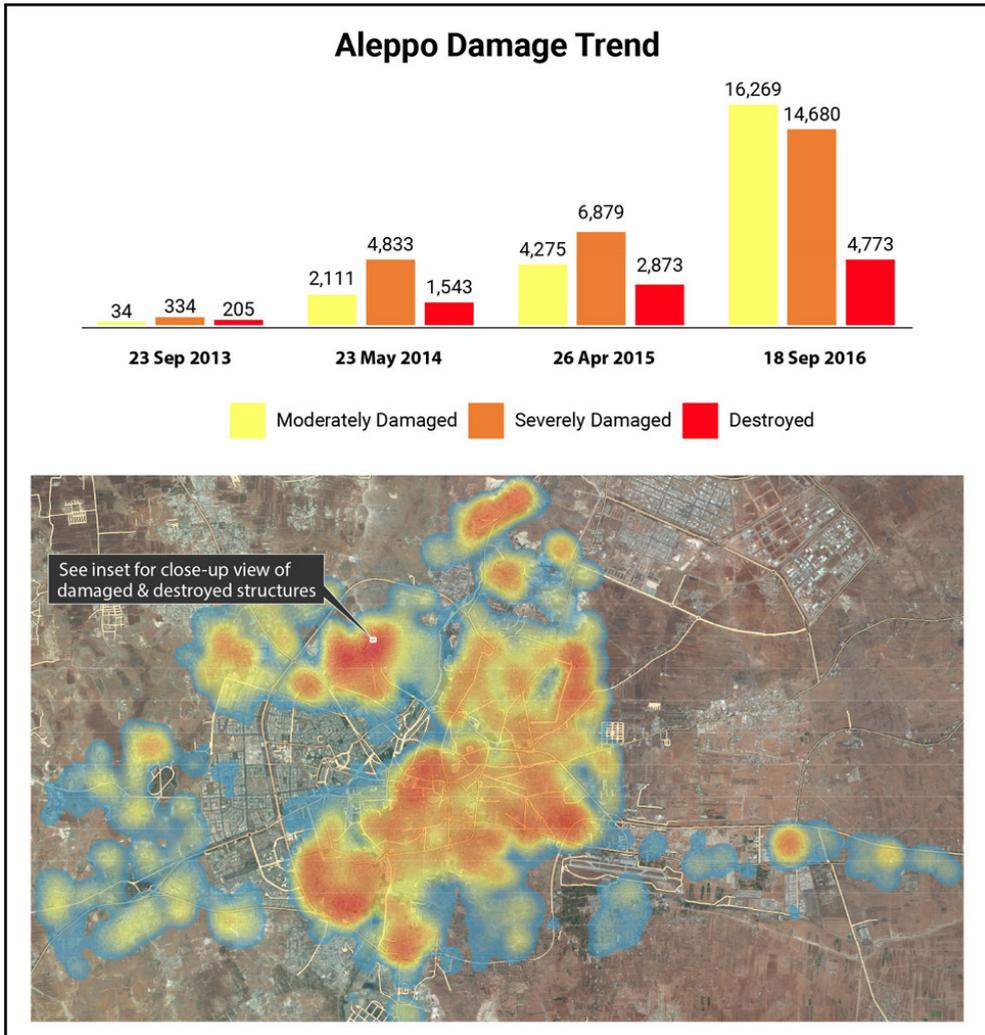


Figure (8): Damaged and destroyed buildings in Aleppo city as of September 2016<sup>(81)</sup>

Decisions pertaining to the eastern neighborhoods of the city have been intentionally delayed under the pretext that they are being included in the city's general organizational chart, which is supposed to address the problems of informal settlements, according to the regime. Although the Aleppo City Council is theoretically responsible for studying and issuing the organizational chart for the city, in reality the council's decisions are impacted by interventions from the private sector through the tenders offered

<sup>(81)</sup> Damage density in the City of Aleppo, Syria, United Nation Institute for Training and Research UNITAR, 15 December 2016: <https://bit.ly/2NnfDji>.

by the Ministry of Public Works and the Housing's General Company for Technical Studies and Consultations and regional powers such as Iran, through its militias. This increases the likelihood that informal settlements and their working-class residents will be sacrificed.<sup>(82)</sup>

### C. Economic Recovery

The most important prerequisites for economic recovery in the city of Aleppo are the restoration of infrastructure, the reconnection of neighborhoods of the city to one another, the reconnection of the city with its countryside and regional surroundings, and the facilitation of the return of industrialists, merchants and the working class. Industrialists in Aleppo recommended several measures for the success of this process, the most important of which are: opening the country's commercial crossings with Jordan and Iraq, reducing interest rates on industrial loans, granting facilities and tax exemptions for industrialists seeking to reopen their factories, and rehabilitating industrial zones such as Sheikh Najjar, al-Layramoun and al-Ramouseh.<sup>(83)</sup> For this purpose, an industrial conference was convened in 2018 in the city of Aleppo for the first time in ten years.<sup>(84)</sup> At the conference, merchants demanded compensation for damages inflicted on their shops, the modernization of rental laws in damaged areas, and the removal of obstacles to the restoration of markets in the old part of the city.<sup>(85)</sup> However, many of these demands have gone unanswered,<sup>(86)</sup> leading a number of merchants and industrialists to accuse the regime of intentionally neglecting the city and focusing reconstruction efforts in the city primarily on construction at the expense of their sectors of activity. All of the issues described above further

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<sup>(82)</sup> For more see: Rola Attar, Urbanization plans waste Syrians' rights, al-Modon, 26 October 2018: <https://bit.ly/2tD7BKl>; The regime starts with removing informal settlements in eastern Aleppo that it had destroyed, al-Modon, 27 November 2018: <https://bit.ly/2VhemwO>; Abdul Karim al-Halabi, The regime notifies civilians in al-Shaar neighborhood in Aleppo with a deadline to evacuate their homes, Baladi News, 6 November 2018: <https://bit.ly/2BPWkL0>.

<sup>(83)</sup> During the meeting of its assembly, the following are the key recommendations made by Aleppo Chamber of Industry, al-Baath Media, 15 May 2018: <https://bit.ly/2Eua4gc>.

<sup>(84)</sup> The prime minister inaugurates the third industrial conference in Aleppo under the title "Our Industry.. Our Strength," Syrian Ministry of Tourism, 11 May 2018: <https://bit.ly/2Esbvvr>.

<sup>(85)</sup> President of Aleppo Chamber of Commerce: half of Aleppo businessmen are outside Syria, Syria Times News Agency, 26 April 2018: <https://bit.ly/2SWq17U>.

<sup>(86)</sup> For example, fabric and textile manufacturers in Aleppo have long demanded the amendment of Decree No. 127 of 2017, which grants fabric and textiles a 50 percent discount on customs fees since they are production inputs and which greatly harms local producers, but all of their demands have been in vain, see: Smuggled imported textile is stamped with "Made in Syria", an industrial attempt in Aleppo to resist the concept of considering fabric a production input?!, al-Baath Media, 21 September 2018: <https://bit.ly/2SVE1Pe>.

complicate hopes of reviving the city's economy, especially given Aleppo's relative isolation from other Syrian cities, the closure of trade routes, and the dominance of Turkish and Chinese goods in domestic markets. The only sectors that are currently vibrant in Aleppo are the sales of housing construction materials and to a lesser extent, tourist restaurants.<sup>(87)</sup>

#### **4. General Features of the Regime's Policies in Recaptured Areas: Duma City as an Example**

In recent years, the Syrian regime, with the support of its allies, adopted a different strategy in its efforts to recaptured areas outside of its control. The strategy was to besiege and systematically bombard these opposition-controlled areas as part of their "starvation or submission" campaign, ultimately forcing people to yield to the regime's conditions. These conditions have included the displacement of fighters from armed groups, as well as all manner of revolutionary activists, and anyone else who refused to "reconcile" with the regime. In the implementation of this strategy, the regime sought to restore its institutions, including municipal governments, security services, and the Baath party, in recaptured areas. More importantly, it sought to destroy all of the civilian and governance structures that had emerged in the areas under opposition control, and were at times competitors of state institutions. Despite attempts to restore its institutions, in many cases the regime has failed to fulfill its promises to restore public services for recaptured areas, out of indifference, an inability to do so and as part of its policy of continued collective punishment of the population in these areas.

Duma is one of the biggest cities in Rural Damascus governorate and serves as its administrative center. Before the conflict, it was the most important agricultural center in the area and it exported its products to all of the surrounding cities, including the capital Damascus. It is also an important center of trade for agricultural and animal products as well as craft industries, such as furniture production. During the conflict, Duma emerged as one of the most important civil and military incubators of the Syrian opposition. For years, it was a direct threat to the capital, making it a prime target for regime forces. In April 2018, Duma was the last location in Eastern Ghouta to join

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<sup>(87)</sup> Tom Westcott, "Thank God you survived the war": How life returned to Aleppo's Old City, Middle East Eye, 15 December 2018: <https://bit.ly/2TbTZEc>.

the regime's reconciliation deals, due to its large population and the strength of Jaish al-Islam, which was in control of the city at that time. The agreement resulted in the displacement of 19,000 people, including fighters and civilians, who were sent to northern Syria. Young men at the age of compulsory conscription were given a six-month grace period before they were forced to begin their service.<sup>(88)</sup>

After recapturing the cities and towns of Eastern Ghouta, the regime sought to impose its absolute control over them by keeping them isolated both from one another and also from their external surroundings. The regime tried to directly connect the communities of Eastern Ghouta with Damascus city in an attempt to break their historic linkages with Duma, weakening the latter as the main center of the governorate. This strategy makes it easier for the regime to weaponize service provision and security approvals, using them to control Eastern Ghouta and punish its communities when needed. The regime's security agencies have evaluated the citizens remaining in Eastern Ghouta and classified them based on security and political status.<sup>(89)</sup> The movement of citizens is restricted and their work opportunities are limited based on these assigned classifications. The following is an overview of the three key topics of early recovery:

### **A. Security**

The regime has implemented a tighter security grip over the city of Duma compared to the rest of Eastern Ghouta because of Duma's symbolic civic and revolutionary status. The regime's security strategy in Duma relied on isolating the city from the rest of Rural Damascus and isolating Duma's neighborhoods from one another. The regime divided the city into several sectors and security zones, distributing control to different regime security agencies such as the Air Force Intelligence Directorate, the Political Security Directorate, and State Security. Residents of Duma are not allowed to move freely between the different sectors, and civilians are prevented from leaving the city without first obtaining security approvals, which are generally not given to anyone who has had a prior connection with revolutionary activities.

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<sup>(88)</sup> Ibid.

<sup>(89)</sup> Political Demographics: The Markings of the Government of Syria's Reconciliation Measures in Eastern Ghouta, Center for Operational Analysis and Research (COAR), 13 December 2018: <https://bit.ly/2EvDhrb>.

Approvals for people in this category are granted only for medical treatment and for periods of time not exceeding one month.<sup>(90)</sup> The regime also restricts entry to the city for visitors from the outside.<sup>(91)</sup> Comprehensive security surveys have been conducted for all those who remain in the city and all former revolutionary activists have faced extra security constraints that amount to arbitrary detention. Notably, the regime has also targeted women with these measures, something they previously avoided.<sup>(92)</sup>

After recapturing the city of Duma, pro-regime armed groups and security forces looted and pillaged the city, especially warehouses, private property, and motorcycles. These actions negatively impacted the financial capacity of many merchants who remained in the city. Russian military police have been forced to intervene several times to try and bring the situation back under control.<sup>(93)</sup> All of the looting and arbitrary detentions in Duma have spread fear among the population.<sup>(94)</sup> Local sources reported that the city saw waves of returnees in the few months after the regime reasserted control over the city, but the returns soon halted due to the reality of the security situation and lack of services, and some residents were even driven to leave for other areas despite the end of the fighting. The phenomenon of post-fighting civilian departures increased with the regime's launch of compulsory conscription campaigns in September 2018 that intensively targeted young men in the city.<sup>(95)</sup> According to UN statistics, as of November 2018 the number of returnees to Duma was only 4,500 people out of more than 80,000 people who were displaced since the end of 2017. Most of those 4,500 returnees were people coming from nearby temporary shelters set up during the regime's 2018 military campaign. This means that Duma has essentially not witnessed any significant return of people displaced from the city before 2017.<sup>(96)</sup> The

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<sup>(90)</sup> Phone interview between the researcher and one of the activists who was displaced from Duma on 19 February 2019.

<sup>(91)</sup> Omran al-Dimashki, The regime addressing visitors of Duma city.. be back from there before 9 pm. Or you will be fined or imprisoned, Baladi News, 7 February 2019: <https://bit.ly/2H2b4K6>.

<sup>(92)</sup> Ammar Hamou, "The settlement" in Duma: Security Scrutiny, al-Modon, 25 April 2018, available at: <https://bit.ly/2tzJ092>.

<sup>(93)</sup> Why did the Russian police arrested regime personnel in Duma?, Orient.net, 14 April 2018: <https://bit.ly/2VimwoP>.

<sup>(94)</sup> Ammar Hamou and Justin Clark, Life after reconciliation: East Ghoutans who stayed behind grapple with delayed settlement papers, disappearances, Syria Direct, January 24, 2019: <https://bit.ly/2Nqbo6w>.

<sup>(95)</sup> Locals of Duma escape destruction and unemployment to the outskirts of the capital city, Horrya Press, 20 February 2019: <https://bit.ly/2EciZBE>.

<sup>(96)</sup> Political Demographics: The Markings of the Government of Syria's Reconciliation Measures in Eastern Ghouta, Center for Operational Analysis and Research (COAR), 13 December 2018: <https://bit.ly/2EvDhrb>.

only exceptions are armed group members who became regime loyalists and people who held political or partisan positions in Duma before the conflict.<sup>(97)</sup>

## **B. The Repair of Infrastructure and Restoration of Services.**

Local sources indicate that Duma today has few services, and citizens still depend on alternative means such as local power generators and water wells to secure their basic needs. By the start of 2019, the public power grid still did not cover more than ten percent of the city's neighborhoods.<sup>(98)</sup> This appears to be the result of intentional neglect by the regime as it differs from the efforts exerted in other cities in Rural Damascus, which have seen varying but still concrete improvements in the level of services. Rehabilitation processes are limited and constrained to just a few streets, although the regime media covers it as if rehabilitation has been launched for the entire city. The main road between Duma and Damascus remains out of service as of July 2019, as do most of the roads that connect the neighborhoods within the city.<sup>(99)</sup> Regime departments and institutions have not returned to the city except for the army conscription branch and the Baath party branch, which has dominated municipal elections in Duma as it does in other parts of the country under regime's control.<sup>(100)</sup>

The biggest challenge to the city's recovery is the destruction of infrastructure caused by the regime's 2018 military offensive, especially the roads, the local power grid, and the markets.<sup>(101)</sup> Additionally, Duma suffers from a significant shortage of human resources needed to run service sectors such as health, education, and waste removal, which is exacerbated by the fact that most of the organizations that supported and ran these sectors withdrew after the regime seized control. The housing sector in Duma is no different than in other parts of Eastern Ghouta; most of the city's neighborhoods have been destroyed, as shown in Figure (9).

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<sup>(97)</sup> Duma: Informants are back, al-Modon, 18 September 2018: <https://bit.ly/2T0hjW1>.

<sup>(98)</sup> Damascus and Its Countryside Left without Electricity and Natural Gas while Snowstorms Strike, Enab Baladi, 25 January 2019: <https://bit.ly/2TSPHYl>.

<sup>(99)</sup> Phone interview between the researcher and an activist from Duma who was displaced, 19 February 2019.

<sup>(100)</sup> 22 Baath candidates won the local council elections in Duma versus only eight independent candidates.

<sup>(101)</sup> Eastern Ghouta Rapid Assessment: Rural Damascus, Syria: 3 - 9 April 2018, REACH, 12 April 2018: <https://bit.ly/2GMTJ8R>.

It is clear that the regime's policy towards destroyed neighborhoods, especially those in former opposition areas, is to postpone any reconstruction consideration and instead try to deal with them through new city organizational charts, which have been announced but not implemented. This strategy constitutes a direct threat to the survival of the communities that have traditionally inhabited these areas.<sup>(102)</sup>

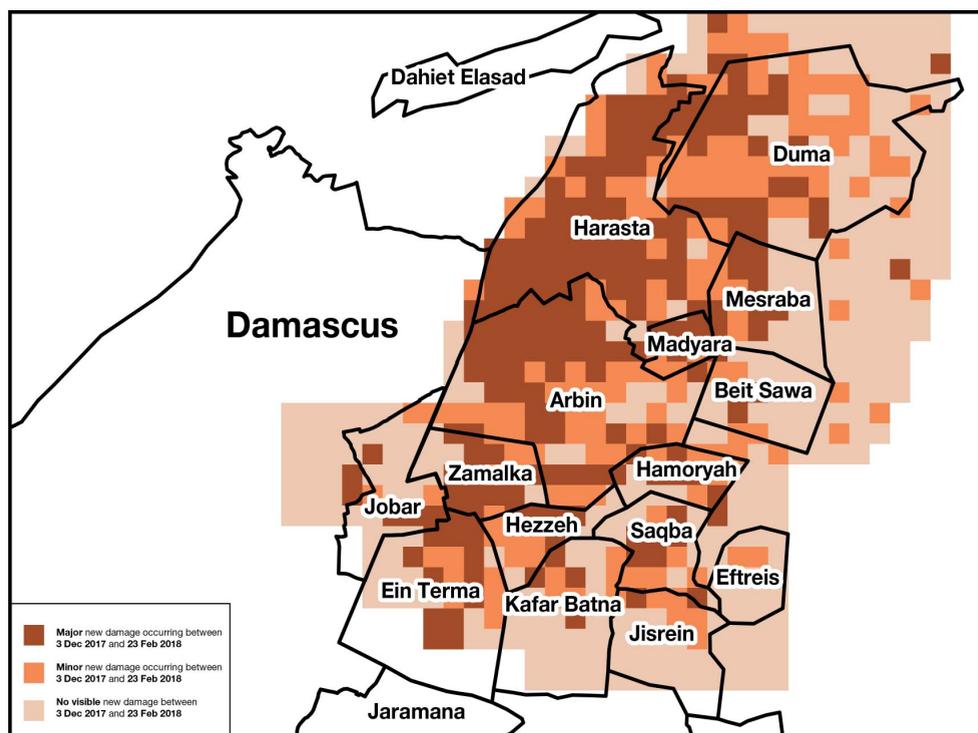


Figure (9): Distribution of Destruction in the Towns and Cities of Eastern Ghouta as of February 2018<sup>(103)</sup>

### C. Economic Recovery

Eastern Ghouta has always been considered a source for human and food resources for the capital city of Damascus, in addition to hosting a large number of industries such as ceramics, furniture, and chemicals. However, these industrial sectors were massively impacted by the conflict, and were

<sup>(102)</sup> The regime is trying to absorb the city into the greater Damascus region. For more see: Muhammad Homs, "Greater Damascus Region" is on the table before reconstruction, Enab Baladi, 11 November 2018: <https://bit.ly/2H45PJP>.

<sup>(103)</sup> Damascus Damage Assessment: Eastern Ghouta Area / Damascus Governorate, United Nation Institute for Training and Research UNITAR, 1 March 2018: <https://bit.ly/2Hf3vQN>.

drained of both their financial and human reserves as a result.<sup>(104)</sup> Accordingly, the revival of industries in Eastern Ghouta in general and in the city of Duma in particular seems impossible in the current situation, even at a lower level of production. Although the agricultural sector is still in relatively good condition compared to other sectors, the isolation of Duma from its surroundings and the lack of manpower seriously threaten the ability of this sector to continue production and sales.

After the regime recaptured the city, the governing institutions and relief organizations that emerged during the years of conflict left the city. As a result, many people lost their jobs and saw a reduction in the aid and subsidies that they had previously received regularly. The regime's institutions have made no effort to compensate for these livelihood losses since their return to the city.

The regime's policy employed against Duma, as one of the cities that it recaptured, has been to target the production sectors by destroying or cracking down on them, or at least to provide no means for their recovery. At the same time, it has allowed medical and food supplies into these areas, transforming areas that used to produce goods into primarily consumer areas by facilitating entry of these materials and the cancellation of fees levied on their movement. This has become especially true since the regime asserted control over financial remittances, subjecting them to strict monitoring, while keeping recaptured areas deprived of banking services.<sup>(105)</sup>

#### **IV. Is the Regime Capable of Leading a Comprehensive Early Recovery Process to All of Areas under its Control?**

In conclusion, it is evident that the regime is neither able nor willing to fund and manage a nationwide early recovery process. There are several reasons for this. The most important ones being first, the regime's lack of financial capacity due to the economy's fragmentation throughout the conflict, and

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<sup>(104)</sup> For example the loss of the chemicals sector alone in Ghouta reached 81 billion SYP; see: Joseph Daher, The political economic context of Syria's reconstruction: a prospective in light of a legacy of unequal development, European University Institute, Robert Schuman Centre for Advanced Studies, 5 December 2018: <https://bit.ly/2VcbRw1>.

<sup>(105)</sup> Phone interview between the researcher and one of the activists who was displaced from Duma on 19 February 2019.

second, the strict sanctions imposed on the regime and its cronies, which have deterred states interested in restoring relations with the regime through the economy. Furthermore, the regime's allies do not wish to shoulder the costs of rehabilitating those areas alone. It is therefore likely that in the short-term, the regime will focus its projects and attention on its loyalist areas, prioritizing them over areas that rebelled against it in the past, and keeping on implementing its policy of deliberate marginalization, which takes the form of 1) exclusion from infrastructure rehabilitation projects, lending, and government employment; 2) a focus on drawing the youth of these areas into compulsory military service, which prevents them from engaging in economic activities; and 3) a failure to facilitate the dignified return of refugees and IDPs along with the systematic confiscation of their property. By focusing its investments in the least-affected areas and the most profitable sectors, the regime hopes to secure cash, which it can use to gradually move towards working in more affected areas. Based on the analysis in this paper, it is unlikely that the regime will succeed in these efforts, for the following reasons:

- The nature of the investments the regime is currently making, which are focused mainly on sectors with quick returns, such as real estate and services. The profits from these investments will end up in the coffers of the regime's networks, composed of big businessmen and their affiliates among the bureaucrats and militia leaders. This concentration of wealth is inevitable because of the legislative, economic, and political structures created by the regime and which generally tend to favor these profiteers. It is therefore unlikely that, even if the regime manages to secure large financial benefits through its current investments, the regime's networks would allow the funds to be used in the affected areas of the country where they are needed the most.
- The timeframe for the regime's plan extends for many years, perhaps even decades. Excluding areas that have been devastated, marginalized, and that have lost the majority of their populations from regional and domestic economic investment for such a long time would make it highly unlikely that refugees and IDPs would return. This jeopardizes the chances for economic and ultimately social recovery in these areas. Moreover, the

regime's reconstruction plans for these areas through the introduction of new organizational plans constitutes a real risk to the property rights of the original inhabitants, further threatening their ability and desire to return in the future.

- In its statements, the regime is focused on the return of capital and attracting businessmen and investors without focusing on the return of labor force, a large portion of which left the country during the conflict and is unlikely to return unless there is reform in the regime's security and economic structures. This endangers the recovery of essential sectors like industry and agriculture that depend greatly on work force availability. In many cases, the regime believes that importing products from abroad is more economically feasible than investing in these key sectors and restoring them.
- With the gradual takeover of the Syrian economy by Russia and Iran, the Syrian regime will not have the discretion to make decisions related to directing aid to afflicted areas and sectors in the future, unless these countries find it is in their own interest to do so. Russia generally tends to support coastal areas only, while Iran wants to keep historically Sunni areas weak, facilitating its own expansion in the region.

Overall, the Syrian regime is failing to take serious steps to stop the conflict economy and gradually restore the country's regular economy. This is due both to the power and influence of pro-regime militias and loyalist economic networks and to the dominance of the security mindset in the regime's policy approach, taking precedence over addressing public demands. This mindset can be attributed to the increasing power of militias and their interference with and control of the economy. Finally, the regime is refraining from reconnecting Syrian regions with one another, keeping them divided so that they can be more easily controlled and the regime can manage them separately. All of these factors serve collectively to undermine the country's ability to enter a genuine early recovery phase, one in which real recovery activities can fulfil socioeconomic stability.

## V. Annex

A table of the most important elements for early recovery in Syria, with key players, sectors, and recovery indicators:

	<b>Players</b>	<b>Sectors</b>	<b>Recovery indicators</b>
<b>Security</b>	<ul style="list-style-type: none"> <li>- Local and foreign militias and armed groups</li> <li>- The Syrian army</li> <li>- Official security agencies</li> <li>- Russian police</li> <li>- Reconciliation groups</li> </ul>	<ul style="list-style-type: none"> <li>- Security</li> <li>- The Army</li> </ul>	<ul style="list-style-type: none"> <li>- Population stability</li> <li>- The rate of return of refugees</li> <li>- The return of IDPs</li> <li>- Revealing the fate of disappeared persons</li> <li>- Improvements in social communication and travel</li> <li>- Crime rates</li> <li>- Security checkpoints</li> <li>- Intervention of armed elements and security personnel in people's lives</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>- Municipalities</li> <li>- Dissolved local councils and their replacements</li> </ul>	<ul style="list-style-type: none"> <li>- Electricity</li> <li>- Water</li> <li>- Roads</li> <li>- Housing</li> <li>- Telecommunications</li> </ul>	<ul style="list-style-type: none"> <li>- Crises in the sector of public services</li> <li>- Corruption</li> <li>- Nature of investment contracts awarded in these sectors</li> </ul>
<b>Economic recovery</b>	<ul style="list-style-type: none"> <li>- Syrian banks</li> <li>- International and local organizations</li> <li>- Chambers of agriculture, commerce and industry</li> <li>- Vocational associations</li> <li>- Non-profit associations</li> </ul>	<ul style="list-style-type: none"> <li>- Industry</li> <li>- Trade</li> <li>- Agriculture</li> </ul>	<ul style="list-style-type: none"> <li>- Availability of job opportunities</li> <li>- Improvements in household income levels</li> </ul>



## *Chapter 5*

### *The Turkish Approach to Early Economic Recovery in Syria: a Case Study of the “Euphrates Shield” Area*

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## **Chapter 5: The Turkish Approach to Early Economic Recovery in Syria: A Case Study of the “Euphrates Shield” Area**

### **I. Introduction**

The Euphrates Shield area is considered Syria’s northwestern gateway to Turkey. The area is called Euphrates Shield after the battle that Turkey launched to liberate it from ISIS in 2016. Since then, the area has witnessed positive steps towards economic recovery, with Ankara providing the requirements for this process in an effort to create a model that can be applied in other areas. While some perceive Ankara’s direct influence over this area as a usurpation of control over its economic power, others see it as an ideal opportunity to curb the instability of the area and to reduce the displacement of its population and the poor living conditions in which they live. In addition to the region’s capacity, if it achieved economic recovery, it will have a direct positive impact on the area’s residents and reinforce the foundations of their economic and social stability.

The Turkish approach to economic recovery in the Euphrates Shield area is a key element in the future formula for reconstruction in Syria. Therefore, understanding the Turkish approach and its limitations and parameters is vital at the present time, as the conflict is drawing to an end. This is a process in which Turkey is expected to play a pivotal role for demographic, economic, and geographical reasons, as well as military considerations. Turkey has increased its soft power over the past years by hosting millions of Syrian refugees and providing relief and development support to the Syrian areas close to its borders, enabling Turkey to forge strong bonds with portions of Syrian society. Accordingly, Turkey has become one of the main regional platforms for the future reconstruction of Syria, in addition to the direct role it is expected to play in shaping Syria’s future.

As for the determinants that Ankara seeks to achieve in order to apply its approach to economic recovery in the Euphrates Shield area, immediate and future economic gains emerge as one of Turkey’s most important

considerations. In the humanitarian dimension, the voluntary return of Syrian refugees is another goal that Ankara hopes to realize if it can provide the objective conditions required to facilitate such returns, namely the establishment of security as well as social and economic stabilization. By doing so, Turkey strives to make its model of economic recovery successful and is providing all of the prerequisites and requirements necessary to ensure the achievement of this goal.

This study will first seek to diagnose the social and economic reality in the Euphrates Shield area. Next, it will present the indicators of early economic recovery that have appeared in the economic sectors within the Euphrates Shield area since they have been subjected to Turkish influence. After that, the study will introduce the main actors engaged in the early recovery process and describe their roles. Finally, the study will undertake an in-depth analysis of the determinants of the Turkish approach to early recovery in order to create a clear perception of the future of Turkey's role in Syria's reconstruction process.

## **II. The Socioeconomic Landscape**

The Euphrates Shield area is located in northwestern Syria. It extends along the Turkish-Syrian border and covers an area of around 2,692 km<sup>2</sup>. The Euphrates River forms the area's natural eastern border, making it rich in water for drinking and agriculture. The Euphrates Shield area was hit hard by the Syrian conflict after 2012, which caused massive destruction to its infrastructure and utilities, the flight of commercial and industrial capital to Turkish cities, and the emigration of skilled labor to Turkey and Europe. This led to a massive deterioration of the economic situation in the region, in addition to falling under the control of ISIS, which plundered resources and distorted the economic life of the region's cities. The area is also adjacent to areas under control of the Syrian regime, which is working hard to destabilize the region, as well as being adjacent to the Autonomous Administration areas, where groups are accused of having perpetrated several human rights violations against civilians of the region and launched a number of military offensives on cities close to their areas of control to destabilize these towns

and cities and to try to take control of the area before it came under Turkish influence in 2016.

Figure (1) shows an approximate image of the Euphrates Shield area, including its cities and border crossings, as of early 2019.

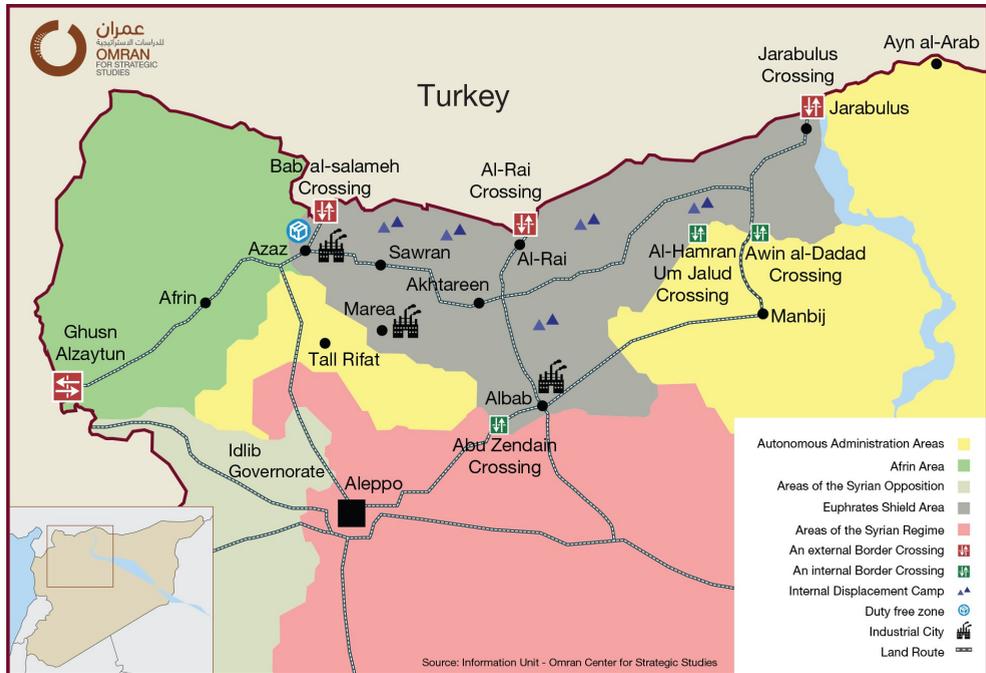


Figure (1): Euphrates Shield area in northwestern Syria

The Euphrates Shield area has a population of more than one million people, distributed in nine main cities. This population is composed of Sunni Arabs, who form the majority, along with Kurds and Turkmens. The number of people living in the Euphrates Shield area is increasing rapidly because of the internal displacement flows into this area and the return of refugees from Turkey. Most of the official and unofficial camps for internally displaced persons (IDPs) are located in the cities of Azaz and Jarabulus. An estimated 224,943 IDPs live in these camps, where they suffer from harsh social and economic conditions. Outside of the camps, some IDPs live in rented houses

or in empty homes that are not yet fully constructed.<sup>(1)</sup> Figure (2) shows the distribution of the population in the main cities in the Euphrates Shield area.

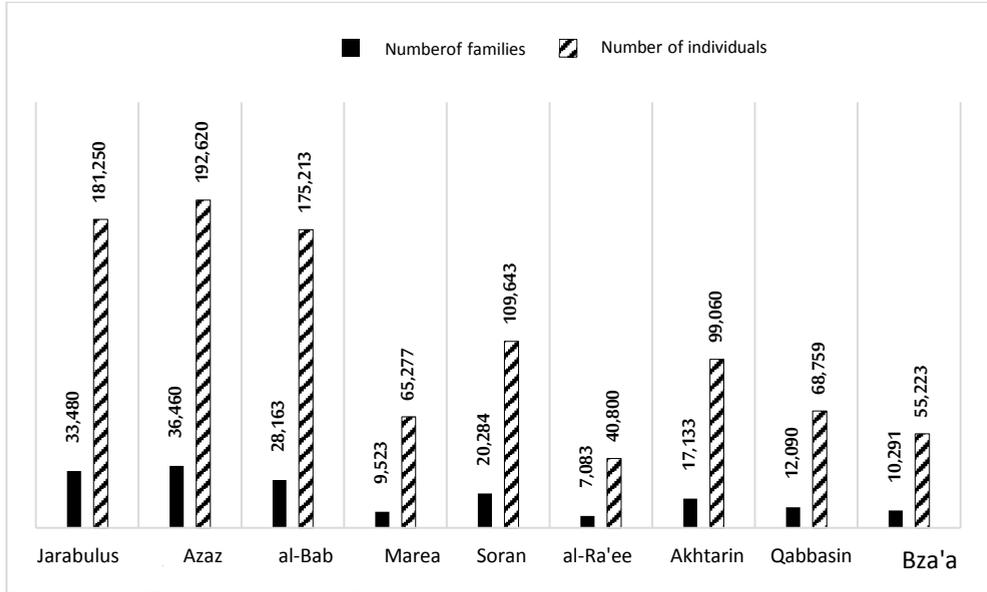


Figure (2): The populations of key cities in the Euphrates Shield area as of July 2018<sup>(2)</sup>

The biggest problems facing residents of the Euphrates Shield area include high rates of unemployment and poverty, a significant decrease in purchasing power, and the lack of adequate housing to meet the needs of the increasing numbers of IDPs and returnees to the area. This led to soaring rental prices that are not proportionate to the financial abilities of residents. Moreover, job opportunities are scarce and living costs are high which negatively affect the people who were displaced to these areas. It also forced many of them to remain in the camps or live in uninhabitable houses, let alone that a large portion of them failed to find jobs.<sup>(3)</sup>

The events that the Euphrates Shield area experienced during the conflict took a toll on the quality of life of its population, in part because of the massive deterioration in the labor market. Many individuals lost their livelihoods and struggle to find work in order to make ends meet, as the burden of living costs

<sup>(1)</sup> Mohamed Al Bdullah, The reality of livelihoods in IDP camps: a case study in the northern regions of Syria, Omran Center for Strategic Studies, 7 November 2018, available at: <https://bit.ly/2UK0iQ9>.

<sup>(2)</sup> Northern Syria Response Coordinators, Census of the Northern Countryside of Aleppo, 13 July 2018, available at: <https://bit.ly/2MkOAH2>.

<sup>(3)</sup> Mohamed Al Bdullah, The reality of livelihoods in IDP camps: a case study in the northern regions of Syria, Ibid.

has become difficult to bear in these challenging social and economic conditions.

Because of the nature of the Euphrates Shield area, agriculture has been the primary source of income for its residents, as it had always been the case before the conflict. Other sources of income include self-employment like carpentry, blacksmith; working in the sectors of trade, industry, housing, handicrafts; the sale of livestock and their products; remittances from relatives abroad, and humanitarian aid provided by local and international relief organizations.<sup>(4)</sup> It has become the norm in the area for families to have to find more than one source of income,<sup>(5)</sup> as income generated from a single job is often insufficient to cover household expenses, due to the decline in income levels, coupled with increasing prices. Residents have had to spend more money than they earn, forcing many families to rely on a mixture of work and humanitarian assistance to meet their basic needs, as well as informal and illegal work, such as the smuggling of goods. Additionally, employment in civil society organizations, local councils, and non-governmental organizations (NGOs) operating in the area became a prominent phenomenon.

### **III. Indicators of Early Economic Recovery**

Below, we discuss a set of economic recovery indicators for various economic sectors in order to show the progress made since the beginning of Turkish influence in 2016.

#### **1. The Agricultural Sector**

The Euphrates Shield area is notable for its large swathes of arable land suitable for both rain-fed and irrigated agriculture. Accordingly, agriculture is the area's main source of income and its most important economic activity. The amount of arable land in the Euphrates Shield area is estimated to be about 100 thousand hectares, with 75 percent used for grain production and

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<sup>(4)</sup> Euphrates Shield-Dynamo Report, Assistance Coordination Unit, 8 March 2018, available at: <https://bit.ly/2YERkBV>

<sup>(5)</sup> Understanding livelihoods in northern Syria: how people are coping with repeated shocks, constant change and an uncertain future, Save the Children, January 2015, available at: <https://bit.ly/2T1qrGE>

25 percent for vegetables.<sup>(6)</sup> In Jarabulus for example, there are an estimated 1.5 million pistachio trees and 1.5 million olive trees, in addition to smaller amounts of other types of fruit trees. With regards to livestock, estimates indicate that there are 41,000 sheep and 4,000 cows.<sup>(7)</sup>

The amount of arable land in the Euphrates Shield area has decreased as a result of the conditions of the conflict. Farmers have faced many challenges, including the high costs of agricultural and livestock production, the low prices of crops, and the difficulty of exporting products and finding markets for them. Landmines and other explosive remnants of the conflict have prevented many farmers from utilizing their lands. Additionally, development organizations operating in the area throughout the conflict did not pay sufficient attention to this sector and did little to support agricultural and livestock development projects.

Since early 2018, the agriculture sector in the Euphrates Shield has been witnessing tangible developments in its recovery and reports from sources on the ground indicate a significant increase in agricultural activity. The main crops being produced include grains such as wheat, barley, and lentil, as well as cumin and vegetables such as potatoes and onions. Agricultural crops harvested from fruit trees such as olives, pistachios, almonds, and apricots have also rebounded. This agricultural sector recovery is largely due to the attention and support it received from the Turkish government, through the agricultural offices of local councils, to provide basic inputs such as fertilizers, seeds, and agricultural chemicals. Turkey also provided some facilitations to support farmers, and the issuance of some legislation pertaining to agricultural and livestock activities, and marketing agricultural products in Turkey.<sup>(8)</sup> These offices cooperate and coordinate with Turkish institutions and government agencies in Turkish provinces that are interested in the revitalization of the agricultural sector.<sup>(9)</sup>

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<sup>(6)</sup> Jalal Suleiman, hundreds of agrarian hectares are back to production in Rural Aleppo, Aljazeera.net, 5 January 2019, available at: <https://bit.ly/2LSX6e0>.

<sup>(7)</sup> Firas Muhammad, Jarabulus one year after the end of “Euphrates Shield,” successes are plagued with scandal, Syria TV, 2 March 2018, available at: <http://tiny.cc/2jnn6y>.

<sup>(8)</sup> The “Local Council” of Jarabulus decreases the fees of agriculture machinery to help farmers, Horrya Net, 13 April 2019, available at: <http://tiny.cc/t7pn6y>.

<sup>(9)</sup> Firas Muhammad, 2018, Op.Cit.

In this context, the Directorate of Food, Agriculture and Livestock in the Turkish province of Gaziantep formed a team of subject matter experts to reinvigorate the Euphrates Shield agriculture and livestock sectors by supervising subsidies for farmers' purchases of fertilizers, pesticides, and agricultural supplies as well as supervision of animal vaccination campaigns.<sup>(10)</sup> Additionally, the Syrian Interim Government's (SIG's) General Organization for Seed Multiplication (GOSM) in cooperation and coordination with the Assistance Coordination Unit (ACU) and the Qatari Red Crescent support Syrian farmers through the "Wheat Project," which provides farmers with agriculture production supplies through interest-free loans, to encourage farmers to grow this strategic crop.<sup>(11)</sup> Some NGOs, such as Ihsan Relief and Development, play an important role in implementing projects that support agriculture and livestock for livelihood development, in coordination with local councils and the Turkish authorities.<sup>(12)</sup> Additionally, one of the largest Turkish companies, Türkiye Tarım Kredi Kooperatifleri that specializes in the provision of financial loans and in securing seeds, fertilizers, and drugs—along with other companies that support small enterprises—has entered the Euphrates Shield area. The company seeks to open an office in the area to facilitate its investments and will deal directly with the agriculture offices of local councils.<sup>(13)</sup>

The size of the cultivated area in the Euphrates Shield is estimated at 50% of the cultivable area in the region, equivalent to 500 thousand hectares. However, although there are signs of growth in agricultural production, this growth has fallen short of the level that workers in this sector expected and required. Under Turkish supervision, farmers face several obstacles and challenges that decrease their profits to the point that they can only cover their production costs, as the prices in the area are lower than in other Syrian

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<sup>(10)</sup> The Turkish Government launches "The northern countryside of Aleppo's farmers support" program, al-Furat News Agency, 22 February 2018, available at: <http://tiny.cc/wtqn6y>; With Turkish Support.. Reviving the agricultural and livestock sectors in the Syrian Euphrates Shield area, Turk Press, 30 March 2018, available at: <http://tiny.cc/wiqn6y>.

<sup>(11)</sup> Launch of the 2018 Wheat Project, General Organization of Seed Multiplication, 5 November 2017, available at: <http://tiny.cc/00nn6y>.

<sup>(12)</sup> Ahmad al-Ahmad, Head of Ihsan Relief and Development's office in the northern countryside of Aleppo explains to al-Furat agency the Livelihoods Project, al-Furat News Agency, 26 March 2019, available at: <http://tiny.cc/rbon6y>.

<sup>(13)</sup> Mustafa Muhammad, Eqtisad explores the details: Giant Turkish agricultural company intends to enter the Euphrates Shield, Special Reports, Eqtisad, 17 February 2018, available at: <https://goo.gl/2FpqPg>.

regions. These low profits can be attributed mainly to the high prices of fuel and fertilizer that raise the cost of production significantly, in addition to the difficulty and high costs of exporting crops outside the area, forcing farmers to sell them locally at lower prices.

Furthermore, the Turkish government only imports very small quantities of agricultural crops such as potatoes, onions, black beans, and pistachios, which is not in proportion to amounts produced in the Euphrates Shield area.<sup>(14)</sup> Turkey's import policies for these products are based on the need to make up for shortages in their local markets in addition to the Turkish government's desire to help Syrian farmers sell part of their crops and help the sector recover.<sup>(15)</sup> The conditions set by the Turkish authorities regarding the price, quality, and quantity of these imported crops serve as obstacles to Euphrates Shield farmers, that make it more difficult for them to market their crops. Moreover, some of the crops, such as vegetables and fruits, face competition from lower-priced Turkish crops.<sup>(16)</sup> There are no local official bodies that are able to purchase all of the strategic crops from farmers.<sup>(17)</sup> Local councils, as the bodies that regulate the agricultural activity, are not able to play this role because of their limited resources.

Wholesale merchants in the Euphrates Shield area have also had a negative impact on the marketing of these strategic crops, like wheat and barley, because they purchase them in large quantities and then sell them to the Turks at higher prices, making the Turkish government reluctant to purchase these crops at prices higher than those in its own markets. This has led Turkey to

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<sup>(14)</sup> With Turkish Support.. Reviving the agricultural and livestock sectors in the Syrian Euphrates Shield area, Ibid.

<sup>(15)</sup> Conditions for marketing the "lentils" crop from the Aleppo countryside to Turkey, Enab Baladi, 25 March 2019, available at: <http://tiny.cc/vdsn6y>; It is noteworthy here that importing crops from Aleppo countryside began in July 2018 starting with the potato crop, followed by pistachios and onions in late November 2018. See: Three kinds of crops are marketed from the Aleppo countryside to Turkey, Enab Baladi, 23 November 2018, available at: <http://tiny.cc/0hdo6y>.

<sup>(16)</sup> Souq al-Hal is active again north of Aleppo, Enab Baladi, 23 September 2018, available at: <http://tiny.cc/wlgo6y>.

<sup>(17)</sup> In this context, the SIG's Syrian Public Establishment for Grain, the General Organization for Seed Multiplication, and the Ministry of Agriculture are working as official parties to purchase the largest possible quantities of these crops based on their financial capacity, but they are still unable to buy all the crops of farmers in the Euphrates Shield area. See: Mahmoud Al-Shamali, In Syrian opposition strongholds: cultivating wheat for the "enemies," Syrian Voice, 22 May 2018: available at: <https://bit.ly/2Hv0jjk>.

limit its agricultural imports to other types of crops such as coriander, chickpeas, black beans, and lentils.<sup>(18)</sup>

The Syrian National Army factions,<sup>(19)</sup> through their control over border crossings with Turkey and over internal crossing points connecting Euphrates Shield with other areas, play a pivotal role in the pricing of these agricultural yields and the possibility of exporting them from the region to abroad.<sup>(20)</sup>

## 2. The Trade Sector

Commercial activity in the Euphrates Shield area is currently one of the most important economic activities because of the area's closeness to the Turkish border and the availability of trading opportunities.

Since the beginning of its existence in the Euphrates Shield area, the Turkish government has paid significant attention to the trade and transportation sectors. It has focused on activating the border crossings, giving Syrian and Turkish merchants access to the area to stimulate trade and increase the amount of currency in circulation. This in turn will contribute to reducing the economic recession in the Euphrates Shield area. According to the statistics of ACU in November 2017, trade of foodstuff has taken the lead in the trade sector in this region by 35 percent, followed by grain trade by 19 percent, followed by the trade of seeds, fertilizers and clothing by 14 percent each, and trade of construction materials by 12 percent.<sup>(21)</sup> Furthermore, companies were established specifically to import the supplies needed for construction and restoration operations, such as cement, iron, and structural fittings.

At present, the Euphrates Shield area has three border crossings with Turkey and two domestic crossing points, one with the Syrian regime areas and the other with the Autonomous Administration areas. The Bab al-Salameh border crossing in the city of Azaz, which was open before the Euphrates Shield operation, is the most important of these crossings. The SIG took over its

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<sup>(18)</sup> Agriculture in rural Aleppo.. severed roads and closed borders, Enab Baladi, 31 December 2017, available at: <http://tiny.cc/0xeo6y>; Dia Ouda, Potatoes from the Aleppo countryside lower prices in Turkey, Enab Baladi, 1 July 2018, available at: <http://tiny.cc/7psn6y>.

<sup>(19)</sup> For more information about the Syrian National Army see: Fatima Taşkömür, What is the new Syrian National Army?, TRT WORLD, 27 January 2018, available at: <https://bit.ly/2OoVV10>.

<sup>(20)</sup> Hussein al-Khatib, agriculture in the north of Syria witnesses improvement after seven dire years, Noun Post, 16 April 2019, available at: <http://tiny.cc/8lpn6y>.

<sup>(21)</sup> Euphrates Shield-Dynamo Report, 2018, Op.Cit.

administration from the Jabhat al-Shamiya armed faction in September 2017.<sup>(22)</sup> In order to develop commercial movement through this border crossing, the Turkish government has allowed Turkish freight trucks to cross directly to the Syrian National Army (SNA)-controlled areas and unload there since 5 March 2019, whereas it used to unload their shipments on the Turkish side of the borders. This measure has enabled trucks to significantly shorten the time and distance of their trips, leading to reduced shipping costs which has in turn lowered the price of many goods and food products imported from Turkey, while still maintaining their quality and avoiding the damage that may result from repeated loading and unloading. At the same time, it has had a negative impact on some freight truck owners and hundreds of workers who used to work in unloading and reloading trucks at the border crossing. A large part of the goods imported from Turkey are shipped to regime and Autonomous Administration areas, which is undertaken by Syrian trucks because Turkish trucks are not allowed to access these areas.<sup>(23)</sup>

The Turkish government reopened the Jarabulus border crossing in September 2016, and the Turkish Ministry of Customs and Trade raised the rating of the crossing, upgrading it to an official point for land export and import.<sup>(24)</sup> The Turkish government hoped that opening this border crossing and expediting the entry of trucks would have a positive impact on the movement of goods and thousands of tons of basic foodstuffs that enter into the area each day. Initially, the border crossing faced a number of problems such as the high and unstable fees imposed at the crossing, along with the facilitation payments levied by some military factions on the movement of trucks, temporarily depressing the traffic of trucks across it.<sup>(25)</sup> However, these problems were quickly overcome. In July 2018, Gaziantep's Chamber of Commerce (and Industry) set the conditions for the entry and exit of traders through the crossing.<sup>(26)</sup> On the Syrian side, the Jarabulus Local Council

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<sup>(22)</sup> Al-Rai' border crossing officially opened with Turkey, Enab Baladi, 16 December 2017, available at: <http://tiny.cc/71ro6y>.

<sup>(23)</sup> Khaled al-Khateb, Syrian truckers fear for jobs as Turkish drivers cross border, Al-Monitor, 14 March 2019, available at: <https://bit.ly/3340Stn>

<sup>(24)</sup> Turkey upgrades the Jarabulus crossing to a trade land crossing, Sham News Network, 23 November 2016, available at: <http://tiny.cc/15ko6y>.

<sup>(25)</sup> New commercial crossing north of Aleppo competes with Bab al-Salam, Enab Baladi, 27 November 2016, available at: <http://tiny.cc/mjqo6y>.

<sup>(26)</sup> Turkey activates the Jarabulus crossing for merchants, Enab Baladi, 20 June 2018, available at: <http://tiny.cc/y2mo6y>.

created a Chamber of Commerce and Industry to regulate and organize the city's commercial and industrial development and to coordinate the transit of merchants and goods across the Jarabulus border crossing.<sup>(27)</sup>

In December 2017, Al-Rai border crossing between Turkey and the Euphrates Shield area was opened to commercial and passenger traffic. This allowed the smooth crossing of goods, including building materials needed for the reconstruction of cities in the Euphrates Shield area. The border crossing has modern inspection devices used to examine luggage and trucks, as well as police sniffer dogs. According to the Turkish customs authority, the border crossing had recorded the transit of around 70,000 commercial trucks as of January 2019.<sup>(28)</sup>

As part of its efforts to help the economic recovery of the trade sector and increase its effectiveness, the SIG, in cooperation with the Turkish government, created the General Directorate of Customs in 2017 to control the exports and imports through border crossings, monitor commerce, security affairs, and fees,<sup>(29)</sup> and to unify the customs tariffs at the three border crossings. The Directorate created a fund where all the financial revenues from the three border crossings are collected in order to replenish the treasury of the SIG and the local councils.<sup>(30)</sup> It also trained a cadre of 120 people on matters related to operating and running the crossings, to be deployed across the three crossings.<sup>(31)</sup> Each of the three border crossings is linked to the Chamber of Commerce (and Industry) of the local council in the city where the crossing is located so that the Chamber of Commerce (and Industry) can coordinate with the management of the border crossing and the Turkish government, and contribute to the monitoring of the commercial activities and to the efforts to counter any illicit activities.

Domestic crossings that connect Euphrates Shield to other areas serve as economic outlets for many merchants in this area as well as a source of

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<sup>(27)</sup> Malek al-Herek, For coordination purposes.. Jarabulus local council creates chambers of commerce and industry in the city, Baladi News, 17 October 2018, available at: <http://tiny.cc/0aqo6y>.

<sup>(28)</sup> Turkey closes al-Ra'ee crossing with Syria.. an important clarification for Syrian merchants, Turkey in Arabic, 21 January 2019, available at: <http://tiny.cc/rdto6y>.

<sup>(29)</sup> SIG issues new customs tariffs regulations for three crossings, Enab Baladi, 10 January 2019, available at: <https://bit.ly/2Zi3FfU>.

<sup>(30)</sup> Khaled al-Khateb, Crossing opens to help rebuild Syria, boost commerce with Turkey, Al-Monitor, 29 December 2017, available at: <https://bit.ly/2KIK8oS>

<sup>(31)</sup> Al-Rai' border crossing officially opened with Turkey, Ibid.

livelihood for many residents and military factions. Despite the estrangement between actors in the Euphrates Shield areas and the Syrian regime areas, an undeclared agreement was recently reached between the Syrian regime and the opposition, represented by the Syrian National Army. This agreement led to the 18 March 2019 opening of a humanitarian-commercial checkpoint on the Aleppo–al-Bab highway. This checkpoint, known as the Abu Zendain crossing, is the first crossing that connects regime areas and Euphrates Shield area in northern Aleppo, giving the regime access to the land border crossings with Turkey.<sup>(32)</sup>

There are two border crossings that connect Euphrates Shield with the Autonomous Administration areas: Awin al-Dadad and Al-Hamran-Um Jalud, which is on the border of the city of Manbij. Both these crossings were created for the transit of both civilian and commercial traffic. The Autonomous Administration areas levies a five percent crossing fee on the goods imported from Turkey that come through these points. On the Euphrates Shield side these crossings are controlled by armed factions affiliated with the Syrian National Army,<sup>(33)</sup> which coordinate with the Turkish government to prevent the passage of prohibited items. The Turkish government has issued a list of materials that are banned from crossing into Autonomous Administration areas, including cement, iron, and fertilizers.<sup>(34)</sup>

### **3. The Industrial Sector**

There are emerging signs of the recovery of the industrial sector in the Euphrates Shield area, as the relatively stable climate in the area has encouraged the reactivation of some existing factories and the opening of some new factories in several cities. Some Syrian and Turkish investors have entered the area to start industrial projects, which feed into the construction sector in order to meet its requirements for things like mixers, stone sawmills, and workshops that make decorative materials. Likewise, industrial projects

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<sup>(32)</sup> Muhammad al-Khatieb, New crossing aims to restore Aleppo's economic status, *Al-Monitor*, 29 March 2017, available at: <https://bit.ly/2YEEtz2>

<sup>(33)</sup> FSA factions make a lot of money from internal crossings through the taxes they levy on the passing commodities. It is estimated that they take in more than one million USD per month on average, which is shared between the factions. See: Khaled al-Khateb, Border crossings bring in cash for Free Syrian Army factions, *Al-Monitor*, 28 September 2017, available at: <https://bit.ly/2YEUzNh>

<sup>(34)</sup> Border crossings in Syria.. mutual interests between parties to the conflict, *al-Arab*, 31 July 2018, available at: <https://bit.ly/2Hv7ic0>.

have also been established in the area for other products including garments, embroidery, soap, cleaning materials, plastic utensils, nylon bags, and bags for agricultural use.<sup>(35)</sup> There are some active small industrial workshops such as workshops for blacksmithing, carpentry, shoemaking, sewing, manufacturing of cleaning materials, vehicle maintenance, as well as some olive presses.

The most remarkable development in the industrial sector was laying foundation for the establishment of an industrial city in the Euphrates Shield area on 10 February 2018. The industrial city will be built according to international standards and specifications and will cover an area of 56 hectares near al-Bab city, with the full support of the Turkish government. The city is expected to become a magnet for most of the industrialists and merchants of the area, to help revitalize the local economy, to create jobs for thousands of young people, and to bring Turkish industrial investments to the area for reconstruction. An estimated 6,000 job opportunities will be created with acceptable wages for the area's large young labor force. The local council in al-Bab city is supervising the creation of this industrial city and its service office grants licenses for industrial enterprises.<sup>(36)</sup>

Similarly, to boost its own economy, in August 2018, the local council of Azaz started to implement a project to build an industrial city and a duty-free zone at the outskirts of the city, on an area of more than 30 hectares. The decision to build this industrial city came after several visits from delegations of Turkish traders and following many meetings to agree on a final version of the project.<sup>(37)</sup> In November 2018, the local council of Marea launched its own project to build an industrial city with support from the Tatweer program, funded by an NGO called Tatweer, and under Turkish supervision. By doing so, the council hopes to separate industrial facilities and shops from residential communities and create hundreds of jobs for young people.<sup>(38)</sup>

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<sup>(35)</sup> Khaled al-Khateb, Does the "Euphrates Shield" provide an alternative to Aleppo's Industrial city?, Ibid.

<sup>(36)</sup> Khaled al-Khateb, Turkey props up industrial zone in Syria's al-Bab, Al-Monitor, 1 March 2018, available at: <https://www.al-monitor.com/pulse/originals/2018/02/syria-al-bab-euphrates-shield-industrial-area-turkey.html>

<sup>(37)</sup> Industrial city in Azaz and a market for free trade exchange with Turkey, Souriatna Press, 3 August 2018, available at: <https://bit.ly/2LJfk55>.

<sup>(38)</sup> Amir Abu Jawad, Marea local council starts building an industrial city, Horrya.net, 15 November 2018, available at: <https://bit.ly/2LPf17J>.

In a step that reflects Turkish interest in investing in the Euphrates Shield region, Müsiad, Turkey's largest business association, opened an office in the town of Sawran, near the city of Azaz. The office will help forge partnerships between Turkish businesses and local capital owners in the industry, trade, and construction sectors by conducting research and providing information to organization members that will facilitate the assessment, organization, and the selection of projects in this area.<sup>(39)</sup>

#### **4. The Transportation Sector**

Local councils in the Euphrates Shield area have exerted significant efforts to restore damaged roads in their localities. Because of their limited material and technical resources, their activities have been largely limited to road restoration and maintenance inside the cities, with only limited restoration so far to some of the main roads between major towns. As part of its efforts to reinvigorate trade, the Turkish government has paid considerable attention to the transportation sector. It has maintained current roads, restored damaged roads, and built new roads in accordance with international standards to connect large cities within Euphrates Shield area with one another and with border Turkish provinces. These efforts have facilitated import and export operations to the benefit of all parties.

The Turkish government has also supported road paving projects that were designed by the service offices of local councils. It has put out tenders for these projects and granted the contracts to specialized Turkish companies, which will implement these projects in full cooperation and coordination with the service offices of the local councils. One of the roads that has been built is a highway that connects Al-Rai city center with Al-Rai border crossing at an estimated cost of approximately 12.2 million USD.<sup>(40)</sup> In the city of Azaz, the local council, with the support of the Turkish government, opened a road that connects its eastern outskirts with Bab al-Salameh border crossing. Among the projects still being planned are a 20 km-long road connecting

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<sup>(39)</sup> The largest commercial organization in Turkey opens an office in northern Aleppo, Nedaa Syria, 7 May 2018, available at: <http://tiny.cc/upxq6y>.

<sup>(40)</sup> Hussein al-Khatib, Turkey works on establishing a network of international roads north of Aleppo to enhance trade exchange, Noon Post, 1 September 2018, available at: <http://tiny.cc/7aqp6y>.

Azaz and Marea,<sup>(41)</sup> new roads connecting Al-Rai to each of the cities of al-Bab, Azaz, and Jarabulus, in addition to planning for a road that will start from Al-Rai city and extend to Manbij city, in the event that the Autonomous Administration leaves the area.<sup>(42)</sup>

Local councils also seek to implement road pavement projects in towns and cities for roads that are no longer functional due to years of neglect. The presence of such a large population requires that all relevant actors prioritize such projects to meet the needs of this sector and to create new transportation routes to facilitate passenger traffic.

As another sign of the recovery of the transportation sector, the local council of Azaz rehabilitated the building of its transportation and communications department, which quickly started registering vehicles, giving number plates and specifying the fees. The department also has a centralized computer network linked to the civil registry in Azaz and transportation institutions in Ankara. The department registers vehicles in the towns and the cities of Al-Rai, Sawran, Marea, and Akhtareen. The department's work was preceded by a similar project in the city of al-Bab, which is still in the process of implementation.<sup>(43)</sup>

## 5. The Financial Sector

The financial services sector is one of the main drivers of early economic recovery, but financial services have been largely absent from the Euphrates Shield area because of the conflict. In response, the Turkish government opened branches of the Turkish postal service (PTT) in the cities of Azaz, Jarabulus, Marea, al-Bab, and Al-Rai, in order to provide shipping, money transfer, bill payment, and banking services for the population of the area and for Turkish citizens and to facilitate the payment of salaries to employees contracted by the Turkish government. Other Turkish banks are also expected to enter the region because of the large demand for financial services as the

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<sup>(41)</sup> Khaled al-Khateb, Ankara plans road network to connect Syria with southern Turkey, Al-Monitor, 10 August 2018, available at: <https://www.al-monitor.com/pulse/originals/2018/08/syria-euphrates-shield-aleppo-turkey-road-network.html>

<sup>(42)</sup> Murad Abdul Jalil, The roads of Aleppo countryside are the gate of Turkey for reconstruction, Enab Baladi, 5 August 2018, available at: <http://tiny.cc/o51q6y>.

<sup>(43)</sup> Dia Ouda, Vehicles in Aleppo countryside are registered in a central network with Turkey, Enab Baladi, 10 March 2019, available at: <http://tiny.cc/b0qq6y>.

area gradually turns into a commercial and industrial hub, and due to the spread of unregulated money transfer offices and shipping companies that charge relatively high fees and whose services are not secure. The expansion of banking services in the Euphrates Shield area will save significant time and costs for individuals who live in Turkey and transfer money to the area.<sup>(44)</sup>

## **6. The Housing and Infrastructure Sectors**

The housing sector in the Euphrates Shield area is witnessing a clear upswing in the implementation of housing projects by the private sector under the supervision of local councils. These projects have contributed to the creation of jobs for a good number of young people in the area.<sup>(45)</sup> The reinvigoration of this sector can be largely attributed to the significant facilitation provided by the Turkish government in terms of allowing construction materials to cross to the area and the local spread of factories that produce construction and building materials.

The activities of local investors in the Euphrates Shield real estate market are still generally limited to small-scale projects such as the pavement of roads and building the accompanying housing projects. By comparison, private Turkish companies have made larger investments in the area, working in coordination with local councils. For example, al-Bab local council signed an agreement with a private Turkish construction company (Göktürk İnşaat) to build a housing project in the city of Qabasin.<sup>(46)</sup> However, the prices of homes being built by these Turkish companies are not commensurate with the income level of locals. This means that only a limited number of people can benefit from these projects in terms of buying their own houses. Real estate developers own the majority of these projects and they rent these houses out to residents. As a result, these new residential construction projects have not contributed significantly to solving the growing housing crisis in the region.

Similarly, some humanitarian organizations have been active in implementing housing projects to secure shelter for vulnerable groups such

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<sup>(44)</sup> Turkey opens another PTT center inside Syria, Zaman al-Wasl, 22 November 2017, available at: <http://tiny.cc/1s2q6y>.

<sup>(45)</sup> Abdul Kader Muhammad, Merchants and investors launch the biggest housing project in Aleppo countryside, Baladi News, 24 August 2018, available at: <https://bit.ly/2VGAYFE>.

<sup>(46)</sup> Dia Ouda, Syrian investors are not accounted for.. private Turkish companies impose themselves north of Aleppo, Enab Baladi, 29 April 2018, available at: <https://bit.ly/2Q5rSCx>.

as orphans, widows, and IDPs. These include a project implemented in al-Bab in cooperation with the Turkish emergency and disaster management agency (AFAD) to shelter IDPs in the city.<sup>(47)</sup> The Jarabulus local council is implementing two such projects. The first project, to build a residential compound of 40 apartments to shelter orphans living in IDP camps in the city and its countryside, is being implemented in cooperation with the “al-Ayadi al-Saaeiida” organization. The second is being implemented in cooperation with the al-Bunyan al-Marsus charity to build full service 144 apartment units in al-Kusa village to shelter orphans and widows.<sup>(48)</sup>

In addition to new housing construction, some NGOs have been implementing projects to restore damaged houses in the area in cooperation with local councils, so that locals can return. Among these are a housing restoration project in al-Bab being implemented by the local council in cooperation with the Sa’id Charity Association, and funded by the Qatari Red Crescent,<sup>(49)</sup> and a project to rehabilitate damaged houses in the city of Azaz, in cooperation with the international organization World Vision.<sup>(50)</sup>

In main cities like Azaz, local councils are actively documenting real estate ownership in order to safeguard the rights of the population and to regulate this sector. This was clearly demonstrated through the opening of the real estate department in Azaz to process all real estate transactions and receive legal claims filed in relation to real estate problems in the city and its countryside.<sup>(51)</sup> The great need for housing resulting from the growing number of people who came to the area as returnees or IDPs has contributed to the revival and prosperity of the construction sector, which has in turn created many jobs for the population.<sup>(52)</sup> This growth has created a positive

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<sup>(47)</sup> Khaled al-Khateb, Residential complex to house 1,500 families in Euphrates Shield area, Al-Monitor, 23 August 2018, available at: <https://www.al-monitor.com/pulse/originals/2018/08/residential-complex-al-bab-euphrates-shield-afad-turkey>.

<sup>(48)</sup> Establishing a residential complex to host orphans, YouTube channel of the local council of Jarabulus and its countryside, 30 January 2019, available at: <http://tiny.cc/grrs6y>.

<sup>(49)</sup> Ibrahim Alo, Al-Bab local council launches a project for restoring damaged houses in return of sheltering a displaced family for an entire year, al-Furat News Agency, 18 March 2019, available at: <http://tiny.cc/mfqs6y>.

<sup>(50)</sup> Launching a project to rehabilitate and restore residential houses in Azaz, Zaman al-Wasl, 14 February 2019, available at: <http://tiny.cc/y0qs6y>.

<sup>(51)</sup> Azaz.. the Land Registry opens its doors to register citizens contracts, Enab Baladi, 3 February 2019, available at: <http://tiny.cc/jeps6y>.

<sup>(52)</sup> Omar Kubaran, “one of the fruits of security”.. the boost of construction sector in Euphrates Shield area north of Syria, Anadolu News Agency, 29 July 2018, available at: <https://urlzs.com/FSRgD>.

cycle because many of the new arrivals support the local economy by investing their capital in the housing sector.

The electricity sector is one of the most vital and important sectors in the framework of economic recovery, because it has both direct and indirect impacts on the stability of the population. The Euphrates Shield area is still not fully covered by electricity and the availability of power differs between urban and rural areas. There are various sources of electricity. While main cities are fed by the public power grid, some cities and rural areas still depend on private power networks and generators. Electricity is one of the biggest challenges for residents of the area because of the significant discrepancies in prices and availability and many people's inability to afford it. The cost of an ampere of power ranged between 1,000-1,700 SYP (i.e. two to three USD) in 2017. However, the biggest problem in this regard is in the industrial and the agricultural sectors, where the lack of electricity is a fundamental obstacle to launching the projects required to start the economic recovery process.

Aware of the priority of recovery in the electricity sector, local councils in main cities have contracted with private Turkish companies for their power supplies. The local council in Azaz signed a 10-year contract with a private Turkish company called ET Energy in early 2018 to supply the city with electricity at a cost of seven million USD.<sup>(53)</sup> The local council of al-Bab followed suit and contracted with the same company in February 2019 to supply its electricity.<sup>(54)</sup> For the first time in the region, a newly established Syrian company, the Turkish-Syrian Electricity Company, based in Turkey, signed a contract with the local council in Souran to supply electricity. This comes after the concentration of investments in the hands of Turkish private companies, and the absence of local companies.<sup>(55)</sup> Additionally, local councils in some towns and cities have taken initiatives to organize the power supply for their residents by standardizing prices and enabling fair distribution of electricity among locals, whether through regular grids or private power networks. In order to utilize solar power, the local council of

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<sup>(53)</sup> An agreement to improve services in the northern countryside of Aleppo.. Turkish company provides electricity to Azaz city, Enab Baladi, 11 March 2018, available at: <https://bit.ly/2HmoNLX>.

<sup>(54)</sup> Turkish Agreement to draw electricity to al-Bab city north of Aleppo, Enab Baladi, 28 February 2019, available at: <https://bit.ly/2Hv1SN6>.

<sup>(55)</sup> Three companies signed investment contracts to deliver electricity to Aleppo countryside, Enab Baladi, 8 April 2019, available at: <https://bit.ly/2EbHVtS>.

Marea implemented a road lighting project with support from the Syrian Regional Program.<sup>(56)</sup>

In terms of economic recovery in the communications sector, residents of the Euphrates Shield area mainly depend on Turkish communications companies.<sup>(57)</sup> Turk Telecom, a private Turkish communications company, opened its first center in Azaz city in July 2018. Additionally, the Turkish government upgraded communication towers in the cities of al-Bab and Azaz to 4.5G speed internet. Local councils have maintained and operated landline telephone networks in major cities of the region.

The water sector has witnessed remarkable improvement in terms of early recovery. A prime example of this is the rehabilitation of the Maydanki Dam in cooperation with Turkey, which has allowed water for home use and land irrigation to be pumped to the city of Azaz in a sustainable manner.<sup>(58)</sup> With the support of the Stabilization Committee and other humanitarian organizations, local councils have also been active in implementing water projects such as repairing water tanks, restoring and maintaining pumping stations, expanding water supply lines, and drilling new water wells. Among these is a project being implemented by the Marea local council, with the support of the Tatweer program, to expand Marea's water network so that it reaches every home in the city.<sup>(59)</sup> The local council in Al-Rai implemented a project to install water meters in the city in order to reduce water waste and lower the costs for residents. Furthermore, local councils have implemented a number of maintenance and rehabilitation projects for sewage networks in a number of towns and cities. These projects come in the framework of support provided by the Stabilization Committee to have sustainable services in the area.

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<sup>(56)</sup> A project to lighten the roads of Marea with solar power, Enab Baladi, 1 January 2018, available at: <https://bit.ly/2Jm0FLj>.

<sup>(57)</sup> "Turk Telecom" opens its first center in Aleppo countryside, Enab Baladi, 20 July 2018, available at: <http://tiny.cc/dy2q6y>.

<sup>(58)</sup> Rehabilitating and re-operating "Maydanki" Dam to provide drinking water for the cities of Afrin and Azaz in Aleppo countryside, Aljazeera live service, 20 March 2019, available at: <https://bit.ly/2w1Jk1J>.

<sup>(59)</sup> Riad al-Khatib, The project of expanding the pumping of drinking water in Marea city, al-Furat News Agency, 2 November 2018, available at: <https://bit.ly/2JMC1l9>.

## **IV. Main Actors in the Early Recovery Process**

This section includes an analysis of the main actors engaged in the early recovery process in the Euphrates Shield area in order to understand their respective roles and determine the extent of their contribution to the process:

### **1. Local Councils**

There are ten main local councils in the Euphrates Shield area and there are sub-councils affiliated with them, which support the latter. Local councils in the area emerged after the regime lost control of it in 2012. Most of the councils maintained a marginal role under the umbrella of the military councils that dominated the main centers in the area. After the area came under Turkish supervision in 2016, there was a qualitative shift in the role assigned to these councils as their organic links to the military councils, which had a significant impact over their original formation, were severed.

Local councils assumed significant status in their dealings with Turkey, which recognized them as local governments in charge of the administration of their entire areas, without interfering in the selection of their honorary members, leaving these decisions to local consensus. Turkey does not interfere in the process of creating these councils, except in specific security situations such as when one of the members is a persona non grata by locals or is suspected of having ties with organizations considered to be terrorist groups by Turkey. The Turkish government also covers the salaries of the staff and the honorary members of the local councils. In order to give the local councils the power they need to do their work, the police and public security forces are tasked of working with them to enforce the regulations and laws enacted by the councils. Additionally, the local councils are provided by the Turkish side with the necessary means and equipment required to enable them to undertake their duties and responsibilities.<sup>(60)</sup>

The Euphrates Shield area is administratively affiliated with the provinces of Gaziantep and Kilis in southern Turkey: the eastern part, which includes the cities of al-Bab, Jarabulus, and Al-Rai was put under the administrative control of the province of Gaziantep, and the western part, which includes

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<sup>(60)</sup> Khaled al-Khateb, "The Euphrates Shield": local governments supported by Turkey, al-Modon, 1 July 2018, available at: <https://goo.gl/R9Uzic>.

Azaz, Marea, Sawran, and Akhtareen, was put under the administrative control of the province of Kilis in order to facilitate administrative supervision, follow-up, and monitoring processes. Additionally, Turkey has assigned a representative to each local council with the official title of assistant governor.<sup>(61)</sup> Classification of the Euphrates Shield cities into different groups in the manner described above has led to different degrees of economic recovery among them in terms of the types of projects implemented and the level of support provided to the councils. The difference is that the local councils of Gaziantep receive more attention in terms of the size, quality and density of the services provided. Whereas the local councils of the cities associated with the Kilis receive less attention due to the difference in financial resources between these two Turkish states.

In their efforts to regulate the social and economic spheres, local councils have begun trying to organize local economic sectors through the creation of specialized offices, through which they can institutionalize their work, increase their self-reliance, and increase their ability to coordinate with Turkey in order to accomplish recovery in these sectors.<sup>(62)</sup> The local councils have recruited many employees with local administrative and technical experience to work for them because of the volume of work required to improve the economic and social realities of the region. However, as civil bodies, local councils face difficulties managing the local economies because they lack the required competencies and expertise to do so, and have difficulty coordinating with one another with regard to the distribution and allocation of investments among the cities based on actual needs. This can be attributed to the absence of a formal institution with specific political reference to organize the work of these councils and coordinate with Turkey to run the economy of the Euphrates Shield area. This institution would be based on a united local vision with which all parties agree and through which all parties

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<sup>(61)</sup> The assistant governor assigned by Turkey is like the governor of the city with which villages and farms are affiliated. There are ten people who hold this position, which serves as an intermediary between local councils and Turkey.

<sup>(62)</sup> Local councils are trying to increase their own abilities to finance their overhead and operational costs. For example, the revenues of al-Bab local council collected from rents, taxes, and municipality fees reached 1.7 million USD in 2018. See: Sarah El Deeb, *Blurring the border, Turkey deepens roots in northern Syria*, The Associated Press, 19 June 2018, available at: <https://bit.ly/2VCKvPy>.

can implement a successful economic recovery process. The SIG plays no tangible role in this regard.

## **2. The Stabilization Committee**

The Stabilization Committee was formed in late 2015 and is affiliated with the Free Aleppo Provincial Council, which reports to the SIG. The Committee—which is staffed with engineers and technicians from different disciplines—was created to assume the responsibility of providing basic technical services to the cities and towns that were liberated from ISIS, as a first phase of their recovery. It is also tasked with securing livelihood supplies in coordination with all local councils, the Turkish government, and donors. Currently, the Committee is considered one of the key actors in the area’s economic recovery process.

The Stabilization Committee conducted studies about towns before they were liberated from ISIS, in coordination with local advisors, in order to identify the immediate priorities of the population and establish provisional administration, represented by the local councils. The Committee then prepares feasibility studies for the projects it identifies, and implements them either directly, through the local councils, or through cooperation with other parties. The Stabilization Committee has managed to make great progress towards the recovery of the towns in the Euphrates Shield area by diagnosing and then meeting their actual needs. It has also worked on the rehabilitation and development of local councils, helping them to improve their performance so they can provide better services to the population.<sup>(63)</sup> The Committee also provides financial support to local councils in the form of grants to implement small recovery projects within their towns and cities.<sup>(64)</sup>

Some of the projects implemented by the Stabilization Committee include opening a number of bakeries and providing them with operational funds; repairing and maintaining water networks and pumps for local councils and providing them with the fuel necessary for their operation; supporting school infrastructure and providing schools with necessary equipment; and

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<sup>(63)</sup> “The Stabilization Committee” conducts training courses for local councils in the liberated countryside of Aleppo, Radio Alkul, 7 May 2019, available at: <https://bit.ly/30A9C9d>.

<sup>(64)</sup> Hussein Khattab, Tens of thousands of US dollars to support small enterprises in Aleppo countryside, Ayyam Syria, 1 February 2019, available at: <https://bit.ly/2BePTkq>.

implementing restoration, rubble removal, and cleaning projects in cooperation with local councils. The Committee receives funding from organizations interested in supporting stabilization and governance.<sup>(65)</sup> To boost economic recovery, the Stabilization Committee organized a conference under the title “Reconstruction in Northern Syria” in the city of Akhtareen in October 2018, which was attended by the heads of local councils, local civil society actors, and Turkish officials.<sup>(66)</sup>

### **3. Turkish Institutions and Organizations**

Turkish governmental institutions and NGOs currently play an important role in the economic recovery of the Euphrates Shield area. These institutions and NGOs include AFAD, the Turkish Red Crescent (Türk Kızılayı), the Turkish Cooperation and Coordination Agency (TİKA), and the Humanitarian Relief Foundation (IHH). The role of these institutions and NGOs became even more prominent after the Turkish government obligated all foreign government agencies, NGOs, and donors that want to implement relief and development projects in the area to coordinate with its institutions. These institutions coordinate closely with one another and with the relevant Turkish ministries to implement projects, whether directly through these organizations or through supervision of other organizations implementing their projects in the region. This approach has helped to increase the effectiveness of these institutions in analyzing aid and relief operations, increasing their ability to conduct needs assessments, identify priorities, harness resources, and effectively coordinate reconstruction activities.<sup>(67)</sup>

Based on their success experience in facilitating relief and development projects, the aforementioned Turkish institutions began implementing some vital activities and projects for the population, and the delivery of relief aid to the poor and other marginalized groups. The Turkish Red Crescent has carried out many activities such as encouraging agriculture, building residential

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<sup>(65)</sup> Mustafa Muhammad, Euphrates Shield areas witness a large construction movement.. The restoration of safety requires international will, Sada al-Sham, 22 June 2017, available at: <https://bit.ly/2Q9CnVi>.

<sup>(66)</sup> For the first time, the opposition holds a conference for “the reconstruction of the north of Syria” in Aleppo countryside, al-Hal al-Soury, 24 October 2018, available at: <https://bit.ly/2JR4rM5>.

<sup>(67)</sup> Murat Aslan, Turkey’s Reconstruction Model in Syria, Foundation for political, economic and social research (SETA), 11 April 2019, available at: <https://setav.org/en/assets/uploads/2019/04/R139Syria.pdf>.

houses, providing health care, and enforcing security.<sup>(68)</sup> The Turkish Red Crescent also works on improving living conditions in IDP camps in the area and providing services to their residents.<sup>(69)</sup> It also built two hospitals, one in al-Bab and one in Al-Rai, in coordination with the Turkish Ministry of Health.<sup>(70)</sup>

AFAD, which opened its own office in the Euphrates Shield area, assumes the primary responsibility for providing humanitarian aid to both regular and informal IDP camps.<sup>(71)</sup> AFAD also coordinates with community-based associations and civil society organizations to implement relief activities. For example, in December 2018, it opened nine schools in the al-Iman IDP camp in the Azaz area, in cooperation with the “House of Peace Pakistan” organization.<sup>(72)</sup>

TİKA also conducts needs assessments to identify development projects it can implement that contribute to the recovery of the area.<sup>(73)</sup> According to data from TİKA, the size of its development aid to Syria has increased from 2.694 billion USD in 2015, to 5.851 in 2016, reaching 7.246 in 2017, whereas the size of aid in 2012 was just 1.019. These numbers reflect an increasing interest by TİKA to bring about a recovery to the area of northern Syria that is now under Turkish influence.<sup>(74)</sup>

According to the Turkish government, carrying out relief and development activities under the supervision of its institutions and NGOs aims at institutionalizing and organizing relief and development projects in the Euphrates Shield area. This allows them to map the relief and development needs, and then direct projects to cover them under the supervision of these institutions. This also comes as an attempt on their part to organize the

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<sup>(68)</sup> Turkey intends to construct new houses for Syrians living in its territories in Euphrates Shield areas, al-Furat News Agency, 9 September 2018, available at: <https://bit.ly/2QdwN4s>.

<sup>(69)</sup> Omar Kubaran, The Turkish Red Crescent launches the service of mobile medical clinics in northern Aleppo, Anadolu Agency, 18 May 2019, available at: <https://bit.ly/2Htw789>.

<sup>(70)</sup> Head of the Turkish Red Crescent asserts the continued support of Turkey inside Syria, New Turk Post Agency, 11 November 2018, available at: <https://bit.ly/2JQAlZj>.

<sup>(71)</sup> Izzat Madi, Head of AFAD visits a school in the Syrian city of Azaz, Anadolu Agency, 18 May 2019, available at: <https://bit.ly/2VE1BfU>.

<sup>(72)</sup> Turkey opens 9 schools in Azaz in northern Syria, Aleppo Today, 14 December 2018, available at: <https://bit.ly/30ApIFp>.

<sup>(73)</sup> TİKA conducts a control visit in “Euphrates Shield” areas in Syria, Turkish Cooperation and Coordination Agency, 8 February 2018, available at: <https://bit.ly/2Wh4pUn>.

<sup>(74)</sup> Turkish Development Assistance Reports, Turkish Cooperation and Coordination Agency, available at: <https://bit.ly/2X0mQtR>.

cooperation of organizations inside Syria with local councils, so that the councils become the central regulating points for the work of civil society organizations. This in turn contributes to the improvement of the work of local councils and helps limit corruption within the relief and development sector. Ultimately, this should all reflect positively on the lives of local residents, despite the implementation difficulties the Turkish organizations and local councils are facing.

It is not completely clear whether the application of the mechanism described above is having a positive or negative impact on the speed of recovery in the Euphrates Shield area, since, in light of the strict criteria imposed by the Turkish government on any organization that wants to work in the region, some organizations have been driven out. Some local residents have complained that limiting the work of NGOs will negatively impact their ability to meet people's needs, because this mechanism will increase the local population's dependence on Turkey and prevent them from directly receiving funds for their most urgent projects.<sup>(75)</sup> There are questions about the capability of the Turkish institutions and NGOs to bear the responsibility for the Euphrates Shield area, and whether they are able to provide sustained material support given the infrastructure requirements and sizeable needs of the population. If these Turkish institutions prove successful in their efforts, they will ensure their presence in the area for the foreseeable future.<sup>(76)</sup> This is the context for several analyses that see Turkey's intervention in northwestern Syria through its government institutions as paving the way for a soft expansion of Turkish economic control over the region through its establishment of enduring strategic relationships.

#### **4. Non-Governmental Organizations**

During the liberation of the Euphrates Shield area from the Syrian regime in 2012, Syrian non-governmental organizations (SNGOs) became active in the humanitarian response to the suffering of the population and the loss of basic life necessities. The activities and projects of SNGOs have served as a basic

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<sup>(75)</sup> Haid Haid, *Post-ISIS Governance in Jarablus: A Turkish-led Strategy*, Chatham House, 26 September 2017, available at: <https://bit.ly/2JxgLBW>.

<sup>(76)</sup> Aaron Stein, Hossam Abouzahr, and Rao Komar, *Post Conflict Stabilization: Turkey and the End of Operation Euphrates Shield*, Atlantic Council, 13 July 2017, available at: <https://bit.ly/2Md5QzF>.

pillar for strengthening society's resilience and meeting the various humanitarian needs.

From their work in the area over the years of the conflict, it is obvious that most of these SNGOs focused solely on the humanitarian and relief aspects and lack comprehensive development plans to help improve the local social and economic realities. Some of the reasons for the limitations to do developmental work of SNGOs include the absence of employees specialized in the development field; the large number of small SNGOs that lack specialization in their activities; their weak financial capacities and their reliance on unstable sources of funding; and their association with the policies and agendas of their donors, which is reflected in the quality and sustainability of their projects.

At the same time, one cannot ignore the important role played by many SNGOs in addressing the problems of unemployment and poverty. They have provided employment opportunities for the local population by participating in the establishment of income-generating small- and micro-development projects that give low-income people the opportunity to increase their productivity and support the economic empowerment of different segments of society.

Like SNGOs, international non-governmental organizations (INGOs) and agencies have also largely failed to achieve their desired impacts in the implementation of their relief and development projects. This is in part due to the limited ability of these INGOs to access the Euphrates Shield area in order to implement their development projects and their reliance on local partner organizations to distribute their support mostly in the form of relief projects, given the large volume of relief required. They have implemented relatively few developmental projects due, in part, to the lack of experience of their local implementing partners in this area. The mission of these INGOs and agencies has been further complicated by the difficulty of working in an environment with ongoing military developments, a lack of security, and the existence of multiple coordination mechanisms to carry out their activities. Many international and regional organizations and agencies have been reluctant to work directly in the Euphrates Shield area and instead deliver

their relief assistance to the border crossings, without tracking its delivery to the intended beneficiaries.

The relief efforts of INGOs and agencies supporting projects in the Euphrates Shield area generally appear to be linked to the political agendas of the parties with which they are affiliated, which has a significant impact on the sustainability and continuity of their efforts. Although some international organizations such as the United Nations Development Programme (UNDP) and the UN Office for the Coordination of Human Affairs (OCHA) included a number of projects in the early recovery and livelihoods sectors in their planned response to the Syrian crisis, in practice, these projects and their various income-generating programs to help affected families have remained limited in number, distribution, and impact.<sup>(77)</sup>

The Turkish government, which monitored and assessed the work of international organizations in its border areas since 2012, found it necessary to regulate their relief and development work through its NGOs and governmental institutions in order to speed up recovery in the Euphrates Shield area. Turkey has done this by guiding the projects funded by international organizations and agencies, and implemented by their local partner NGOs, into a framework that integrates the development activities of different humanitarian and economic sectors, in order to improve the conditions on the ground and achieve economic and social stability for its population. For some relief organizations, the constraints imposed by the Turkish institutions and NGOs on groups trying to work in this area conflict with their work, since relief and development projects require a high level of flexibility so that they can respond dynamically to the needs of the population.

## **V. Determinants of the Turkish Approach to Economic Recovery**

These determinants represent the set of objective variables through which the Turkish approach to economic recovery in the Euphrates Shield area can be assessed. They will be used to understand the current and future Turkish

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<sup>(77)</sup> Mohamed Al Bdullah, *Developing livelihoods in liberated Syrian territories: an analytical study*, Omran Center for Strategic Studies, 24 December 2015, available at: <https://bit.ly/2M5Ux8q>.

behavior towards this process, and to identify the priorities of the Turkish government and its future strategy for the reconstruction of Syria. The following are the key determinants:

### **1. Immediate and Future Economic Gains**

Economic factors have been one of the key pillars of Turkish foreign policy since the Justice and Development Party (AKP) took power in Turkey by working to develop economic relations with neighboring countries and achieve economic integration among them. In this context, the Turkish government sought political rapprochement with the Syrian government after 2002, which led to a period of improving economic relations between the two countries during which a number of economic agreements were signed.<sup>(78)</sup> This improvement of relations was crowned by the signing of a free trade agreement in 2007, which greatly increased the volume of trade between the two countries, with a higher share for Turkey. This was followed by the establishment of the Supreme Strategic Council between the countries in 2009. Accordingly, Turkey became one of the key commercial partners for Syria and the volume of trade between the two countries reached 1.8 billion USD in 2010. This figure was expected to double by the end of 2011.

In early 2011, the economic relations between Syria and Turkey were severely damaged by the repercussions of the internal events in Syria and the economic sanctions against it. The volume of Turkish exports to Syria dropped by almost half in comparison with 2010, reaching only 1.845 billion USD. This decline continued, with exports to Syria reaching only 501 million USD in 2012, in addition to Turkey's loss of access to many Arab markets, since most Turkish exports previously went through Syria on the M5 highway to reach other countries in the region. In 2013, there was an increase in Turkish exports to Syria, which reached 1.024 billion USD. They exceeded that figure in 2014 to reach 1.801 billion USD, then to around 1.522 billion USD in 2015 and falling to 1.322 in 2016. Despite the depreciation of the Syrian pound and the expected subsequent decrease in Syrian imports, the Syrian market's need for Turkish goods had a larger impact than currency

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<sup>(78)</sup> Arkan Adwan, *Syrian-Turkish Relations, Parameters and Issues*, al-Arabi for Publishing and Distribution, Cairo, 2019.

depreciation.<sup>(79)</sup> In 2018, this figure was 1.346 billion USD, As shown in Figure (3). The upward trend in Turkish exports to Syria continued thereafter. Turkey increased its share of the total Syrian imports by 24 percent by the end of 2017, worth about 1.363 billion USD, up from just nine percent in 2010. These trends clearly demonstrate the increasing role of Turkish economic influence in Syria, surpassing that of Iran, a key ally of the Syrian regime, whose share of the imports market in Syria was only around three percent in 2017.<sup>(80)</sup>

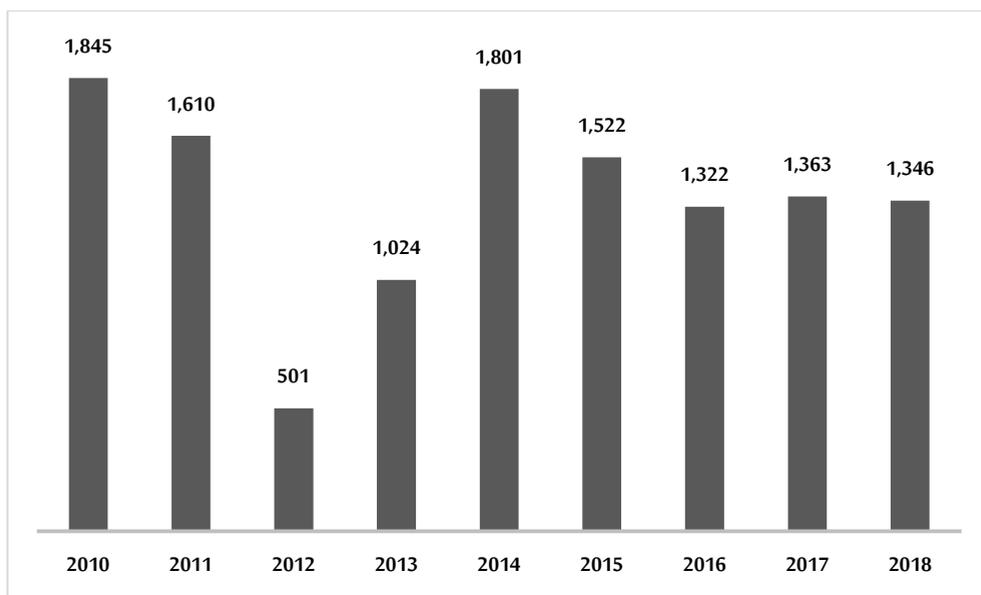


Figure (3): The value of Turkish exports to Syria between 2010 to 2018 and its corresponding value in USD (billions)<sup>(81)</sup>

The relatively rapid steps that Turkey has taken towards economic recovery indicate the importance of the Euphrates Shield area to the Turkish government, which is seeking to consolidate its gains as a guarantor and supporter of the Syrian opposition. From the Turkish strategic perspective, the start of reconstruction in northern Syria will pave the way for Turkish companies to contribute to the reconstruction process. The first step in this regard is to turn the Euphrates Shield area into a commercial and industrial

<sup>(79)</sup> Jihad Yazaji, Turkey Exports its Products to Syria and Imports Syria's Capital, *The New Arab*, 25 February 2015, available at: <https://bit.ly/2JsV7P3>.

<sup>(80)</sup> Adnan Abu Amer, Israeli Expert: The Turkish Economic Influence in Syria Exceeds the Iranian, *Arabi 21*, 1 January 2019, available at: <https://bit.ly/30ravRo>.

<sup>(81)</sup> Ministry of Trade, Turkey, 2019: <https://bit.ly/2Mlz8EB>

hub for the country's reconstruction processes. Accordingly, once relative security was achieved, Turkish private companies started to enter the area to invest in different economic and service sectors with the aim of making economic profit.

The Turkish government believes that the Euphrates Shield area has a set of factors that will ensure the success of its investments, including the availability of cheap labor and the area's thirst for investments after the severe deterioration of the economic and social conditions. The Euphrates Shield areas have a large consumer market with a population of around one million people whose increasing demand for Turkish products can greatly contribute to revitalizing industry and trade in Turkey's southern provinces. In addition to the Euphrates Shield area, there is also the Afrin area and Idlib governorate, which are populated by at least four million people, which also have the potential to be markets for Turkish products, in addition to other Syrian areas through domestic crossings that link them together.

According to many observers, and despite Turkish optimism, the reality of the investment climate in the Euphrates Shield area is not yet up to the level required to uplift and recover its economy. Investment opportunities are still not available for all companies seeking them, and they are restricted to specific groups of Turkish industrial and commercial companies. There is a limited presence of Syrian companies due to factors related to the advantages that Turkish companies have in winning the contracts offered by the adjacent Gaziantep and Kilis provinces, in coordination with local councils. These companies have greater experience and financial and technical capabilities, as well as the legal and logistical facilitations provided to them by the Turkish government. Additionally, the network of commercial and industrial relationships plays a significant role in facilitating the entry of these Turkish companies into northern Syria in coordination with local partners, which may give them some sort of monopoly in their investments and lead to the spread of corruption and nepotism.

Despite the attractive factors for investment in the Euphrates Shield area, a large segment of Syrian businessmen and investors living in Turkey are still not willing to transfer and settle their investments there because of factors related to security, infrastructure and administration preparedness, and the

lack of a central body to organize and supervise investments and guarantee their future. There are also no real legal and logistical facilitations offered by Turkey to encourage them to invest in this area.<sup>(82)</sup> Accordingly, Syrian business owners in Turkey look at the Euphrates Shield area as a local market to export their products to, as with the other areas of Syria. They have known about the demand and preferences of local consumers within these markets, and can rely on their networks of domestic relationships to distribute their products and acquire large market shares.<sup>(83)</sup>

According to the above, three key entry points adopted by the Turkish government have emerged in the course of its efforts to make and consolidate economic gains in the Euphrates Shield area.

### **A. Activating Border Crossings**

Turkey considers activating border crossings as key entry points for the first phase of economic recovery, accelerating stabilization and launching preparations for early reconstruction as the conflict nears its end.<sup>(84)</sup> For the Euphrates Shield area, the border crossings with Turkey represent the economic lung through which the area breathes, and all the more so due to the presence of old networks of commercial relations that date back before 2011. Because of the Euphrates Shield area's current and future importance to the Turkish state, Turkey has paid a lot of attention to reorganizing the function of the border crossings, giving the SIG the authority to supervise what previously belonged to the military factions. This has enabled the SIG to benefit financially from the crossings through the collection of fees and taxes, which it can use to support the area's economic recovery and provide

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<sup>(82)</sup> Murad Abdul Jalil, *Syrian Investors are Absent.. Turkish Hands are Remapping the Economy in the Aleppo Countryside*, Enab Baladi, 14 January 2018, available at: <https://bit.ly/2WRxjaE>.

<sup>(83)</sup> The number of Syrian companies registered in Turkey reached 7,243 as of 2011, although the number was over 10,000 with the unregistered ones included. Around 3,000 companies have been established as partnerships between Turks and Syrians. These companies work in the sectors of food, clothing, textiles, shoes, wholesale, and retail trade, as well as in tourism and real estate. See: Adnan Abdul Razzaq, *Turkey: Syrians are on top of the list with Ten Thousand companies Established*, The New Arab, 13 December 2018, available at: <https://bit.ly/2QSt1QC>.

<sup>(84)</sup> Media reports have revealed a willingness of Turkey and some international organizations to develop plans and drafts for reconstructing Syria as the conflict approaches its end. The reports have also revealed that there are studies prepared by international organizations in southern Turkey in preparation for the reconstruction of Syria. Some sources stated that organizations have started developing their operational plans under the direct supervision of the UN Economic and Social Commission for Western Asia (ESCWA). See, *International Organizations in the South of Turkey Preparing for the Reconstruction of Syria*, Turk Press, 30 November 2017, available at: <https://bit.ly/2qVqmYh>.

the resources needed for the work of local councils. Measures have been taken to reinvigorate, secure, and equip the border crossings with modern equipment and technology.

The clear increase in commercial activity at the border crossings, as reflected mainly in the imports of various goods from Turkey, was demonstrated by the reopening of three border crossings by the Turkish government in excess of the actual need of the Euphrates Shield area. In order to complete the process of activating these crossings, the Turkish government is developing plans to open international highways that meet high international standards to link these crossings with both Turkish cities and the main cities in the Euphrates Shield region, which serve as commercial hubs and transit points for freight trucks between the different Syrian regions. This is in addition to the desire of the Turkish government to attract more Turkish investments to northern Syria and link its economy with the economy of the southern provinces of Turkey.<sup>(85)</sup>

To accelerate the movement of goods across these border crossings, the Turkish government granted Turkish freight trucks direct access into the Euphrates Shield area to unload their shipments directly with local traders, who can then distribute the goods to different areas of Syria. That move has had a positive impact, increasing economic gains for all parties due to the reduction of transportation cost. The various armed factions provide protection for the freight trucks carrying Turkish goods, as their safe passage is beneficial to all.<sup>(86)</sup>

According to the Turkish Trade and Customs Department in the Southern Anatolia region, the volume of Gaziantep province's exports to the northern and northeastern countryside of Aleppo reached 560 million USD in the first ten months of 2018, registering an increase of 22 percent compared with

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<sup>(85)</sup> Khaled al-Khateb, Ankara plans road network to connect Syria with southern Turkey, 2018, Op.Cit.

<sup>(86)</sup> Salam al-Saadi, Turkish exports to Syria, growth and boom, The New Arab, 14 December 2015, available at: <https://bit.ly/2HoLOO6>.

2017.<sup>(87)</sup> This accounted for almost half of all Turkish exports to Syria.<sup>(88)</sup> Statistics from the Turkish Ministry of Trade show a difference in the nature of Turkey's exports to Syria today compared to those from before 2011, which mainly consisted of electricity, oil products, and raw industrial materials. Current exports mainly consist of food, consumer products, textiles, construction materials, and cars.

The increasing movement of trade across the border can be explained by the big purchases of relief materials from Turkey by UN agencies and humanitarian organizations, in addition to the large number of Syrian industries that relocated from Aleppo to the cities of Gaziantep and Mersin, which are close to the Syrian borders.<sup>(89)</sup>

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<sup>(87)</sup> According to the data collected from the Turkish Trade and Customs Department, the rate of freight trucks crossing the Jarablus-Karkamish crossing reached 150 trucks per day. In the period between January 2017 and October 2018, the total number of freight trucks carrying goods entering Syria reached 75,000. See: Southeastern Gaziantep's exports to Syria record 22 pct rise in 10 months, Daily Sabah newspaper, 14 November 2018, available at: <https://bit.ly/2YCUc1Y>.

<sup>(88)</sup> The percentage of the contribution of Syrians to the total Turkish exports to Syria is somewhere between 20-30 percent. Gaziantep alone contained 1,854 trade and industrial Syrian companies as of May 2018. About 30 percent of these companies are registered to conduct import and export activities, benefiting from the current non-traditional form of trade. See: Fehim Testekin, Turkish exports to Syria revived under shadow of war, Al-Monitor, 7 June 2018, available at: <https://bit.ly/2Me3zjx>.

<sup>(89)</sup> Trade exchange between Syrian and Turkey exceeds its pre-war levels, The Italian News Agency AKI, 25 October 2016, available at: <https://bit.ly/2eXrGmD>.



Figure (4): Map of the Euphrates Shield area, its border crossings, and the international M4 and M5 highways

Ankara seeks to expand the Euphrates Shield area by annexing Manbij city to it, if an agreement can be reached between Turkey and the U.S. regarding the withdrawal of the Autonomous Administration from the area. Manbij is expected to play an important role in the commercial trade with Iraq due to its strategic location on the M4 highway. In the event of improved relations with the Syrian regime, Ankara will ensure the return of its commercial convoys to the M5 highway, which will enable it to once again export its products to other Arab markets with which land trade had ceased with the beginning of the conflict. There have been some reports that owners of Turkish freight trucks are making requests to the Syrian regime for transit permits to pass through regime-held areas.<sup>(90)</sup> Figure (4) shows the border crossings of the Euphrates Shield area, as well as the M4 and M5 highways,

<sup>(90)</sup> Wafa Jadeed, "International Shipping" in "The Commerce Wednesday"... Director of the Road Transportation: Turkish trucks applied for transit permits through Syria", al-Watan Newspaper, 25 April 2019, available at: <https://bit.ly/2HXRSg2>.

which Ankara wants to access. Turkey is working hard to reach agreements with both Russia and Iran to reopen and secure these roads in order to stimulate trade in the region.<sup>(91)</sup>

## **B. The Establishment of Industrial Cities**

Industrial cities are considered an important tool for development and growth and a way of attracting investments capable of reducing unemployment. In its effort to take advantage of the region's potential, the Turkish government, in coordination with local councils, has established industrial cities in al-Bab, Azaz, and Marea, in addition to a duty-free zone in Azaz, in order to attract private investment. These areas are especially appealing since a large portion of the area's population has experience in the industrial fields and there are well-established networks of relations with Syrian industrialists in different parts of the country and with those who moved to Turkey and built their factories in Turkish cities. These factors should all serve to increase the economic gains that will be achieved with the inauguration of these industrial cities, both in terms of production and export.

These industrial cities will play a significant role in organizing and developing the industrial sector in the Euphrates Shield area, as there is currently a large number of factories and industrial workshops scattered randomly in the neighborhoods and outskirts of the cities. The relocation of these factories and workshops into the new industrial cities will increase their production capacity, reduce costs, unleash their ability to revitalize local industry and attract skilled labor from both inside and outside of the area.<sup>(92)</sup> Work is underway in these areas to provide high-quality infrastructure for water, electricity, sanitation, and roads, in addition to granting tax exemptions, customs facilitations, and various other advantages.

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<sup>(91)</sup> Turkey details the provisions of Idlib deal.. Opening two roads and maintaining the borders, Enab Baladi, 18 September 2018, available at: <https://bit.ly/2Eu8ue3>; Turkish-Russian Meeting in North Aleppo to discuss the reopening of the Aleppo-Gaziantep international highway, Syria TV, 11 March 2019, available at: <https://bit.ly/2K4mC1K>.

<sup>(92)</sup> Through the project of establishing the industrial city in Marea, the local council is trying to increase investment opportunities for local industrialists, generate job opportunities for workers, and create a genuine competitive environment between industrialists. See: Riad al-Khatib, Director of the Industrial Zone in Marea City explains to al-Furat News Agency the progress of the project, al-Furat News Agency, 1 November 2018, available at: <https://bit.ly/2YDxRBo>.

The investment incentives offered by the new industrial cities, as well as the low labor costs, large available labor force, the presence of a large local market, and the good possibilities for exporting manufactured products, have already managed to attract some Turkish and Syrian industrialists to invest. The industrial cities are expected to succeed, and to provide a safe haven for local industrialists, some of whom were forced to leave the industrial city of Aleppo during the conflict. The regime has been trying hard to attract these industrialists back after its regained control over the city in late 2016. However, so far, the regime has not been successful in this due to the continued lack of security, the influence of militias who are taking shares of the industrialists' projects and profits, and the lack of a viable workforce.<sup>(93)</sup>

The economic gains pursued by Turkey from the establishment of these industrial cities lie in their potential to solve the growing unemployment problem in the area, their ability to reduce cost of consumer and industrial materials so that residents can afford them, and the fact that they will help retain the available skilled labor force, deterring workers from leaving for other areas inside and outside of the country. If successful, these cities will be an incentive for the return of Syrian work force living in Turkey because of the available job opportunities and the relatively low cost of living compared to some Turkish cities. If they are linked to international highways, these new industrial cities will play a significant role in the area's reconstruction.

### **C. Focusing on the Construction Sector**

The Turkish construction and contracting sector is one of the most important sectors of specialization for Turkey at local, regional, and international levels. This sector saw significant achievements in recent years, as Turkish construction companies ranked among the most active construction companies in the Arab world, and they have business in over 90 countries around the world. Turkey's construction sector has provided other sectors with opportunities for production and growth because of its large size and its generation of new job opportunities. Among the factors that enabled this sector to achieve such an advanced position is the availability of skilled and trained local workforce as well as its ability to rely on the domestic Turkish

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<sup>(93)</sup> Khaled al-Khateb, Does the "Euphrates Shield" provide an alternative to Aleppo's Industrial city?, 26 May 2018, available at: <https://bit.ly/2WVwFsQ>.

market for raw materials and construction supplies, which are cheap in comparison to other countries. As a result, the costs of construction projects for these Turkish companies are lower, giving them a competitive advantage and enabling them to focus on beating their competitors in terms of quality, speed, and price.<sup>(94)</sup> However, this sector has been severely affected by the current economic crisis in Turkey and many construction companies are facing financial difficulties, leading some to declare bankruptcy.

Ankara recognizes that the entry of its companies to the Euphrates Shield area to implement construction and infrastructure projects is just a first step for these companies to gain a foothold in the coming reconstruction of Syria, especially as they have the technical capabilities and advantages, and they are geographically adjacent to the area. Therefore, Ankara is striving hard to take the lead in this field and establish an industrial and commercial zone that will serve as an incubator to support Turkish companies when reconstruction kicks off in Syria. Additionally, this can help provide these companies with new investment opportunities that will contribute to solving the problem of Turkey's faltering domestic construction sector.

In this context, Ankara is seeking to gain a share of Syria's precious reconstruction contracts through its relationship with Moscow, which has significant influence in Syria. Moscow and the Syrian regime, in turn, recognize the important future role of Turkey in the reconstruction process in light of the limited financial capabilities of the regime allies to launch this process and the regime's desire to accelerate it. Some leaks have indicated that there are indirect communications between Ankara and Damascus, and open channels through Moscow.

Ultimately, the party that will fund the reconstruction process will play a significant role in determining who will benefit from Syria's future construction boom. Even if Turkish companies are unable to get these contracts, Turkish construction material exports will probably receive the largest market share.<sup>(95)</sup>

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<sup>(94)</sup> Turkish Construction Sector: International brilliance and creativity, Turk Press, 6 April 2016, available at: <https://bit.ly/2HqVnfa>.

<sup>(95)</sup> Dorian Jones, Ankara Eyes Syria Reconstruction to Boost Crisis-Hit Economy, Voice of America, 8 October 2018, available at: <https://bit.ly/2OVTdsR>.

## 2. The Return of Refugees

The number of registered Syrian refugees in Turkey reached 3,606,208 as of 9 May 2019, according to UNHCR.<sup>(96)</sup> However, many refugees are not registered, and the actual number of Syrian refugees in Turkey, according to unofficial sources, exceeds four million, distributed across different Turkish cities. As the conflict in Syria drags on, the return of Syrian refugees to their homes has become an increasing source of concern for the Turkish government. It faces growing criticism from the Turkish political opposition and an increasing political polarization of the issue, as well as anti-refugee sentiment among a large portion of the Turkish population in major cities. The reasons for this growing lack of acceptance include the perception that refugees are crowding public services and competing for job opportunities, and that the government is spending too much money to support them. As a result, a large portion of the Turkish population resents the presence of Syrian refugees and demands that the government deports them.<sup>(97)</sup>

Recently, the Turkish government has started to take measures to mitigate the tension related to refugees, including the closure of several refugee camps near the borders in order to encourage the voluntary return of the refugees who were living in these camps, especially to areas under the influence of Turkey, namely the areas of the Euphrates Shield and Afrin. Turkey also allowed Syrian refugees to spend the Eid holiday in these areas in an effort to encourage them to stay there, along with Turkey's hard efforts for economic recovery in these areas, as discussed earlier.

Creating an incentive for the return of refugees is yet another reason why Ankara seeks to make the economic recovery of the Euphrates Shield area a success, and an example that can be replicated in other parts of Syria along the border. It has also pursued an agreement with Washington to establish a safe zone in northern Syria.<sup>(98)</sup> Turkey is also trying to convince the European Union to fund economic recovery projects in the Euphrates Shield area to

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<sup>(96)</sup> United Nations High Commissioner for Refugees, Syria regional refugee response Turkey, Registered Syrian Refugees, 09 May 2019, available at: <https://data2.unhcr.org/en/situations/syria/location/113>.

<sup>(97)</sup> Mohamed Al bdullah, Reality and challenges of livelihoods for Syrian refugees in Turkey: Analysis, Omran Center for Strategic Studies, 5 January 2018, available at: <https://bit.ly/2YI3GZV>.

<sup>(98)</sup> Turkish minister of defense: the safe zone is for the return of refugees and secure the borders, Radio Alkul, 16 February 2019, available at: <https://bit.ly/2JOIyx6>.

encourage Syrian refugees to return to Syria, to reduce the burden that some EU member states currently face by hosting them, and to stop the further flow of refugees to Turkey as a passing point in their route to Europe.<sup>(99)</sup> In light of the difficulty of refugees return to regime-held areas in line with a proposal made by Moscow and that was rejected by the Syrian opposition, there is some talk of Turkish-Russian negotiations to hand the city of Aleppo over to Turkey for the purposes of reconstruction. This would help encourage the return of some three million Syrian refugees from Turkey and other European countries to the city.<sup>(100)</sup>

According to statistics collected at the Bab al-Salameh border crossing, the number of returnees for permanent settlement in the Euphrates Shield area and Afrin from January-April 2019 reached 6,038 people.<sup>(101)</sup> According to the Turkish Ministry of Interior, the total number of returnees to the Euphrates Shield area and Afrin had reached 292,790 as of the end 2018.<sup>(102)</sup> These combined figures put the total number of Syrian returnees at around 300,000 people.

### **3. Socioeconomic Stability**

The stability of the Euphrates Shield area with its specific social and economic landscape, is a key point of departure for the recovery of this area. It is still premature to talk about complete and genuine stability in light of the current military facts on the ground, the absence of an explicit agreement between the warring parties, the possibility of a return to conflict at any moment, and the ongoing conflict in Idlib. These ongoing security concerns raise fears among the locals and IDPs in the area, and greatly influence the decision of Syrian refugees abroad to return.

Recognizing the nature of these challenges facing the area, the Turkish government paid special attention to the issue of security through the creation, formation, and support of institutions that undertake security functions in the

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<sup>(99)</sup> Ismael Jamal, Turkey seeks to return 3.5 million refugees to Syria, al-Quds al-Arabi, 4 August 2018, available at: <https://bit.ly/2LQABKb>.

<sup>(100)</sup> Refugees as an entry point.. Analysts comment on the fate of Aleppo according to Yeni Safak Newspaper, Zaman al-Wasl, 22 July 2018, available at: <https://bit.ly/2LV7FB2>.

<sup>(101)</sup> “Bab al-Salama” announces the number of “voluntary” returnees from Turkey to Syria, Enab Baladi, 1 April 2019, available at: <https://bit.ly/2Ju3NVo>.

<sup>(102)</sup> Turkey...292 thousand Syrians returned after “the Euphrates Shield” and “Olive Branch,” Enab Baladi, 22 December 2018, available at: <https://bit.ly/2YCJ84Z>.

area, namely the Syrian National Army, the civilian and military judiciary, and the civilian and military police.<sup>(103)</sup> More than 5,000 Syrians have completed training at the Turkish Police Academy and graduated as officers and policemen to work in the areas of Euphrates Shield and Afrin and help maintain security and stability there.<sup>(104)</sup>

Turkey has also paid necessary attention to public services. In the Euphrates Shield education sector, the Turkish government provides supplies for all schools at all levels of education, and pays the salaries of the teachers. This coverage amounts to a total of 500 schools that provide education to approximately 150,000 pupils. At the university level, branches of public Turkish universities such as Harran University and Gaziantep University have opened in the Euphrates Shield areas.

In the health sector, the Turkish government repaired and expanded hospitals in its area of influence in northern Syria, restored several health centers, and opened a hospital in al-Bab city under its management and organization. Turkey also opened two other hospitals in Marea and Al-Rai cities.<sup>(105)</sup>

This health sector work is in addition to many other projects, including the restoration of mosques, bakeries, parks, municipal buildings, and other service buildings in the area. Local councils, supported by the Turkish government, are opening more service facilities to provide every possible service to local residents in an effort to stabilize the area.<sup>(106)</sup> Turkey also established civil affairs departments in the region as a pioneering step to facilitate service provision and advance social stability for the local population.<sup>(107)</sup>

Projects undertaken by the Turkish government in the public services sector have contributed to generating job opportunities for locals, in addition to those generated by the economic sector projects that were discussed earlier in

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<sup>(103)</sup> “Euphrates Shield” after two years of the expel of ISIS.. civil institutions en route of stabilization and combating insecurity, Zaman al-Wasl, 10 March 2019, available at: <https://bit.ly/2Hrbac3>.

<sup>(104)</sup> Yousef Diab, around 5,000 policemen were trained by Turkey for the “Euphrates Shield” areas, Asharq al-Awsat, 28 October 2017, available at: <https://bit.ly/2EiasOs>.

<sup>(105)</sup> Dia Ouda et al, from Afrin to Jarablus.. Mini Turkey in the north, Enab Baladi, 26 August 2018, available at: <https://bit.ly/2YC13Ku>.

<sup>(106)</sup> Khaled al-Khateb, Turkish-supported public services flourish in the Euphrates Shield area, Al-Monitor, 17 September 2018, available at: <https://bit.ly/2JsRLf5>.

<sup>(107)</sup> Suhabi Makhal, Civil status departments in “Euphrates Shield are an advanced step for facilitating service provision for the population, Souriatna Press, 31 July 2018, available at: <https://bit.ly/2RfhGvf>.

this study. These efforts have helped achieve relative economic and social stability for a significant portion of the population, despite the scarcity of major investment projects that could be relied upon to provide sufficient job opportunities to absorb the high unemployment rates and raise the average level of income, lifting residents out of the poverty that dominates the area.

## **VI. Conclusion**

The early economic recovery process presents itself today, as the conflict winds to a close, as one of the most important issues on the Syrian agenda. There are several indicators that some areas have started to recover, with the presence of the minimum conditions necessary to start the first steps of this process. Forces that are dominant in different parts of the country are focusing attention on reviving the local economies and establishing social and economic stability for their populations. There are different approaches being pursued by these forces in terms of their policies, plans, and means of implementation.

It is in this context that the present study attempted to understand the role of Turkey—one of the main influential powers in control of the northern part of Syria—in the process of Syria's economic recovery by analyzing its approach to the economic recovery process, ascertaining its limits and determinants, and identifying the actual indicators of economic recovery in its zones of influence. The study also highlighted the most important actors leading this process and outlined the potential future role that Turkey will play in the Syrian reconstruction by identifying the key factors that will allow Turkey to emerge as the leader in a process that will see intensive competition between a number of different countries.

In general, it can be assumed that the geopolitical, social, and economic ties between Syria and Turkey will be strongly reflected in the limits and determinants of future relations between the two countries. The importance of Turkey's potential role in the reconstruction of Syria cannot be overstated. In addition to its potential role in contributing to the formation of Syria's economic and political future, Turkey is able to impose its agendas related to the preservation of its national security, economic interests and political stability.



