



The Paradox of Syria's Reconstruction

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INTRODUCTION

As Syrian President Bashar al-Assad's regime has regained power, thanks to Russian and Iranian military assistance, it has turned to the country's reconstruction. Yet Assad's primary aim has not been to reverse the ravages of war. Instead, his regime has designed reconstruction to reward the loyalty of its network of crony capitalists and foreign allies and to punish former rebel communities, many of whom were economically marginalized before the war began.

Many mainstream accounts of the uprising have reduced it to a struggle against authoritarianism, while ignoring its socioeconomic roots. In the war's aftermath, Assad's regime has implemented laws deepening the neoliberal orientation of its prewar economic approach, heightening the inequality that was a main cause of the conflict in the first place. By hardening social inequalities and collectively punishing a largely poor segment of the country's population he has accused of treason, Assad may be sowing the seeds for future conflict.

THE COSTS OF RECONSTRUCTION

The widespread destruction in Syria since March 2011 has been disastrous for the economy, and the costs of repairing this damage are quite daunting. In early 2019, estimates of the [cost of rebuilding](#) the country ranged from \$250 billion to \$400 billion, figures that dwarf the entire government's [2018 budget](#) of 3.9 trillion Syrian pounds, or around \$8.9 billion. Of that budget, the amount [allocated for reconstruction](#) was 50 billion Syrian pounds, which amounts to no more than \$115 million. The Syrian government cannot afford such a massive undertaking.

Economic figures and social realities help explain why. The economy is in dire shape, and the country faces severe humanitarian challenges. Nearly 12 million people require humanitarian assistance in one form or another, and over [5 million Syrian refugees](#) have fled to neighboring countries. Syria's nominal gross domestic product (GDP) declined markedly from \$61.1 billion in 2010 to \$17.1 billion in 2017. That same year, the country's [poverty rate](#) climbed higher than 90 percent.



Even a pro-regime newspaper, *al-Watan*, [stated](#) that one of Syria's most important economic challenges is addressing large disparities in wealth and income.

Syrians' purchasing power and the real value of their incomes have declined steadily since 2011, though numerous families have survived economically thanks to remittances sent by Syrians abroad, including refugees. In 2018, the average household of four or five people in Damascus was [estimated](#) to be spending 325,000 Syrian pounds (or around \$650) per month, according to the Central Bureau of Statistics, while the [average monthly salaries](#) in the public and private sector ranged from roughly 40,000–45,000 Syrian pounds (or about \$80–90) and 65,000–70,000 Syrian pounds (approximately \$130–140), respectively.

Moreover, a fuel crisis that ran from mid-October 2018 until the following May worsened living conditions for large segments of the population. [Shipments of Iranian crude oil](#), government rationing, and increased prices have only slightly alleviated this deadlock, as oil quantities still have been insufficient. To date, the Ministry of Petroleum and Mineral Resources has only been able to secure with local production about one-quarter of the estimated [136,000 barrels per day](#) the country needs.

Aside from the Syrian government's own budget limitations, projects under what is known as the public-private partnership (PPP) law also have had funding problems. This 2016 law allowed the private sector to manage and develop state assets in all economic sectors except oil. So far, the projects have been delayed because they depend largely on financing from banks, which don't have the necessary funds. The [total assets](#) of the private commercial banks operating in Syria were estimated to be around 2 trillion Syrian pounds (\$4.4 billion) in mid-2018, the last time data was available—one-third of their estimated assets six years earlier.

Foreign financing for reconstruction is equally uncertain. Assad's main allies in Tehran and Moscow are

facing economic problems of their own and are finding it difficult to maintain current levels of financial and material support to the Syrian regime. There are clear indications that Russia and Iran will be hard-pressed to follow through on promised reconstruction projects and memorandums of understanding that they have concluded with the Syrian government. For example, Syria [failed to secure funding](#) for its contributions to some projects that Iran and Russia had concluded to construct or repair power plants. Consequently, Tehran and Moscow pulled out of the projects.

Other foreign actors' participation in Syria's reconstruction will be tied to broader issues—notably the United States' rivalry with Iran or the sanctions Washington and Brussels have imposed on Syria, which will likely scare off many foreign companies. For example, the Chinese telecommunications giant Huawei [reported](#) it would be leaving Syria a few months ago. U.S. pressure has also frozen some Arab regimes' rapprochement with Damascus, although relations between Syria and the United Arab Emirates [have progressed](#).

THE REAL AIMS OF ASSAD'S PUSH FOR RECONSTRUCTION

Assad's policies are not designed to remedy the country's economic and societal challenges. Instead, the regime's political and security objectives have led it to prioritize consolidating its own power and sanctioning its perceived foes.

The regime has sought to gain politically and economically from reconstruction, while solidifying its perceived security. The state has introduced laws and decrees to expropriate property and, therefore, benefit from real estate development. Notable in this regard is [Decree Number 66](#), which entered into force in September 2012. It allows the Damascus Governorate to expel inhabitants from two large areas in the capital, Basateen al-Razi in the Mazzeh District and Kafr Soussa,

to develop a high-end real estate venture called Marota City. In April 2018, the Syrian government passed Decree Number 10, which was modeled on Decree Number 66 and expanded the implementation of such policies nationally.

In addition, in 2012, the government passed Decree Number 63, empowering the Finance Ministry to seize assets and property from those who fell under Law Number 19, a counterterrorism law passed that year. The law's impact was highlighted in November 2018, when the Finance Ministry [documented](#) over 30,000 property seizures in 2016 as a result of accusations of purported terrorist activities and 40,000 seizures in 2017. Moreover, Law Number 3 of 2018 gave the government significant leeway to define what constituted damaged property. This allowed neighborhoods to be closed off and demolished, preventing civilians from returning. The Assad regime [has enacted](#) over nearly fifty laws “on housing, land, and property issues” since 2011. Together, this raft of legislation has allowed the state to raze areas formerly held by the opposition.

The return of civilians to certain areas has also been complicated, or prevented, by the country's security forces. A 2018 [Human Rights Watch report](#) noted that inhabitants of the Damascus suburb of Darayya had not been allowed to return, including those with deeds to their properties. In Qaboun, another Damascus suburb that fell to the regime in 2017, certain neighborhoods remained restricted and were torn down. This pattern has been repeated in many places countrywide, including in parts of Homs and Eastern Aleppo where return of civilians has been obstructed or made very difficult.

The private sector has been given a leading role in reconstruction. In July 2015, the government authorized city councils and local administrative units to create private sector holding companies to manage public assets and services. In the fall of 2016, the Damascus Cham Holding Company was [set up](#) with around 60 billion Syrian pounds (or about \$120 million). While the company was supposed to be managed by the

Damascus Governorate, it acts independently. In 2018, Homs Governorate also announced the creation of a holding company, as did Rural Damascus and Aleppo Governorates in 2019. So far, only the company in Damascus has started operations.

The Damascus Cham Holding Company is responsible for overseeing the construction of Marota City. However, [tensions emerged in May 2019](#) between the company and the council of Damascus Governorate over the company's prerogatives and requests for more power. The board asked that the council grant a subsidiary permission to be responsible for management of all real estate development areas in the governorate, alongside a five-year mandate to be given freer rein in its operations. Several council members opposed these demands.

The way the Syrian government envisioned the private sector's role was readily apparent from the PPP law. The state passed a law that reflected and considerably extended the approach it had already favored before 2011. This approach and the announcement of a “national partnership” [strategy](#) deepened the state's social-market approach, which had emphasized private capital accumulation and liberalized economic policies and had been adopted back in 2005. The regime's new line reinforced previous neoliberal dynamics; economic sectors that the state had managed on its own were opened up to mostly regime-affiliated private economic actors, both local and foreign.

Regime cronies and foreign allies have been provided with opportunities to accumulate large profits from public assets. A prominent example is the contract signed with the Russian company Stroytransgaz to manage the Tartous Port for forty-nine years. Syria's transport minister explained that Stroytransgaz was expected to invest [\\$500 million](#) to develop and expand the port and allow larger ships to dock. The Russian company also signed two other major contracts in 2018—one allowing it to develop phosphate mines in Khneifis in Hama Governorate, and a second permitting it to manage a fertilizer production complex near Homs



where the phosphate would be used. Together, the contracts enable Stroytransgaz to oversee the mining, production, and export of phosphate from beginning to end.

Consequently, the Syrian economy is far from being on the road to recovery, despite improvements gained by some companies in a few sectors, including luxury hotels, transport and logistics companies, and even a private cement company. The conflict allowed the state to reproduce the economic model present throughout the region—characterized by short-term profit seeking—mostly in trade, real estate, and services—to the detriment of productive economic sectors. This mentality has only exacerbated Syria’s profound inequalities.

INEQUALITY AS A BYPRODUCT OF POLITICAL RETALIATION

The recent laws allowing for the destruction and expropriation of property in highly populated areas aim to replace purportedly hostile populations with more affluent groups and wartime profiteers less inclined to challenge Syria’s leaders. Many of those who protested against the government after March 2011 came from the suburbs of cities like Aleppo, Damascus, and Homs, as well as from medium-sized towns and rural areas. The regime’s neoliberal policies in the past had impoverished large numbers of Syrians in those areas. Repression and corruption only added to their dissatisfaction. That is why the regime’s reconstruction and rehabilitation programs have been designed to keep poorer, more antagonistic populations out of key areas of these cities and create lucrative real estate opportunities that the regime and its network of supportive business leaders could profit from.

Consequently, reconstruction has taken place unequally, sometimes in the same city. For example, in many eastern neighborhoods of Aleppo recaptured by the regime and its allies in December 2016, the government has made no efforts to enhance living conditions or

rebuild residential areas; in such places, the provision of state services has been minimal. The renovation of war-ravaged buildings has been almost entirely done and paid for by the inhabitants themselves.

Notably, these were the same places that tended to be more damaged in the conflict. For instance, although most of the destruction in Aleppo took place in the eastern part of the city, which had been under opposition control, eight out of the fifteen “priority areas” the government identified for reconstruction at the end of 2017 were in the western and central parts of the city, where there had been less overall destruction and where infrastructure and public services were better. In Homs, too, the reconstruction or rehabilitation of buildings was prioritized in districts whose inhabitants historically favored the regime, not in the most damaged areas formerly under opposition control. The same has been true in the Damascus suburbs of Eastern Ghouta, which the regime recaptured in the spring of 2018. As of the summer of 2019, little reconstruction or rehabilitation had started there.

This selective reconstruction has hindered the return of refugees and internally displaced persons. Most fled areas that suffered major devastation. Several factors have discouraged the former inhabitants from returning, including persistent security threats, a lack of functioning homes and neighborhoods, and difficult administrative procedures.

The Marota City project underscores the regime’s multiple objectives for reconstruction and how the outcome will exacerbate inequalities. As the former executive director of the Damascus Cham Holding Company, Nasouh Nabulsi, observed in September 2018, real estate prices in Marota City will be the highest in Syria when the project is completed; prices per square meter will likely range from 300,000 to 500,000 Syrian pounds (the equivalent of between about \$600 and \$1,000). The area’s previous inhabitants came primarily from low-income backgrounds and could never afford such prices.

Homs has adopted a similar approach. A new urbanization plan is in place that is focused on three of the most destroyed districts in the city—Baba Amr, Sultanieh, and Jobar. This plan is inspired by a previous one from 2007 that sought to destroy parts of downtown to make space for modern buildings. The original plan provoked widespread opposition, as it would have forced residents out of traditionally middle-class neighborhoods. The governor of Homs, Talal Barazi, [guaranteed](#) those residents alternative housing or financial compensation, raising fears that the ultimate aim was the removal of long-time residents.

The government's favoritism of its supporters has been reflected in funding discrepancies. The combined value of [state investment projects](#) in 2015, for example, reached nearly 30 billion Syrian pounds (around \$70 million) for the coastal governorates of Tartous and Latakia, both regime strongholds. Aleppo, in turn, was allocated 500 million Syrian pounds (around \$1.2 million), despite being in greater need of restoration. Similarly, out of 11 billion Syrian pounds (around \$22 million) earmarked for [repairing and constructing roads](#) across Syria in 2017, almost half was to be spent in coastal areas, which was less affected by the war but constituted one of its key constituencies, as mentioned above. But many projects have not yet materialized due to a lack of funding.

Revealingly, higher government spending has not prevented discontent from growing in some regions favored by the regime. This unrest is due to not only the regime's failure to fulfill its aforementioned promises but also declining socioeconomic conditions and the prevailing insecurity that has resulted from the actions of pro-regime militias. This state of affairs has led to boycotts of [commercial enterprises](#) charging high prices, as well as demands for higher wages and better job opportunities. Wounded and disabled former pro-government fighters from coastal areas have accused the regime of neglecting them and offering no financial or employment assistance. The families of fighters are generally poor and often dependent on women to

support their households financially. Reflecting the frustration among the regime's base, a former member of the regime's security forces residing in Tartous released a [video](#) in January 2019 in which he declared, "Long live Syria, and down with Assad."

Criticism has even seeped into Syrian media discourse. For example, a real estate expert, Ammar Yousef, [told](#) the newspaper *al-Ayyam* that "all the residential projects being launched today target the wealthy, and those with an average income or even higher income cannot live in these homes." He argued that "the government, if it continues in this frame of mind, will be unable to resolve the housing crisis for the next hundred years, particularly since 3 million homes have been destroyed, and there is a real need in Syria for 1.5 million [new] homes annually," due to wartime destruction, population growth, and other reasons. Similarly, at the end of 2018, an article in a pro-regime economics-focused newspaper derisively [pointed out](#) the disconnect of developing high-rise luxury apartments in war-torn communities that remain in disrepair. Yet that is precisely the philosophy undergirding the Syrian government's reconstruction efforts.

CONCLUSION

Inequality and injustice are at the heart of Syria's reconstruction. The process of rebuilding Syria, which remains very limited, aims to ensure that all power in the country flows from the country's despotic regime and its networks. Left by the wayside are the poorer social classes that the regime views as threatening. The government's reconstruction plan offers no prospects for refugees to envisage a return home in the coming years, at least not in decent conditions. The government's economic strategy and the laws undergirding it will continue to tighten crony capitalist control over public assets at the expense of the public interest. The privatization and liberalization of reconstruction projects will continue and deepen the regime's predatory activities even more.

The regime's resources, reserves, and revenues were reduced considerably during the conflict. In response, the government has adopted austerity measures and reduced subsidies on essential products, further worsening living conditions for the poor. These policies have widened social, economic, and regional inequalities, replicating the problems that existed before the war broke out in 2011.

The failures of Syria's reconstruction and of the country's economic development more generally, especially in productive economic sectors such as manufacturing and agriculture, make it more difficult to end the unlawful and violent activities that proliferated during the war. These disturbances could continue in other forms, undermining employment opportunities for many citizens and preventing those involved in militias and illegal pursuits from being absorbed back into society. That greater uncertainty of a real economic recovery and genuine development will be a significant barrier to refugees hoping to return.

The Syrian regime and its foreign allies have won the military conflict. But the inequality that reconstruction efforts are reinforcing represents a serious problem for the future. The Syrian conflict was partly caused by rising inequality. If the government fails to ameliorate these conditions, it could be leaving in place the drivers of more conflict to come.

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NOTES

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