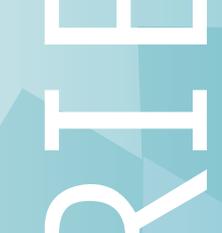
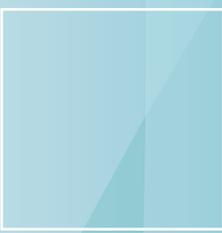
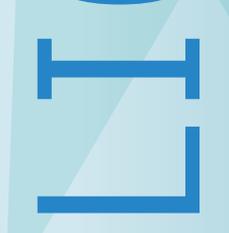
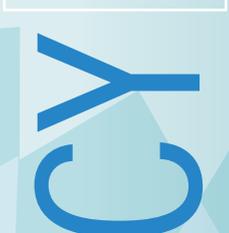




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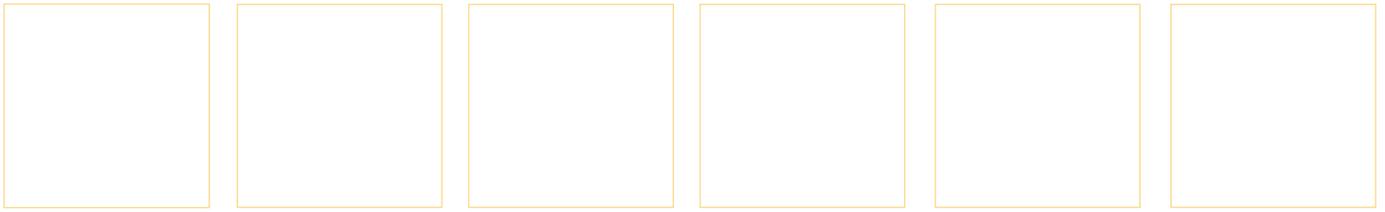
When the Dust Settles Reflecting on the Politics of Reconstruction and Reconciliation in the MENA Region¹

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Definitive solutions for war-torn Syria, Iraq and Libya are still on a distant horizon, but the scale and intensity of violence seem to be ebbing in 2018. With the forceful reclamation of Mosul, Aleppo and Raqqa, as well as the repossession of Sirte and the end of fighting in Benghazi, the greatest battles appear to be over. The civil war in Syria is increasingly localised into pockets of conflict in the South and the North, which are not likely to change the overall course of events. Iraqi central government and the Syrian regime have gained the upper hand in the last two years thanks to undeniable economic and military support from regional and international allies. ISIS, as a territorialised terrorist organisation, has almost been completely wiped out in all three war-torn countries, even though its activities are bound to persist. The military situation in Libya has been relatively stagnant since late 2015, with the exception of localised conflicts.

1. This policy brief is intended as a first output of a new MEDirections research axis, and will result in a series of publications and events in the coming months.

POLICY
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Overall, the military situation is best described as a stalemate, resulting from a balance of weakness between various parties.

The ongoing wars in the region have inflicted heavy damage on these countries' populations, economies and physical infrastructure. Syria is the most dramatic of all war-torn countries. The World Bank in 2017² estimated that Syria had lost one third of the housing stock and around half of its medical and education facilities. It is also estimated as of mid-2016 that 400 thousand people had lost their lives in the ongoing conflict, with 11.6 million displaced inside or outside the country in December 2017³

The situation in Iraq has not been less dramatic, even though the misery of war was rather concentrated in the North-Western corner of the country. Around 3 million people were displaced and most major cities in the area were destroyed, including Iraq's second biggest city Mosul. The Iraqi Minister of Planning put the most recent figure for reconstruction at 88.2 billion dollars⁴. This comes at a time when Iraqi infrastructure had already been in shambles due to the protracted civil strife since 2003, and before that, a decade of UN sanctions that followed yet another decade of war with Iran (1980-1988).

In Libya, where conflict is comparatively of lower intensity, displacement and infrastructure destruction as well as interruptions in economic activities and job loss have all taken their toll on the population. These are exacerbated by the poor conditions found in infrastructure, which was already the case under Gaddafi, and the utter dependence on oil for the generation of growth and state revenue, with little – if any – links with the domestic economy. To

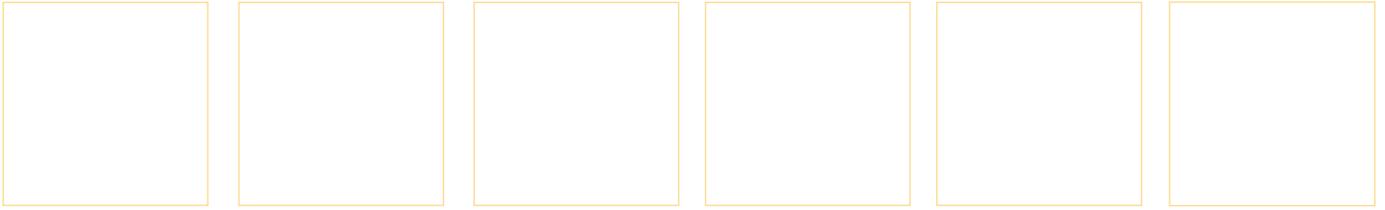
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3. Returnees in Syria - Sustainable reintegration and durable solutions, or a return to displacement?, Thematic series The Invisible Majority, Internal Displacement Monitoring Centre (IDMC), November 2017. Available at: <http://www.internal-displacement.org/assets/publications/2017/20171130-idmc-syria-case-study.pdf>
4. *Taklefat iadat i'mar al-iraq tatagawaz 88 miliar dolar* (The cost of reconstructing Iraq exceeds 88 billion dollars), BBC Arabic, 12 February 2018. Available in Arabic at <http://www.bbc.com/arabic/middleeast-43030459>

add insult to injury, state collapse had further diminished official institutions' capacity to regulate (or prevent illicit) economic activities ranging from fiddling the fixed exchange rate to human trafficking and arms smuggling.

Some may think that serious talk of reconstruction is not possible unless civil wars are brought to an end by some political settlement or by one party's crushing victory over the others. Indeed, reconstruction is much more than just the physical rebuilding of what was destroyed. It is a political-economic process that has clear distributional dynamics and implications. It is likely to reflect the balance of power on the ground, coalitions of beneficiaries (and losers) and may hence contribute to stability or reconciliation, or conversely create new grievances and bases for contention. How exactly reconstruction will be carried out, politically, institutionally and economically, is an integral part of any serious long-term thought and effort for post-war stabilisation. Otherwise, there is a risk of establishing conditions for protracted conflict that may continue for decades along regional, ethnic and sectarian lines. It may hence be a good exercise to start identifying actors to pay for the reconstruction and consider how it will be organised.

There is seemingly a twofold challenge for potential reconstruction efforts at this juncture.

The first challenge is the alleged lack of funds, relative to the unprecedented scale of destruction in the region. Indeed, reconstruction will likely take place in difficult economic times because of low international oil prices. Since the end of the second World War, the MENA region has come to occupy a specific position in the global division of labour, depending almost completely on the production and exportation of crude energy. Energy-related resources will be unsurprisingly crucial for reconstruction, which may be funded by national governments in oil-rich countries like Iraq and Libya or through intra-regional transfers, as may be the case in Syria (or was in post-1990 Lebanon). The 2014 decline in oil prices has hampered the financial capacities of many of the region's governments, especially those oil-rich that have traditionally and historically used their financial superiority to finance both conflict and peace-building (for example, post-1990 Lebanon). The recent slump has projected large deficits, raised pressures on precious reserves from boom times, and even pushed



some countries, such as Libya⁵ and Iraq⁶, into heavy foreign debt. If the slump that started in 2014 proves to be structural and enduring, this may cause severe constraints on resource availability and hence on governments' room for manoeuvre, as well as the maneuverability of their regional allies. The absence of sufficient resources may exacerbate distributional conflicts.

Financing post-war stabilisation-cum-reconstruction is a political process par excellence, which requires the governmental and/or inter-governmental transfusion of funds. It cannot be replaced by market actors pursuing profits due to the high-risk involved and the weak economic status of post-war countries. The process requires national or international parties to foot the bill for corporations, or guarantee credit repayment to banks and investment funds. This is one of the reasons why, in the case of Syria, it is unlikely that Chinese or Indian investors, creditors or developers motivated purely by a market rationale, will step forward, at least not fully. Who will eventually pay, in the absence of their governments' clear political stakes and Russia's and Iran's weak financial capacities to finance a full-blown reconstruction of Syria? Syria does not even have sizable natural- resource reserves (i.e. oil and gas) that it can use to secure long-term debt, as with Angola and China for example.

The second challenge is less tangible but by no means less critical. It regards the political and institutional frameworks that are likely to govern how reconstruction may take place. This is almost wholly decided by the way in which the conflict is concluded, whether by a party's victory over the others or by a political settlement, or a combination of both. The first scenario seems to be the fate awaiting Syria, where reconstruction will likely be interwoven with the re-institution of the regime's authority. The second may better reflect Libya's case, given the balance of weakness between the different parties, whereas Iraq will likely be some form of settlement following insurgency defeat.

Regardless of the sources and funds available, reconstruction is likely to benefit some countries more than others. With a lack of robust national institutions,

5. See, for instance: Libya Government Debt to GDP at <https://tradingeconomics.com/libya/government-debt-to-gdp>

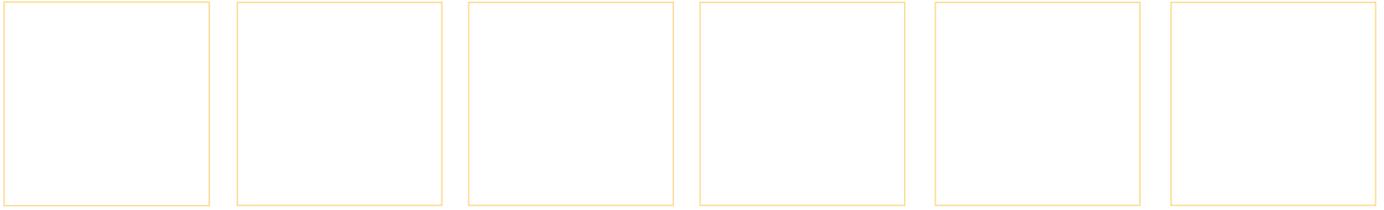
6. See, for instance: Iraq Government Debt to GDP at <https://tradingeconomics.com/iraq/government-debt-to-gdp>

whatever funds exist may be eaten up by corruption and narrowly-formed coalitions of cronies and clients, which is typical in post-war contexts. A case in point is Iraq's failed first reconstruction following the 2003 US-led invasion. This could occur with any reconstruction, not only in Iraq, but also in Libya where oil creates easy rents that are captured by those in power at the expense of a weakly organised and voiceless populous. This has proved to be quite dangerous, exacerbating the sense of exclusion and grievance on regional and sectarian basis in North-Western provinces, which ISIS later overran. Corruption and deterioration in public services also constituted the subject of popular mobilisations in Basra and Kurdistan. In many instances, they exposed crises of legitimacy and accountability for elected party elites over the use of oil money.

Dampening the situation further, a heavy international presence in Iraq since 2003 has not curbed the self-serving attitudes of politicians and bureaucrats, nor disrupted patronage networks. As a matter of fact, there is ample evidence that foreign investors (in the oil industry and in infrastructure) have thrived by capitalising on weak national institutions to the detriment of the host countries. There is reason to believe that this could almost definitely be the case in Libya where any potential reconstruction would imply an outward flow of oil rents to multinational construction companies with no regard whatsoever to accountability, transparency or the political impact of business deals.

This could be the fate of any international transfers for Syria's reconstruction, as regime-cronies and the networks of clients they stand for would claim whatever funds they could in order to swell their ranks, reward loyal regions and groups, and to punish others. The scope and scale of reconstruction may even serve as a tool for social engineering with clear implications for the sectarian and ethnic composition of areas of the country that witnessed the mass exodus of refugees. Yet, the regime may choose to give economic concessions to losers in the civil war by reconstructing homes and public utilities as a substitute for any political concessions (e.g. power sharing or re-forming of the political system). This was the case for instance in Sri Lanka following the defeat of the Tamil rebellion to the North.

The political economy of reconstruction will be decided by the outcome of the ongoing conflicts and how they are



likely to conclude. Meanwhile, what can an international actor like the European Union (EU) do in the light of all the internal and external limitations on its role?

The EU's priority as an actor is to do no harm. Under no circumstance should Europeans accept a situation in which they would pump money into patronage and corrupt networks that serve the few at the expense of the many. This is especially the case in any post-war Syria where an EU role as a funder for reconstruction will undoubtedly be needed and on a large scale. The US is turning inward under the Trump administration. Russia and Iran, the regime's two astounding allies, are unlikely to afford any meaningful transfers amid low oil prices and domestic pressures for better standards of living (i.e. Iran's recent commotion). Meanwhile, none of the Persian Gulf countries would invest in a Syria where they lost to their rivals. Given all this, the EU should not contend with financing the reconstruction of the Syrian regime rather than Syria itself, under any illusive pretext of stability or development. This will not deliver in the absence of some accommodating settlement, politically or at least economically (e.g. financing projects in regions that rebelled against the regime).

The EU shall then most probably end up sustaining a minimal flow of aid to refugees and the internally displaced. It should explicitly condition any increase in funds with observing clear accountability and transparency standards together with mechanisms for local community representation, especially with regard to utilities and infrastructure projects. It may then be that Europeans can carve a role for themselves in the local details of a post-war settlement using their power of the purse.

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