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# Damascus Businessmen: The Phantoms of Marota City

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# **Damascus Businessmen: The Phantoms of Marota City**

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## Executive Summary

The Syrian regime seems to conceive of reconstruction as a series of luxurious tourist and service development projects, and as an opportunity to transform the Damascus real estate market into a primary source of revenue. The Marota City project, which the regime is implementing with a comprehensive legislative and legal framework, is a leading example of this conception of post-war business in Syria. To this end, legislation has enabled the Governorate of Damascus to appropriate real estate owned by the inhabitants of the development zone of Khalaf al-Razi, amidst numerous violations of property rights that have stained the property evaluation process.

Damascus Cham Holding Company was established to manage the properties of the Governorate of Damascus with the goal of implementing the Marota project. This step was essential in order to resolve a financial crisis the governorate faced. The company then entered into a deal with a group of businessmen – most of whom were previously unknown – to implement luxurious tourist and service development projects. It seems that these projects are not intended to attract the interest of the local Syrian market but instead are directed toward the Gulf and Arab regional markets.

Marota businessmen represent pure clientelism in the Syrian economy. Most of them act more like stand-ins for key regime players than like private sector capitalists.

The model of reconstruction that the regime is setting up through Marota City constitutes an attempt to attract foreign investment. However, the project will not be easy to complete. It faces numerous obstacles, the most important of which is financing, particularly following the imposition of European sanctions on businessmen participating and their companies.

The real estate market also appears to dominate outside of Marota. State-owned real estate is being re-evaluated and made available for investment again, whether or not this violates existing legal contracts. A trade in debris in previously rebel-held areas, in which regime-linked businessmen are participating, is also taking off.

## Introduction

The war in Syria has cost the lives of more than half a million people and caused the destruction of most of the country's infrastructure. As it rapidly comes to a close, Syria's sources of wealth and domestic income appear frail and fragmented. Given the absence of productive sectors able to drive growth in the short term, reconstruction seems to be the regime's optimal solution.

The destruction of most of the productive sectors in Syria's industrial areas has led to increased interest in the Damascus real estate market, which has become the most important centre of gravity for Syrian businessmen who are loyal to the regime. Damascus has become the main focus of investment – at least as government plans for the development zones suggest – due to the fact that state institutions are centred there and real estate prices in the city are higher than those in other parts of Syria where plans for development zones have not yet been announced. The political and economic centrality of Damascus has contributed to the city's relative stability and security, which the regime is relying on to obtain secure investment in the Damascus real estate market.

If foreign finance can be secured, this market – particularly in modern city projects like 'Marota' and 'Basilia' – seems capable of becoming a major source of profit. As stability and security return, the low prices of land and shares (relative to other investment zones in Arab states) in large swathes of available land around Damascus and its surroundings, together with cheap labour, constitute very attractive opportunities for construction companies and foreign investment. This is especially true given the comprehensive legislative framework surrounding these projects, even though this framework privileges investors at the cost of confiscating the property of the original inhabitants of these areas.

Within this orientation toward the real estate market, a new ambiguous class of regime-linked Syrian businessmen has emerged. These businessmen are also devoting attention to real estate outside of these development zone projects, searching for real estate owned by state institutions that are open to reinvestment, even if this violates official rent contracts backed by the judiciary.

In addition, the regime is gambling on the reopening of certain Gulf embassies in Damascus bringing a return of investment.<sup>2</sup> Indeed, delegations from China, Russia and certain Gulf states have begun to visit Damascus in search of opportunities to invest in the Damascus real estate market.<sup>3</sup> In turn, Syrian businessmen are forming delegations to visit neighbouring states with the goal of urging investors to hold on to their seats during reconstruction.<sup>4</sup>

Nevertheless, the resumption of political relations with the regime cannot be directly linked to the participation of Gulf states in the financing of reconstruction because of the cautious European and American strategy of insisting on political change in exchange for opening up economically. In fact, businessmen involved in Marota City and their partners in deals with Damascus Cham Holding Company have recently become subject to European sanctions. This has been due to the large profits they reap from their relationship with the regime and their aid in funding the regime through joint projects with state companies to develop confiscated land.<sup>5</sup>

This paper relies on information provided in the media, on social media sites and on interviews conducted by the researcher with Syrian businessmen and economists, and also researchers focusing on the Syrian economy. It attempts to answer the following questions. How is the Syrian regime subordinating laws and the legislative system to the success of the reconstruction phase? How is this subject to the regime's experimentation with finding funding and legislating for the confiscation of real estate? What does the contemporary real estate market – especially the Marota City project – tell us about the new businessmen and their relationship with the

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<sup>2</sup> The Syria Report (2018) 'UAE Companies Showing Growing Interest in Syria', 24 December, <https://goo.gl/B15ZRz>

<sup>3</sup> The Syria Report (2018) 'Damascus Cham Holding Acquires Land, Seeks to Attract Foreign Investors for its Landmark Marota City Project', 17 December, <https://goo.gl/NXvMqA>

<sup>4</sup> Enab Baladi (2019) 'Headed by Muhammad Hamsho... Syrian Businessmen Visit the Emirates', (in Arabic), 11 January, <https://goo.gl/YwHeVT>

<sup>5</sup> European Union Council (2019) 'Syria: EU Adds Eleven Businessmen and Five Entities to Sanctions List,' 21 January, <https://goo.gl/NwMgJD>

regime? In Damascus, is there a real private sector active in the real estate market apart from the group of regime-linked investors?

## 1. Which Pioneering Model for Reconstruction?

Decree No. 66 of 2012 stipulates that “areas of irregular and informal settlement are to be developed in accordance with detailed organisational studies prepared by the Governorate of Damascus ... in accordance with the laws and regulations in effect.”<sup>6</sup> This decree provides the legal and financial framework for establishing two development zones within the Damascus governorate. The first is Zone 101, an area located to the south-east of Mazzeh, including parts of the districts of Mazzeh and Kafr Sousseh. It is called Marota, which means ‘sovereignty’ in Aramaic. It has an area of 2,149,000 square meters. The second is Zone 102, an area to the south of the southern highway (al-Muthaliq al-Janubi) which includes parts of the districts of Mazzeh, Kafr Sousseh, Qanawat Basateen, Darayya and Qadam.<sup>7</sup>

Numerous articles and studies<sup>8</sup> have situated Decree No. 66 in the context of the development of legislative and legal frameworks for undertaking modern city projects around Damascus on the ruins of informal settlements that have been destroyed, and the inhabitants of which have been expelled, by regime forces. However, these studies fail to examine how the mechanisms through which the real estate is acquired and appropriated, the holding companies belonging to administrative council units and the quest for funding became the hidden motors driving the issuance of the relevant decrees and laws. In fact, some of the ongoing development activities related to Decree No. 66 were directly taken from a plan for the urban development of Damascus published in 2007.<sup>9</sup>

### Damascus Cham Holding Company

The Damascus Cham Holding Company represents the main motor for the reconstruction projects that the regime is planning in Damascus. It is the ultimate intersection between the public and private sectors in post-war Syria, following a formula that allows a private company to manage state property. The company also represents a gateway through which businessmen must pass in order to participate in developing real estate in the development zones that have been announced in Damascus and its nearby surroundings.

The Governorate of Damascus launched this company in 2016 on the basis of Decree No. 19 of 2015.<sup>10</sup> This decree was issued to resolve a crisis in funding Marota and other development projects. Decree No. 66 gave the governorate responsibility for reaching tremendous goals of developing zones like Marota City. The basic challenge in realising these projects was finding funding. Article 20 of Decree No. 66 provided for the creation of a special fund for the governorate’s whole development zone. It also stipulated that the fund was to come from requisite annual appropriations from the independent budget and loans from certified banks. The Executive Directorate for Decree No. 66 was able to secure an initial loan of 20 billion Syrian pounds (45 million USD) from the Syrian Commerce Bank,<sup>11</sup> which is subject to sanctions, to create the infrastructure in

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<sup>6</sup> Syrian Parliament (2012) ‘Providing for the Establishment of Two Development Zones in the Governorate of Damascus,’ (in Arabic), 18 September, <https://goo.gl/mH3KMr>

<sup>7</sup> Sana (2017), ‘Project for Organisation 66 Khalaf al-Razi ... A Pioneering Experiment on the Road to Reconstruction,’ (In Arabic), 26 December, <https://goo.gl/3iuK5a>

<sup>8</sup> Daher, J. (2018) ‘Decree 66 and the Impact of its National Expansion,’ *Atlantic Council*, 7 March, <https://goo.gl/ZfoLXs>; *Human Rights Watch* (2018) ‘Q&A: Syria’s New Property Law,’ 29 May, <https://goo.gl/VXGMol>; Yahya, M. (2018) ‘Reconstruction as a Weapon,’ *Carnegie Middle East Center*, 14 May, <https://goo.gl/43MfYY>

<sup>9</sup> Rollins, T. (2017), ‘Legislative Decree No. 66: Assad’s plan to rebuild Syria,’ (in Arabic), *The New Humanitarian*, 20 April, <https://goo.gl/JuZYvR>

<sup>10</sup> Sana (2015), ‘President Assad Issues a Decree to Permit the Creation of Closed Private Syrian Holding Companies’ (in Arabic), 3 March, <https://goo.gl/qxL2s4>

<sup>11</sup> Sana (2015), *ibid.*

Marota City.<sup>12</sup> However, the funding and implementation crisis continued. In 2018, the total expenditure on the project for the independent budget for the governorate of Damascus was 1.1 billion Syrian pounds (2.44 million USD),<sup>13</sup> out of a total budget of 11 billion Syrian pounds (24.44 million USD), more than half of which was spent on providing services for unofficial settlements.<sup>14</sup>

Decree No. 19 thus enabled the establishment of a private Syrian holding company which was responsible for the administration of, and investment in, all or part of the property of the administrative unit, giving that company the right to establish and manage stock and joint-stock companies within that unit. In a dangerous precedent, a private holding company obtained the right to collect dues and premiums, grant licenses, independently make contracts with other companies, act as the fund for the newly created development zones and follow up on the payment of interest on loans. Next, Law No. 5 of 2016 on Public-Private Partnerships<sup>15</sup> bridged the gap between the private holding company and the governorate, the public administrative unit, enabling the private sector to participate in public sector projects. The law gave the private sector permission to dominate the public sector by allowing private companies to acquire more than 51 percent of the shares in any partnership project with the public sector. Moreover, the private holding company is not required to pay any fees to the state for selling its shares in the joint project.<sup>16</sup>

Damascus Cham Holding Company has capital estimated at 60 billion Syrian pounds (133 million USD).<sup>17</sup> For the development of Marota the company received real estate that belonged to the governorate instead of having to participate in an auction that would have provided the liquidity needed to expand the development zone.<sup>18</sup> However the situation on the ground is unclear because it is difficult to know where the precise boundaries lie between the authority pertaining to the property ownership and implementation activities of the governorate of Damascus and its Executive Directorate for Decree No. 66 and that of the Damascus Cham Holding Company. Moreover, the governor also heads the private holding company that was appointed to manage the governorate's properties.

Bishr al-Sabban ran the company<sup>19</sup> from its establishment until a presidential decree removed him from his position as governor of Damascus in November 2018.<sup>20</sup> The removal of al-Sabban, a Sunni from Damascus, coincided with Presidential Decree No. 360 of 2018, which replaced government ministers. This indicates al-Sabban's importance, which exceeded his status as a governor. He was the only governor removed during the local administrative elections at the end of 2018. He was also considered Syria's senior governor, following a record-breaking 12 years in office.<sup>21</sup> His dismissal is believed to have resulted from European sanctions against him, which were feared would impede work on the Marota City project and generate unease among investors interested in signing contracts with Damascus Cham Holding Company.<sup>22</sup> Al-Sabban has been on the European sanctions list since 2016 for his role in repressing Syrians.<sup>23</sup> He is close to the Iranians, and has

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<sup>12</sup> Even though the cost of the municipal residential buildings alone in the two development zones is 450 billion Syrian pounds (1 million USD). Al-Iqtisadi (2013) 'The Cost of the Project to Establish Municipal Buildings in the Two Administrative Areas in Damascus is 450 Billion Lira and will Provide 400,000 Jobs,' 27 July, <https://goo.gl/npQbKP>

<sup>13</sup> Samir, B. (2018) '1.1 Billion is the Budget of the Governorate of Damascus this Year,' (in Arabic), *Tishrin*, 31 March, <https://goo.gl/kgmSjy>

<sup>14</sup> Damascus al-An (2018) 'The governorate of Damascus: informal settlements cost more than half of the budget of the governorate ... and constitute a services burden,' (in Arabic), 15 October, <https://goo.gl/pAo38x>

<sup>15</sup> Presidency of the Council of Ministers (2016) 'Law No. 5 of 2016 Concerning Public-Private Partnerships,' 10 January, <https://goo.gl/cJC5Xs>

<sup>16</sup> Interview conducted by the researcher with a Syrian economist, May 2018.

<sup>17</sup> Sana (2016) 'With 60 Billion Liras, the Governorate of Damascus Launches the Damascus Cham Holding Company' (in Arabic), 17 December, <https://goo.gl/74fszC>

<sup>18</sup> Ahmad, M. (2018), 'Damascus Cham Holding: Weakness or Convolution?' (in Arabic), *Qasioun*, 6 May, <https://bit.ly/2HuQ2Vr>

<sup>19</sup> It includes four members elected by the council of the governorate of Damascus and four appointed by the governor. Sana, *ibid*.

<sup>20</sup> Sana (2018) 'Decree to End the Appointment of Bishr al-Sabban as Governor of Damascus and the Appointment of Adel al-'Olabi in His Place' (in Arabic), 26 November, <https://goo.gl/o99dky>

<sup>21</sup> Al-Iqtisad al-Youm (2016), 'What is Happening with the Governor of Damascus?' (in Arabic), 25 November, <https://goo.gl/inEPgE>

<sup>22</sup> Interview conducted by the researcher with a journalist from Damascus, March 2019.

<sup>23</sup> Official Gazette of the European Union (2016), 'Council Implementing Decision 1897/2016 (CFSP)', 28 October, <https://goo.gl/LhTqgE>

visited Tehran numerous times making controversial statements.<sup>24</sup> He is accused of attempting to alter the architectural character of Damascus and of destroying certain important ruins in the interest of projects purported to be backed by Iran.<sup>25</sup>

Al-Sabban also played a pivotal role in forming Damascus Cham Holding Company. He is thought to be one of the most important engineers of the company's relationship with the province of Damascus since he owns numerous shares in Marota City, which he bought before the announcement of the development project.<sup>26</sup>

## Appropriation and Ownership of Real Estate

The Marota City project shows how the governorate of Damascus, and later Damascus Cham Holding Company, gained control over the real estate included in its development plan. New legal formulas emerged in Law No. 10 of 2018<sup>27</sup> and its amendments in Law No. 42 of 2018<sup>28</sup> but these formulas rely on the Law on the Confiscation and Ownership of Land No. 20 of 1983, which allows land to be given the status of a public asset in order to justify taking it over to construct private facilities for the Baath party and popular organisations. They also depend on Law No. 60 of 1979, which allows the expropriation and ownership of land for the construction of popular residential projects or residential complexes for the families of soldiers or martyrs.<sup>29</sup> It also allows the sale of such land to soldiers and martyrs, contradicting the idea of expropriation for the public good.<sup>30</sup> Law No. 10 of 2018 thus allowed the administrative unit to claim land as public property. For its part, Law No. 42 of 2018 does not mention the validity of expropriation and ownership, but extends the time limits provided in Law No. 10 for real estate owners to demonstrate their property rights, giving their relatives the right to claim ownership on behalf of the property's owners, and those with objections the right to resort to the courts.

It is noteworthy that the Governorate of Damascus owns old real estate in the Khalaf al-Razi part of the Marota City project, accounting for 30 percent of its area. The rest is private property, some of which is owned by the inhabitants of this informal unofficial settlement.<sup>31</sup> Article Three of Decree No. 66 categorises this real estate as common property to be shared with those holding rights, whereas Article Four prevents all forms of purchase and sale.<sup>32</sup> Article Seven stipulates that there should be a fair estimation of the value of the real estate taking into consideration the real value "by a committee formed by the Governor and composed of: a judge with the rank of counsel named by the Minister of Justice, as committee chairman; two real estate evaluators; and two experts representing owners." Nevertheless, four experts were appointed without the consultation or notification of the property owners, contradicting the decree. In addition, the evaluation of the real estate was not made subject to the right of appeal before courts of law, as per Decree No. 66 or the more comprehensive formulation in Law No. 10 of 2018 for all of Syria's administrative units.<sup>33</sup>

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<sup>24</sup> IRNA (2017), 'Governor of Damascus: Ready to Accept Iranian Visitors in at Most 3 Months' (in Arabic), 13 November, <https://goo.gl/hrgZWD>

<sup>25</sup> Ali, N. (2015), 'Governor of Damascus: A Route Filled with Attack and the Obliteration of the Evidence of of Damascus Sunnis' (in Arabic), 18 April, <https://goo.gl/nGjzcp>

<sup>26</sup> Interview conducted by the researcher with a journalist from Damascus, March 2019.

<sup>27</sup> Presidency of the Council of Ministers (2018) 'Law No. 10 of 2018' (in Arabic), 2 April, <https://goo.gl/QNQfKV>

<sup>28</sup> Sana (2018) 'President Assad Issues Law to Amend Some Articles of Law No. 10 of 2018' (in Arabic), 11 November, <https://goo.gl/tKKb4g>

<sup>29</sup> The Ownership and Expropriation Laws Nos. 60 of 1979 and 20 of 1983 came against the background of clashes in Syria in the 1980s which began as a popular uprising and quickly turned into violent confrontation between regime forces and the Muslim Brotherhood. Eventually, the regime won after the systematic destruction of the city of Hama and neighbourhoods in Aleppo and the killing of tens of thousands of Syrians. The confiscation laws consecrated the victory of the Baath party over its rival and the expropriation of its property.

<sup>30</sup> The Arab Reform Initiative (2018) 'Law No. 10 Concerning Reconstruction: A Legal Reading of Organised Collective Ownership' (in Arabic), 28 June, <https://goo.gl/AF9FEj>

<sup>31</sup> Emmar Suriya (2018) 'Massive Russian Companies Prepare Construction of Skyscrapers in Marota City' (in Arabic), 14 December <https://goo.gl/M1aVu6>

<sup>32</sup> Syrian Parliament (2012) 'Providing for the Establishment of Two Development Zones in the Governorate of Damascus' (in Arabic), 18 September, <https://goo.gl/mH3KMf>

<sup>33</sup> Interview conducted by the researcher with a private source in December 2018.



The contracts signed between the people and the body implementing Marota City strip them of their property rights following the construction, giving them the status of occupants rather than owners of the new property.<sup>34</sup> A flurry of real estate purchasing took place shortly before the promulgation of Decree No. 66. It is said that real estate owners who were close to members of the Damascus Governorate, major officials and businessmen were behind these purchases.<sup>35</sup> The governorate's ownership of the real estate was also accompanied by a manipulation of the distribution of the shares to its owners, and of the classification and location of the real estate, especially following demolition and the removal of debris.<sup>36</sup> This alteration to the maps of the real estate locations that are not precisely fixed in the real estate records changed the value of the shares according to the distribution of lots and the property's proximity to or distance from the centre of Marota City.<sup>37</sup>

In addition, some financially capable owners of private shares in the project acquired licenses for the blueprints of their new buildings from the Damascus Governorate and the Damascus Engineers Syndicate.<sup>38</sup> Since February 2019, the Executive Directorate for Decree No. 66 has issued a new tranche of rent allowances to the original inhabitants who have been removed from their homes in Marota. The original owners of houses outside Marota will also receive a portion of rent equivalent to the area of the real estate that they had owned<sup>39</sup> until they are provided with alternative housing. The value of the rent allowances has reached a billion Syrian pounds (2.2 million USD) since the beginning of 2019, and 7.5 billion Syrian pounds (16 million USD) since the launch of the project.<sup>40</sup> However, the distribution of the rent allowances has seen periodic delays amid many objections by citizens.<sup>41</sup>

## Companies in Marota City: Selling Fantasy

The Marota City project includes the construction of 12,000 residential units and commercial, tourist and entertainment centres<sup>42</sup>, together with the establishment of a new parliament building. The governorate has divided the Marota City area into plots. To build on them, the owners have to obtain a licence from the governorate and Damascus Engineers Syndicate.<sup>43</sup> Licensing for the project then requires the Governorate's approval of the building plans<sup>44</sup>. There has, in fact, been a trade in these shares on Facebook pages created for the purpose. The price of a single share varies between 5 and 7 Syrian pounds.<sup>45</sup> Marota City remains imaginary but its form appears in 3-D digital drawings. The total number of buildings to be constructed has reached 232 towers, 165 of which are for citizens and 67 for the governorate's service facilities. It is estimated that the cost to purchase a square metre of one of these residential apartments will start at three million Syrian pounds (6,000 USD).<sup>46</sup>

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<sup>34</sup> Al-Khatib, M. (2018), 'Basilia and Marota: Plans for 3-D Cities on the Ruins of Damascus' (in Arabic), *Al-Modon*, 30 March, <https://goo.gl/dTT4RN>

<sup>35</sup> Interview conducted by the researcher with a private source in December 2018.

<sup>36</sup> Sana (2018) 'President Assad Issues Law Pertaining to Removal of Debris of Destroyed Buildings' (in Arabic), 13 February, <https://goo.gl/GxNHE7>

<sup>37</sup> Interview conducted by the researcher with a private source in December 2018.

<sup>38</sup> Facebook (undated) 'East Mazzeh Organisation' page (in Arabic), <https://goo.gl/ozfgMU>; Facebook (2019) 'Today the Fulfilment of the Dues of the Engineers' Syndicate in their Entirety' (in Arabic), 'East Mazzeh Organisation' page, 9 January, <https://goo.gl/5rwAmA>

<sup>39</sup> Sana (2018) 'Signs of Marota City Have Begun to Appear ... And Studies of the New Residence Have Become Ready' (in Arabic), 6 June, <https://goo.gl/DXKRFG>

<sup>40</sup> Facebook (2019) 'Submission of New Tranche of Rent Subsidies' (in Arabic), 'Sale of Shares in the Area of Mazzeh Khalaf al-Razi' page, 8 March, <https://goo.gl/okzaRs>

<sup>41</sup> Facebook (2018) 'East Mazzeh Organisation' page (in Arabic), 17 January, <https://goo.gl/EnJMR6>

<sup>42</sup> It is described by the Damascus Cham Corporation website as a city specialised in entertainment (in Arabic), <https://goo.gl/ZrrJUo>

<sup>43</sup> Facebook (2018) 'Sale of Shares in the Mazzeh Development Zone' page (in Arabic), 7 December, <https://goo.gl/UJ5V82>

<sup>44</sup> Facebook (undated) 'East Mazzeh Organisation' page (in Arabic), <https://goo.gl/ZrrJUo>

<sup>45</sup> Facebook (2018) 'Sale of Shares in the Mazzeh Development Zone' page (in Arabic), 19 October, <https://goo.gl/L4YbDG>

<sup>46</sup> 'Abd al-Jalil, M. (2018) 'Alliance of Companies Absorbs the Organisations of Damascus' (in Arabic), *Enab Baladi*, 1 April, <https://goo.gl/Dn24dv>

So far, it does not appear that the reconstruction process beginning with Marota City has started. The Syrian budget for 2019, for instance, allocates no more than 50 billion Syrian pounds (111 million USD) to this end.<sup>47</sup> The cost of the construction of the residential portion of Marota itself is not mentioned in the government's public budget but is entrusted instead to the private sector. It exceeds 100 billion Syrian pounds (222 million USD) according to official figures.<sup>48</sup> However, bulldozers are still working to prepare land in the area.<sup>49</sup> Official estimates have suggested that around 80 percent of the utility tunnels have been completed, and the infrastructure is expected to be finished in September 2019.<sup>50</sup>

During the cornerstone laying ceremony for Marota City in March 2016, Riyadh al-Shalish, a nephew of president Bashar al-Assad and long-time director of the Military Housing Establishment, offered for this institution to undertake the construction of the infrastructure for the project's joint works at less than 20 percent of the lowest previous offer to the governorate.<sup>51</sup> The Military Housing Establishment is a public institution that builds civilian and military facilities alike, and represents one of the most prominent forms of clientelism among state institutions. In fact, Riyadh al-Shalish runs it like his personal property<sup>52</sup> even though he was officially removed from his post in 2012. He has also controlled the appointment of the directors who succeeded him, using a large part of the institution's means and public instruments to carry out the activities of his own private companies.

It seems that a 20 billion Syrian pound (45 million USD) loan that the Governorate of Damascus secured from the Syrian Commercial Bank was used to carry out joint works. However, it remains unclear what those works were or who benefited from them.<sup>53</sup> The only building that has been completed in Marota City is the luxurious headquarters of Damascus Cham Holding, in which the company has signed six contracts for joint projects in Marota with private sector investors who have agreed to provide funding in exchange for the company providing them with land for them to develop.

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<sup>47</sup> Haddad, W. (2018) '2019 Syrian Budget: Reconstruction at 115 Million USD' (in Arabic), *Al-Modon*, 9 November, <https://goo.gl/uEXdzj>

<sup>48</sup> The Syria Report (2018) 'Factsheet: Marota City, Syria's Most Controversial Investment Project,' 1 March, <https://goo.gl/gYRy5n>

<sup>49</sup> In interviews conducted by the researcher in December 2018, eyewitnesses from the area said that with the exception of walling off and preparing the ground and some joint infrastructure works the area did not see real construction two years after the signing of the first contracts.

<sup>50</sup> Al-Iqtisadi (2018), 'Damascus Holding and Baraka Bank Look into Launching First Real Estate Investment Company' (in Arabic), 8 February, <https://goo.gl/xG8eL7>

<sup>51</sup> Interview conducted by the researcher with a Syrian businessman in April 2018.

<sup>52</sup> Interview conducted by the researcher with a Syrian businessman in April 2018.

<sup>53</sup> Interview conducted by the researcher with a Syrian economic analyst in December 2018.

Company	Date of Contract	Company Capital	Distribution of Shares	Investors
Aman Damascus Joint Stock Company	July 2017	312 million USD	Aman Holding Group 51 percent and Damascus Cham Holding Company 49 percent	Samir Foz
The Central Mall Company	December 2017	250 million USD	Tarazi 51 percent and Damascus Cham Holding Company 49 percent	Mazen Tarazi
Developers Private Joint Stock Company	January 2018	20 million USD	Exceed Development and Investment LLC 51 percent and Damascus Cham Holding Company 49 percent	Hayan Qaddour and Maen Haykal
Mirza	January 2018	51 million USD	The Talas Group 25 percent and Damascus Cham Holding Company 75 percent	Anas Talas
Bunyan Damascus Private Joint Stock Company	March 2018	33.7 million USD	Tamayoz and Apex companies 40 percent and Damascus Cham Holding Company 60 percent	Ahmad Jamal Eddine and his son, Nazir
Rawafed Damascus Private Joint Stock Company	March 2018	57.5 million USD	Wings, Ramac Projects, Ammar and Ultimate Trading 51 percent and Damascus Cham Holding Company 49 percent	Rami Makhoulouf

These contracts gave investors the right to build several residential and commercial projects. In September 2017, Aman Damascus Joint Stock Company acquired the right to build three skyscrapers called ‘Landmark’ and five residential complexes on an area of 60,000 square metres.<sup>54</sup> The cost of these projects is 150 billion Syrian pounds (333 million USD).<sup>55</sup>

The businessman Mazen Tarazi will undertake the construction of six commercial and investment districts in an area of 26,000 square metres, in addition to the central Marota Mall on an area of 120,000 square metres. He has also agreed to purchase five districts and develop them at a cost of 70 million USD. This project will be “equivalent to the new commercial centre of the capital Damascus.”<sup>56</sup>

The establishment of Developers Private Joint Stock Company was announced in the headquarters of Damascus Cham Holding Company.<sup>57</sup> After gaining the approval of Marota City’s technical committee, the company will build two residential towers and a commercial and investment building specialised in selling construction materials, flooring and accessories.<sup>58</sup> Exceed Company will pay 40 percent on establishment and the rest within three years.

Mirza will undertake the construction of four residential and commercial districts, the building area of which extends to 60,000 square metres. Talas Group has received a share of 25 percent of this area in exchange for cash shares valued at 5.7 billion Syrian pounds (12.6 million USD), 40 percent of which is to be paid on establishment and the rest within three years.<sup>59</sup>

Bunyan Damascus Private Joint Stock Company will develop two districts of 30,000 square metres.<sup>60</sup> Rawafed Damascus Private Joint Stock Company will build residential and investment districts with a building area equal to around 38,000 square metres. Rami Makhoulf’s companies hold 49 percent of the shares. As for cash shares, 40 percent are to be paid on establishment and the rest within three years.<sup>61</sup>

In all of these contracts, Damascus Cham Holding Company has provided in-kind shares in land equivalent to its share in the joint company. The shareholdings of certain investors are even larger than Damascus Cham’s, meaning that they have more representatives on the company’s management board. This would sway a decision in favour of the investors in the case of a conflict with Damascus Cham Holding Company.

The legislative frameworks were put in place in response to issues related to the financing of the development projects and the ownership of the land within them. However, what is intended in Marota is a luxurious entertainment city, built by a group of previously unknown businessmen. The plans that Damascus Cham Holding Company has agreed to execute with the companies of these businessmen do not resemble any possible model of reconstruction, but are essentially intended to attract foreign investment.

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<sup>54</sup> Damascus Cham Holding Company official website (undated) ‘Aman Damascus’ presentation (in Arabic), <https://goo.gl/T5zu4J>

<sup>55</sup> The Syria Report (2017), ‘Samer Foz Acquires Rights over Hundreds of Millions of Dollars in Basateen al-Razi Project,’ 21 November, <https://goo.gl/heCwf2>

<sup>56</sup> Damascus Cham Holding Company official website (undated) ‘Partnership ... Builds the Nation’ (in Arabic), <https://goo.gl/aVPGhu>

<sup>57</sup> Damascus Cham Holding Company official website (undated) ‘Meeting of the Founding Committee for Developers Company’ (in Arabic), <https://goo.gl/7hgjW2>

<sup>58</sup> Al-Iqtisadi (2019), ‘Developers Gain Agreement to Design their Commercial Tower in Marota City’ (in Arabic), 2 January, <https://goo.gl/JHHgvp>

<sup>59</sup> Damascus Cham Holding Company official website (undated) ‘Damascus Cham Holding Signs Partnership with Talas Company for Commerce and Industry at a Value of 23 Billion Lira’ (in Arabic), <https://goo.gl/6xizr8>

<sup>60</sup> Ahmad Jamal Eddine and his son Nazir established Apex in 2018, while the owner of the Tamayoz company is not known. The Syria Report (2018) ‘Factsheet: Marota City, Syria’s Most Controversial Investment,’ 1 June, <https://goo.gl/gYRy5n>

<sup>61</sup> Damascus Cham Holding Company official website (undated) ‘Signing Contract of Rawafed Damascus Closed Joint Stock Company’ (in Arabic), <https://goo.gl/JXwenz>

## 2. Businessmen or Executives?

The mechanisms through which private sector businessmen in Syria rose after the period of revolution and war do not seem to differ from those before it. Nepotism and clientelism are still among the most predominant characteristics of the Syrian economy. If the roles of prominent businessmen close to the regime before 2011 have declined in favour of new names, it does not mean that the mechanisms through which they rose to the apex of the economic pyramid have changed. Instead, it provides evidence that clientelism remains the necessary route to monopolising the most profitable sectors.

### A General View of the Transformations of Damascus Businessmen

Starting in 1970, Hafez al-Assad's regime built an alliance with Sunni Damascene businessmen who supported him throughout the clashes with the Muslim Brotherhood in the 1980s. These businessmen are distinct in that despite regime support they have continued to represent the top of the private sector pyramid. They have retained a degree of independence from the regime and at times dealt with it as equals.

The public sector grew during the phase of rapid development in the 1970s. The Syrian economy became characterised by rentierism and clientelism, which the regime used to widen its economic, political and social clientelist network and to develop mechanisms of integration and control.<sup>62</sup> This clientelist relationship between businessmen and the regime was formally consecrated with the creation of the private and public sector partnership, known as the participatory sector, and the passing of Investment Law No. 10 of 1990. Corruption struck its roots into the institutions of the Baathist state and the security and military services gained hegemony over various aspects of life. In practice, this translated into the emergence of a class of businessmen among the sons of high state, security and party employees. This group gained favourable contracts with the public sector and state institutions, the largest employer in Syria.

With Bashar al-Assad's assumption of the presidency in 2000, it seemed that the economic alliance with Damascus businessmen had entered a difficult era. Between 2005 and 2011, a group of businessmen known as the 'Top 100' emerged, who were mainly concentrated in Cham Holding Company and Syria Holding. The two companies constituted something like a cartel that, over time, monopolised the majority of the most profitable businesses in the country. They undertook construction and investment in the most important development and real estate projects and in hotel and service projects between the middle of the last decade and the beginning of the Syrian uprising in 2011. However, some of the most important projects, like the Rotana Hotel project in Mazzeh<sup>63</sup> and the 'Syria Towers' project in al-Baramkeh,<sup>64</sup> remain incomplete even though their legal timeframes expired years ago.

Clientelist relationships became very clear during this period with the rise of new businessmen whose economic influence increased as they became close to the regime clique. The rapid rise of some businessmen who were regime cronies, such as Rami Makhoul, the cousin of President Bashar al-Assad, and to a certain extent Muhammad Hamsho, who is close to Maher al-Assad, seemed to constitute a distribution of economic influence among the pillars of power.

Some businessmen whose activities had prospered during the first decade of this century attempted to remain distant from the regime after the outbreak of the uprising. This led to the confiscation of their property and liquidation of their businesses, which were claimed or sold at lowered prices. This was the case with the Damascene businessman Imad Ghreiwati, who had been one of the most renowned businessmen before 2011. Ghreiwati was head of the Damascus Chamber of Industry, representative of the major automobile and electronic companies and a shareholder in Syria's most prominent banks and factories.<sup>65</sup>

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<sup>62</sup> Barout, M. (2012), *The Previous Decade in Syrian History*, Arab Center for Research and Policy Studies, p. 35.

<sup>63</sup> Kiyali, M. (2018) 'Emirati Company Resumes Construction of Rotana in Damascus' (in Arabic), *Daraj*, 6 July, <https://goo.gl/uyTCnT>

<sup>64</sup> Al-Abd, A. (2017) 'Syria Towers Project is Ink on Paper ...' (in Arabic), *Tishrin*, 4 October, <https://goo.gl/YRMgwB>

<sup>65</sup> The Syria Report (2018) 'Ghreiwati Asset Freeze Likely to Restrain Investors Further,' 17 October, <https://goo.gl/ALa1qJ>

All of this may suggest a clientelist relationship that has entered a feudal phase. The relationship between the regime clique and the businessmen linked to it is not equal but constitutes a form of subordination and exploitation of the economy for political ends. This type of clientelism gains phenomenal power in a country where wealth increases the closer its owner gets to the centres of regime power. This pure clientelism, in which the regime clique has the upper hand, thus takes on a new form in which businessmen are hired to engage in specific economic activities that benefit both parties. Businessmen close to the regime perform two intertwined roles: as businessmen formally belonging to the private sector and at the same time as executives running economic activities on behalf of the regime clique.

The disappearance from the current economic scene of a large number of regime-linked businessmen who had become prominent in the first decade of this century might be partly due to the Western sanctions imposed on them and their companies since 2011. Therefore, a new group of businessmen has emerged that represent a new form of clientelism. But this clientelistic system is permeated by crises arising from the divvying-up of economic interests among sometimes antagonistic actors within the regime.

## Who Are the Businessmen of Marota City?

The businessmen of Marota City represent this new form of clientelism. Most of them were previously unknown in the Damascus business environment. Their shared distinguishing feature is that they are Sunnis, except for Rami Makhlouf. Moreover, with the exception of Makhlouf and Foz, none of the investors in Marota City have any previous experience in the real estate sector.<sup>66</sup>

Although the Western sanctions list includes all of them and their companies that have contracts with Damascus Cham Holding Company, obscurity nonetheless shrouds their social backgrounds. The documentary evidence about them is scanty, with the exception of Makhlouf and Foz. This gives them a phantom-like quality despite their investment in the most important real estate project in Syria. This obscurity, which seems intentional, might indicate the regime's interest in keeping this group of businessmen in the shadows, perhaps to prevent the discovery of the sources of their wealth, their networks of relationships and who stands behind them.

### Samer Foz

Much has been written about Samer Foz, his rapid rise to being Syria's most prominent businessman and his extreme closeness to Bashar al-Assad, which gave him the nickname 'the new Rami Makhlouf.' Foz is a Sunni from Lattakia. His father, Zahir, established Aman Holding Group in 1988, which trades in building materials and distributes them along the Syrian coast. In 2010, the company became a major importer of cement from Turkey and a major distributor for the French Lafarge factory in northern Syria.<sup>67</sup> However, this was not the real cause of his rapid rise after 2015, which happened despite the fact that he was not from the Assad family or from the Alawite sect. This means that it is likely that he is the proxy for one of the most powerful men in the regime.<sup>68</sup> His acquisition of plants and factories belonging to Syrian businessmen facing the wrath of the regime is the clearest example of his rapid rise. Aman Holding Group diversified its investment in less than three years, from importing and trading in foodstuffs and petroleum products to the establishment, investment in and acquisition of car factories, iron smelters, a sugar factory, flour mills, pharmaceutical factories, an airline company and hotel services, not to mention Foz's external investments in the Emirates and Turkey.

It seems that Foz has a bigger role than simply that of a contractor with Damascus Cham Holding Company in Marota City. In late 2018, through Aman Cham company he purchased 1.18 percent of the shares in Al

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<sup>66</sup> The Syria Report, *ibid.*

<sup>67</sup> The Syria Report (2018) 'Samer Foz, Syria's Most Powerful Businessmen', 19 April, <https://goo.gl/4HQTHD>

<sup>68</sup> The Syria Report (2019) 'Foz Invests Further in Syrian Banking', 8 January, <https://goo.gl/qKQCp9>.

Baraka Bank Syria<sup>69</sup> and 7.63 percent of those in the Syria International Islamic Bank,<sup>70</sup> which is under American sanctions because of its strong connections to the Commercial Bank of Syria.<sup>71</sup> The banks are two of the largest Syrian private banks that have parent companies in the Gulf.<sup>72</sup> In fact, Foz's entry onto the management boards of the two banks could help motivate them to provide easy loans to other Marota City businessmen. That Damascus Cham and Al Baraka Bank looked to launch the first joint stock real estate finance company "to help citizens in financing the construction of their real estate" in early 2018 supports this conclusion.<sup>73</sup>

## Mazen Tarazi

Mazen Tarazi is a Syrian businessman whose main investments are focused on the media sector in Kuwait. He is the founder and CEO of the Marketing Group for Advertising, Publishing and Distribution and the Dar al-Hadaf Newspaper Company.<sup>74</sup> Tarazi's name appears in the 'Panama Papers' connected to the Mossack Fonseca company, which is known for tax evasion. It is also connected to First Kingston Investments, the headquarters of which are in Kuwait. It seems that Tarazi is the owner of all of this company's shares.<sup>75</sup>

Tarazi was unknown in Syria until 2014, when he provided a private plane to transport Syrians from Kuwait to Syria to vote for Bashar al-Assad in the presidential elections. He then launched a campaign to help young people cover the costs of returning to Syria.<sup>76</sup> His unlimited support for the regime has helped him gain economic investments and projects since 2015, when he was able to buy the Sheraton Sednaya Hotel and Resort.<sup>77</sup>

Tarazi is also the General Director of the National Airline Company LLC, which he launched at the end of 2017. He is a founding partner in this company, with an 85 percent share.<sup>78</sup> In fact, securing a license for an airline company is rare and difficult in Syria, and suggests that those with such licenses have strong ties with influential figures in the regime or act as proxies for one of them.<sup>79</sup> In September 2018, Tarazi established Group Four LLC in Damascus, specialising in restaurant and café management and trade in construction materials.<sup>80</sup>

## Anas Talas

Unlike Mazen Tarazi's incessant media appearances in 2014, the Syrian businessman Anas Talas keeps a low profile. He is still unknown among Syrian businessmen despite contracting with Damascus Cham Holding Company in Marota City. Talas built his wealth in the Gulf, where his Talas Group company focuses on the production and distribution of foodstuff in the Emirates. He has no activity in the real estate sector.<sup>81</sup> Talas Group was founded in 1993 and its 'Tolido' brand was launched in 2002.<sup>82</sup>

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<sup>69</sup> Al-Modon (2019) 'Samer Foz ... Widens hegemony Over the Market' (in Arabic), 6 January, <https://goo.gl/Z59Ruu>

<sup>70</sup> The Syria Report (2019) 'Foz Becomes Second Largest Shareholder in Islamic Lender', 22 January, <https://goo.gl/Cx1tSo>

<sup>71</sup> Al-Modon (2018) 'Samer Foz ... A Banker, Too!' (in Arabic), 15 December, <https://goo.gl/HwyN2n>.

<sup>72</sup> The Syria Report (2018) 'Foz Expands into Banking,' 11 December, <https://goo.gl/VEb3b5>

<sup>73</sup> Al-Iqtisadi (2018), 'Damascus Holding and Bank al-Barakah Look into Launching First Real Estate Investment Company' (in Arabic), 8 February, <https://goo.gl/xG8eL7>

<sup>74</sup> Al-Iqtisadi (undated) 'Mazen Samir al-Tarazi' (in Arabic), <https://goo.gl/jpuiMe>

<sup>75</sup> Offshore Leaks Database (undated), <https://goo.gl/n4E7hL>

<sup>76</sup> Enab Baladi (2017) 'Businessman Establishes Third Private Airline in Syria' (in Arabic), 28 December, <https://goo.gl/9RzJje>

<sup>77</sup> Alsouriya.net (2015) 'Businessman Close to and Supportive of Regime Launches 'Return, Syria' campaign' (in Arabic), 29 April, <https://goo.gl/rGqebk>

<sup>78</sup> Al-Iqtisadi (undated), 'National Airline Company' (in Arabic), <https://goo.gl/vFZyB5>

<sup>79</sup> The Syria Report (2018), 'Report – Syria Grants New Airline License,' 9 January, <https://goo.gl/Vw3dAo>

<sup>80</sup> Al-Iqtisadi (2018) 'Tarazi Participates in Establishing Company to Open and Invest in Restaurants' (in Arabic), 16 September, <https://goo.gl/EK89MP>

<sup>81</sup> The Syria Report (2018) 'Syrian Investor Signs Deal Over Basateen al-Razi Project', 16 January, <https://goo.gl/e2hYV4>

<sup>82</sup> Tolido official website (undated), 'Our Story,' <https://goo.gl/TMnbTb>

## Hayan Qaddour and Maen Haykal

Hayan Qaddour and Maen Haykal established the Exceed Development and Investment Company shortly before it signed a partnership agreement with Damascus Cham Holding Company. Hayan Qaddour owns a 67 percent share of the company at a value of 670,000 Syrian pounds (1,500 USD)<sup>83</sup> and Maen Haykal has 33 percent.<sup>84</sup> Thus, the total capital of the company is one million Syrian pounds (2,200 USD), which is extremely modest in comparison with Developers Company, its partner company in Damascus Cham, which is worth 10.4 million USD. Qaddour and Haykal were entirely unknown among Syrian businessmen before 2011.<sup>85</sup>

## Ahmad Jamal Eddine and his Son Nazir

Adding to the ambiguity that surrounds the businessmen of Marota City is the joint project of Damascus Cham, Apex for Project Development and Tamayoz LLC. The former was established at the beginning of 2018 by Ahmad Jamal Eddine and his son Nazir with capital estimated at 5 million Syrian pounds (11,500 USD). The latter holds 90 percent of its shares. Nazir is also head of A'ayan Company for Projects and Equipment, of which he owns 33.3 percent at a value of 38,000 USD.<sup>86</sup> He is a founding partner in Manazel Project and Equipment LLC, where he holds 90 percent of the shares at a value of 4.5 million Syrian pounds (10,000 USD). Nazir is also Deputy Chairman of the Syrian-Omani Business Council, which was established at the beginning of 2011<sup>87</sup> but has not yet been activated. His business career has been modest, from a medical device and construction material business in Damascus to APEX Arabian Projects and Equipment, specialising in the import, sale and distribution of medical devices. The modest capital of Nazir and Ahmad's companies, like those of Qaddour and Haykal, indicates the existence of a missing link concerning their investments in Marota City.

## Rami Makhoulf

Rami Makhoulf, a nephew of Bashar al-Assad, is the most recent addition to Damascus Cham Holding Company. Makhoulf is the richest and most famous of the regime's businessmen and favourites. He rose quickly with his business and investments during the first ten years of Bashar al-Assad's rule. At the time, his investments were extremely diversified. He took up major projects in the real estate, communications, airline, oil and gas, education and trade sectors. Makhoulf owns the largest share in Cham Holding Company, the second largest holding company in Syria before 2011. He is the president of Syriatel cellular communications company.

In the past few years, Makhoulf has tried to keep his distance from the Syrian media scene, announcing his withdrawal from the business sector and focusing his attention on charity work. Syriatel announced in March 2013 that Makhoulf had given up most of his shares in it, even though he gave them up in the interest of other companies that he owns, like Ramak Development and Humanitarian Projects.<sup>88</sup> It is worth mentioning that most of his institutions and companies are subject to American and European sanctions because of his funding of and support for the regime.<sup>89</sup>

However, Makhoulf's manoeuvres to maintain a distance from the economic scene were incomplete. In 2015, Syriatel and its competitor MTN-Syria secured a new license for 20 years with very favourable conditions for

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<sup>83</sup> Al-Iqtisadi (undated) 'Hayan Qaddour' (in Arabic), <https://goo.gl/pXy4Ps>

<sup>84</sup> Al-Iqtisadi (2017) 'Endorsement of Basic System of Exceed Development and Investment Company' (in Arabic), 22 October, <https://goo.gl/rzE1YQ>

<sup>85</sup> The Syria Report (2018) 'Damascus Cham Holding Signs New Deal with Investors,' 13 February, <https://goo.gl/jmtNYp>

<sup>86</sup> Al-Iqtisadi (undated) 'Muhammad Nazir Jamal Eddine' (in Arabic), <https://goo.gl/ri5pHU>

<sup>87</sup> Dam Press (2011) 'Omani-Syrian Business Council Holds First Founding Meeting' (in Arabic), 9 January, <https://goo.gl/PCQEzU>

<sup>88</sup> The Syria Report (2013) 'Makhoulf Surrenders Syriatel Shares to New Entity Dedicated to Charity,' 11 March, <https://goo.gl/wtKxTR>

<sup>89</sup> The Syria Report (2011) 'US Announces Sanctions on President, Cham Holding,' 19 May, <https://goo.gl/UVWCqb>



each of them.<sup>90</sup> Makhlouf also owns Cham Wings airline, in favour of which the Ministry of Transport recently issued a decision to limit competition.<sup>91</sup> In 2017, he founded City Real Estate Development Private JSC for investment in real estate with capital estimated at 100 million Syrian pounds (222,000 USD). In 2018, he established Noor Microfinance with capital estimated at 2.3 million USD.<sup>92</sup> The Bustan Charity Association, of which Makhlouf owns<sup>93</sup> a 30 percent share, is subject to American sanctions<sup>94</sup> and has an armed militia wing in Syria known as the Bustan Association.<sup>95</sup>

It seems that Rami Makhlouf's pivot at the beginning of the war has not fundamentally altered his position, since he has remained the most influential and regime-connected businessman. Given that he has preserved his major profitable investments and opened up to more business opportunities, he does not seem to be willing to let go of what he had accomplished before the war despite the emergence of a new competitor, Samer Foz. Even though he is not from the ruling family, Foz has had, until very recently, the advantage over Makhlouf of not being included in Western sanctions.

It is not possible to place all of Marota's businessmen under one tent, but they can be categorised according to their various roles, tasks and functions. Unlike Foz and Makhlouf, the other investors in Marota City were not previously known among Syrian businessmen. All of them have been subject to European or American sanctions. Talas, Tarazi and Foz have investments outside Syria, while Jamal Eddine is the only Damascene among all of Marota's businessmen. All of them are Sunni except for Makhlouf. With the exceptions of Makhlouf and Foz, the others have no experience in real estate, which means that they are newcomers to this type of high-cost investment business in a very risky environment. All of them, except Jamal Eddine and Talas, hold larger shares than Damascus Cham. It is unclear how Jamal Eddine, Haykal and Qaddour have funded their projects, especially since their companies' assets and initial capital are modest. With the exception of Talas, it does not seem that any of them are in a hurry to start their projects.<sup>96</sup>

In fact, undertaking projects to construct towers and residential and commercial districts can be unattractive to private sector businessmen unless they are able to sell a large proportion of their plans. Selling or at least guaranteeing buyers are the most important incentives for the private sector to venture into an investment of this size.<sup>97</sup> The investment by the above eight businessmen in an environment that is risky from the political and security points of view, without the existence of real buyers, suggests that these enormous and luxurious tourist and entertainment projects are a means of attracting local and foreign capital.

Realistically, it seems that most of the investors are unable to carry out their contracts with Damascus Cham Holding Company using their own capabilities. The common denominator among these eight businessmen is that they pave the way for what the regime desperately needs: the return of Gulf and foreign investments. Investment in Marota seems, therefore, to be a more political than economic project at present. The obscurity surrounding these men and their lack of background in real estate investment suggest that someone from the regime stands behind them.

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<sup>90</sup> The Syria Report (2015) 'Details on Syriatel and MTN-Syria Licenses Confirmed,' 18 May, <https://goo.gl/tBhigV>

<sup>91</sup> The Syria Report (2018) 'Airlines Licensing Rules to Limit Competition,' 14 September, <https://goo.gl/knDBYg>

<sup>92</sup> Kiyali, M. (2018) 'Plan to seize the savings of the poor: Rami Makhlouf's Nour company' (in Arabic), *Al-Modon*, 27 August, <https://goo.gl/wsPLbQ>

<sup>93</sup> Al-Iqtisadi (2011) 'Bustan Charity Association Studies Plan to Place Rami Makhlouf's Profits in Charitable Works' (in Arabic), 1 September, <https://goo.gl/15RvkK>

<sup>94</sup> Rozana (2017) 'Washington: New Sanctions on Individuals and Entities Connected to Regime' (in Arabic), 17 May, <https://goo.gl/pDBwjD>

<sup>95</sup> Asharq al-Awsat (2015) 'Bustan Association: Armed Militia Acts Under Mask of Charity in Sweida' (in Arabic), 30 May, <https://goo.gl/YTcCw4>

<sup>96</sup> Mahattat Akhbar Souriya (2018), 'Special Government Committee Overcomes Obstacles' (in Arabic), 12 September, <https://goo.gl/9m6ifV>

<sup>97</sup> Interview conducted by the researcher with a Syrian economic expert in December 2018.

## Behind Marota, Real Estate Too

Outside Marota, the economic scene in Damascus does not seem very different. The real estate sector is predominant there as well, and the obscurity surrounding the backgrounds of the businessmen and how they rose in the city development projects is the same outside of them, especially with the undoing by state institutions of agreements in effect in the interest of new investors. Likewise, the activities of selling debris and rubble and removing it from demolished opposition areas constitute valuable opportunities for some businessmen to pursue, despite doubts about their legality.

### Shopping Mall and Hotel Man, Wassim al-Qattan

In January 2019, the businessman Wassim al-Qattan acquired an investment contract in the Yalbagha Complex in the middle of the capital<sup>98</sup> with an annual rent estimated at 1.75 billion Syrian pounds (1.6 million USD).<sup>99</sup> Intersection LLC, which al-Qattan owns, will equip and invest in the building, which is owned by the Ministry of Awqaf.<sup>100</sup> The building, which has been under construction since 1974, will be turned into a tourist commercial complex that includes hotels and restaurants, and also a commercial centre for selling building materials and furniture.<sup>101</sup>

Al-Qattan, a Damascene Sunni, was not well known previously but in the last two years he has become one of the most prominent Damascene investors. Before 2011, he took up an administrative position in Syriatel.<sup>102</sup> It is said that he is now close to Maher al-Assad,<sup>103</sup> the brother of president Bashar al-Assad and the strongest military officer in Syria today.<sup>104</sup> He has also established a group of companies that soon won diversified investment contracts with government agencies. The Muruj Cham Investment and Tourism Group was established in March 2018 and it acquired the Qasioun Mall investment contract in July 2018. Adam Trading and Investment LLC was established in April 2018 and it invested in Massa Plaza Mall in August 2018.

In February 2018, al-Qattan was appointed president of the committee for conducting the business of the Chamber of Commerce of the city of Rural Damascus. Some of his companies are registered with this chamber, even though al-Qattan is from the city of Damascus. He was also appointed Treasurer of the Federation of Syrian Chambers of Commerce.<sup>105</sup> Al-Qattan's name began to appear among Damascus businessmen in July 2017 when he won an auction organised by the Ministry of Internal Commerce to re-invest in Qasioun Mall in exchange for 1.2 billion Syrian pounds (2.7 million USD) in annual rent following a government directive to re-evaluate the rents of all of the properties of the public sector according to prevailing prices.<sup>106</sup> The rent, valued at around 300 million Syrian pounds (666,000 USD), exceeded the ceiling that the ministry had put in place.

In fact, the former shopping centre investor had signed an agreement with the ministry to rent out halls that were used as warehouses by the General Consumption Institutions in order to establish a commercial centre. The facilities built by the tenant would remain the property of the ministry on completion of the contract thirty

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<sup>98</sup> Yalbagha Complex was originally planned to include a cultural centre and an Islamic institute but the Military Construction Establishment was not able to complete it because of technical and financial problems, so it stands unfinished despite the numerous bids by the Ministry of Awqaf to invest in it over recent years.

<sup>99</sup> Al-Modon (2019) 'Yalbagha Complex in Hands of Wassim al-Qattan: Another Dubious Agreement?' (in Arabic), 13 January, <https://goo.gl/ByYUZ6>

<sup>100</sup> The Ministry of Awqaf is one of the wealthiest ministries in Syria as it owns real estate left to it by historical *waqfs*. It aims, like other ministries, to invest in real estate to bring in more financial resources. Interview conducted by the researcher with an economics researcher in January 2019.

<sup>101</sup> Emmar Souriya (2019) 'Average Annual Investment of 1.7 Billion Syrian Lira in Yalbagha Complex Formally with Investment of Wassim al-Qattan' (in Arabic), 10 January, <https://goo.gl/ThbQs6>

<sup>102</sup> Muhannad, H.A. (2018) 'Why Does Assad Follow his Businessmen?' (in Arabic), Al-Modon, 1 March, <https://goo.gl/VcKs1K>

<sup>103</sup> Interview conducted by the researcher with a field activist from Damascus in January 2019.

<sup>104</sup> Al-Salihani, R. (2019) 'Russia Restructures Regime Forces: The Time to Retire Has Come!' (in Arabic), *Al-Modon*, 12 January, <https://goo.gl/3w7nhZ>

<sup>105</sup> Al-Iqtisadi (undated), 'Federation of Syrian Chambers of Commerce' (in Arabic), <https://goo.gl/6yors3>

<sup>106</sup> The Syria Report (2017) 'Government Sees Real Estate as Key Source for Additional Fiscal Revenue,' 26 September, <https://goo.gl/xJBLYY>

years after the signing date. Despite the issuance of a judicial decision to halt implementation, the Ministry of Commerce claimed the centre back.<sup>107</sup> This same mechanism was employed for Massa Plaza Mall in al-Maliki: the Governorate of Damascus handed it to al-Qattan in the absence of a representative from the Hakim Ikhwan company, which had held the previous investment contract.<sup>108</sup>

In June 2018, al-Qattan gained a contract to invest in the al-Jalaa Hotel in Damascus in exchange for 2.25 billion Syrian pounds (5 million USD) a year for 25 years.<sup>109</sup> The project includes the construction of a five-star hotel<sup>110</sup> and will be carried out by al-Qattan's Muruj Cham company within four years of the date of issue of the construction license.<sup>111</sup>

It seems that one of the sources of al-Qattan's wealth is connected to illegitimate commercial activities that took place during the siege of Eastern Ghouta. In October 2017, there was talk of an agreement between al-Qattan and the regime forces worth 10 billion Syrian pounds (22.2 million USD) to bring 5,000 tons of foodstuff into Eastern Ghouta, which was besieged at the time. The tax imposed on each kilogram of food was around 2,000 Syrian pounds (4.4 USD).<sup>112</sup>

### Rubble Removal: Muhammad Hamsho

The removal and sale of rubble and the sorting of debris for recycling are major business opportunities for dozens of contractors. It is so important that violent battles resulting from disputes over debris sometimes break out between militias funded by regime businessmen.<sup>113</sup>

Since the industrial area in Qaboun, Damascus, was recovered by regime forces in mid-2018 it has been set for demolition and development. However, the industrialists of the region have rejected the decision and refused to move their activities to Adra Industrial City. Businessman Muhammad Hamsho visited them carrying a message that they should prepare to depart. He also confirmed that they do not have permission to restore their damaged facilities.<sup>114</sup> Hamsho's demolition workers began knocking down the buildings and removing debris from Qaboun and its industrial zone before Major General Riyadh al-Shalish took over this activity.<sup>115</sup>

Muhammad Hamsho is a businessman who has become prominent in the real estate, communication, art, trade and media sectors since 2000. He is currently Secretary General of the Damascus Chamber of Commerce, Secretary General of the Federation of Syrian Chambers of Commerce and a member of parliament representing Damascus. He has been subject to American sanctions since 2011.<sup>116</sup> He managed to have the European sanctions imposed on him removed at the end of 2014 but they were re-imposed in 2015.<sup>117</sup> In 2017, his Jupiter Investment Company gained two contracts worth 1.4 million USD with the United Nations Development Programme to carry out construction, maintenance and service works.<sup>118</sup> Hamsho is also head of Hamsho International Group, which is under sanctions, and head of the Syrian-Chinese Business Council.

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<sup>107</sup> Alsouria.net (2017) 'Al-Ghurabi Wins in Battle of Qasioun Mall' (in Arabic), 19 June, <https://goo.gl/rAi2n4>

<sup>108</sup> Al-Iqtisadi (2018) 'Wassim al-Qattan Raised Rents of State Property so that Billions of Lira Enter State Coffers' (in Arabic), 23 August, <https://goo.gl/YfcGdn>

<sup>109</sup> Iqtisad – Mal wa A'mal al-Souriyyin (2018) 'Does Wassim al-Qattan Waste or Invest His Wealth?' (in Arabic), 7 June, <https://goo.gl/PQMGS1>

<sup>110</sup> Sahib al-Jalalah (2018) 'Goodbye to al-Jalaa Hotel' (in Arabic), 18 March, <https://goo.gl/RWLsuo>

<sup>111</sup> Al-Iqtisadi (2018) 'Wassim Wins al-Jalaa Hotel' (in Arabic), 19 March, <https://goo.gl/F9utzg>

<sup>112</sup> Al-Munajjid, H. (2017) 'Eastern Ghouta Between the Assad Siege and Taxes' (in Arabic), *Orient*, 16 October, <https://goo.gl/9i8LBx>

<sup>113</sup> Al-Salihani, R. (2016) "'Collection' Disputes Over Plastic and Iron ... Under Auspices of 4th Armoured Division' (in Arabic), *Al-Modon*, 6 November, <https://goo.gl/BS31UP>

<sup>114</sup> Kiyali, M. (2018) 'Muhammad Hamsho: When Maher al-Assad Talks About the Economy' (in Arabic), *Al-Modon*, 3 November, <https://goo.gl/HFzR76>

<sup>115</sup> Al-Salihani, R. (2018) 'When the Regime Used the War to Demolish Qaboun' (in Arabic), *Al-Modon*, 26 October, <https://goo.gl/PK2y7p>

<sup>116</sup> U.S. State Department (2011), 'Treasury Sanctions Prominent Syrian Businessman,' 8 April, <https://goo.gl/HKZ7gJ>

<sup>117</sup> The Syria Report (2015) 'Hamsho, Ayman Jaber Blacklisted Again by the EU', 2 February, <https://goo.gl/NFvC3w>

<sup>118</sup> Foroohar, K. (2017) 'How Assad's Allies Got \$19 Million from the UN,' *Bloomberg Business Week*, 1 August, <https://goo.gl/r2q64J>

Among Syrian businessmen it is said that he manages the investments of Maher al-Assad. Hamsho's partner in his al-Shahba Communications company is Khaled Qaddour, one of Maher al-Assad's economic aides, who has a 33.5 percent share.<sup>119</sup>

In early 2017, an armed militia funded by Hamsho took over an electrical cable factory in the Damascus suburbs which belonged to the businessman Imad Ghreiwati, who was out of the regime's favour. The militia did not withdraw until Samer Foz intervened and quickly bought the factory from Ghreiwati.<sup>120</sup>

Hamsho's most prominent position has been his short presidency of the Syrian Council for Metals and Steel, founded in 2015.<sup>121</sup> The council could own, buy, sell, litigate, foreclose, accept donations and endowments and sign loans,<sup>122</sup> in addition to regulating the sale and purchase price of metals and concrete on the market and protecting the latter.<sup>123</sup> However, the council was abolished in August 2016 without explanation,<sup>124</sup> which may imply the existence of a conflict between competing parties within the Syrian mining sector. The reason for Hamsho's short appointment in this position may also be the fact that he owns Syria Metal Industries company,<sup>125</sup> which receives some of the iron extracted from debris in Qaboun's industrial zone and other development zones under contracts with the economic office of the 4th Armoured Division.<sup>126</sup> The Law on the Removal of Rubble from Damaged Buildings<sup>127</sup> allows contractors and businessmen to enter the rubble business. This has taken place amidst fierce competition supported by militias that exert power on the ground, doubts about the changed status of areas subject to demolition and removal and manipulation of evidence of the ownership of buildings.<sup>128</sup>

Muhammad Hamsho is currently the most prominent Syrian economic figure to address and attract Syrian and foreign businessmen. He has headed the recent Syrian economic delegations to Tehran, Jordan and the United Arab Emirates, where it is believed he played a role in ironing out difficulties facing prospective foreign economic partners in the reconstruction phase.<sup>129</sup> On his most recent visit to Abu Dhabi in the United Arab Emirates, Hamsho was accompanied by a delegation of Syrian businessmen, most notably Wassim al-Qattan.<sup>130</sup> The delegation showcased the experience of Damascus Cham Holding Company in introducing Emirati businessmen to the new Syrian investment and legal climate and motivating them to resume their suspended businesses in Syria or start new investments.

The two examples of al-Qattan and Hamsho, who are not investors in Marota City, show the continuing obscurity surrounding their backgrounds and sources of investment, as in the case of al-Qattan, and the legitimacy of the businesses and their reliance on the war economy, as in the case of Hamsho. Al-Qattan's rapid rise and investment in the most rent-saturated real estate in Damascus – even at the expense of judicial rulings – shows an aggressive form of excessive clientelism. Even if Hamsho represents a continuation of pre-war clientelism, he has moved into a new type of business supported by armed militias and extensive relationships in the rubble trade with regime militias.

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<sup>119</sup> The Syria Report (undated) 'Al-Shahba Communications', <https://goo.gl/xfg8H5>

<sup>120</sup> The Syria Report (2017) 'Influential Investors Pushed to Sell Syrian Assets,' 13 June, <https://goo.gl/1Jz3SE>

<sup>121</sup> Akhbar al-Iqtisad al-Souri (2015) 'Muhammad Hamsho Directs It ... the Syrian Council for Iron and Concrete' (in Arabic), 16 December, <https://goo.gl/njap2o>

<sup>122</sup> Al-Iqtisadi (2015) 'Creation of the Syrian Metals Council' (in Arabic), 17 October, <https://goo.gl/3qpi72>

<sup>123</sup> Yazigi, J. (2015), 'Syria's Economy in Hands of Businessmen' (in Arabic), *al-Arabi al-Jadid*, 28 December, <https://goo.gl/38SzhB>

<sup>124</sup> Sana (2016) 'Council of Ministers Cancels Certain Higher and Special Councils' (in Arabic), 2 August, <https://goo.gl/7HRGFb>

<sup>125</sup> Syria Metal Industries (undated), <https://goo.gl/N8A61N>

<sup>126</sup> Interview conducted by the researcher with a journalist specialising in the economy from Damascus in January 2019.

<sup>127</sup> Presidency of the Council of Ministers (2018) 'Law No. 3 of 2018 on the Removal of Rubble from Damaged Buildings' (in Arabic), 12 February, <https://goo.gl/9ESNqT>

<sup>128</sup> Interview conducted by the researcher with a journalist specialising in the economy from Damascus in January 2019.

<sup>129</sup> Kiyali, M. (2018) 'Muhammad Hamsho: When Maher al-Assad Talks About the Economy' (in Arabic), *Al-Modon*, 3 November, <https://goo.gl/HFzR76>

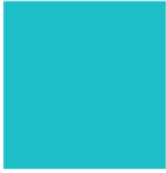
<sup>130</sup> Al-Iqtisadi (2019) '60 Syrian Businessmen in Syrian-Emirati Private Sector Meeting' (in Arabic), 20 December, <https://goo.gl/Tn3FSZ>

## Conclusion

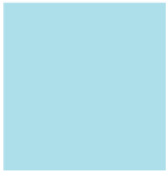
The new businessmen in Damascus may have real economic interests but they represent a form of clientelism in which they enjoy great access to wealth and the most profitable projects, and in which the capacities of state institutions are manipulated in their favour. This clientelism most closely resembles an illegitimate relationship between the public and private sectors, built on cronyism and monopolisation among businessmen and state officials in exchange for a greater or lesser share of the profits.

This type of clientelism in the Syrian economy is based on real estate revenue, today focused primarily on reconstruction projects, as has become apparent in Marota City. Those close to the regime have attractive contracts, although there is doubt as to whether or not they are capable of implementing them. Businessmen with dubious sources of wealth have become the largest investors in the real estate sector, suggesting they might have the dual functions of simultaneously being businessmen and executives managing economic activities on behalf of the regime.

However, the most recent European sanctions on Marota's businessmen and their companies could soon make these new faces disappear from the economic scene, as happened in 2011, because these sanctions would prevent them from performing their function. Therefore, the regime might seek a new group of businessmen from outside the list of individuals sanctioned. In this case, it would be as if the regime had replaced its executives in order to ensure the continuation of work in Marota and elsewhere.



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