

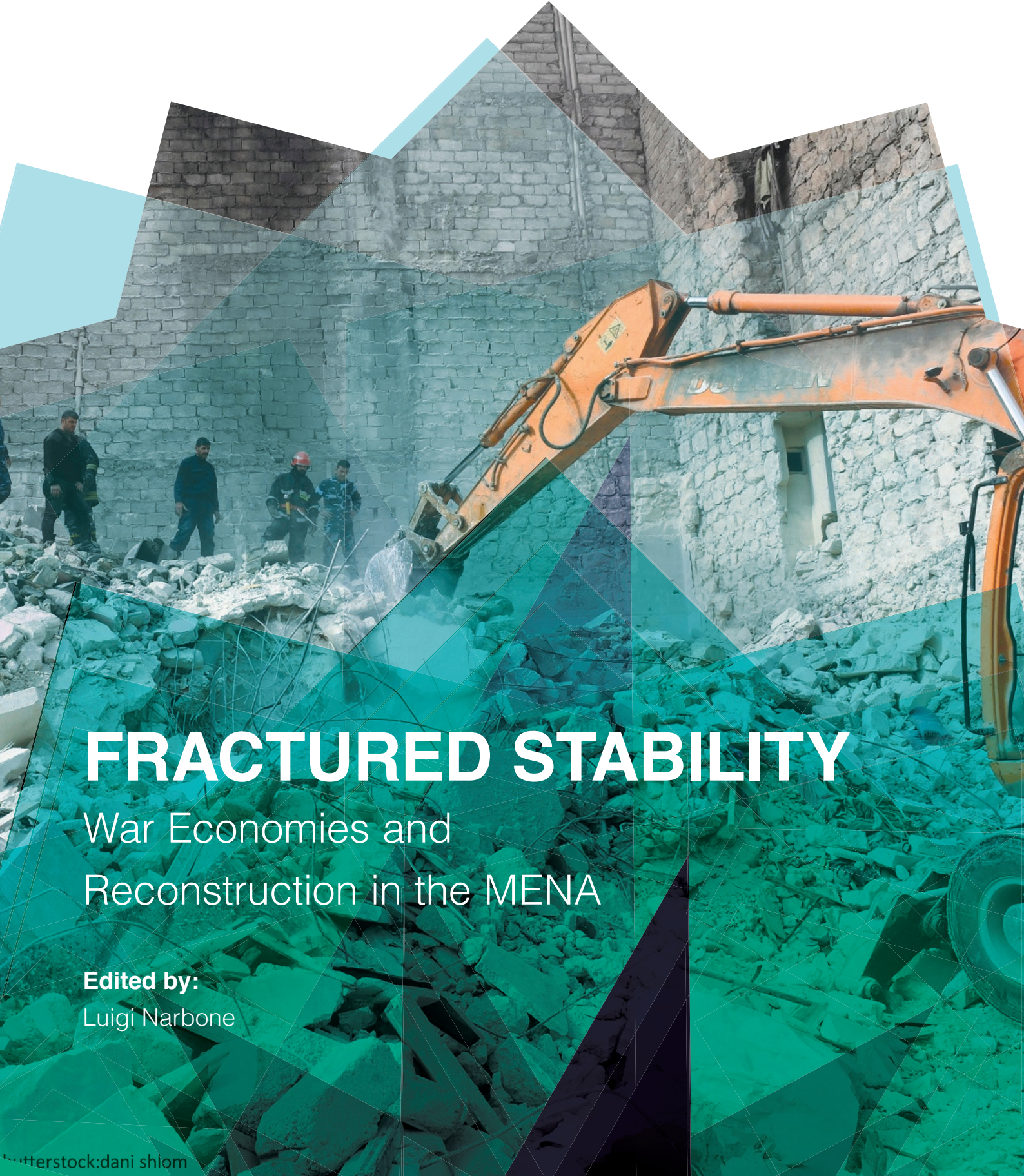


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Middle
East
Directions



FRACTURED STABILITY

War Economies and
Reconstruction in the MENA

Edited by:
Luigi Narbone

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RECONSTRUCTION IN
THE MENA

EDITED BY:

LUIGI NARBONE

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Luigi Narbone

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CONTRIBUTOR BIOGRAPHIES

Luigi Narbone is Director of the Middle East Directions Programme at the Robert Schuman Centre for Advanced Studies at the European University Institute. Previously, he was Ambassador, Head of the European Union Delegation to Saudi Arabia, and non-resident Ambassador to Qatar, Oman, Bahrain, United Arab Emirates and Kuwait. He has held positions in the European External Action Service, as well as the former Directorate General for External Relations; the European Commission Delegations in the Russian Federation, Chile, and Turkey; the United Nations and the United Nations Development Programme. A graduate of the University of Bologna and Johns Hopkins University School of Advanced International Studies, he has been a NATO Fellow, a Fulbright Scholar and visiting professor at the University of Chile in Santiago.

Steven Heydemann is a nonresident senior fellow in the Center for Middle East Policy at the Brookings Institution and the Janet Wright Ketcham '53 Chair of Middle East Studies at Smith College. From 2007–2015 he held a number of leadership positions at the U.S. Institute of Peace in Washington, D.C.. Prior to joining USIP, he was director of the Center for Democracy and Civil Society at Georgetown University and associate professor in the government department. From 1997 to 2001, he was an associate professor in the Department of Political Science at Columbia University. From 1990–97, he directed the Program on International Peace and Security and the Program on the Near and Middle East at the Social Science Research Council in New York.

Achim Wennmann is an expert on economic perspectives on violent conflict, conflict resolution, and peacebuilding. He has a long publication record for scholarly and policy audiences. He is co-founder of Geneva Peace Week and of the Peace Talks Initiative, and he has facilitated several multi-stakeholder processes, including on urban safety and peacebuilding, business and conflict risk mitigation, and the White Paper on Peacebuilding. Currently, Dr. Wennmann is also Executive Coordinator of the Geneva Peacebuilding Platform, a network that connects the critical mass of peacebuilding actors, resources, and expertise in Geneva and worldwide. He

is also Associate Fellow at the International Institute for Strategic Studies in London, and a member of the Expert Network of the Global Initiative against Transnational Organized Crime.

Joseph Daher is a Swiss-Syrian socialist activist, academic, and founder of the blog *Syria Freedom Forever*. Daher completed a Doctorate in Development Studies at SOAS, University of London (2015), and a Doctorate in Political Science at Lausanne University (2018), Switzerland. He currently teaches at Lausanne University and is a part time affiliate professor at the European University Institute, Florence (Italy). He is the author of *Hezbollah: Political Economy of the Party of God* (Pluto Press, 2016).

Anne Hagood is working as a peace and development advisor at UNRCO in Amman. Prior to this, she worked on community reconciliation and stabilization in Iraq for UNDP between January 2015 and December 2017. Her work focused on drafting conflict analysis and providing technical and strategic advice. As a PhD candidate at Kings College, her thesis focuses on De-Ba'athification and sectarian dynamics in Iraq, where she conducted research from January to December 2014 throughout the country. She has published a number of articles related to regional dynamics affecting Iraq and to political development related to post-2003 transition, and to Erbil- Baghdad relations.

Eric Lob is an assistant professor in the Department of Politics and International Relations. His research explores how state and non-state actors in the region instrumentalize development as a soft power mechanism to further their political interests both domestically and internationally. Lob currently teaches courses on comparative politics and international relations of the Middle East and on political violence and revolution. Before joining the faculty at Florida International University, he was a postdoctoral research fellow at Brandeis University's Crown Center for Middle East Studies. Between 2009 and 2011, Lob conducted fieldwork and studied Persian in Iran. He also studied Arabic at Georgetown and Damascus Universities between 2005 and 2007.

Robert Mogielnicki is a resident scholar at the Arab Gulf States Institute in Washington. An expert in the political economy of the Middle East and North Africa,

he previously served as a senior analyst with the Siwa Group and head of public relations and marketing for Oxford Strategic Consulting, a United Kingdom/Gulf Cooperation Council-focused research consultancy. Prior to his consulting career, he worked as a journalist covering political and economic developments in post-revolutionary Egypt and Tunisia. His work and commentary on the region have appeared in *Forbes Middle East* and *Al Jazeera's Inside Story*. Mogielnicki received his PhD from the University of Oxford's Magdalen College, where he conducted research in conjunction with the Oriental Institute and Middle East Centre.

Christina Lin is a California-based academic and consultant specialising in China-Mediterranean/Middle East relations. She has extensive US government experience working on China security issues, including policy planning at the Department of Defense, the National Security Council, and the Department of State, with a focus on China-Middle East/Mediterranean relations. Lin is also a visiting fellow at the Center for Global Peace and Conflict Studies (CGPACS) at the University of California, Irvine. She was Senior Fellow at the Transatlantic Academy and Center for Transatlantic Relations at SAIS-Johns Hopkins University. Specific areas of interest include the Belt and Road Initiatives, security and development nexus in conflict management, and the interplay between regional security architectures.



INTRODUCTION

WHAT DO STABILISATION AND RECONSTRUCTION MEAN FOR WAR- TORN COUNTRIES IN MENA?

Luigi Narbone

A long cycle of conflicts in the Middle East and North Africa started with the 2003 US invasion of Iraq and continued with the civil wars which followed the 2011 Arab uprisings. It still continues unabated after more than 15 years. Indeed, violence – which had lately declined in both Syria and Libya, and officially ended in Iraq with the government's declared victory over ISIS – flared up again in spring 2019. At the time of writing, Haftar's LNA forces continue their assault on Tripoli, while the Syrian regime, backed by Russia, is mounting its pressure on Idlib, as is Turkey on Kurd-controlled areas. In Yemen, the UN-brokered ceasefire has proven short-lived and both war and humanitarian catastrophes continue. Meanwhile, tensions between Iran, the US and Gulf countries have increased to an unprecedented level. Whether we are currently in the final phase of a prolonged conflict cycle or at the beginning of a new, larger and more dramatic war is difficult to say.

What we know for a fact is that the toll in terms of deaths, human suffering and economic destruction in war-torn MENA countries is enormous and keeps rising. The repercussions of MENA conflicts in terms of global security, regional instability, refugee and migrant flows, radicalisation and jihadism, losses in economic growth and development and disruptions in oil production are too important to neglect. Stabilisation and reconstruction remain a priority for all the actors – local, regional and international – which over time have been involved in these conflicts.

Recognising the importance of these issues for the future of the MENA region and the EU, the Middle East Directions Programme held its third annual conference on 'Exiting war economy dynamics: What future for stabilisation and reconstruction in MENA?' (19-20 November 2018). The economic and political factors that influence the war economy dynamics and the political economy of reconstruction and stabilisation were analysed by a select group of international experts from the worlds of academia and practice. Various perspectives and approaches were considered in an intense two-day discussion. One of the overarching conclusions was that the post-conflict realities in MENA will not be easily handled with the traditional toolbox which has been used in other conflicts since the end of the cold war. The situation in MENA calls for a critical re-think of contemporary approaches and for an active search for new modalities of both analysis and intervention.

This eBook includes several important contributions presented at the conference and is addressed to an audience of both academics and policy-makers. It is a continuation of the ongoing MEDirections project on the political economy of the post-2011 MENA region and represents an attempt to reflect on the features of post-conflict stabilisation and reconstruction in MENA. Hopefully, it will provide an opportunity to deepen today's limited debate on this subject.

1. Understanding Stabilisation in MENA Conflict Countries

While in the context of MENA crises and conflict stabilisation appear to have become a guiding principle for the international community, what is exactly meant by stabilising war-torn Syria, Libya, Iraq and Yemen is poorly defined and highly contentious. With the exception of Iraq, these conflicts are not yet over and stabilisation policies are implemented in situations where no comprehensive settlement has been achieved and the root causes are not being addressed. The complexity of MENA conflicts should call for long-term context-specific strategies and actions by all parties. What are needed are the conditions for a sustainable peace and stability in the region that put an end to violence while opening the way to long-term stability and development. However, the challenges

are daunting and the involvement of many players, including Western ones, the EU and its member states, remains limited, often circumscribed to security and counter-terrorism, and with uncertain policies and actions. On many occasions, domestic and external players follow different or sometimes even colliding courses. As a result, UN mediation efforts and other initiatives to bring peace find little traction on the ground, leaving space for spoilers, widening the ambitions of strongmen and fostering confrontation and power projection by regional and international actors. This perpetuates conflict further.

Regional and international players share a limited consensus on the drivers of conflicts and on what needs to be done to resolve them, and even on the desirable end result of stabilisation.¹ For instance, when looking at current MENA conflicts, many, including in the West, see weak states, a proliferation of areas of limited statehood and state failure as both causes and consequences of current conflicts, and also as great sources of threat and instability in MENA and beyond. This view has a long history in contemporary international relations and has informed peace-building action in the post-cold war era. In the 1990s and 2000s

“scholars and practitioners of international security [...] pointed to the growing challenge posed by state failures and weakness in large parts of the world that may require additional international interventions in the guise of ‘liberal imperialism’ to ensure that these states can provide for the human security of their peoples and do not become havens for international terrorists and criminals.”²

States and multilateral institutions were also prompt to deal pre-emptively with ‘countries at risk of instability.’ The discourse on state fragility and state failure, and the policies it inspires, lasts to this day.

In the eyes of many, the contemporary MENA crises and conflicts are consequences of state fragility. Thus, the paramount priority for most players is a rapid res-

1. For an analysis of this dynamic, see Luigi Narbone, ‘[What prospects for stabilisation and reconstruction in the Middle East and North Africa?](#)’ Policy Briefs Middle East Directions 04, 2019, p. 1-5.

2. Andrew Rathmell, ‘*Planning post-conflict reconstruction in Iraq: what can we learn?*’, International Affairs, 2005, 81, p.1013–1038.

toration of effective political authority coupled with strong and enforceable state sovereignty. Little regard is paid to whether the restoration process brings back or reinforces authoritarian rule, exclusionary political systems and more instability in the longer term. One should wonder whether the diagnosis and the therapy are correct in the case of MENA conflicts. As Steven Heydemann laments in his chapter *No Exit: Conflict, Economic Governance and Post-Conflict Reconstruction in Fierce States*, at least in the case of Syria we are dealing not with a fragile state but with a “*fierce state*, in which the ruling elite elevates survival above all else and designs institutions to support the aim” and “governance [...] is managed as an expression of a zero-sum existential struggle in which conflict reinforces the determination of a ruling elite to defend existing institutional arrangements by force.”³

The implication might well be that “conflict termination in fierce states is likely to be a temporary phenomenon [...] and as MENA civil wars have made abundantly clear, it is increasingly difficult to view the impact of such episodes as limited to the countries in which they occur.”⁴ The value and effectiveness of current stabilisation policies in building lasting and sustainable peace might also be questionable.

What does all this mean for both the concept and the policies of stabilisation? As Achim Wellemann argues in his chapter *Reconstructing Syria, Reinventing Peacebuilding?*, there is little prospect that peace-building in the MENA region will follow the model established in dealing with previous post-cold war cases. Building peace in Syria will not be ‘business as usual.’ So-called “liberal peace building – comprehensive programs aimed to achieve order, prosperity and participatory political systems after civil wars – has little prospects for traction.”⁵ The ambition of transforming post-conflict countries – using peace-building to achieve a multiplicity of desirable objectives such as conflict management, security sector reform, democratisation,

3. See also Nazih Ayubi, *Overstating the Arab State: Politics and Society in the Arab World*, New York, I.B. Tauris, 1996 and Steven Heydemann, “*Beyond Fragility: Syria and the Challenges of Reconstruction in Fierce States*,” Washington DC, Brookings Institution, June 2018.

4. Steven Heydemann, “*No Exit: Conflict, Economic Governance, and Post-Conflict Reconstruction in Fierce States*”, in this eBook.

5. Achim Wellemann, *Reconstructing Syria, Reinventing Peacebuilding?*, this volume.

good governance, institution building and economic reforms – has receded in the face of the challenges posed by the conflicts in the MENA region, both in academic and policymaking circles. “After being a popular concept as well as practice in international security [...] liberal peace-building may be on its way to the scrapyard of history.”⁶

There are numerous reasons why liberal peace-building has lost its attractiveness, even among Western promoters. The liberal peace-building experience in post-cold war conflicts “has been more difficult than anticipated [...] fraught with challenges and confronted with a continuing difficulty of understanding local politics and dynamics.”⁷ In addition, “[h]ost states have more frequently resisted liberal interventions and have pressed for mandates that more closely align with the self-interest of authoritarian governments.”⁸ Finally, failures caused by a lack of adequate funding or the paternalistic approaches adopted – together with the loss of international legitimacy caused by doubtful external interventions leading to failed peace-building operations – have also contributed to the downturn.

As the international system moves toward a multipolar order where great powers such as Russia and China play an increasingly important role, the US and the EU – the champions of the comprehensive liberal peace-building approach – have either been withdrawing from the international scene or become entangled in growing confrontation for regional influence. Their narratives and attention have shifted “from ‘peace-building’ to ‘resilience’ or ‘stabilisation,’ thereby emphasising the need for order and control over transformative change of [the] underlying drivers of conflicts.”⁹ As a result, “the US and its Western allies are turning to a blend of stabilisation and counterterrorism through global and regional partners.”¹⁰

On the other hand, more recent conflicts in MENA, such as in Syria and Libya, have been the first since the end of the cold war in which regional and international actors other than Western ones have been active players. It is therefore no surprise that the latter will

want to play a role in shaping post-conflict realities. Russia and China, for instance, follow a declared, interest-based neo-realist approach which values stability above everything else. If anything, in their worldview stability is seen as the necessary pre-condition for future transformation and development in the region. To back this discourse, Russia has gone as far as intervening militarily in Syria, changing the course of the conflict there. As for China, it “sees the Western approach of exporting democracy and sponsoring ‘regime change’ as the disease and the cause of regional disorder, not order, after a string of targeted countries such as Iraq, Libya, Syria and Yemen descended into chaos and created ungoverned space for rising Islamic extremism and terrorism.”¹¹ Inevitably, the alternative cure proposed by the Chinese will be different, “a new narrative of ‘peace with development’ to restore order in MENA.”¹² The main declared objective of China’s offer of the Belt and Road Initiative (BRI) in MENA – in addition to ensuring access to natural resources – is to avoid conflict countries becoming safe havens for terrorists, including Uyghur militants.

At the same time, stabilisation will also provide new players with opportunities to pursue self-interest and to project power and influence in the region. The military situation on the ground and the way MENA conflicts have evolved over time make them different to earlier conflicts in the post-cold war era. The increasing internationalisation of the Syrian conflict is a good case in point. The international community has often proclaimed that there is no military solution to the Syrian conflict. However, it has been the balance of force and military accomplishments which has determined developments on the ground leading to the ensuing authoritarian restorations. The trend also seems to be similar in the other MENA conflicts. There have been no effective political process and no comprehensive settlements so far. Instead, what we have seen repeatedly are low-intensity ethno-sectarian conflicts, regional rivalries, military confrontations and victories which give rise to the reconstitution of authoritarian regimes. When the dust finally settles, what we might have is, in Welleman’s words, some sort of “authoritarian peace.”

6. John Karlsrud, “From Liberal Peacebuilding to Stabilization and Counterterrorism.” *International Peacekeeping* 26(1) 2019, p.2.

7. Ibid.

8. Ibid., p.3.

9. Wennmann, *Reinventing Peace*, op-cit.

10. Karlsrud, *Stabilization to Counter-Terrorism*, op-cit.

11. Christina Lin, “Can China have a regional stabilization role in MENA?”, this volume.

12. Ibid.

2. Implications for Reconstruction

What does *authoritarian peace* imply for the reconstruction process?

In liberal peace-building, reconstruction was intended as a complex multi-level process, encompassing rebuilding houses, roads, electricity grids and other basic infrastructure, and also socio-economic reconstruction, which permits a sustainable return of people and allows exiting a war economy, while at the same time the country deals with the wounds and cleavages created by conflict through transitional justice.

The importance attributed to economic reconstruction is hardly surprising. As Heydemann says, quoting research on the economic impact of MENA wars,

“Violent conflicts in MENA have shattered national economies and caused massive levels of human suffering, triggering sharp reversals of economic and social development. Between 2012-2017, Syria dropped 27 places in the UN’s annual Human Development Index (HDI), while Yemen declined by 20 places and Libya by 26. In the Syrian case, a UN assessment conducted in mid-2013 estimated that ‘[e]ven if the conflict ceased now and GDP grew at an average rate of five per cent each year, it . . . would take the Syrian economy 30 years to return to the economic level of 2010.’ [...] the most significant economic effects of war are caused not by damage to physical infrastructure, but by the corrosive effects of conflict on economic institutions, governance, and the organisation of economic activity. According to a 2017 World Bank study on Syria, the economic impact of conflict on these factors, measured in cumulative GDP losses, is twenty times greater than the effects of conflict on infrastructure.”

Economic rehabilitation and the establishment of appropriate governance conditions are essential to put post-conflict economies on a path of stabilisation and growth.¹³

13. Graciana del Castillo, *Rebuilding War-Torn States: The Challenge of Post-Conflict Economic Reconstruction*. Oxford; New York, Oxford University Press, 2008, p. 27.

In addition to macro-economic rehabilitation – controlling inflation, normalising the exchange rate and improving economic indicators – attention needs to be given to the political economy of the post-conflict environment as it creates winners and losers and has a long-lasting impact on the way the reconstruction process is conceived and implemented, the constraints it encounters and, ultimately, whether it succeeds or fails. Thus, the process of exiting war economies and the struggle that takes place around the economic reform agenda in many post-conflict cases become battlegrounds for the reconstitution of authoritarianism in the war-ravaged countries of the region.

There is a widely-shared view that sees conflicts as a break in existing patterns of economic governance – consisting of cronyism, clientelism, rent-seeking behaviours, and corruption to mention but a few. As a consequence, exiting a war economy is seen as an opportunity for institutional reform and the transformation of political economies. These views do not seem to hold true in the case of MENA conflict countries, As Heydemann points out,

“The very idea of exiting a conflict economy implies that conflicts produce economies that differ from those that existed prior to conflict, and from those it is possible to establish once conflict ends. It rests on the assumption that conflict is a temporary condition that disrupts the otherwise normal functioning of an economy.”

There is a high degree of continuity between pre-war economic governance, war economies and post-conflict economic realities. Economic patterns based on personal relations and exchanges of favours, profiteering, impunity, predation, informality and ample space for unchecked illicit practices persist throughout the war and post-war times. These patterns also contribute to the emergence of new players through the rearrangement of ruling networks and the formation of new coalitions of interests. Old and new networks benefit from the way the system re-distributes wealth and resources and in turn helps those in power to consolidate their control and contribute to the process of reconstitution of authoritarian rule. The reconstruction process includes the use, instrumentalisation and manipulation of dominant economic structures to serve the needs of the regime.

In Heydemann's words, reconstruction

“is a process of ‘reconstructing authoritarianism,’ in which a regime uses pre-war strategies of economic governance to reassert its authority over a post-conflict society, reproducing the economic institutions, norms and practices associated with both pre-war and wartime economic orders.”

Evidently, in this context there is little space for governance reform.

3. The Cases: Syria, Iraq, Lebanon

The cases included in this eBook illustrate these points quite well. Reconstruction is used by the regimes to repay friends and allies, as a method to consolidate the interests of clientelist networks and as a tool to distribute favours to clients and allies, says Joseph Daher in his chapter *Syria: what kind of Reconstruction process?* “Reconstruction is one of the main projects by means of which the regimes and crony capitalists linked to them will consolidate their political and economic power while providing foreign allies with a share of the market to reward them for their assistance.”¹⁴

The Syrian regime has used reconstruction and enacted legal instruments to expropriate property from parts of the population perceived as being close to the opposition, “to efficiently create large rapid development projects that will benefit regime cronies and attract possible foreign funding, while at the same time operating as punishment against populations known for their opposition to the [regime].”

The implications for exiting the war economy and reconstruction are important. In Daher's words,

“The crony capitalist empowered in the war could also impede the possibility of enabling the return of sections of the bourgeoisie to re-invest in the country and therefore to dominate the economy and investment opportunities to create a business environment favourable to reconstruction.

14. Joseph Daher, “*Syria: what kind of Reconstruction process?*”, this volume.

The risk of a failure of the reconstruction plan and more generally of economic development, especially in productive sectors of the economy such as manufacturing and agriculture, will make it much more difficult to end [...] illegal and violent activities...”

Similarly, in the case of Iraq, as illustrated in the chapter *From War Economy to Reconstruction: The Case of Iraq*, Anne Hagood refers to the extensive ethno-sectarian patronage system established after the fall of Saddam Hussein and further perpetuated by the post-ISIS political and economic environments. The winner of these conflicts is not the state but militias:

“These have developed parallel governance and economic structures, filling the vacuum left by state institutions yet operating through a complex web of state mechanisms. [...] This dynamic fosters a political, social and economic cleavage that translates into competition for scarce resources and institutional political representation.”

Under these circumstances, the drivers of Iraq's conflicts, the same ones that gave rise to ISIS in 2014, remain largely unaddressed. They are linked “to the structure of the economy, and consequently account for the lack of reform, the deep-seated corruption, inequalities and ethno-sectarian sharing of resources.” Dominant parties have developed militias and use them to ensure control of territory or resources. Government jobs are used to reward political loyalty; contracts to co-opt the private sector; and ministerial budgets for personal or party gain. Post-ISIS reconstruction efforts, similarly to what happened in the case of post-2003 reconstruction, are embroiled in the distortions and inefficiencies of this system. “With its current political structure and modes of governance, patronage continues to weaken state institutions and enable several actors to perpetuate the war economy.”¹⁵

For the success of reconstruction and to ensure long-term stability, Iraq would need large and sustained domestic and international investment. However, the political and economic conditions present in the country are not conducive to this and post-ISIS reconstruction runs similar risks of failure to post-2003 reconstruction:

15. Anne Hagood, “*From War Economy to Reconstruction*”, this volume.

“The necessity of overhauling the economy and passing legislation that would support a non-oil economy and promote job creation, particularly in the construction and agriculture sectors, calls for a set of political and legal changes that Iraq has to introduce but are, nonetheless, essential to its development...”

Other important issues concern the human factor. MENA civil wars have produced an enormous number of internally displaced persons (IDPs) and refugees. When and how they will be allowed to return, and how their reintegration is handled will determine the direction of the economic reconstruction process. Again, the reality on the ground is not very promising. IDPs encounter similar problems in Iraq. According to Hagood,

“A number of Sunni internally displaced persons (IDPs) have been largely prevented from returning to their areas of origin by PMF groups. The latter deliberately target them and hence contribute to ‘homogenising’ the demography in order to bolster their legitimacy and political and economic grounding. Not only is this becoming a breeding ground for radicalism but it will exacerbate political instability as longer-term displacement exposes those concerned to economic loss, in addition to the longer social stigmatisation that will affect these communities.”

Youth unemployment and a lack of opportunities will also be important factors which, if left unaddressed, will weigh heavily on the future of post-conflict countries, making them breeding grounds for radicalisation and potentially causing future conflicts. Due to the long cycle of wars, for instance, 35% of Iraqis aged 15-24 have not completed primary education. No economic recovery and development will be possible if these profound educational gaps are not bridged.

In Syria, the return of refugees and IDPs is seen by the regime and its allies as mostly a security and political question, with little attention being paid to the broader economic dimensions. This may increase the difficulties of returnees in participating in the prevailing economic structures, thus hampering the return process itself and the stability of the post-conflict environment.

As Lob shows in his chapter *Construction Jihad: Wartime and Post-War Reconstruction and Development in Lebanon*, there is a long tradition in the Middle East of using reconstruction to achieve the political-economic objectives of specific power groups, by using established structures to consolidate power through reconstruction efforts. Following the model of a similar Iranian organisation, since its establishment in 1988 Jihad Al-Bina (JB), or Construction Jihad (Jihad-i Sazandig – JS), has assisted Hezbollah in wartime and post-war reconstruction and development efforts. In addition to infrastructure and housing projects, the organisation has delivered drinking water, established agricultural cooperatives, offered vocational training, organised farmers and handicraft markets and promoted environmental protection. Hezbollah “used JB and other NGO service providers to appeal to constituents and secure electoral votes [...] and represented a conduit through which the party established and expanded its patron-client networks...” Through JB, reconstruction funding and activities helped Hezbollah to consolidate its territorial and social base, building and strengthening the political and religious identity of its members and advancing its military interests. However, as Lob says, one of the shortcomings of the model has been its “disproportionate focus on physical distribution instead of economic sustainability, even though the organisation and its affiliates recognised the need to promote and achieve it.”

To quote one interviewee,

“rather than encourage and train residents to develop entrepreneurial ideas, write business plans, secure private loans and start businesses through personal initiatives, competence, skills and merit, Hezbollah and its affiliates make locals dependent on their employment and services and condition them to continue seeking hand-outs by maintaining the proper connections and working the system to their advantage.”

The examples provided by the above cases cast doubts about the reconstruction process in MENA conflict countries and its capacity to return these countries onto a path of sustainable growth, allowing the rebuilding of physical infrastructure and the creation of jobs and opportunities for the young. If the political economic dynamics which are emerging in the framework of authoritarian peace risk undermining the reconstruction process in MENA, they are also unlikely to address the

root causes of the ongoing conflict cycle. If anything, what we are seeing on the ground risks making these root causes even more intractable and prone to generating new conflicts.

Socio-economic issues played a crucial role in triggering the Arab uprising and the subsequent civil strife. Amongst them are the unequal distribution of rents from natural resources, the neglect and marginalisation of less productive and peripheral regions, the cleavage between rural and urban areas, unemployment, poverty and growing inequality. Addressing them would require political vision, appropriate policies and productive investments, leading to inclusive and sustainable development and to a conducive business environment. In the framework of authoritarian peace described above, not only is the success of reconstruction doubtful but also the possibility of conceiving and implementing long-term development visions that are necessary for the future of these countries appears difficult, such as the diversification of the economies away from hydrocarbon dependence and their upgrading in the global value chain. With scarce prospects for economic improvement, the resources for reconstruction will be more difficult to obtain.

The role of external players

The availability of resources and the willingness of external actors to get more involved in the region will also be important factors in determining the future of reconstruction in the region. After years of multiple conflicts and competing priorities in the international arena, reconstruction fatigue is widespread among international donors and public funding for assistance is in short supply. Because of the way MENA conflicts have evolved and the ongoing changes in the international order, new realist approaches are prevailing in handling post-conflict aid and peace-building activities.¹⁶ Foreign involvement in reconstruction efforts is likely to be shaped by short-term political or tactical interests and economic considerations, both at the international and regional levels.

Geo-politics, geo-economics and the straightforward search for immediate economic gains are important elements in MENA conflicts. Post-conflict dynamics “are shaping ‘facts on the ground,’” as Wennmann says concerning Syria. Russia and Iran have been directly involved and are key factors determining the fate of the

16. Narbone, *Prospects for Stabilization*, op-cit..

Syrian conflict. These two countries will also be major players in Syria’s reconstruction:

“Russian and Iranian actors are said to aim at securing a foothold in economic and reconstruction opportunities in efforts also portrayed as ‘pay-back’ for support during the war. They benefit from a ‘first-mover’ advantage to access some of the most profitable opportunities exploiting the weakness of the regime and the limits of European and US entities to become more systematically involved due to the sanctions regime.”

Through credit and investment, Iran has taken a leading role in Syria’s trade relations during the war, and its companies have been awarded contracts by the Syrian government to restore and reconstruct the electricity supply infrastructure. Similarly, Russia has concluded deals for an estimated \$850m in heavy machinery, electric power plants and sales of wheat and cereal. The availability of funds to implement these agreements remains uncertain.¹⁷

China is a rising extra-regional power in MENA and, although it has had no direct military involvement in the conflicts, it has an interest in shaping the post-war future. As Lin says,

“China’s core interests are sovereignty, territorial integrity, continued economic development and the survival of the Communist Party, and these interests are supported by MENA via the provision of energy resources, consumer markets and advanced technology, especially from Israel, for China’s economic development. The region is a hub for market access in Africa and the EU, which is China’s largest export market and provides more than half of China’s crude imports. With the presence of ISIS, Al Qaeda affiliates and thousands of Chinese Uyghur jihadists in Syria and the Eastern Mediterranean, MENA also becomes a forward front to counter terrorism and separatism in Xinjiang – the bridgehead of the BRI. China is adopting a more robust diplomatic and security posture,

17. Joseph Daher, *The political economic context of Syria’s reconstruction: a prospective in light of a legacy of unequal development*, Middle East Directions: Wartime and Post-Conflict in Syria, 2018/05.

and proactively supporting the “peace with development” narrative to mitigate this risk and restore regional order.”

However, China is also economically benefiting from wars and reconstruction in the short term. Imports of Chinese goods have grown, often replacing imports from countries following the sanctions regime, and China is well-placed to obtain reconstruction contracts, thus strengthening its geo-political and geo-economic roles.

Finally, regional powers have used these conflicts to promote geo-political and geo-economic interests. Because of the regional dynamics at play, they see reconstruction as a source of economic profit and an arena for rivalry, the projection of influence and hegemony.

In this context, Free Trade Zones (FTZs) bordering with conflict areas like the ones established by Saudi Arabia can be utilised as vehicles to accomplish post-conflict objectives. As Robert Mogielnicki says in his chapter *Saudi Free Trade Zones: Conflict resolution and reconstruction in Yemen and Iraq*, they have been set up as multi-actor multi-purpose efforts involving collaboration between governments, local businesses, multinational firms, international investors and development banks to assist in stabilisation, reconstruction and post-conflict development in the MENA region. Saudi Arabia is obviously concerned about the political, economic and security dynamics in post-conflict Iraq and Yemen, and FTZs in Saudi eyes provide an opportunity to explore alternative means to help generate an influx of investment and “navigate the new economic realities in the region.” In the case of Yemen, for instance,

“[Saudi] government communications specifically mention ‘reconstruction’ and ‘restoration of legitimacy’ as objectives behind the reinvigorated FTZ initiative [...] FTZs could facilitate the movement of a ‘million tons of cement, rebar, wood and other infrastructure materials.’”

They could also be instruments to re-start trade and private investment. However, economic motives are mixed with political ones. In the case of the FTZ on the border with Iraq, “geopolitical rivalries, regional competition from within the GCC and border politics remain important factors behind Saudi plans for FTZ

developments on its northern border.” Iran has opened a FTZ at the Slalamcheh border crossing near Basra, and lifted visa requirements for Iraqi shoppers. “Saudi efforts to create commercial hubs on its border with Iraq can be viewed as a means of countering Iranian economic influence in Iraqi markets.”¹⁸

What emerges is therefore a limited prospect of a positive impact of FTZs in helping to address the post-conflict needs of Yemen and Iraq. “The predominantly public-sector nature of FTZs in Saudi Arabia – and indeed the Gulf region more broadly – incentivises the government to employ FTZs to accomplish domestic and foreign policy objectives that do not necessarily align with reconciliation and reconstruction efforts.” “Exogenous factors and shocks to regional and domestic institutions can disrupt FTZ development and associated activities – thus complicating the ability of these initiatives to meet long-term post-conflict targets.”

The dynamics described above make the prospects for the reconstruction of war-torn MENA countries uncertain. The situation on the ground and the current regional and international context render it unlikely that external players will commit to long-term local and regional political processes, or to the type of granular action that might be required to tackle the myriad needs. It is hard to imagine that the situation will change in any near future. Large public funding or effective regional or international initiatives to support reconciliation or institution-building programmes, and to support sustainable stabilisation and reconstruction, are unlikely.

Against this backdrop, the most likely scenario is a region marked by low-intensity conflicts in a sort of no-war no-peace situation. This will demand new more realistic approaches to address the challenges of building peace and reconstructing the region on the part of the international community and the EU. The Conclusion of this eBook will try to look more closely at the challenges and opportunities they will encounter in their actions.

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18. Robert Mogielnicki, “*Saudi Free Trade Zones: Conflict resolution and reconstruction in Yemen and Iraq*”, this volume.

4. The Structure of the eBook

This eBook is grounded on the belief that there is limited understanding of the current developments and dynamics emerging from MENA conflicts and their implications for policies designed to respond to the challenges they pose for the stability of the region and beyond. It is an attempt to frame and analyse the post-conflict context and provide some lenses for interpretation and policy action.

The eBook is divided in three sections. Section One provides a conceptual framework which helps re-conceptualise stabilisation and reconstruction in war-torn conflict countries and to view the current status quo through different lenses. They challenge the prevailing narratives in the peace-building and reconstruction discourse and establish a basis for a re-visiting of policy responses to exiting war economies and bringing stability back to post-conflict countries.

Section Two includes three case studies in which the specific economic, political and social conditions influencing war economy dynamics and post-conflict reconstruction processes are analysed. They show varying MENA experiences and highlight that post-war reconstruction processes can be hijacked and co-opted to further consolidate regime rule, together with ways in which external powers can influence domestic reconstruction processes.

Section Three draws from two alternative cases of both regional and external powers attempting to influence the region through business deals and trade, thus showing the importance of the role of geo-economics and geo-politics in shaping the reconstruction process and the future of the region.

In Chapter Two, Steven Heydemann, argues that the ongoing civil wars in Libya, Syria and Yemen challenge key assumptions and raise important questions about what it means to exit conflict economies. He takes the case of Syria and analyses the mechanisms through which the authoritarian regime consolidates its rule in the post-conflict environment, setting new standards of exploitation and self-preservation. The experiences of Syria show that, contrary to what is widely believed, the political and economic logics at play are not those typical of fragile states but rather of fierce states, which put their survival above all other things. Considering this, Heydemann believes that the current fragility-

based peace-building approaches of the West are necessarily flawed. He calls for new research and innovative approaches to reconstruction to help western policy-makers to find alternative post-conflict treatments.

In Chapter Three, looking at the case of Syria Achim Wennmann states that traditional international reconstruction support risks contributing to authoritarian stabilisation. Furthermore, the current emphasis on stabilisation and counter-terrorism and the reality of the military forces and power-based politics on the ground substantially reduce the possibility of using the traditional liberal peace-building approaches. However, building peace remains important and should be re-conceptualised and adapted to the situation so that it can meet more realistic objectives. In view of the MENA conflict constraints, peace-building should use a versatile toolbox to aid exiting war economies. Wennmann proposes a few ways in which Western states can upgrade their peace-building software.

In Chapter Four, Joseph Daher analyses the Syrian case, looking more closely at the local dynamics in the reconstruction process. The nature of the regime as it emerges from eight years of civil war and its resilience are based on dependence on foreign actors, resulting in a loss of some of its authority. Daher laments that “crony capitalists and militias have considerably increased their power,” suggesting that the reconstruction process will focus on consolidating and strengthening the patrimonial and despotic nature of the regime.

In Chapter Five, Hagood shifts the focus to Iraq and how post-conflict reconstruction processes are informed by identity politics and patronage networks. The pervasiveness of clientelism and the fact that control of state resources is in the hands of ethno-sectarian elite members remain serious impediments to moving forward. Hagood intricately expands on the ways clientelist and patronage networks make it difficult to undertake the economic and legislative changes needed for reconstruction and economic diversification and development.

In Chapter Six, Eric Lob looks at the influence of the Iranian government on reconstruction in Lebanon since the 1980s through an organisation called Construction Jihad (JS), which is deeply inspired by a similar Iranian organisation that helped the Iranian regime in the phase of consolidation of its power. Eric Lob’s analysis expands on the ways JS infiltrated the Lebanese Shia political landscape and maximised its

influence. He emphasises the role of JB and the reconstruction process in consolidating Hezbollah's power and promoting its military mission.

Mogielnicki's Chapter Seven focuses on Saudi Arabia's use of free trade zones for both economic purposes and promoting regional geopolitical interests. Mogielnicki raises crucial questions concerning whether or not FTZs can replace international political commitments to assist in stabilisation and reconstruction while remaining conscious of the ways in which the public and private sector intersect and clash. Through the example of Saudi Arabia's FTZ near Yemen and Iraq, we are provided with crucial insights into how the early stages of FTZ projects can be instrumentalised by policymakers to aid reconstruction in conflict territories.

Lastly, Lin's chapter eight tackles the ways in which China perceives and narrates its actual and potential roles in the MENA region. China criticises Western narratives on the region and the past failures of US democracy-promotion policies. Through the Belt and Road Initiative, China promotes its foreign policy and economic interests in the region based on a 'peace with development' narrative and a focus on a stabilisation which aims at restoring order through regional development and connectivity. Countering the zero-sum views which see Chinese and Western approaches to the region as essentially in competition, Lin also attempts to identify possible areas of convergence between Western peace-building action and China's approach which could benefit the long-term stabilisation of the region.



SECTION 1:

SHIFTING THE TERMS OF
THE DISCUSSION

NO EXIT: CONFLICT, ECONOMIC GOVERNANCE, AND POST-CONFLICT RECONSTRUCTION IN FIERCE STATES

Steven Heydemann

Ongoing civil wars in Libya, Syria, and Yemen challenge key assumptions that guide research and practice on conflict economics and post-conflict reconstruction. They raise important questions about what it means to exit conflict economies, and whether fragility-based frameworks that define conflict as a product of state weakness and poor governance offer appropriate starting points for understanding either the political economy of conflict or the dynamics of post-conflict reconstruction in cases such as Libya, Syria and Yemen. Conflict experiences in the Middle East and North Africa (MENA) point to shortcomings in the underlying logics of scholars and practitioners who view conflict as disrupting existing patterns of economic governance and creating opportunities for institutional reform and the transformation of conflict-based political economies, especially in the authoritarian cases that continue to dominate the political landscape of the Middle East.

Ultimately, the experiences of violent conflict in the Middle East highlight the need to fundamentally rethink strategies of post-conflict reconstruction to address the political and economic logics of states that are not fragile but *fierce*. To advance these claims, this paper will first review current approaches to post-conflict reconstruction, then draw on evidence primarily from Syria's conflict to critique these approaches, show that conflict-based economic institutions, norms and practices exhibit high levels of continuity with those that defined pre-conflict political economies, and illustrate how this continuity shapes logics of post-conflict reconstruction in fierce states.

Exiting Conflict Economies: Fragility and Post-Conflict Reconstruction

The very idea of exiting a conflict economy implies that conflicts produce economies that differ from those that existed prior to conflict, and from those it is possible to establish once conflict ends. It rests on the assumption that conflict is a temporary condition that disrupts the otherwise normal functioning of an economy. It thus defines the restoration of economic normalcy as both a marker of and a necessary prerequisite for the successful transition from war to peace. An economy is seen as having successfully exited conflict, in other words, once two distinct conditions are met. First, when economic indicators show signs of recovery toward pre-conflict levels. Second, when economic activity is no longer organised around and influenced by the exceptional conditions associated with large scale violence. We know reconstruction is working when “the main features of an economy no longer stem from the war but from the normal conditions of the economy.”¹

In some respects, these benchmarks are an appropriate means for assessing post-conflict economic recovery. Inter-state and intra-state conflicts in the Middle East and North Africa (MENA) region have been among the most destructive in the world (see Table 1). Violent conflicts in MENA have shattered national economies and caused massive levels of human suffering, triggering sharp reversals of economic and social development. Between 2012 and 2017, Syria dropped 27 places in the UN's annual Human Development Index (HDI), while Yemen declined by 20 places and Libya by 26 (see Table 2).² In the Syrian case, a UN assessment conducted in mid-2013 estimated that “[e]ven if the conflict ceased now and GDP grew at an average rate of five per cent each year, it . . . would take the Syrian economy 30 years to return to the economic level of

1. Graham Brown, Arnim Langer, and Frances Stewart, “[A Typology of Post-Conflict Environments](#)” CRPD Working Paper No. 1, Centre for Research on Peace and Development, University of Leuven (September 2011), p. 7.
2. UNDP Human Development Reports, “[Human Development Data 1990-2017](#)”.

2010.”³ More than five years later, the conflict continues and its economic and social effects have deepened.

Under these conditions, the process of repairing damaged infrastructure, restoring power grids, ensuring public access to health care and education, and revitalising labour markets by encouraging the resumption of manufacturing, investment, agriculture, and trade all constitute important markers of a return to economic normalcy. Yet these developments, while welcome, tell only one part of the reconstruction story, and may in fact be only secondary indicators that an economy is recovering from conflict. Recent research has focused attention on the economic and political sociology of conflict, and the impact of violence on what the sociologist Neil Fligstein has called “the architecture of markets.”⁴

This research finds that the most significant economic effects of war are caused not by damage to physical infrastructure, but by the corrosive effects of conflict on economic institutions, governance, and the organisation of economic activity. According to a 2017 World Bank study on Syria, the economic impact of conflict on these factors, measured in cumulative GDP losses, is twenty times greater than the effects of conflict on infrastructure. The study finds that:

“disruptions to the economic system have had a far more significant impact than physical damage, and the longer the war continues the more severe will be its consequences, making recovery ever harder. . . . These disruptions reduce the incentive to engage in productive activities, and interrupt economic networks and supply chains.”⁵

Citing this study, economists at the International Monetary Fund (IMF) went on to elaborate the causal mechanisms through which conflict damages institutions, networks, governance, and the organisation of economic activity. “The deterioration in economic governance,” they write, “has been particularly acute

3. UN Relief and Works Agency, Department of Microfinance, *Socioeconomic and Damage Assessment Report: UNRWA Microfinance Clients in Syria (Report of the Situation in June 2013)*, Brussels, March 2014.
4. Neil Fligstein, *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies* Princeton, Princeton University Press, 2002.
5. World Bank, *The Toll of War: Economic and Social Impact Analysis (ESIA) of the Conflict in Syria – Key Facts*, Washington DC, The World Bank, July 2019 2017.

where institutional quality was already poor before the outbreak of violence, as was the case in Iraq, Libya, Syria, and Yemen.” They point to specific effects of conflict, including “reduced connectivity, higher transportation costs, and disruptions in supply chains and networks.” In addition, they note that:

“[i]nstitutions can also become corrupt as the warring parties try to exert control over political and economic activity. Fiscal spending and credit, for example, might be redirected to the constituencies of those in power. More broadly, many critical economic institutions – central banks, ministries of finance, tax authorities, and commercial courts – have seen their effectiveness diminish because they have lost touch with the more remote parts of their countries.”⁶

Such practices are certainly evident in conflict-affected states in the MENA region. Beyond their impact on economic infrastructure, or on social and economic development, MENA’s conflicts have altered the configuration of political economies and reshaped social structures. They have brought about dramatic changes in both the distribution of power, wealth and opportunity, and of inequality, poverty and exclusion. Among its other effects, war has reorganised local ecologies of rent-seeking and corruption. The conflicts in Libya, Yemen and Syria have produced new conflict-based networks of economic privilege, marginalising some elements among the pre-war economic elite and elevating new networks of wartime profiteers, even while they cast large segments of society into conditions of intense economic precarity.⁷

6. Phil de Imus, Gaëlle Pierre, and Björn Rother, “*The Cost of Conflict*”, *Finance & Development* 54:4, December 2017. See <https://www.imf.org/external/pubs/ft/fandd/2017/12/imus.htm#author>.
7. Samer Abboud, “*Syria’s Business Elite: Between Political Alignment and Hedging Their Bets*”, *SWP Comments* 22, Berlin: Stiftung Wissenschaft und Politik, August 2013; Wolfram Lacher, “*Libya’s Local Elites and the Politics of Alliance Building*”, *Mediterranean Politics* 21:1, 2016, p. 64-85.

The Social Architecture of Markets in Conflict-Affected States

Donor institutions such as the World Bank and the IMF are critical pillars in the global architecture of post-conflict reconstruction. For them, highlighting the political and economic sociology of conflict, its effects on economic governance, and on the social organisation of political economies is both important and welcome. It adds crucial dimensions to our understanding of the economic effects of war. By implication, however, it also changes our thinking about processes of post-conflict reconstruction and what it means to exit a conflict economy.

When these factors are taken into account, the effects of conflict become far more pervasive than we might otherwise perceive. Conflict not only leaves death and destruction in its wake; it corrupts and weakens frameworks of economic governance. It reorganises the social structures and the economic networks, through which important shares of economic activity take place. To be sure, among states that are defined as fragile and seen as the most vulnerable to conflict, poor governance is acknowledged to be a prior condition that contributes to the onset of violence. Yet conflict is nonetheless seen as itself being a cause of corrupt, predatory, exclusionary practices that are characterised as distinctive of conflict-based economies. Competition among warring parties corrupts economic institutions. It leads to politically motivated patterns of public spending and causes the politicisation and decay of formal frameworks of economic regulation and oversight. It alters coalitions of winners and losers. These and other dysfunctional economic practices or outcomes are all defined as the effects of wartime conditions – as consequences of conflicts that upend or destroy pre-war economic institutions.

In this view, exiting conflict economies and restoring economic normalcy require more than rebuilding infrastructure or improving employment.⁸ They also involve strengthening economic governance by

8. On evolving conceptions of post-conflict normalcy see Graham K. Brown and Arnim Langer, “Conflict, Post-Conflict and State Fragility, Conceptual and Methodological Issues”, in Elgar Handbook of Civil War and Fragile States, Graham K. Brown and Arnim Langer, eds., U.K., Edward Elgar Publishing, 2012, p. 13-14.

restoring the reach of legal and regulatory institutions, improving the rule of law, and renewing citizen trust in markets. Indeed, as the Bank’s 2017 report notes, “recovery and reconstruction are by no means an engineering issue; our results show that the issue is primarily an economic and social one, where the incentives of Syrian citizens are at the core.”⁹ In the absence of a comprehensive approach to reconstruction that addresses these issues, the Bank warns, the likely outcome is the persistence of economic practices that contributed to the onset of conflict in the first place.

This focus on conflict as a cause of corrupt, predatory economic norms and practices, and on improvements in economic governance as indicators that a country has overcome wartime conditions has important implications. In stressing these factors, donor institutions have embraced a view that is widely held within conflict and development studies that exiting conflict economies requires nothing less than the fully-fledged transformation of economic institutions, norms, and practices. Restoring economic normalcy thus requires far more than turning “post-conflict countries into functioning states that can offer their citizens basic public services.”¹⁰ Rather, the aim of reconstruction is to overcome the conditions associated with fragility. Its goal, therefore, is to put in place institutions, norms, and practices that address the economic and social causes of violence and provide a basis for effective governance and sustainable peace – in other words, inclusive, equitable, participatory and accountable frameworks of economic governance broadly consistent with those of a developmental state.¹¹

Such aims are clearly aspirational. They are recognised as such by scholars and practitioners in the fields of

9. *Toll of War*, op. cit., p. ix. *Emphasis mine.*

10. Desha Girod, *Explaining Post-Conflict Reconstruction*, New York, Oxford University Press, 2015, p. 1.

11. There is an extensive literature on the political dimensions of reconstruction that addresses issues beyond the scope of this paper, including the kinds of post-conflict political settlements that are most likely to sustain peace. Economic governance is integral to such settlements, especially in the relationship between economic and political inclusion, fairness, and equity. See Charles T. Call, *Why Peace Fails: The Causes and Prevention of Civil War Recurrence*, Washington DC, Georgetown University Press, 2012.

conflict, development, and peacebuilding.¹² Why then is it plausible to imagine that they might nonetheless be achievable? Ironically, perhaps, because the conflicts that are viewed as causing economic dysfunction, corruption, and predation are also seen as creating the conditions for post-conflict institutional transformation! In weakening or destroying pre-war frameworks of economic governance, conflict is believed to create opportunities to remake economic institutions along more effective, inclusive lines. This view of conflict has a long pedigree. It underlies the logic of Mancur Olson's 1982 study, *The Rise and Decline of Nations*, in which he argues that war can have the effect of weakening the distributive coalitions and "encrusted interests" that distort economic outcomes and contribute to economic decline.¹³

The role of conflict in removing vested interests, clarifying the causes of crisis, and stripping away entrenched obstacles to change is viewed as important not only because it creates possibilities for institutional transformation. It also creates new constituencies for change, opening up space for previously marginal social groups to shape more inclusive political settlements, or new social contracts, capable of providing more effective economic governance. Among its other effects, therefore, conflict is believed to erode the popular legitimacy of pre-war institutions and, occasionally, of the pre-war political elite. It is seen as creating a local demand for institutional reform among conflict-affected populations that perceive pre-war economic and political dysfunction and corruption as causes of mass violence, and view institutional reform

as a necessary condition for exiting conflict.¹⁴

Taken together, these understandings of the pathways through which countries exit conflict economies generate a clear causal chain anchored in five principal assumptions:

1. state fragility increases the likelihood of violent conflict;
2. violent conflict weakens or destroys dysfunctional pre-war institutions of economic governance;
3. the destruction of pre-war institutions opens up space for post-conflict reconstruction to transform war-torn societies, reform economic governance, and mitigate the conditions associated with fragility that could lead to a recurrence of violence;
4. because violent conflict is so profoundly destructive, it creates or empowers local constituencies favouring institutional reform; and
5. exiting conflict economies thus requires processes of institutional reform to create legitimate, effective, inclusive and accountable frameworks of economic governance, in the form of inclusive political settlements or new social contracts.

Over time, these assumptions have generated what can best be characterised as a standard treatment for post-conflict reconstruction programmes – generalised 'best practices' that have become core components

12. For example, economist Graciana del Castillo argues that post-conflict reconstruction often fails because "the standards imposed by the international community . . . have been too high and unrealistic. Indeed, donors have pushed these countries to become a mirror image of them. As if war had no consequences, donors have made 'democracy' and 'markets' the guiding principles to build the new societies." Graciano del Castillo, "Economic Reconstruction and Reforms in Post-Conflict Countries", CRPD Working Paper No. 25, Leuven: Centre for Research on Peace and Development, 2015, p. 3.

13. Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*, New Haven, Yale University Press, 1982.

14. See Sarah Cliff and Nick Manning, "Building Institutions After Conflict: The International Peace Academy's State-Building Project", Washington DC, The World Bank, 2006; UN Department of Economic and Social Affairs (DESA), "Governance Strategies for Post Conflict Reconstruction, Sustainable Peace and Development", UN DESA Discussion Paper - GPAB/REGOPA Cluster*, New York: United Nations, 2007; and Jane Stromseth, "Strengthening Demand for the Rule of Law in Post-Conflict Societies", *Minnesota Journal of International Law*, 18:2, 2009, p. 415-424.

of a reconstruction ‘tool kit.’¹⁵ Not surprisingly given the assumptions underlying what has become a form of reconstruction orthodoxy, the standard treatment of post-conflict practitioners focuses on processes of institutional reform that will increase the chances that conflict-based political and economic orders will give way to inclusive, participatory social contracts in which effective economic governance is a central component.¹⁶ These processes often include targeted, context-specific combinations of constitutional reform, electoral system reform, justice and security sector reform, and the reform of economic governance. They also frequently include interventions aimed at strengthening participatory mechanisms both within society (through various strategies of reconciliation, social repair, and transitional justice), and between society and the state.

To characterise dominant understandings of post-conflict reconstruction as a form of orthodoxy that favours and enables specific strategies of post-conflict intervention should not be misread as implying that either is intrinsically wrong. Causal links between the conditions associated with fragility and conflict are well documented and robust.¹⁷ The developmental benefits of institutional frameworks associated with inclusive social contracts are also supported by strong empirical evidence. Nor should the description of certain approaches to post-conflict reconstruction as a standard treatment be read as implying that the reforms associated with it are linear, automatic, irreversible, or inevitably successful. Research and practitioner literatures on post-conflict reconstruction reflect a keen awareness of the precariousness of reform processes and the many obstacles they confront.¹⁸

15. The standard treatment is exemplified in the post-conflict reconstruction strategies set out by the [United Nations Peacebuilding Fund](#), established in 2006. For an alternative view, see Steven Heydemann, “*Beyond Fragility: Syria and the Challenges of Reconstruction in Fierce States*”, Washington DC, Brookings Institution, June 2018.

16. The World Bank, *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*, Washington DC, IBRD The World Bank, 2018.

17. Robert H. Bates, “*State Failure*”, *Annual Review of Political Science* 11, 2008, p. 1-14.

18. Arnim Langer and Graham K. Brown, eds., *Building Sustainable Peace: Timing and Sequencing of Post-Conflict Reconstruction and Peacebuilding*, New York, Oxford University Press, 2016.

No Exit? Economic Governance and Post-conflict Reconstruction in Fierce States

“*In the new Syrian reality, looting may as well be the new social contract.*”¹⁹

Specialists in conflict economics, fragile states, civil war, development, and peacebuilding acknowledge the challenges associated with exiting conflict economies. Nonetheless, the ways these challenges are framed and understood flow from the underlying assumptions of reconstruction orthodoxy about how conflict affects pre-war patterns of economic governance. Civil wars in particular are seen as moments of rupture in which pre-war institutions, norms, and practices give way to distinct wartime economic orders – frameworks of economic governance that reflect the impact of conflict on economic behaviour. The disruption of pre-war political economies is now seen as a principal cause of the negative economic effects associated with violent conflict – some twenty times more destructive in the Syrian case than losses to physical infrastructure alone. Disentangling economic activity from the grip of wartime economic orders thus emerges as a critical step in the transition to economic normalcy.

Civil wars in the Middle East, however, exhibit characteristics that call reconstruction orthodoxy itself into question. Conflicts in these cases have followed trajectories that challenge its causal claims about the effects of conflict on economic governance. They thus subvert the subsequent claims about the role of conflict in creating opportunities for and constituencies in support of post-conflict processes of institutional reform. Instead, what the examples of Syria, Yemen, and Libya demonstrate is that conflict does not cause the breakdown of pre-war frameworks of economic governance. Rather, conflict-based wartime economic orders in all three cases exhibit high levels of continuity with pre-war frameworks. In all three, the pre-war political economies exhibited attributes that are typically presented in the literature as the effects of violent conflict, including predatory, corrupt, exclu-

19. Rafia Salameh, “*The Looting Years*”, *al-Jumhuriya*, 18 October, 2018.

sionary norms and practices, and elite capture of state institutions. The norms and practices that organised economic activity in the pre-war political economies of all three of these cases continued to do so as they broke down into violent conflict. As the case of Syria shows, moreover – the only one of the three to have undertaken reconstruction at the time of writing – continuity also characterises the post-conflict processes through which the Syrian regime is pursuing the restoration of its own authoritarian vision of normalcy.

The path-dependent character of wartime economic orders is not unique to the MENA region. Emerging research programmes have begun to trace the legacy effects of pre-war conditions on wartime political orders.²⁰ Echoing the argument I advance here, recent literature has also highlighted the path-dependence of institutions in critiquing assumptions about the destructive effects of conflict on pre-war institutional arrangements, and calls for new attention to be given to the “connection between pre-war and post-war institutional settings.”²¹

In keeping with these observations, the pre-war political economies of Syria, Libya and Yemen were defined by features that persisted as societies descended into violence. In unpacking the structure of wartime economic orders in all three of these cases, continuity in the organisation of economic institutions, norms, and practices is evident along a number of dimensions. These include:

1. the proliferation of informal, highly personalistic mechanisms of economic governance that exert more influence over economic outcomes than formal state institutions and economic policies;
2. a culture of impunity for privileged economic actors;
3. predatory and coercive forms of resource extraction;

20. Paul Staniland, *Networks of Rebellion: Explaining Insurgent Cohesion and Collapse*, Ithaca, Cornell University Press, 2014; and Paul Staniland, “States, Insurgents, and Wartime Political Orders”, *Perspectives on Politics*, 10:2, June 2012, p. 243-264.

21. Nadine Ansorg and Sabine Kurtenbach, eds., *Institutional Reforms and Peacebuilding: Change, Path-Dependency and Societal Divisions in Post-war Communities*, London and New York, Routledge, 2017, p. 4.

4. porous boundaries between formal and informal economic activity, and between licit and illicit practices;
5. dispersed, decentralised, and diffuse structures of economic authority in which state functions such as regulation, taxation, security, and service provision are delegated to non-state agents (e.g. *Shabiha* networks in Syria); and
6. frameworks of economic governance that are organised not to ensure the provision of public goods to all citizens, but to control and allocate access to state resources to select categories of citizens, often on the basis of ascriptive criteria.

In such cases, it is not competition among warring parties that corrupts economic institutions, or introduces predatory forms of taxation. It is not conflict that shifts economic governance from formal to informal institutions, or gives rise to exclusionary, clientelistic patterns of resource allocation. Nor is it conflict that politicises formal frameworks of economic regulation and oversight. All of these attributes are defining features of pre-war political economies. Moreover, these characteristics have shown themselves to be both highly portable across pre-war and wartime contexts and highly adaptable to the exigencies of wartime economic orders. In many respects, the incentive structures that shape the economic preferences of individuals concerning savings, investment, and consumption reflect institutional arrangements, as well as settled norms and practices, that change relatively little in the transition from what constitutes peace in an authoritarian security state to conditions of mass violence.

This is not to argue that continuity is present to the same extent across every domain of economic governance. There is variation in the degrees of continuity among economic institutions, even in cases in which overall continuity is high. The central banks in Yemen and Libya, for example, have been more profoundly affected by conflict than have the agencies that oversee oil production and exports. Nor should we expect that every case of civil war will exhibit the same overall levels of continuity. Syria’s Central Bank has experienced far less disruption than its counterparts in Yemen and Libya. More generally, Leonard Wantchekon has argued that in the cases of Mozambique and Nicaragua, civil wars “almost annihilated the authoritarian political situation that led to war,” easing

the path to post-conflict institutional transformation and, eventually, democratisation.²² Where insurgents prevail over governments, and where insurgent forces have had the territorial control, resources, time, and ideological foundations to build viable governance institutions, levels of continuity can be expected to be much lower than in cases like Syria, where government forces have prevailed, or Yemen and Libya, where insurgents have largely failed to construct alternative institutional frameworks and exercise their authority in ways that are entirely consistent with the regimes of Ali Abdallah Saleh and Muammar Qaddafi.

Yet where conditions do provide for high levels of continuity between pre-war and wartime political economies – as in Syria, Yemen, and Libya – the implications are significant. Continuity affects what it means to say that an economy has exited conflict, how economic normalcy is defined, and thus how processes of post-conflict reconstruction will unfold. Under such conditions, as I have argued elsewhere, to exit conflict does not mean undertaking a process of economic reforms designed to move a political economy toward an inclusive, accountable, social contract. Instead, it is a process of ‘reconstructing authoritarianism’, in which a regime uses pre-war strategies of economic governance to reassert its authority over a post-conflict society, reproducing the economic institutions, norms, and practices associated with both pre-war and wartime economic orders.²³ To exit conflict economies, therefore, becomes a narrower metric based on standard economic indicators such as recovery in levels of trade, manufacturing, employment, or consumption, reduced inflation, improvements in foreign exchange positions and exchange rates, rather than governance indicators such as transparency, accountability, inclusiveness, or the rule of law. With respect to the latter, post-conflict reconstruction will have little effect on the core features of a wartime economic order which itself mimics the core features of a pre-war political economy as summarised above.

22. Leonard Wantchekon, “*The Paradox of ‘Warlord’ Democracy*”, op. cit.

23. Steven Heydemann, “*Reconstructing Authoritarianism: The Politics and Political Economy of Post-Conflict Reconstruction in Syria*”, *The Politics of Post-Conflict Reconstruction*, POMEPS Studies 30, September 2018, p. 14-22; “*Civil War, Economic Governance, and State Reconstruction in the Arab Middle East*”, *Daedalus* 147: 1, Winter 2018, p. 48-63.

What Continuity Is and Is Not

It is important to be clear about which features of a pre-war political economy exhibit continuity in the transition to a wartime economic order and can be expected to shape subsequent processes of post-conflict reconstruction. As noted above, conflict on the scale of a civil war causes massive changes in the organisation of a political economy, in social structures, and in human development. Tables 1 and 2 offer stark evidence of the material and human costs of the Syrian conflict. In addition, however, all three of MENA’s ongoing conflicts have led to significant shifts in the social distribution of wealth and poverty, economic inclusion and exclusion, and in the composition of elite networks that profit from wartime economic activities. In keeping with findings in the literature on conflict economics, all three cases have experienced capital flight, the near collapse of investment activity, mass population displacement, and a rapid growth of informal and illicit sectors of the economy as state regulatory capacity diminishes and national markets fragment under the weight of mass violence.

These elements of discontinuity are far from trivial. They become especially acute in the transition to post-conflict, when regime appeals to the exigencies of war lose their ability to stifle public discontent with shortages, disruptions in public services, or the increasingly visible economic differences between those who profited from conflict and those who did not. During the winter of 2019, for example, these strains were evident in regime-held areas of Syria, which experienced a proliferation of protests against gas and power shortages, neglect of wounded veterans, rising food prices, and widespread corruption.²⁴

Thus, emphasising continuity in economic institutions, norms, and practices does not imply that conflict leaves economies unaffected. To the extent that conflict-driven changes in a political economy introduce new sources of tension and strain – sharpening tensions among competing elite factions, or between regimes and citizens – they can also create conditions that compel even recalcitrant authoritarian regimes to respond. If such conditions test the capacity of a regime to stabilise a post-conflict political order, they might also push regimes to initiate previously unthinkable economic reforms.

24. Aron Lund, “*The Blame Game Over Syria’s Fuel Crisis*”, IRIN, March 5, 2019.

The core claim presented here, however, is more limited in scope although pervasive and systematic in its implied effects. Where continuity is evident is in the weight of informal institutions, norms, and practices in shaping the economic behaviour of individuals; the subordination of formal institutions, laws, and regulations to informal institutions, norms, and practices; and the extent to which economic activity is organised on the basis of ascriptive, clientalistic, or patrimonial ties. These characteristics define the organisation of pre-war political economies and have shown themselves to be highly resilient and adaptive to conflict conditions.

What is necessary to stress, however, is that these characteristics are compatible with different configurations of elite networks, and with any number of other changes associated with conflict economies, including shifts in patterns of inclusion and exclusion, the fragmentation of national markets, the rise of competing wartime political orders, the erosion of formal institutions, and the concomitant expansion of informal and illicit economic sectors. There is no necessary contradiction between the claim of continuity in the underlying features of a political economy and the World Bank's finding that "disruptions [associated with conflict] reduce the incentive to engage in productive activities, and interrupt economic networks and supply chains."²⁵ There is little question that conflict casts a long shadow over economic activities that might be appealing under other circumstances. What the claim of continuity does imply is that when a pre-war political economy exhibits the features found in the Syrian, Libyan, or Yemeni cases, economic incentives during both peacetime and wartime are heavily inflected by the informal institutions, norms, and practices that are crucial to how individuals assess the costs and benefits of any given economic activity. In all three cases, pre-war investment decisions were decisively influenced by considerations of corruption, predation, personalism, and an understanding that formal oversight and regulation were applied arbitrarily according to informal criteria, and not necessarily determinative of how economic decisions were made. None of these conditions changed as these societies collapsed into conflict. None seem likely to change in the transition to post-conflict.

25. World Bank, *The Toll of War: Economic and Social Impact Analysis (ESIA) of the Conflict in Syria* – Key Facts, Washington DC, The World Bank, July 10, 2017.

In addition, the claim of continuity poses a major challenge to conceptions of state fragility, and to the relationship between fragility and conflict, on the one hand, and between fragility and post-conflict reconstruction, on the other hand. The concept of fragility is the basis on which reconstruction orthodoxy rests. It is the starting point for what has become the standard treatment in post-conflict reconstruction. Yet the experiences of civil war in Syria, Libya, and Yemen point to the limits of the concept, and the risks that arise when it is misapplied.

Fierce States and the Limits of Reconstruction Orthodoxy²⁶

In the literature on development and conflict, fragility is the result of institutional dysfunction. It is a condition of states that deviate from a presumptive standard defined as effective governance, responsive and accountable institutions, and inclusive social contracts. Leaders are presumed to prefer good governance over the conditions associated with fragility. To the extent that they resist, or delay in implementing reforms needed to improve the quality of their institutions, the fault is often found in a lack of political will to make changes that might carry political costs, in assumptions about the preferences of corrupt leaders for predation and short-term self-enrichment over long-term economic growth, or in unrealistic assumptions among post-conflict practitioners about the efficacy of institutional reforms.²⁷

What fragility-based models overlook, however, is the possibility that some of the states that such models code as fragile, as lacking appropriate institutions and unable to govern effectively, might be delivering the governance outcomes they were designed to produce. Such states are always authoritarian. They have typically been constructed by state-builders drawn from a post-colonial generation of authoritarian elite with military backgrounds. Most have followed a

26. This section draws on an earlier paper, *Beyond Fragility*, op. cit., p. 5-6.

27. Thráinn Eggertsson, *Imperfect Institutions: Possibilities and Limits of Reform*, Ann Arbor, University of Michigan press, 2005; Matt Andrews, *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions*, New York, Cambridge University Press, 2013.

pathway of increasing personalism if not familial rule, the de-politicisation of the military through a range of ‘coup-proofing’ strategies, and elite capture of large segments of the economy.

Yet as the Syrian example shows, such states are not necessarily fragile. They are more appropriately characterised as *fierce states*, in which the ruling elite elevates survival above all else and designs institutions to support this aim.²⁸ In fierce states, the consolidation of state institutions, and the effectiveness with which they contribute to regime survival, is often correlated with attributes that directly contradict those associated with good governance or resilience, including accountability, voice, equity, transparency, and inclusion. Instead, governance in fierce states is managed as an expression of a zero-sum existential struggle in which conflict reinforces the determination of a ruling elite to defend existing institutional arrangements by force.

This does not imply that fierce states are indifferent to development as it is conventionally understood. In this respect, fierce states fall outside Robert Bates’s definition of failed states – a category he is careful to distinguish from run-of-the-mill, predatory forms of authoritarianism.²⁹ Regimes in fierce states understand the threat that disaffected populations can pose. They understand the benefit of strengthening the dependency of citizens on the regime through the use of redistributive social policies.³⁰ They are sensitive to the value of popular legitimacy, despite their reliance on repression and the use of violence. For instance, in his January 2011 interview with the *Wall Street Journal*, Bashar Assad appealed, naively, it turned out, to the legitimacy he believed his regime enjoyed as a result of its resistance to Israel and the United States to assert that Syria would never fall victim to the protests then sweeping the region.³¹

Moreover, fierce states have constituencies. They construct alliances and coalitions, typically on the basis of transactional loyalty. They structure incentives to reward compliance. They rest on a social base that

28. The term ‘fierce state’ is not entirely new, but has not been widely adopted. It was originally coined by Nazih Ayubi in his final book, *Overstating the Arab State: Politics and Society in the Arab World*, New York, I.B. Tauris, 1996.

29. Robert Bates, “Failed States”, Op. cit., p. 1-12.

30. Michael Albertus, Sofia Fenner and Dan Slater, *Coercive Distribution*, New York, Cambridge University Press, 2018.

31. “*Interview with Syrian President Bashar al-Assad*”, The Wall Street Journal, January 31, 2011.

can be exploited to generate significant political capital, and that offers possibilities for mass mobilisation in the event of threats. If threats escalate into armed insurgency or mass violence, the organisation of state-society relations in fierce states is likely to shape processes of social polarisation and militarisation, reflecting larger patterns of economic and political inclusion and exclusion. As the Syrian example shows, when challenged by insurgencies or civil war, some fierce states may prove more resilient than fragility-based models of state weakness and vulnerability tend to assume.

Not all fierce states survive challenges on the scale of those confronted by the Assad regime. Libya and Yemen have not, and can now appropriately be categorised as failed states. Yet even when conflict brings about the collapse of such states, the likelihood that a post-conflict transition will overcome the legacies of pre-war political economies and produce effective, accountable, inclusive institutions is low. As the Libyan case demonstrates, even in failure, the shadow of pre-war and wartime economic orders is likely to undermine the efficacy of the standard reconstruction treatment. Moreover, those fierce states that survive conflicts credit their success to the very institutions, norms, and practices that reconstruction orthodoxy targets for reform. It is, perhaps, not so surprising that dictators who prevail in civil wars tend to have exceptionally long tenures in office. Of the twenty-five longest-serving rulers in the world today, thirteen survived civil wars or rose to power after prevailing in a civil war, and preside over regimes that are either dictatorships or illiberal democracies.³²

This diagnosis has obvious implications for debates about what it means to exit a conflict economy. In the Syrian case, the hope, however modest, that political conditions might someday permit external actors to engage in effective, accountable reconstruction programming in Syria, or through their interventions influence the course of reconstruction, is deeply misguided. Similarly, the argument that the United States and the EU must support reconstruction to avoid creating a black hole in Syria that will drive radicals and refugees into Europe is a form of protection racket diplomacy that should be resisted.³³

32. The 13 states are the Republic of the Congo, Cambodia, Uganda, Sudan, Chad, Eritrea, Tajikistan, Rwanda, North Korea, Algeria, Russia, Syria, and the Democratic Republic of the Congo.

33. Federica Mogherini, “*Federica Mogherini’s remarks at the panel on the future of Syria with the UN Special Envoy Staffan De Mistura*”, (speech, Rome, March 12, 2016).

Fixing Fierce States? Outlines of a Research Agenda

Fierce states are largely resistant to the standard reconstruction treatment. Indeed, its use in such cases is counter-productive. Supporting post-conflict reconstruction in fierce states will strengthen corrupt, exclusionary, predatory regimes. It will not produce the intended institutional reforms or changes in governance that are needed to address the causes of the Syrian conflict and, potentially, reduce the odds of future violence.³⁴ In the Syrian case, moreover, international engagement in reconstruction will contribute to the legitimization and normalisation of a regime that is deeply implicated in war crimes, crimes against humanity, and violations of international law.

If Syria highlights the limits of fragility-based models of post-conflict reconstruction, however, it also makes clear the absence of compelling alternatives. How should international actors engage with fierce states, if they do so at all? What kind of treatments might yield more productive results in ushering fierce states toward more effective, inclusive, and accountable models of economic governance? The answers to these questions have proven elusive. There is a small but growing literature on the failure of post-conflict interventions that offers insights into a wide range of deficiencies and shortcomings.³⁵ Yet there has been more attention in this literature to diagnosing failures (admittedly, the focus of this paper) than to alternative treatments. It is possible, as Jeremy Weinstein has argued, that the most effective way to achieve post-conflict stability is to avoid external interventions and let the combatants sort themselves out, through processes he defines as “autonomous recovery.”³⁶ At a minimum, such an approach would avoid the pernicious effects of interventions that may do more to prompt the recurrence of conflict than to prevent it.³⁷ Ultimately, however,

34. See Heydemann, *Beyond Fragility*, op. cit.

35. See Roland Paris and Timothy D. Sisk, eds., *The Dilemmas of Statebuilding: Confronting the Contradictions of Postwar Peace Operations*, New York, Routledge, 2009.

36. Jeremy Weinstein, “Autonomous Recovery and International Intervention in Comparative Perspective”. Working Paper No. 57, Washington DC, Center for Global Development, 2005.

37. Roland Paris, *At War's End: Building Peace After Civil Conflict*, New York: Cambridge University Press, 2004.

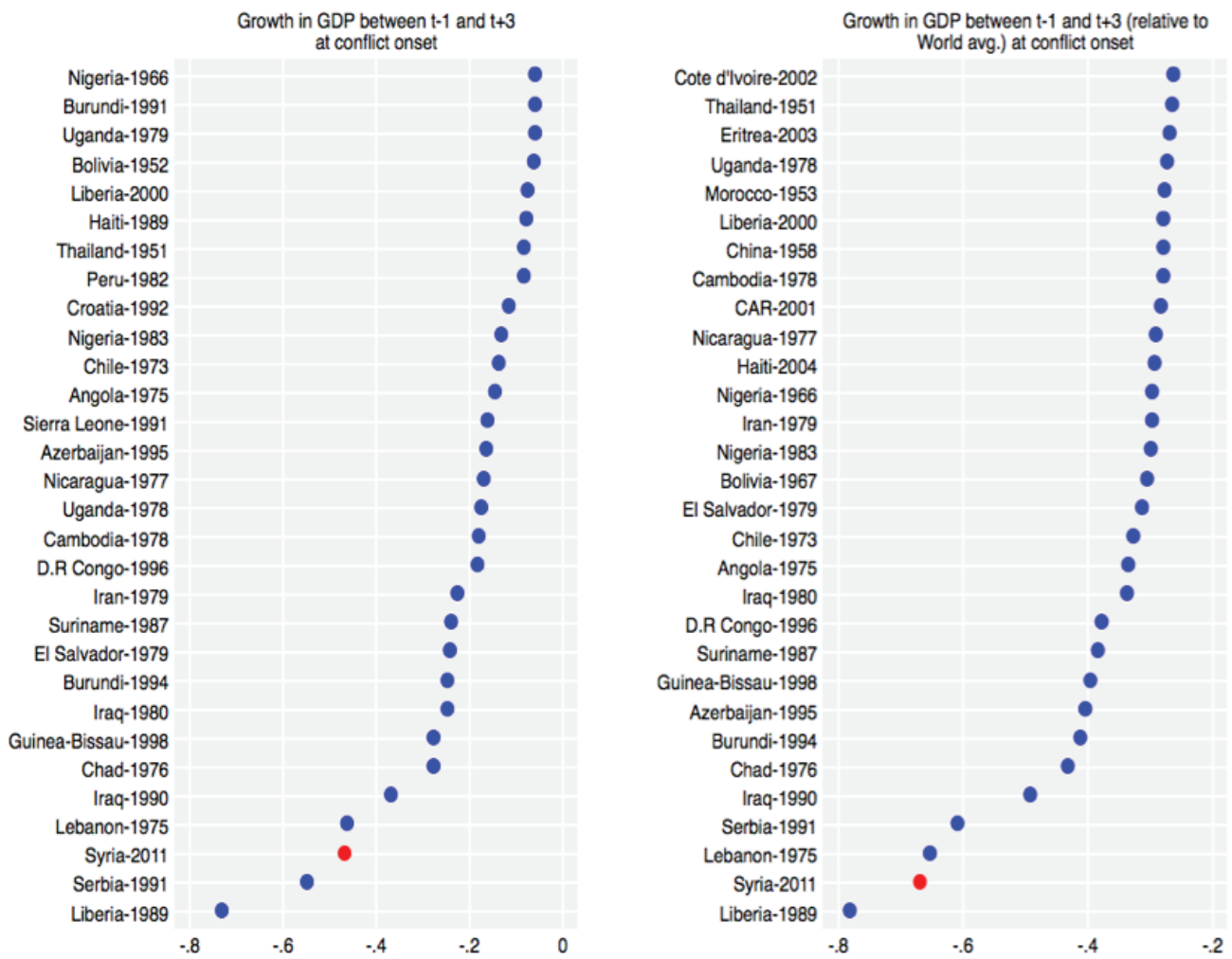
such guidance fails to address the human toll imposed by the regimes that dominate fierce states. It also fails to respond to two important but counter-intuitive facts: first, as recounted above, dictators who survive insurgencies tend to have long tenures; second, as Barbara Walter points out, “since 2003 every civil war that has started has been a continuation of a previous civil war.”³⁸ The obvious implication is that conflict termination in fierce states is likely to be a temporary phenomenon, an interregnum between episodes of mass violence. And as MENA's civil wars have made abundantly clear, it is increasingly difficult to view the impact of such episodes as limited to the countries in which they occur. There is little question that the human ‘spillover’ of conflicts in Syria, Iraq, Afghanistan, and Sub-Saharan Africa have contributed to the global rise of nativist, illiberal political movements in Europe and the U.S. The incentives to develop alternatives to the standard treatment would thus appear to be compelling.

How should such an enterprise proceed? In this paper I can do no more than hint at the bare outlines of what a research programme might require. We have accumulated a body of knowledge about why various forms of post-conflict intervention fail. As a first step, these failures need to be mined and aggregated to identify where possibilities exist for modifications and adaptations that will address the root causes of failure. Second, it will be helpful to revisit fierce states that have experienced civil wars that lead to meaningful and durable post-conflict processes of institutional reform, to identify whether they exhibit generalisable features that can inform the development of alternative post-conflict treatments. Third, the global institutional architecture of post-conflict reconstruction should be encouraged to step back from its current reliance on fragility-based models to become laboratories for developing and field-testing alternatives to the standard treatment. These suggestions are not in any sense radical. They are consistent with what most scholars and practitioners would regard as business as usual. Yet they point to the importance of moving beyond diagnosis and explanation of failures of post-conflict intervention, to the demanding but essential work of improving both theory and practice.

38. Barbara F. Walter, “Conflict Relapse and the Sustainability of Post-Conflict Peace”. World Development Report Background Paper, Washington DC, The World Bank, 2011.

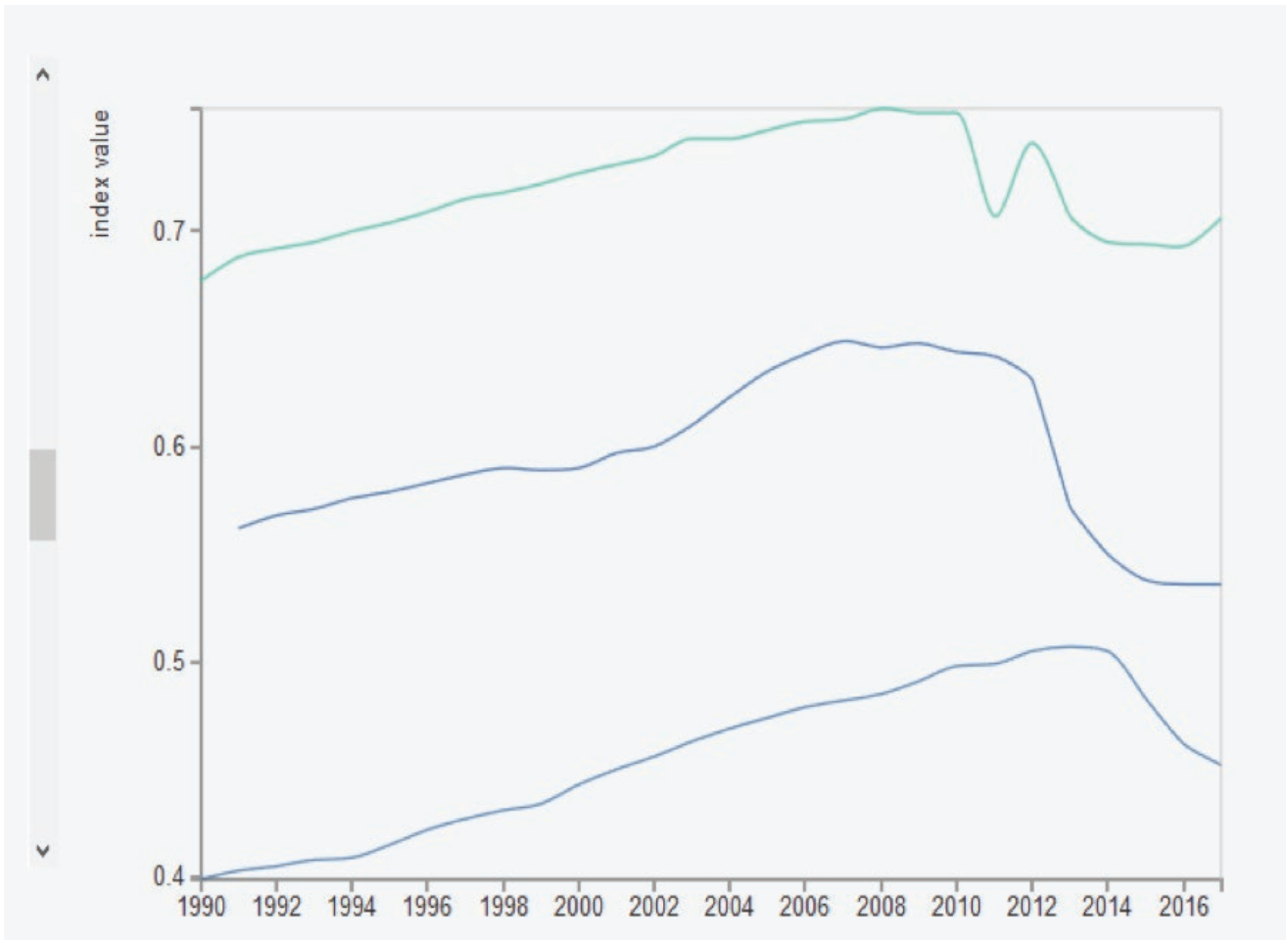
Appendix

Table 1: Largest GDP losses following conflict onset



Source: Erik Meyersson, "The Staggering Economic Costs of the Syrian Civil War". 1 July 2015. <https://erikmeyersson.com/2015/07/01/the-staggering-economic-costs-of-the-syrian-civil-war/>.

Table 2: Human Development Index Rankings, 1990-2017 Libya, Syria, Yemen



Source: UNDP Human Development Reports, "[Human Development Data 1990-2017](#)".

RECONSTRUCTING SYRIA, REINVENTING PEACEBUILDING?

Achim Wennmann *

Introduction

After eight years of war, there is undoubtedly a peace to build in Syria, yet the ‘what,’ ‘how,’ ‘who’ and ‘when’ of this endeavour is far from clear. What is clear, however, is that building a peace in Syria will not be ‘business as usual’ for Western policy-makers because so-called ‘liberal’ peacebuilding – comprehensive programmes aiming to achieve order, prosperity and participatory political systems after civil wars – has little prospect of traction. This is because policy-makers are facing a ‘fierce state’ – in which “ruling elites elevate survival above all else and design institutions to support this aim”² – or an ‘authoritarian peace’ – in which “regional and domestic actors cohere around illiberal, authoritarian practice.”³ The challenge of these conditions is “the near impossibility of pursuing any form of reconstruction support that will not contribute to the regime’s project of authoritarian stabilisation and de-

* Achim Wennmann is Senior Researcher at the Centre on Conflict, Development and Peacebuilding (CCDP) of the Graduate Institute of International and Development Studies, and Executive Coordinator of the Geneva Peacebuilding Platform. This paper draws on the insights of expert meetings on the Syrian economy convened by the United Nations Development Programme (UNDP) (March 2018), the National Agenda for the Future of Syria (NAFS) Programme of the United Nations Economic and Social Commission of Western Asia (ESCWA) (May and September 2018), the European Union Institute (November 2018), the London School of Economics (December 2018) and the Carnegie Middle East Center (December 2018).

2. Steven Heydemann, “*Beyond Fragility: Syria and the Challenges of Reconstruction in Fierce States*”, Washington DC, Brookings Institution, 2018, p.2.
3. Samer Nasif Abboud, *Syria* (Second Edition), London, Polity, 2018, p. 216.

mographic change, or avoid channelling funds into the pockets of regime cronies and warlords.” Any hope that the current period is merely transitory and the international community can go back to building liberal states and economies in the near future is “deeply misguided.”⁴

What should Western policy-makers do? Their patients no longer respond to the standard treatment and what is in the medicine chest no longer seems to work. Moreover, the patients look to other doctors that offer treatments to keep them alive but cannot cure their chronic conditions.

This chapter places the challenge of reconstruction and authoritarianism in Syria in the broader context of building peace in the era of the “third wave of autocratisation,” in which the democratic attributes of states and societies “erode gradually and under legal disguise.”⁵ The chapter is an exploratory study of how a focus on Syria’s reconstruction can help assess the opportunities and limits for reinventing peacebuilding practice. On the one hand, the chapter speaks to those interested in reconstructing Syria by exploring what a peacebuilding perspective on reconstruction can look like; on the other hand, the chapter speaks to peacebuilders by challenging them to reinvent peacebuilding in the face of ever more autocratic governance in many parts of the world.

The chapter argues that peacebuilding is possible in Syria at a time when reconstruction is starting, and it is possible under the conditions of a ‘fierce state’ or ‘authoritarian peace.’ However, to recognise the opportunities for peacebuilding, policy-makers need to change their mindset from peacebuilding as a ‘comprehensive programme’ to peacebuilding as ‘software.’ They need to lay to rest the understanding of ‘liberal’ peacebuilding that was part of the post-Cold War era. That era is now over, together with the policies that were designed for it. They also need to recognise the operational challenges that accompanied ‘liberal’ peacebuilding, and that it has been overtaken by stabilisation and counter-terror policies, at least since the mid-2000s when the ‘War on Terror’ had become a predominant policy framework.

4. Heydemann, *Beyond Fragility*, 2.

5. Anna Lührmann. and Staffan I. Lindberg, “*A Third Wave of Autocratization Is Here: What Is New About It?*” Democratization, 2019 March, p.1.

The chapter emphasises the continuing importance of peacebuilding, understood as the use of dialogue, trust-building and consensus-seeking processes to resolve, transform or manage conflict through non-violent means. If understood as software – or an operating system that makes things work – peacebuilding is versatile and can be uploaded not only to how reconstruction packages are negotiated or ultimately implemented in Syria but may also be relevant to other challenges, such as reforming Syria’s security sector or exiting local war economies. Understanding peacebuilding as software means going forward in a more piecemeal fashion, solving problems where possible and through iterative processes.

The chapter unfolds its analysis in four parts. The first part describes the changing global landscape for peacebuilding. This is followed by part two, which reviews the arguments about why the era of ‘liberal’ peacebuilding has ended. The third part charts Syria’s political economy of governance and post-conflict reconstruction as a backdrop to reflections in part four about reinventing peacebuilding. This part suggests that peacebuilding in a new, more multi-polar and autocratic world needs to go back to basics. Policy-makers need to change their glasses to recognise the agents and spaces for this endeavour, and they may also need to focus on what they can do in their own countries and institutions to help building peace elsewhere.

The Changing Global Landscape for Peacebuilding

Over the last three decades, international peacebuilding practice has been dominated by a set of assumptions that set countries on the path towards a so-called liberal peace. The UN and other international actors have concentrated their efforts on ending armed conflict through peace agreements, which are to be implemented through a cocktail of peacekeeping operations, state-building and peacebuilding programmes.⁶ Such international assistance has become guided by the aim of establishing a liberal peace that includes an array of functional components such as constitutions, elections, institutions and reconciliation mechanisms.

6. Gowan, R. and S. J. Stedman, “*The International Regime Treating Civil War, 1988-2017*,” *Daedalus* 147:1, 2018, p. 171-184.

Many peace agreements have defined the terms for the trajectory towards these elements and provided for the requisite international support. Over time, an increasingly professionalised set of actors has emerged that service different components of the ‘liberal peace’ trajectory.⁷

However, the liberal project to rebuild states and societies after armed conflict is becoming increasingly orphaned, cashless and dysfunctional. The US supported liberal peacebuilding as a normative global policy agenda after the Cold War, and, more broadly, used a liberal agenda to construct an international order to expand its imperial reach after the Second World War. However, in recent years the US has been retreating from globalism and from supporting liberal values.⁸ Moreover, major European countries – such as Germany, the UK and Sweden – and the European Union are or probably will be de-prioritising peacebuilding programmes in the face of more proximate interests and threats associated with extremism, terrorism or unregulated migration.⁹

Such developments illustrate that a transformation towards a multipolar order is well under way, heralding a period of turbulence driven by power politics and fights for zones of influence.¹⁰ In this new order, the US, the EU and European countries have limited leeway for setting post-conflict agendas, as has been illustrated in Syria, Yemen, Libya and Afghanistan. After a series of ill-fated military interventions, many Western countries may also have lost their legitimacy as credible peacebuilders in the eyes of many local actors.

These political currents are complemented by a critique in academic literature pointing to a dysfunctional nature of liberal peacebuilding. For over a decade, this literature has exposed massive ambitions

7. Ladley and Wennmann (forthcoming 2020), “*Political Economy and Peace Agreements*,” in M. Weller, M. Retter and A. Varga (eds), *International Law and Peacemaking*, Cambridge, Cambridge University Press.

8. Gilford John Ikenberry, “*The End of the Liberal International Order*,” *International Affairs* 94:1, 2018, 7-23.

9. Andrew Sherriff, Pauline Veron, Matthias Deneckere and Volker Hauck, *Supporting Peacebuilding in Times of Change: A Synthesis of 4 Case Studies*, 2018, Maastricht, European Centre for Development Policy Management.

10. National Intelligence Council, *Global Trends: The Paradox of Progress*, Washington DC, National Intelligence Council, 2018.

under impossible conditions, and the lack of resources and capacity to build peace.¹¹ The academic literature also points to a pushback against the type of peacebuilding that is directed by external interveners. Many states and societal actors in the Middle East, Africa, Asia and Latin America are demonstrating increasing self-confidence and are willing to challenge the often paternalistic approaches of ‘outsiders’ – understood as foreign donors, international organisations or international non-governmental organisations (NGOs) – attempting to control the peacebuilding dynamics on the ground. These observations illustrate a disconnection between peacebuilding at the grassroots level and the peacebuilding narratives and programmes of international organisations and many bilateral donors.¹²

Understanding the End of Liberal Peacebuilding

The changing global landscape for peacebuilding represents a new reality for Western policy-makers that may not have fully sunk in yet: ‘Liberal peacebuilding’ is waning because the historic period which shaped it is over. From this perspective, ‘liberal peacebuilding’ can be associated with the period between the early 1990s and the mid-2000s. This timeline began after the Cold War, when Western states needed a standard treatment to exit civil wars and the United States dominated global politics. It ended with the beginning of the ‘war on terror,’ which emphasised state-centred security and stabilisation doctrines instead of ‘liberal peacebuilding’ in the Western policy community. The war on terror also became a bridge-builder toward non-liberal states to confront common enemies, especially in Afghanistan, Iraq and Syria.

This waning of ‘liberal peacebuilding’ is further illustrated when looking at the changing assumptions

11. Edward Newman and Roland Paris, and Oliver P. Richmond (eds.), *New Perspectives on Liberal Peacebuilding*, New York, United Nations University, 2009; David Chandler, *Peacebuilding: The Twenty Years’ Crisis, 1997-2017*, Cham, Springer Nature/Palgrave Macmillan, 2017.
12. See, for instance, Mark Bradbury and Sally Healy (eds.), *Whose Peace is it Anyway: Connecting Somali and International Peacemaking*, London, Conciliation Resources with Interpeace, 2018; M.B. Dayna Brown, Isabella Jean, and Mary B. Anderson, *Time to Listen: Hearing People on the Receiving End of International Aid*, Cambridge, CDA Collaborative Learning Projects, 2012.

driving post-conflict exits. The dominant post-Cold War consensus involved a theory of change in which a functioning state and society produce order, prosperity and political participation all at once. Over the last decade, however, this approach has become complemented by an alternative theory of change that prioritises state-centred and -driven order and prosperity, with political participation being phased in later in the process (if at all).¹³ Many Western governments and international organisations have also shifted their narratives from ‘peacebuilding’ to ‘resilience’ or ‘stabilisation,’ thereby emphasising the need for order and control over transformative change in the underlying drivers of conflict.

The prioritisation of stability – and the elite bargains necessary to achieve it – has increasingly undermined ‘liberal peacebuilding.’ Cheng and colleagues

challenge the assumption that elite bargains will necessarily promote stability and economic development simultaneously and reveal the trade-offs that often exist between peace promotion, economic growth and equitable development. [Their findings] show that stability is often predicated upon rent sharing arrangements that are very problematic in terms of providing foundations for other policy goals such as economic growth, poverty reduction and good governance.¹⁴

These findings are significant in that they show that the progressive normalisation of stabilisation or counter-terror policies by Western governments has come to undermine value-based foreign policies – such as those of the European Union – and expose the practical limits of narratives about post-conflict economic revival and inclusive politics.

The trend to prioritise stabilisation over transformative change is also occurring in a global context in which ‘autocratisation’ – the decline of democratic at-

13. Haig Patapan and Yi Wang, “The Hidden Ruler: Wang Huning and the Making of Contemporary China,” *Journal of Contemporary China*, 27:109, p.47-60, 2018; Jane Perlez “Behind the Scenes, Communist Strategist Presses China’s Rise”, *New York Times*, 13 November 2017.
14. Christine Cheng, Jonathan Goodhand and Pat Meehan, *Securing and Sustaining Elite Bargains that Reduce Conflict: Synthesis Report*, London: UK Stabilisation Unit, 2018.

tributes – is “gaining momentum” in many countries.¹⁵ Lührmann and Lindberg find that

a ‘third wave of autocratisation’ affecting an unprecedentedly high number of democracies is under way ... This wave unfolds slowly and piecemeal, making it hard to evidence. Ruling elites shy away from sudden, drastic moves to autocracy and instead mimic democratic institutions while gradually eroding their functions.¹⁶

They also find that contemporary autocratisation is slower and feebler in comparison to the first wave in the 1930s and 1940s and the second wave in the 1960s and 1970s, yet their research emphasises that “we should heed the call of alarm issued by scholars.”¹⁷ A key mechanism accelerating this process has been the use of states of emergency that provide “an opportunity for wanna-be dictators to assume more power under the veneer of constitutional democracy. Once in place, they give leaders ... the power to mute dissent and centralise power.”¹⁸

These trends will further reduce the significance of liberal peacebuilding in the UN. As a greater part of its membership is, or will be, becoming, less democratic, there will be fewer and fewer states willing to support participatory or inclusive agendas for achieving peaceful and inclusive societies. The playing field for peacebuilders has changed, and they need to understand that their options are limited in a forum where the majority of the membership may want to play another game called stabilisation and counterterrorism. Such interventions “are being undertaken under a veneer of liberal values” that hides a “return to Cold War proxy and strong man policies and less pressure for reforms that could increase the legitimacy and inclusiveness of conflict-affected states.” These trends have resulted in “undermining the legitimacy of [the UN] and its work in mediation and humanitarian domains, and in par-

ticular UN peace operations.”¹⁹ Such trends may also help explain why the narrative of peaceful, just and inclusive societies – as enshrined in Sustainable Development Goal 16 – is becoming increasingly sidelined by a state-driven security and control agenda.

These tendencies in the UN are, of course, only part of the bigger picture of how war-fighting Western states and associated coalitions have shifted their strategy from liberal peacebuilding to stabilisation and counterterrorism. This has entailed adapting to a new population- and enemy-centric warfare doctrine that lowers the ambition “from addressing the root causes of violent conflict, such as lack of legitimacy, participation and inclusion, to focusing instead on the use of force to kill or capture enemy targets.”²⁰ In the process, the UN’s broader peace agenda may become a casualty, as it has been opportunistically used by states as a cover for partisan interventions, or as a burden-sharing instrument.

Recognising these tendencies, the scholar John Karlsrud observes that “liberal peacebuilding may be on its way to the scrapyard of history.”²¹ This may be correct, but it does not mean that peace cannot be built. A prominent brand in the peacebuilding market may have gone bankrupt, but this does not mean that there is no market for products that build peace. From this perspective, ‘liberal peacebuilding’ has only been a (small) part of a much broader spectrum of practices that aim to prevent and reduce violent conflict and build peace. This is particularly the case when considering the many community-based initiatives that build peace on a daily basis in many places without calling what they do ‘peacebuilding.’²²

However, policy makers may ask ‘what’s next?’ if ‘liberal peacebuilding’ – the standard treatment over the last three decades – is no longer an option. The following sections set out to explore the possibility of reimagining peacebuilding practice by using Syria as a test case.

15. V-Dem Institute, *Democracy for All: V-Dem Annual Democracy Report 2018*, Gothenburg: University of Gothenburg, p.6, 2018.

16. Lührmann and Lindberg, *A Third Wave of Autocratization Is Here*, p.1-2.

17. Ibid.

18. Anna Lührmann and Bryan Rooney, *When Democracy has a Fever: States of Emergency as a Symptom and Acceleration of Autocratization*, Working Paper Series 2019:85, University of Gothenburg Department of Political Science, p.2, 2019.

19. John Karlsrud, “From Liberal Peacebuilding to Stabilization and Counterterrorism,” *International Peacekeeping* 26:1, 2019, p. 1-21.

20. Ibid., p.6.

21. Ibid., p.1.

22. Achim Wennmann, “*Daring the Unconventional on the Pathways for Peace: On the ‘How’ of Sustaining Peace in the City*,” in A. Wennmann and O. Jütersonke (eds) *Urban Safety and Peacebuilding: New Perspectives on Sustaining Peace in the City*, London, Routledge, 2019, p.178-194.

Syria's Reconfiguration and 'Post-Conflict' Reconstruction

Over the last four years, Syria has moved from 'stalemate' to 'authoritarian peace:'

A structure for the gradual de-escalation of violence seems to be in place and a crucial regional tripartite agreement is emerging. Both bode well for the fate of the Syrian regime, and represent a death knell for those who still believe in the ideals of the revolution.²³

Syria's political and economic spaces are reconfiguring and in the process are consolidating into a new order. At the very core of this reconfiguration is the regime's 'authoritarian resilience',²⁴ which has leveraged state infrastructure and networks to ensure survival. According to Heydemann, "violence caused the reconfiguration and dissemination of pre-war economic norms and practices on all sides of a brutal conflict. Legacies of pre-war economic governance exerted substantial influence on how wartime economic orders became organised. Continuity, not rupture, has been the defining feature of Syria's wartime political economies."²⁵

However, what is left beyond the security sector or the immediate interest of the regime appears to be a shell state with little functional ability to deliver services. The fracturing of Syria's political and economic spaces has shaped the rise of a new elite that acts at grassroots level as gate-keepers for access to local sources of wealth and to local populations. Outside actors keep their respective levers of influence over this mix of constituents at the national and local levels and remain engaged in Syria in pursuit of their own agendas. At the same time, the Syrian regime seems to be establishing

a new balance between core institutions and different local 'gate-keepers' and constituencies by bartering loyalty for the continuation of wealth accumulation.

Some of these new configurations are shaping 'facts on the ground' in terms of post-conflict economic recovery and reconstruction. Russian and Iranian actors are said to aim at securing a foothold in economic and reconstruction opportunities in efforts also portrayed as 'pay-back' for support during the war. They benefit from a 'first-mover' advantage to access some of the most profitable opportunities, exploiting the weakness of the regime and the limits of European and US entities to become more systematically involved due to the sanctions regime. Such efforts take many forms, including the provision of a permissive umbrella for "using market-based incentives tied to oil and mining rights to reward private security contractors who secure territory from the extremists."²⁶ There has also been much debate about Law No.10 passed by the Syrian Government on 2 April 2018, which is also discussed further below. This law allows the creation by decree of redevelopment zones across Syria, but its lawfulness has been questioned because it would provide the government with a free hand "to confiscate and redevelop residents' property without due process or compensation."²⁷ Heydemann describes what is behind these developments in straightforward terms: "The Assad regime has operationalised the post-conflict rebuilding of Syria's economy as a process of authoritarian reconstruction."²⁸

These developments are accompanied by an international discourse on the cost of war and reconstruction. The World Bank estimates that the loss in terms of Gross Domestic Product (GDP) relative to the 'no war' counterfactual amounts to between USD 200 billion and USD 300 billion. It also estimates the cost of war damage to six cities over seven sectors at between USD 33.7 billion and 41.1 billion, including infrastructure related to the agriculture, energy, housing, transport, water and sanitation, and health and education sectors.²⁹ A report by the Syria Centre for Policy

23. Abboud, *Syria*, p.266.

24. Bassam Haddad, *Business Networks in Syria: The Political Economy of Authoritarian Resilience*, Stanford: Stanford University Press, 2012.

25. Steven Heydemann, "Reconstructing Authoritarianism: The Politics and Political Economy of Post-conflict Reconstruction in Syria", in Project on Middle East Political Science (POMEPS) (ed.) *The Politics of Post-Conflict Reconstruction*, Washington DC, Carnegie Middle East Centre, 2018, p.14-2.

26. Andrew E. Kramer, "Russia Deploys a Potent Weapon in Syria: The Profit Motive," *New York Times*, 5 July, 2017.

27. Human Rights Watch, [Q&A: Syria's New Property Law](#), 29 March 2018.

28. Heydemann, *Reconstructing Authoritarianism*, p. 20.

29. World Bank, *The Economic Effects of War and Peace*. MENA Quarterly Economic Brief, Issue 6 (January), Washington DC, World Bank, 2016, p. 12, 22.

Research estimates this cost higher, at USD 63 billion, and concludes that the war has “largely destroyed the economic structure, foundations and institutions. This destruction has severely depleted tangible and intangible resources and capital, human capital, social capital and economic governance.”³⁰ This enumeration of costs emphasises that “substantial resources will be needed for post-conflict reconstruction.”³¹

Given the cost of post-conflict reconstruction, neither the Government of Syria nor Russia or Iran are said to be in a position to provide a tangible prospect and sustainable vision of post-conflict reconstruction beyond highly localised efforts in zones in which they have privileged access. “The solution that has been tendered is that Western states and institutions take on the primary responsibility for financing reconstruction.”³² However, these have made clear – as the EU expresses – that “it will be ready to assist in the reconstruction of Syria only when a comprehensive, genuine and inclusive political transition, negotiated by the Syrian parties in the conflict on the basis of UNSCR 2254 and the Geneva Communique, is firmly under way.”³³ While the EU’s position may be understood as a bargaining chip in the international peace process of the Syrian war, it may come under pressure as Western support wavers for local state- and capacity-building that was hoped to “pave the way for capable accountable governing processes in a broader hypothesised ‘transitional governing body’ that would emerge after Assad’s fall”.³⁴ This approach is facing a different reality ‘on the ground’ characterised by increasing control of territory by the Syrian regime and the development of an ‘authoritarian peace’ and a ‘fierce state.’ In the first part of 2019 such efforts have reached north-western Syria, especially the city of Idlib, which has remained a stronghold of forces opposed to Syria’s government.

Given the current patchwork of ‘pacified’ areas, on the

30. Syrian Centre for Policy Research (2016), [Syria: Confronting Fragmentation!](#)
31. World Bank, *The Economic Effects of War and Peace*, p. 12.
32. Joost Hiltermann, [Talking about Syrian Post-War Reconstruction](#), Op-Ed for the International Crises Group, 12 February 2018.
33. C.f. Ibid.
34. Brown, F. Z. (2018), “*Seeing Like a State-builder: Replication of Donor Reconstruction Dilemmas in Syria*”, in Project on Middle East Political Science (POMEPS) (ed.) *The Politics of Post-Conflict Reconstruction*. Washington DC: Carnegie Middle East Centre, pp.8-13, at p. 8.

one hand, and the zones of active combat, on the other, the Government of Syria – and local ‘warlords’ – have little incentive to push for and commit to a formal political resolution of the war. To start with, the preservation of power will become more difficult once the war is over. This is due to the sheer necessity of delivering vital services (such as education, jobs, transportation, etc.) and also to the operational challenge in delivering them, including the needs for institutional capacity, human resources and budgetary resources. What is more, if the war is over, it can no longer be used as an excuse for things not working or not happening. An end of the war also means that the Syrian population will judge the Government and the ‘warlords’ on the basis of their ability to deliver and perform, and given the fact that they will have great limits to scale delivery of many vital services and functions, increased domestic political pressure would be likely as a result.

These considerations suggest that Syria’s reconstruction in the coming years may take place under a ‘no war no peace’ scenario. This scenario offers enough flexibility to manage many ‘reconciliation’ realities that have their own local logics, interests and particularities. It also keeps open the possibility for the Government to regain control of territory and control access to economic spaces and economic flows, especially remittances, aid and investment. As the war status is formally upheld, a ‘no-war-no peace’ scenario also opens an opportunity to ensure international assistance for reconstruction under a humanitarian umbrella, including that promised at the Third Conference on Supporting the Future of Syria and the Region in March 2019, also known as ‘Brussels III.’ Such tactical manipulation of humanitarian aid expands the international resources available for reconstruction and the strengthening of state-related entities, while at the same time enabling a normalisation of the Government of Syria in the coming years. It also allows Western governments to save face diplomatically in the short term and continue their narrative of value-driven foreign policies while they progressively open opportunities for their private sectors to enter a prospective reconstruction market. In the long term, however, this contradiction may be exposed as self-defeating, as humanitarian aid targeted at the survival of people during war and humanitarian-disguised reconstruction targeted at rebuilding the country will strengthen a political system that has little to offer in terms of a lasting vision to address Syria’s many fault lines of conflict in Syria.

Thus, without more systematically integrating a peacebuilding logic into humanitarian assistance and reconstruction, policy-makers are likely to perpetuate a 'no war no peace' situation, normalise an authoritarian state and inadvertently plant the seeds of new violent conflict.

Peacebuilding and Reconstruction in Syria in Three Steps

In the face of the strategic landscape of reconstruction in Syria charted above, how can we conceive entry points for peacebuilding at a time of post-conflict reconstruction? The following paragraphs offer an exploratory analysis of this question in three steps: (1) Go back to basics, (2) change your glasses, and (3) start in your own backyard.

Step 1: Go back to basics

Many professional peacebuilders share an understanding that peacebuilding involves several key principles. These include, for instance, relentless prioritisation of the prevention and reduction of violence and conflict, engagement by the conflict parties on their partisan interests, ensuring vertical linkages within the conflict system, working within the de-facto political economy and accompaniment by outside actors. Professional peacebuilders would also agree that peacebuilding has evolved from aligning several strategic building blocks. These can include trustworthy data, collaborative analysis, progressively expanded coalitions for change, targeted interventions that address the most acute conflict and violence risk factors and sustained institutional support by an honest broker.³⁵

Within this sequence, the generation of trustworthy data is an important entry point for peacebuilding. Making sense of the local context and conflict dynamics and separating information from dis-information is challenging in rumour-rich and information-poor environments, yet they are challenges all actors face. Generating and communicating trustworthy data is peacebuilders' bread and butter.

35. Achim Wennmann and Brian Ganson, *Responses to Conflict That Work*, Paper No. 15. Geneva: Geneva Peacebuilding Platform, 2016..

Trustworthy data and analysis are also an entry-point for the new peacebuilding software for reconstruction in Syria. It means generating enough granular data to contribute to localised reconstruction and trust-building processes. Such data generation is especially important to keep in check partisan or biased analyses emanating from both inside and outside Syria.

Syria's housing and land management systems can illustrate this point.³⁶ Overall, there is a legacy of "6 generations of overlapping and contradictory housing and land management policies," including "massive informality on the fringes of cities."³⁷ While much debate has focused on Law 10 and the risk of government abuse of power in its implementation, Law 10 may be only a "minor amendment" as part of the succession of "50 new laws [that] were enacted since 2011 changing the political economy of land and housing management in Syria."³⁸ The task for independent analysis would be to deconstruct such complex issues and generate understandings across divided communities. Key areas relevant for housing and land management systems could include, for instance, independent research on Syria's tenure system and inheritance laws, the growth of Syrian cities and the impact of the war, existing efforts by government-related actors to clear heavily bombarded districts and gentrify them, and the availability (or lack) of public funds to cover local reconstruction costs. In concrete terms, such efforts could entail creating an independent capacity for reconstruction-relevant legal and economic analysis.

From a peacebuilding perspective, independent analysis and the generation of trustworthy data on Syria's housing and land management practices are important in several ways:

- Data and analysis can keep in check efforts on all sides to inflate topics (like Law 10) for advocacy purposes or to deflect attention from more difficult

36. Omar Abdulaziz Hallaj, *Beyond Law 10: Economic and Social Challenges of Housing and Land Management in Post Conflict-Syria*, in Rim Turkmani, Marika Theros and Sami Hadaya (eds.) *The Political Economy of Governance in Syria*, London, London School of Economics, 2019, p. 12-18.

37. Omar Abdulaziz Hallaj, *Beyond Law 10: Economic and Social Challenges of Housing and Land Management in Post Conflict-Syria*. Presentation. London, 3 December 2018.

38. Ibid.

but more important issues such as housing, land and property (HLP) rights for women, gentrification or dysfunctional governance and justice systems.

- Independent analysis contributes to evidence generation about the key grievances of many Syrian people who have lost property or titles due to the war. Ensuring such evidence is a protection against forgetting injustices and a contribution to addressing the resulting frustrations many Syrian people experience. Ensuring such independent analysis in Syria's highly politicised and securitised environment means creating political space for sustained institutional support by an honest broker.
- Ensuring granularity and independence of data and analysis also means the strengthening of new leadership at the international level that stands up for these principles. Regarding reconstruction, such leadership may come from financial markets, which could make reconstruction packages conditional on such data. In this way, peacebuilding software could become part of reconstruction packages, each of which may require its own negotiation to create an investment coalition.

Overall, the strategic value of independent data and analysis lies in asserting checks and balances, generating common ground and building confidence.

Step 2: Change your glasses

Changing glasses means questioning ways of seeing and beliefs in how social change happens. With such new glasses, policy-makers may identify new agents and spaces for peacebuilding. Many policy-makers in government and international organisations are accustomed to a top-down government- or society-centric world-view and processes of *solution- and leader-driven change*. Such processes entail “a disciplined, formal project process” in which “solutions are identified up front and are the focus of change; the reform is fully planned; a champion drives the process; and a pure-form best practice solution is produced.”³⁹

Equipped with these glasses, however, they may not be

39. Matts Andrews, *Explaining Positive Deviance in Public Sector Reforms in Development*. World Development 74: 197-208, 2018, p.197.

able to see how people address violence and exclusion on a daily basis in their neighbourhoods, often in the absence of or despite formal authorities. They need to be cognizant of more nuances and have a granular understanding of the context to grasp how change can happen in even the most difficult places, and through *problem-driven iterative adaptation*. This is “a process of experimentation and trial and error; with multiple agents playing different leadership roles; producing a mixed form of hybrid that is fitted in a particular context.”⁴⁰ While international actors discuss and ponder the leadership necessary to find solutions, many local actors wriggle their way out of destruction and dysfunction by solving one problem after another in the best possible way.

The new glasses may help identify the ‘who’ in peacebuilding at a time of reconstruction in Syria. Reconstruction is poly-centric at micro levels in many different spaces involving limited ‘self-help’ reconstruction or reconstruction packages, as noted above. Within these processes of reconstruction, the key is to identify the people managing coexistence and disagreements. Such individuals are called different names in different constituencies, including ‘insider mediators’ (in peace mediation circles), ‘interrupters’ (in violence reduction circles) or ‘transpublics’ (in academic circles). What these actors have in common is that they are connected to, and trusted by, important local constituencies and that they can build trust in processes and outcomes where the formal authorities or other power holders are too weak or illegitimate to do so. They can also talk the languages of different constituencies and therefore enable understanding and dialogue across divided communities or enemy groups.⁴¹ Finding and working with these actors in politically charged environments is not always easy. External support can undermine their efforts to play the very important bridge-building, mediation or reconditioning roles, or even put their security at risk. This is why know-how to advance independent, neutral or non-partisan support in discreet ways is particularly important.

New glasses might also enable a vision of the spatial

40. Ibid.

41. Paul Dziatkowicz, *The Inside Story: The Impact of Insider Mediators on Modern Peacemaking*, Geneva, Centre for Humanitarian Dialogue, 2017; *Cure Violence, The Interrupter Model*, 2013; Karen Umemoto, *The Truce: Lessons from the L.A. Gang War*, Ithaca, Cornell University Press, 2006.

priorities for reconstruction. This spatial optic underlines the importance of trusted spaces in which local reconstruction processes can be conceived and negotiated and conflict and problems addressed. Such spaces frequently stand in between approaches that focus on the urban environment through spatial reconfiguration or architectural models – described by the notions of ‘safe house’ or ‘safe space’ as physical environments for trusted exchanges – and approaches that focus on affecting the behaviour of actors within a space through negotiation and dialogue – described by the notions of ‘political space’ or the idea of ‘political oxygen’ that enables discrete work across social, religious or political divisions. From this perspective, prioritising spaces that matter to people’s daily lives – such as hospitals, markets or schools – is important, not just to deliver services but also because they are the discreet spaces for weaving a new social fabric after war.

Step 3: Start in your own backyard

The third step goes into your own backyard. Western policy-makers should increase their efforts to build peace in Syria by focusing on efforts in their own jurisdictions and in organisations that they can directly affect. This means shifting the mindset from contributing to peace ‘out there’ – through efforts that are taking place inside Syria, in its vicinity or in the capitals of countries with major interests in the war – to contributing to peace in Syria ‘right here’ – through efforts in the policy-maker’s own country.

One perspective on this point can be illustrated by the International, Impartial and Independent Mechanism (IIIM) that has been established by the UN General Assembly to assist in the investigation and prosecution of persons responsible for the most serious crimes under International Law committed in Syria since 2011. The IIIM’s mandate is “to collect, consolidate, preserve and analyse evidence of violations of international humanitarian law and human rights violations and abuses and to prepare files in order to facilitate and expedite fair and independent criminal proceedings.”⁴² Much of the work to prepare the files is done through justice institutions outside Syria to ensure crimes are accounted for, the necessary evidence exists to be admissible in a future tribunal and the crimes are not forgotten. The IIIM may be relevant in Syria’s reconstruction challenge in relation to data on HLP issues relevant to specific reconstruction packages. While

42. See <https://iiim.un.org/mandate/>, April 2019.

the IIIM is an example of how to mobilise strong institutional capacities in countries far away from a conflict zone to ensure key accountability issues, the full upload of peacebuilding software into such efforts would ensure the application of the IIIM mandate to all actors and their supporters involved in the war in Syria since 2011.

Another entry point is stronger Western leadership to bolster the accountability of UN agencies and programmes, bilateral donors and businesses involved in humanitarian or reconstruction efforts in Syria. As a result of key industrial, infrastructure and natural resource assets given to its international backers as pay-off for their war support, the regime has extended its grip on a broader subset of economic activities. The clientelistic relationships the government has developed over recent years with international and local actors operating in its territory allows it to take a cut on most activities. This extractive component of the ‘fierce state’ is a significant risk for all actors engaged in humanitarian, reconstruction or commercial ventures in Syria. This is especially the case of UN agencies or other humanitarian actors that may be among the biggest captured ‘cash cows’ for the regime. By delivering relief they are bolstering Syria’s authoritarian elite and are undermining the very legitimacy of their humanitarian assistance in the eyes of many Syrians. From this perspective, UN-led humanitarian engagement could even be in contradiction with the United Nations’ value system.

There are two dimensions to this challenge when adopting the third step of the peacebuilding software. First, Western governments could press for increased accountability of the UN’s humanitarian agencies and related funds and programmes. Such efforts are diplomatically sensitive but are technically and legally not impossible. A promising avenue for future work is, for instance, to explore the application of block chains to increase the transparency of the trajectory of Western aid within humanitarian operations. Increasing transparency in how funding is used once it is in the UN’s humanitarian system would be a way to account for flows that reach the Syrian government directly or indirectly.

A similar approach could be applied to business investment, with a greater emphasis on sharing information about the legal and reputational risks for firms and banks participating in economic reconstruction projects in Syria. Such efforts have already started, such as through the Human Rights and Business Unit

of the Syrian Legal Development Programme.⁴³ The trend of ‘de-risking’ in the finance sector has already made investors much more sensitive to the risks in war-affected countries, especially as long as sanctions remain in place.

However, merely monitoring and ensuring the accountability of humanitarian actors in Syria may not be enough. A second dimension of the third step in the peacebuilding software would be to work on the contradictions that are entailed in managing Syria’s war with a humanitarian approach. The current state of knowledge among experts suggests that humanitarian aid is manipulated and will strengthen and normalise autocratic governance in Syria, which in turn perpetuates the ‘no war no peace’ situation, or increases the risk of renewed violent conflict, as described in part 3. The reasons for structuring post-war assistance under a humanitarian framework have deeper roots. Peter Maurer, the President of the International Committee of the Red Cross, has highlighted that over the last decade there has been a

lack of political will to engage on conflict prevention [and a tendency] to continually make out of every political question a humanitarian issue ... this is what has hampered and has confused a lot of spirits ... The UN system [is] at the core a political system which needs to think and work towards peace, preventing conflict and respecting Human Rights [yet] because this ... was difficult to achieve, the [UN] system has moved into delivering humanitarian assistance and pretending it is neutral, impartial and independent while it is a state-driven system.”⁴⁴

In the context of the political landscapes of a multi-polar world in which some states aim to expand their zones of influence, the manipulation of humanitarian aid to Syria may only be part of a larger story of political manipulation to further a narrow set of interests of individual states and associated coalitions. This tendency requires a peacebuilding response that reclaims the space for neutral, impartial and independent efforts that aim to reduce, resolve, transform or manage conflict through non-violent means. With respect to Syria, a starting point for Western policy

makers may be to recognise that a focus on a humanitarian assistance framework to manage the war will not necessarily build peace in Syria. Other narratives and approaches are necessary. The notion of ‘peacebuilding as software’ presented in this chapter may not be a ‘silver bullet’ in the face of a ‘fierce state’ or ‘authoritarian peace,’ but perhaps one of several avenues out of Syria’s quagmire.

Conclusion

This chapter has offered a proposal to rethink peacebuilding in three steps that may offer an entry point for peacebuilding and reconstruction under the condition of Syria’s ‘fierce state’ and ‘authoritarian peace.’ It has argued that Western policy-makers need to update their peacebuilding software. The era of ‘liberal peacebuilding’ is over but this does not mean that you cannot build peace. The update has three steps. First, Western policy-makers need to go back to the basics of peacebuilding that emphasise the key building blocks and principles underlying building peace. With respect to reconstruction in Syria, this update underlines the importance of trustworthy data and analysis that is granular enough to contribute to localised reconstruction processes. Such analysis is especially important to demystify complexity and keep in check biased analysis emanating from inside and outside Syria. In the second step, Western policy-makers need to get new glasses to better identify the actors and spaces that can drive reconstruction with peacebuilding software. This new perspective emphasises connectors over dividers and works with bridge-builders that can constitute a new social fabric through local reconstruction projects. Such efforts may pave the way for some degree of ‘normality’ that allows people to go on with their daily lives at the local level. The third step is for Western policy-makers to start building peace from within their own countries or to use their influence on international organisations. By insisting on greater accountability by firms, banks and the United Nations they may contribute to limiting a ‘fierce state.’ However, they may also need to leverage their influence to acknowledge the limits of building peace under a humanitarian framework in the context of a ‘fierce state.’

43. See <https://www.hrbu.syrianldp.com>, April 2019.

44. Peter Maurer, *War in Cities: What is at stake?* Speech at the Graduate Institute of International and Development Studies, 4 April 2017. Video available at <https://www.youtube.com/watch?v=SiddTxyQdB4>, citation at 53:57 – 55:04.



SECTION 2:

ACCOUNTS FROM THE FIELD

SYRIA: WHAT KIND OF RECONSTRUCTION PROCESS?

Joseph Daher

Introduction

After more than eight years of a popular uprising which transformed into a murderous war with major regional and international actors intervening in the country, the situation in Syria is catastrophic at all levels, especially in terms of human loss. In 2015 an estimated 2.3 million people, approximately 11.5 percent of the Syrian population, were killed, injured or maimed as a result of the armed conflict.¹ By the end of 2015, 85.2 percent of Syrian people lived in poverty.² More than half of the population was displaced internally or outside the country, or forced to leave their homes as a result of the war. Of the 5.5 million Syrian refugees worldwide, with the majority remaining in neighbouring countries, a very limited number have returned to Syria, the majority in living conditions characterised by poverty, exploitation and discriminatory policies.³

1. Syrian Centre for Policy Research (2015), “*Alienation and Violence, Impact of Syria Crisis Report 2014*,” UNRWA, 51.

2. Syrian Centre for Policy Research (2016), “*Confronting Fragmentation! Syria, Impact of Syrian Crisis Report*,” UNRWA, 37.

3. Syria’s neighbours have welcomed most of the refugees. There are 3.3 million registered refugees in Turkey, one million in Lebanon and 650,000 in Jordan. In the European Union (EU), close to 1 million Syrian refugees have requested asylum in different countries, with Germany being the primary destination.

In mid-2018 the cost of reconstruction was estimated at around \$400 billion,⁴ which created an appetite among national and foreign actors even though the war had not finished. Reconstruction is one of the main projects by means of which the regime and crony capitalists linked to it will consolidate their political and economic power while providing foreign allies with a share of the market to reward them for their assistance.

However, Damascus faces several challenges at different levels regarding reconstruction. First, the regime and its allies lack the economic resources to fund the reconstruction process, which would damage the whole political economy of the country. Another issue is connected to the capacity of the regime to provide stability in the regions under its control and a business-friendly environment favourable to investments. This is endangered by various actors such as loyalist militias, jihadist organisations and crony capitalists.

Reconstruction and the Reconstitution of Political and Economic Authority

The regime and its institutions have made use of a whole system of laws and decrees to expropriate properties from individuals and therefore to frame and benefit from the reconstruction. One of these was Decree 66,⁵ which entered into force in September 2012 and allowed the government to “redesign unauthorised or illegal housing areas” and replace them with “modern” real estate projects with quality services.⁶ In July 2015, the government approved a law that allowed the establishment of private sector holding companies by city councils and other local administrative units to manage public assets and services. This opened the way for regime cronies to generate business from public assets.

4. Agnus McDowall, “*Long reach of U.S. sanctions hits Syria reconstruction*,” Reuters, 2 September 2018.

5. Cham Press 2012, “*Marsoum 66*”.

6. Ajib Nadi, “*Mashrú’ tanzim 66 khalf al-râzi tajruba râ`ida ‘ala tariq iâda al-mâr – fidiû*,” SANA, 2017.

to leave the country, especially in former opposition-held areas.¹⁶ As a result, the decree can make new land registrations and exclude from these registers a plethora of real estate owners. Through the reorganisation of the administrative structure, the property of civilians forced to flee will de facto be seized. Law No 10 therefore extends Decree 66 to the whole of the country in the sense that it permits all local administrative units (LAUs) throughout Syria, such as cities and governorates, to create real estate development zones within their administrative areas and, based on that, to expropriate the properties and rebuild them.¹⁷

Under Law No. 10, in September 2018 the Damascus Governorate Committee issued a report announcing the demolition and reconstruction of Tadamon district in Damascus, which includes a mixture of supporters and opponents of the regime. Other areas of Damascus such as Jobar, Barzeh and Qaboun were also scheduled to be studied for reconstruction in early 2019.¹⁸

By allowing the demolition and expropriation of large areas of property, Decree 66 of 2012 and Decree 10 of 2018 have been used as instruments to efficiently create large rapid development projects that will benefit regime cronies and attract possible foreign funding, while at the same time operating as punishments against populations known for their opposition to the regime. The vast majority of the people concerned are from Sunni Muslim backgrounds in impoverished rural areas and medium-sized towns, and also from the suburbs of Damascus and Aleppo. This does not

mean that the regime is opposed to Sunni populations generally or a particular Sunni identity per se, but to hostile constituencies. They will most probably be replaced by members of higher social classes and the new war elite, who are generally less inclined to rise up against the regime. In the case of the Marota City project, for example, the prices per square meter range from SYP 300,000 to SYP 500,000 according to the executive director of Damascus Sham Holding Company, Nasouh Nabulsi, who added that he believed the prices of real estate in Marota City would be the highest in Syria in the long term.¹⁹ ²⁰ The creation of Marota City will also probably lead to rent increases in adjacent areas due to their proximity to a luxury neighbourhood. The development of possible residential projects in these areas will actually be carried out by holding companies owned by governorates or municipalities, but the construction and management of the projects is likely to be contracted to private-sector companies owned by well-connected investors affiliated to the regime.

More generally, the reconstruction is a key element in the process of deepening neo-liberal policies. In January 2016, a Public Private Partnership (PPP) law was passed authorising the private sector to manage and develop state assets in all sectors of the economy except oil.²¹ This law was cited as a reference for the 'new economic strategy' of the National Partnership launched by the government a month later in February, which replaced the social-market economic model developed before the uprising. Within this framework, in September 2018 during a meeting with representatives of companies and businessmen participating in the Damascus International Fair, Prime Minister Khamis announced that the government would probably open 50 infrastructure projects in the country to private investors under the public private partnership.²² In the future, this new economic strategy and the PPP law will most probably increase the capture of public assets

16. For example, the regime enacted Decree No. 66, which entered into force in September 2012, allowing the government to "redesign unauthorised or illegal housing areas" and replace them with "modern" real estate projects with quality services. This decree, according to the Syrian authorities, aimed to improve the living conditions of the inhabitants by eliminating informally built properties and replacing them with comfortable modern ones. However, the decree selected two areas that supported the opposition, while the areas inhabited by supporters of the regime, where life conditions were no better, were left intact.

17. The Syria Report, "*Basatin Al-Razi Project Highlights Again Emergence of New Business Figure*", 9 January 2018.

18. Please see Al Watan Online, 12 November 2018, http://www.alwatanonline.com/?p=90933&fbclid=IwAR39tmKPDG1S2Kinj6DN6LjtZbigRgrFaFQwSHTGwpPw-W5-rmtHyj_Cy9LI

19. Please see [http://damaspost.com/article/19972-يلعالانولفتس"ييساتورام"قشيسلبانلا](http://damaspost.com/article/19972-يلعالانولفتس)

20. At the end of 2018, an article in a regime economics newspaper was entitled "*Skyscrapers in Damascus overlooking the ruins of war... And apartments at 400,000 dollars!*".

21. Syrian Arab News Agency, "*Higher Judicial Committee for Elections announces results of People's Assembly elections*", 16 April 2016.

22. Ibid., "*Khamis: Large infrastructure projects offered for partnership*", 10 September 2018.

by crony capitalists and powerful elite networks on conditions widely favourable to them at the expense of the larger interests of the state and its citizens.

Marota City, an Instrument for Capital Accumulation by Crony Capitalists and a New Economic Elite

Some businessmen linked to the regime have also started to appear and rise to more prominence. They are usually individuals who were outside both the crony capitalist circles and the dependent business elite networks built up in recent decades, but they are people who had accumulated some level of wealth before the uprising. This has been particularly observed in the reconstruction process. The most important of these figures is Samer Foz, who during the war became one of the country's most powerful businessmen. Before the uprising in 2011 he owned the Aman Group, a contractor for real estate development and food commodities.²³ In the course of the war, Mr Foz's business interests massively expanded to include aviation, the cable industry, steel, sugar, car assembly and distribution, hotel management, real estate development, pharmaceuticals and the banking sector.

In August 2017 his company Aman Group also announced that it would participate in partnership with the Damascus Governorate and Damascus Cham Private Joint Stock Company in the reconstruction of the Basateen al-Razi area in the Mazzeh district of Damascus. Aman Damascus, the company established by Aman group for this project, announced it had USD 18.9 million in capital.²⁴ In November, Damascus Cham Holding granted the Aman Group the right to develop real estate properties worth around USD 312 million as part of the Basateen al-Razi project.²⁵

Other business personalities and companies have also

23. See <http://www.amangroupco.com/en/pages/6/Overview/1>.

24. "The signing of an additional contract between Damascus Cham Holding Company, Aman Holding Company and Damascus Aman Company Private Shareholding Company", 27 September 2017.

25. The Syria Report, "Samer Foz Acquires Rights over Hundreds of Millions of Dollars in Basatin Al-Razi Project", 21 November 2017.

benefited from lucrative contracts with Damascus Cham Holding as part of the reconstruction of Basateen al-Razi:

- Zubaidi and Qalei LLC, owned by Khaled Al-Zubaidi and Nader Qalei;
- Kuwait-based businessman Mazen Tarazi, who is active in a variety of economic sectors²⁶;
- Talas Group,²⁷ which is owned by businessman Anas Talas;
- Exceed Development and Investment, owned by private investors Hayan Muhammad Nazem Qaddour and Maen Rizk Allah Haykal;
- Rawafed Damascus Private joint venture, owned by Rami Makhoul and close associates and composed of Ramak for Development and Humanitarian Projects LLC and four other companies;
- Bunyan Damascus, which is a partnership with two companies, Apex Development and Projects LLC and Tamayoz LLC.

These members of the new business elite, the great majority of whom were unknown before the war, have been able to capitalise, both economically and in terms of political influence, on opportunities created by the departure of dependent business elite networks. Some of these individuals, such as Samer Fawz, have also benefited from important economic opportunities by acting as middlemen in trade deals between the regime and various actors, while others have acted as frontmen or close associates with regime cronies hit by sanctions.

National Funding and Foreign Investments

These large real estate projects are expected to attract foreign capital, which is crucial for reconstruction in Syria. The investments by public and private actors are, however, insufficient to rebuild the country, while, as mentioned previously, the state is seriously indebted.

The reconstruction tax (called the National Contribu-

26. In early January 2018, the Syrian Civil Aviation Authority granted a license to an airline established by Mazen Tarazi. Mr. Tarazi held 85 percent of the shares in the company, with his two sons, Khaled and Ali, holding the rest. Mr. Tarazi has demonstrated his support for the regime on a number of occasions.

27. The company is mainly active in the production and distribution of food products from its base in the UAE. The company has developed its own food brand, Tolido.

tion for Reconstruction), which was introduced in 2013 and was initially supposed to be applied on various taxes and fees for only three years,²⁸ was doubled in December 2017 from five to ten percent but this did not solve the problem. This tax did not generate much revenue, bringing the equivalent of SYP 13 billion, a mere USD 31 million, into the 2017 budget.²⁹ The government has also become increasingly dependent on early disbursements by the Central Bank, in addition to foreign aid, which increased during the war because of the very limited tax revenue. In 2015, at least a third of public spending was financed by long-term borrowing from the Central Bank of Syria.³⁰

The national budget for 2017 was SYP 2.6 trillion (USD 5 billion). In 2018 this increased to SYP 3.1 trillion³¹ and again in 2019 to SYP 3.882 trillion.³² The government's Reconstruction Committee was established in 2012 and it is affiliated with the Ministry of Local Administration and Environment. The combined value of its reconstruction project in the 2018 budget was only SYP 50 billion and it is SYP 34.8 billion (USD 75.2 million) in 2019. The money allocated is mostly spent on the repair of destroyed equipment and buildings, although some of the listed projects were not necessarily damaged during the war, such as the Bassel Al-Assad Airport in Lattakia, the Jableh Hospital and the Sharqiyeh phosphate mines, which are currently being developed by a Russian company.³³ The 2019 budget allocated for reconstruction was no more than SYP 50 billion, equivalent to USD 115 million.³⁴

Moreover, the Public-Private Partnership (PPP) schemes had funding problems as they relied on

28. Taxes on business profits, on exit fees, car license plate fees and real estate license fees were among the many on which the tax was imposed. The income tax on wage earners was, however, exempted.

29. The Syria Report, "[Syrian Parliament Approves Doubling of Reconstruction Tax Rate](#)", 12 December 2017.

30. Paul Cochrane, "[Après la guerre, qui financera la reconstruction de la Syrie?](#)", 2 December 2017.

31. Syrian Observer, "[Cabinet Approves 3 Trillion Syrian Pounds for 2018 General Budget](#)", 25 October 2017.

32. Syrian Arab News Agency, "[Cabinet approves state budget bill for 2019 at SYP 3882 billion](#)", 21 October 2018.

33. The Syria Report, "[Reconstruction Committee Lists 2018 Projects](#)", 23 October 2018.

34. Wajeaha Haddad, "[The Syrian budget of 2019: reconstruction allocated 115 million dollars](#)", 9 September 2018.

finance from banks, which was clearly unavailable as the total assets of the 14 private-sector commercial banks operating in the country were SYP 1.7 trillion at the end of 2016, equivalent at the time to only around USD 3.5 billion. In 2010 the figure had reached USD 13.8 billion. In terms of assets, some of the six state-owned banks are actually larger than their private sector counterparts, in particular the Commercial Bank of Syria. However, these banks have large bad debt portfolios.³⁵ Therefore, the reconstruction needed foreign funding, which will benefit the countries that most support the Assad regime, particularly Iran and Russia.

Following the recapture of eastern Aleppo in December 2016, Aleppo governor Hossein Diyab stressed that Iran was going to "play an important role in reconstruction efforts in Syria, especially Aleppo." In March 2017 the Iranian Reconstruction Authority announced that it planned to renovate 55 schools in Aleppo province.³⁶ In mid-September 2017, Iranian officials declared that they would repair and reconstruct the electricity infrastructure in Damascus and Deir Zor, and an Iranian company was awarded a contract to supply electricity to Aleppo. These deals were worth hundreds of millions of dollars if finalised.^{37 38}

In September 2018, a Memorandum of Understanding on cooperation in the electricity sector was signed between Syria and Iran and it included the provision by Teheran of new power generation stations in Lattakia and Baniyas and the repair or improvement of others in Aleppo, Deir Zor and Homs.³⁹ A month later, Iran struck a new deal with Damascus to build a €400 million power plant in Latakia. In August 2018, the Syrian Ministry of Public Works and Housing agreed

35. The Syria Report, "[Syrian Banks Unable to Finance Reconstruction](#)", 21 July 2017.

36. Tobias Schneider, "[Aleppo's Warlords and Post-War Reconstruction](#)", 13 June 2017.

37. Al Jazeera, "[Iran signs deal to repair Syria's power grid](#)", 12 September 2017.

38. Bassam Darwish, head of the electricity ministry's planning unit in the Syrian government, estimated that direct damage in the power sector during the war corresponded to between approximately \$4 and 5 billion (See <http://www.reuters.com/article/us-mideast-crisis-syria-electricity/syria-producing-more-energy-after-army-recaptures-gas-fields-ministry-idUSKCN1C12JY>).

39. Syrian Arab News Agency, "[Syria, Iran sign MoU on electricity cooperation](#)", 12 September 2017.

with Iranian private companies to build 30,000 residential units as part of the General Organisation for Housing's projects in Damascus, Aleppo and Homs.⁴⁰ A few months later in February 2019, Iraj Rahbar, the deputy head of the Mass Construction Society of Iran, announced that his company was planning to build 200,000 housing units in Syria, mostly around the capital, as a result of a memorandum of understanding that was signed a few weeks before in a meeting in Damascus of the Joint Syrian-Iranian Higher Committee. The agreement, he explained, would be implemented within three months and be funded through a new USD 2 billion Iranian credit line.⁴¹

As for Moscow, already in October 2015 a Russian delegation visited Damascus and announced that Russian companies would lead Syria's post-war reconstruction. Deals worth at least €850m emerged from these negotiations. A further Russian parliamentary visit to Syria in November 2016 resulted in Syrian Foreign Minister Walid Muallem reportedly offering Russian firms priority in rebuilding Syria.⁴² In mid-December 2017, a Russian delegation made up of the heads of major Russian companies led by Russian Deputy Prime Minister Dmitry Rogozin was again in Damascus for talks with Bashar al-Assad on investment and reconstruction in the country, referring to "major economic projects," including the "oil, gas, phosphate, electricity and petrochemical industries" and also transport and trade.⁴³

In February 2018, Syria and Russia signed an agreement on cooperation in the electrical power field in the "framework of developing the electrical system through reconstructing and repairing the Aleppo thermal plant and installing a Deir Zor power plant, in addition to expanding the capacity of the Mharda and Tishreen plants."⁴⁴ In March 2019, Russian private companies announced their readiness to transfer and introduce their construction techniques and skills to Syria for the reconstruction process in collaboration with the Syrian Ministry of Public Work and Housing.⁴⁵

40. The Syrian Observer, "[Iran Commits to Residential Projects in Syria](#)", 16 August 2018.

41. Economy 2 Day, "[Construction of a city and 200 thousand housing units](#)", 25 July 2018.

42. Neil Hauer, "[To the victors, the ruins: the challenges of Russia's reconstruction in Syria](#)", 18 August 2017.

43. Le Figaro, "[Syrie: «de grands projets économiques» évoqués](#)", 18 December 2017.

44. Syrian Arab News Agency, "[Syria, Russia ink agreement for cooperation in energy field](#)", 1 February 2018.

45. [Emmar Syria](#), 2 March 2019.

However, there are serious doubts about the implementation of some of these projects, especially the massive reconstruction scheme and memoranda of understanding mentioned above concluded between the Syrian allies Teheran and Moscow with Damascus, just like numerous other previous investment projects and economic agreements announced in the past few years.⁴⁶ For example, the Syrian government failed to secure the necessary funds for its contribution in the deals with Iran and Russia in the electricity sector and for the construction or repair of power plants and as a result they pulled out.⁴⁷

In August 2017, the Chinese government hosted its "First Trade Fair on Syrian Reconstruction Projects," during which a Chinese-Arab business group announced a \$2 billion commitment by the government for the construction of industrial parks in Syria.⁴⁸ In December 2017, Qin Yong, the vice president of the China-Arab Exchange Association, estimated investments in Syria of a similar value and explained that the companies he had accompanied to Damascus, Homs and Tartus – including the China National Heavy Duty Truck Company – planned to build roads, bridges, airports and hospitals and to restore electricity supplies and communications.⁴⁹ China was, however, still reluctant to engage massively in such an unstable country. For Beijing, investments in emerging countries are often, as in Africa, conditioned on privileged access to natural resources. However, Syria is quite weak in raw materials and it has promised Moscow and Tehran that they will have priority. The projects could also be awarded to India and Brazil as rewards for their positions rather than to Damascus.

On the Arab political scene, a few countries expressed their willingness to take part in the Syrian reconstruction process, such as Egypt, Oman, Jordan and Lebanon. Moreover, some Gulf monarchies led by the UAE are changing their positions regarding Syria and an increasing process of normalisation towards Damascus is taking place on the Arab political scene. Already in August 2018, UAE citizen Abdul Jalil Al-Blooki visited the premises of Damascus Cham

46. The Syria Report, "[Iran Says it Plans to Build Large Housing Project Around Damascus](#)", 6 March 2019.

47. Sinan Hatahet, "[Russia and Iran: Economic Influence in Syria](#)," Chatham House, 2019, p.14.

48. Steven Heydemann, "[Syria Reconstruction and the Illusion of Leverage](#)," Atlantic Council, 2019.

49. Ting Shi, Henry Meyer, Donna Abu-Nasr and Ilya Arkhipov, "[China Eyes Role Rebuilding Syria While Putin Spars With West](#)", 21 December 2017.

Holding and attended one of its meetings.⁵⁰ Among other positions, Al-Blooki is the deputy chairman of Aafaq Islamic Finance, a Sharia-compliant financial services firm, and head of the Syrian company Emirates Private Development and Investment Company LLC, which was established in 2013 to invest in the real estate sector. This visit confirmed the efforts by the UAE to normalise its relations with Damascus.

In December 2018, the situation accelerated once more towards a re-legitimisation and rehabilitation of the Assad regime among its Arab counterparts. First, Sudanese President Omar Al-Bashir, a close ally of Saudi Arabia, visited Syria in mid-December, becoming the first Arab League leader to visit the country since the beginning of the uprising in March 2011, and on 27 December the UAE re-opened its embassy in Syria after seven years. A day later, Bahrain followed suit. Both states justified their decisions with the need to reactivate an Arab presence and role in Syria, and also to counter the deepening influence of Turkey and Iran in the country.⁵¹

At the end of December 2018, a delegation from the UAE company Damac Properties headed by its Senior Vice President for International Development, Wael Al-Lawati, visited Damascus. Damac is a real estate developer and one of the largest companies in the UAE and Arab world with assets of more than USD 7 billion and an annual revenue above USD 2 billion. At the Four Seasons Hotel Mr Lawati met representatives from two Syrian companies, Telsa Group and Al-Diyar Al-Dimashqiah.^{52 53} Towards the end of January 2019, a visit to the UAE by a delegation from Damascus Cham Holding to encourage investment in Syria was announced. It was represented by its Chief Executive

50. Please see: <https://www.facebook.com/Marota.city/posts/272057506858282>

51. Ali Bakeer, "Why did the UAE and Bahrain re-open their embassies in Syria?", 8 January 2019.

52. Both companies were established relatively recently, Tesla in 2015 and Diar Al-Diyar Al-Dimashqiah in September 2018. Maher Al-Imam is the general manager of the former, while Muhammad Ghazi Al-Jalali, a former minister for communications and a board member of Syriatel, and who is under EU sanctions, is a founder of Diar.

53. Emmar Syria, "DAMAC Properties is looking into ways to implement real estate development projects in Damascus", 20 December 2018; The Syria Report, "UAE Companies Showing Growing Interest in Syria", 24 December 2018.

Nassouh Nabulsi and accompanied by Syrian businessmen and industrialists led by Muhammad Hamsho. The delegation met a number of UAE chambers of commerce and industry, in addition to UAE businessmen.⁵⁴

However, at the time of writing the level of reconstruction funding by foreign capital remains unclear but insufficient, particularly as Russia and Iran are having increasing difficulty in maintaining their levels of financial and material support for the regime. The participation by other foreign actors in the reconstruction of Syria is linked to the development of other regional and international issues and negotiations, notably regarding Iran, in addition to the issue of sanctions imposed by the USA⁵⁵ and the European Union⁵⁶ on Syria, which constitute an obstacle that may scare off foreign companies. Threats of falling under US sanctions are also putting off most international and Chinese multinational companies, such as Huawei, which recently announced its withdrawal from Syria and Iran.⁵⁷ In November 2018, the US actually increased its pressure on Syria by announcing that it will seek to impose sanctions against any party (including shipping companies, insurers, vessel owners, managers and operators) involved in shipping oil to Syria.⁵⁸ In addition to this, US pressure has put the brakes on further rapprochement between some Arab regimes and Syria. The momentum to get Syria back in the Arab League has ebbed, for example.

54. Please see: <https://www.emmarsyria.com/post/128?fbclid=IwAR13JpmO-QFqqNuD1nckZZnyz-5dlqFL9qRN42yLgP4SpPEJKHLLRSy8ZpxA>

55. They notably ban exports, sales or the supply of services, along with any new investments, into Syria by any US individual. They also forbid any dealings by US individuals in Syrian oil and hydrocarbon products, and importing them into the United States.

56. EU Sanctions include asset freezes, travel bans, trade restrictions, financial sanctions and an arms embargo. The European sanctions also target Syria's electricity network, banning EU companies from building power plants, supplying turbines or financing such projects. The latest European sanctions in January 2019 target all the investors in the Marota urban master plan.

57. Sinan Hatahet, "Russia and Iran: Economic Influence in Syria," Chatham House, 2019, p.9.

58. World Maritime News, "US Treasury Warns Against Petroleum Shipments to Syrian Ports", 21 November 2018.

The European Union and the USA⁵⁹ have repeatedly declared that their support for the reconstruction of Syria and an end to sanctions would depend on a credible political process leading to a real political transition. In this framework, in January 2019 the European Union imposed new sanctions on eleven prominent businessmen, including Samer Foz, and five entities on the list of those subject to restrictive measures against the Syrian regime and its supporters because of their involvement in luxury real estate development, such as the Marota City reconstruction scheme, and/or their acting as middlemen on behalf of the regime in various trade deals.⁶⁰

The issue of reconstruction is also connected to the capacity of the regime to provide stability in the regions under its control and a business-friendly environment favourable to investment. This has been endangered by other elements such as:

- The capacity of the regime to stabilise the situation in the areas it controls and put an end to or at least control the various **loyalist militias**, whose grievances against it have increasingly become public and outspoken, is an important challenge at the time of writing. Pro-regime militias in different regions have been involved in various criminal activities such as robbery, looting, murder, infighting and especially checkpoint extortion, resulting in higher prices and further humanitarian suffering, as well as creating apprehension about recreating a favourable business environment.
- **Jihadist organisations'** gradual loss of control over a large area of territory does not mean an end to their capacity to strike regime-dominated areas with terrorist attacks.
- **The crony capitalists** empowered in the war could also impede the possibility of enabling the return of sections of the bourgeoisie to re-invest in the

59. In addition to the sanctions imposed in 2011, in December 2017 the US Congressional Foreign Affairs Committee unveiled the No Assistance for Assad Act, which prevented the Donald Trump administration from using non-humanitarian US aid funds for the reconstruction of Syria in areas held by the Assad regime or associated forces (USA Congress 2017).

60. The Council of the European Union (2019). '[Council Implementing Decision \(CFSP\) 2013/255/CFSP concerning restrictive measures against Syria](#)', Official Journal of the European Union.

country⁶¹ and therefore of their willingness to dominate the economy and investment opportunities to create a business environment favourable for reconstruction.

The risks of a failure of the reconstruction plans and more generally of economic development, especially in productive sectors of the economy such as manufacturing and agriculture, will make it much more difficult to end the "illegal and violent activities" that considerably increased throughout the war, attracting around 17 percent of the active population inside Syria in 2014⁶² and which could continue under other forms in the future.

Conclusion

The resilience of the regime in its war against any kind of dissent has come at a very high cost, above all in terms of human lives and destruction, but also politically. In addition to the growing dependence on foreign states and actors, some features of the patrimonial regime have been strengthened and its authority has been diminished. Crony capitalists and militias have considerably increased their power, while the clientelist sectarian tribal features of the regime have been reinforced. The war also allowed the rise of new businessmen linked to the regime. At the same time, in this situation the vast majority of the Syrian businessmen in the diaspora are not yet ready to come back to the country or to invest.

In this framework, the reconstruction process will most probably consolidate and strengthen the patrimonial and despotic character of the regime, while being used as a means to punish or discipline former rebellious populations.

61. In February 2017, the Minister of Finance, Maamoun Hamdan, visited Egypt to meet with the 'Syrian Businessmen Group – Egypt,' (Tajammu' Rijal Al-'amal As-Suri Bi-Masr) and offered them many incentives, such as a reduction in customs duties on production inputs, an exemption of all duties on machinery and on sales tax, in addition to a rescheduling of any debt owed to state banks. A few days later, the newspaper owned by Rami Makhlouf, al-Watan, published an article entitled "The Egyptian Industrialists," strongly condemning Syrian businessmen in Egypt for their alleged arrogance, the fact that they conditioned their return to Syria on incentives provided by the government, and the fact that they returned "only after the liberation of Aleppo."

62. Syrian Centre for Policy Research (SCPR) (2016), "[Confronting Fragmentation! Syria, Impact of Syrian Crisis Report](#)," UNRWA, 2016, 37.

More generally, the Assad regime has emerged from the war as an even more brutal, narrowly sectarian, patrimonial and militarised version of its former self. The popular uprising turned into a war that has forced Damascus to reconfigure its popular basis, to narrow its dependency on global authoritarian networks, adjust its modes of economic governance and reorganise its military and security apparatus.⁶³ Repression continues, including of former opposition fighters and civilians who participated in the so-called 'reconciliation agreements,' and no dissent is accepted.

The survival of the regime has not prevented Damascus facing a series of contradictions and challenges, on the one hand satisfying the interests of crony capitalists and heads of militias, and on the other accumulating capital through economic and political stability while granting its foreign allies the major shares in the reconstruction business. These objectives are rarely overlapping at the time of writing and some contradictions and rivalries are already appearing. Mounting criticisms are increasingly levied by civilians in regime-held areas against the criminal practices of the pro-regime militias. This is without forgetting the high potential for destabilisation of jihadist forces turning increasingly to terrorist actions particularly targeting urban populated areas after the loss of the territories they held.

However, it will be difficult for these internal contradictions to transform into political opportunities for opposition forces to capitalise on and transform them into connected struggles at a national level because of the absence of an inclusive and structured political opposition on the ground appealing to all popular classes, and of social actors, such as independent trade unions or peasant associations. This is in addition to a general and important fatigue among large sectors of society just seeking to come back to a form of stability in the country.

These dynamics have a number of implications which should be considered by the international community in designing its policies towards Syria and its reconstruction:

- The deepening of wide and general sanctions against Syria should probably be re-thought and re-modelled because they will most probably continue to harm large sectors of the population and society, in particular the popular classes. At the same time, regime cronies and elite networks will in all likelihood maintain or increase their influence

63. Steven Heydemann, "Syria and the Future of Authoritarianism," *Journal of Democracy*, Vol. 24, No. 4, October, 2016, p. 59-73.

in developing the black market and smuggling even more, strengthening their domination of the economy. Sanctions against regime individuals are an appropriate mechanism to prevent them from benefiting, for example, from the reconstruction process. In this perspective, the latest European sanctions at the end of January against businessmen profiting from economic agreements with the regime are welcome. However, sanctions affecting the general society are mostly likely not a solution that will advance the interests of the Syrian people.

- Today, international funding from Western countries is lacking, but this could change in the future. Therefore, a framework for international funding should be suggested. This would respect a number of conditionalities such as the inclusion and participation of local populations (refugees, IDPs and those who remained) in reconstruction plans (with owners and tenants being provided with new housing), guarantees of their rights, transparency of budgets, enforcement of and respects for workers' rights⁶⁴ etc. Conditions should be made to prevent or limit the regime and businessmen linked to it from using these funds to advance their own (political, security and financial) interests.
- Learning from past and foreign experiences, the privatisation of reconstruction very often benefits particular strata of society and/or particularly individuals close to the regime. This could be monitored and may be challenged by providing and proposing solutions encouraging monitoring by the local population and the participation of public institutions in reconstruction plans could be envisioned. Although it is clear that the public institutions are under the authority of the regime, it would limit the possibilities for crony capitalists allied to the regime to empower themselves and would offer citizens more possibility of demanding more transparency. As has been argued, privatisation of reconstruction will expand even more the regime's predatory activities from controlling 'rents derived from the state' to a position that permits it to dominate 'private rents' without even a modicum of transparency. This new income will enable the ruling elite to establish a network of associates linked directly to itself.

64. The experiences of founding independent trade unions in Egypt, for example, can be used as models to inspire suggestions and possible solutions that challenge the role of the official general trade union supported by the state and encourage the self-organisation of workers, their rights and working conditions.

- The reproduction of previous social, economic and regional inequalities present before the war should be an element to tackle in reconstructions plans. The most important component of the Syrian popular movement consisted of economically marginalised Sunni rural workers, along with urban employees and self-employed workers who have borne the brunt of neoliberal policies, particularly since Bashar al-Assad came to power in 2000. The geography of the revolts in Idlib, Dar'a and in other medium-sized towns and rural areas exhibits a pattern, namely that they were all historical strongholds of the Ba'th Party and benefited from agricultural reforms in the 1960s.

FROM WAR ECONOMY TO RECONSTRUCTION: THE CASE OF IRAQ

Anne Hagood

Introduction

The successive crises that Iraq has faced since 2003 are intrinsically linked to the nature of the identity politics that permeates its institutions and feeds the informal economy. Extensive ethno-sectarian patronage diverts state resources to maintain a balance among communities. The post-ISIS political and economic environments perpetuate this system, with the winners of the conflict being not the state but militias. These have developed parallel governance and economic structures, filling the vacuum left by the state institutions yet operating through a complex web of state mechanisms. As long as identity politics and its underpinning patronage continue to characterise the Iraqi political landscape, there is little room for national stabilisation and reconstruction.

On the basis of identity-driven patronage, political and economic powers are mainly benefiting particular communities depending on who represents them and the resources available. As a result, this dynamic fosters political, social and economic cleavages that translate into competition for scarce resources and institutional and political representation.¹ Such competition is also what drives competing visions of nationalism² and the formulation and role of the state, and therefore the priorities for reconstruction and whom reconstruction

should benefit.³

However, a comprehensive reconstruction and stabilisation approach based on a long-term vision is essential for Iraq to move forward and to prevent a new cycle of conflict. The legacy of the various conflicts since 2003 is indicative of the root factors that need to be addressed in moving forward, such as corruption, sectarianism and the incapacity of the state to reform. These elements are intertwined and fit into a war economy mindset adopted by the political parties for political survival and to maintain control over resources, thus supporting the extensive patronage network they have built up over the years.

To better situate the argument, an overview of the dynamics of the war economy in Iraq since 2003 with a focus on the latest conflict against ISIS between June 2014 and December 2017 is necessary. This will investigate the identity-based patronage system that led to the demise of Iraq in 2014. In doing so, it will demonstrate how the key drivers of conflict in Iraq are interwoven and remain present to this day. These drivers are intrinsically linked to resources and the structure of the economy, and consequently account for the lack of reform, the deep-seated corruption, inequalities and the ethno-sectarian sharing of resources, with the emergence of semi-formal state actors that operate through state mechanisms to establish a new form of governance.⁴ The various conflicts since 2003 (the civil war, the war against ISIS) and the lingering instability have affected Iraq's capacity to rebuild itself after

3. According to interviews with Hashd leaders in Iraq conducted by the author, a number of groups have developed their own procurement and contracting systems obtaining contracts via political parties affiliated to the Hashd group, thus by-passing the local administration and the state in reconstruction projects. This enables them to develop their own localised economy and develop a mode of local governance by taking over local state institutions. For example, in Salahadin the customs posts are controlled by Asaib Al Haq (AAH), whereas in Diyala they are shared between AAH and the Badr Organisation. Likewise, in the oilfield in Sa'adiya in Diyala is shared between these two groups as well. For more, see also Beaumont, R. and Quesnay, A. (2018) "The Return of the State and Inter-Militia Competition in Northern Iraq," *Noria*, online at: <https://www.noria-research.com/the-return-of-the-state-and-inter-militia-competition-in-northern-iraq/>
4. Given the restricted scope of this essay, I will not discuss the KRG, which would require a much more extensive analysis.

1. Nancy Ezzeddine and Erwin van Veen, "Power in Perspective: Four Key Insights into Iraq's Hashd Al Sha'abi," Clingendael, Policy Brief, June 2018.

2. For more, see Fanar Haddad, *Sectarianism in Iraq: Antagonistic Visions of Unity*, New York, Oxford University Press, 2011.

the fall of Saddam Hussein and have further plunged the country into economic deadlock. Dependent on oil, Iraq's government has failed to invest in its youth, who for the most part have not completed primary education. With 60%⁵ of its population under the age of 25, without proper investment and a reformed economy and without opportunities, Iraq's youth bulge is likely to become a youth problem.

1. Cycles of Conflicts after 2003

Establishing an Identity-Based Patronage System

In July 2003, the Coalition Provision Authority (CPA) established what it thought was a representative governing structure based on an ethno-sectarian demographic map of Iraq and appointed a 25-member Iraqi Governing Council. Not only did this formalise sectarianism and ethnicity as the organising principles of Iraqi politics⁶, but its members consisted of a mix of religious leaders and expatriates who held little sway or legitimacy among Iraqis. They therefore mobilised their constituencies around identity politics through patronage.⁷ Politicians started to use state resources, rent and employment opportunities as patronage to sustain a strong base of support in a society where they had none previously.⁸ Nouri al-Maliki filled vacant positions in the military and the administration with his loyalists and considerably augmented his powers to the point where his powerful patronage

5. United Nations, *"In Iraq, UN Youth Envoy says young people are 'most valuable force we have to shape a better future,'"* UN online 12 August 2017.

6. For more on the topic, see International Crisis Group, *'The Next Iraqi War? Sectarianism and Civil Conflict'*, Crisis Group, Middle East Report, No. 52, 2006.

7. Iraqis not only chose identity as a basis for representation given the elite in power, but it also became a factor in political and economic connections, often leading to a position or recruitment. See Toby Dodge, *Understanding the drivers of violence in Iraq*, Adelphi Series, 2012, 52:434-435, 31-52.

8. Toby Dodge, Zeynep Kaya, Jessica Watkins and Renad Mansour, *Understanding the Drivers of Conflict*, 2018, London School of Economics: Conflict Research Programme.

almost led to the creation of a shadow state. Negotiations after each of the elections since 2003 focused on which party would control which ministry, given that control of particular ministries became a major source of patronage and corruption and therefore of vital interest to the political parties.⁹

The political landscape was dominated by a Shi'a-Kurdish alliance, which consisted of various fragmented groups. The Sunnis, who were short of political representation and linked to the former regime, turned to insurgency as they saw the new elite as illegitimate and threatening. A series of targeted attacks, particularly the explosion of the Dome in Samarra and the ensuing response by Shi'a militias, led to a violent civil war in 2006 and 2007. The informal power-sharing system (*muhasasa*) that has permeated Iraqi politics since 2003 is also the main reason for the continuation of clientelism in Iraq through control of ministries and institutions, which is inextricably linked to sectarian quotas.¹⁰ Power-sharing became a gateway for employment, leading to an over-inflated and inefficient public sector. An MP on the Integrity Commission, who asked to remain anonymous, went as far as to state that "political parties hand out positions, from the cleaners to the post of ministers,"¹¹ thus pointing to the complete dominance of patronage.

The ethno-sectarian consociational system that has emerged over the years through exclusive elite alliances relies on three sources of rent: 1) the dominant parties secure government payrolls for themselves and income to reward political loyalty and extend patronage networks; 2) they use government contracts to co-opt private sector and business people close to them; and 3) they take part of the ministerial budgets for their

9. Key ministries with important budgets and contracts are first distributed among the dominant political parties or those who are taking part in the national unity government. The parties then appoint their followers, which enables them to get jobs in the ministries they control. Eric Herring and Glen Rangwala, *Iraq in Fragments: The Occupation and its Legacy*, London, Hurst & Company, 2006.

10. This is not to say that clientelism did not exist prior to 2003, but I would argue that it was not driven by identity.

11. Sarwar Abdullah, Tim Gray and Emily Clough, *Clientelism: factionalism in the allocation of public resources in Iraq after 2003*, Middle Eastern Studies, 2018, 54:4, 665-682.

own personal or party gain.¹²

Over the years, most of these groups have developed their own armed militias and have engaged in conflicts with one another over control of territory and resources and to assert “exclusivist ethnic and religious identities.”¹³ While I would contend that ethnic manipulation is nothing new and often the by-product of identity reconfiguration, the struggle and violence that accompany this reconfiguration become part of a process of state-building, with the state’s boundaries and institutions reflecting the characteristics and aspirations of the dominant parties.

The political and economic structures of *muhāsasa* enabled a majority of Shi’a Islamists, who felt vindicated by their perception of their victimisation, to lead the country, together with nationalist Kurdish factions. As ethno-sectarian identity became a new frame of national identities, the elite sustained their power over time by relying on ethnic or sectarian nationalist discourses¹⁴ tapping into grievances.

After Iraq re-emerged from ethno-sectarian politics in 2010, with the secular blocs winning the majority of votes, the subsequent sectarian politics of PM Maliki were responsible for uprisings and sit-ins that took place throughout the Sunni provinces in the following years. Most of the demands centred on accusations of corruption, unemployment, poor public services and poor salaries, especially by the Sahwa. In a country where the political system is guided by an elite pact based on ethno-sectarian apportionment, with identity becoming the main justification for access to state resources (employment, services etc.), the Sunnis were excluded from the economic and political systems. A narrative of communal victimhood has progressively come to dominate the Sunnis’ perception of Iraq.¹⁵ This drove them into a series of protests between 2012 and 2013, with sectarian clashes escalating in Hawija

in 2013.¹⁶ A violent response to the demonstrations by Maliki ultimately provided fertile ground for ISIS to recruit among Sunnis. The first stages of the ISIS takeover in Mosul were characterised by the restoration of electricity, the provision of salaries and the removal of checkpoints, which were formerly maintained by police forces largely seen as illegitimate by the local population.

2014 Onwards: The Collapse of Iraq

The fight against ISIS became the theatre for a revival of identity politics with a mobilisation of thousands of volunteers outside direct government control under the umbrella of the Popular Mobilisation Forces (PMF). The PMF have gained significant economic, social and political ground in Iraq since 2014. Many of the groups under the PMF enjoy genuine support from the local population and have worked to institutionalise this relationship by setting up local committees or by appointing a person from the local population as their representative in public institutions.¹⁷ Given the dominance of Shi’a politicians and militia leaders among the PMF cadre and leadership, it has proven more challenging to recruit and garner legitimacy in Sunni areas. Therefore, Sunni representatives from Baghdad, nicknamed the Green Zone Sunnis¹⁸ are appointed by the PMF to recruit and ‘sub-contract’ security at the local level, but they often do so through criminal networks.

Importantly, the PMF are not a homogenous entity either, and they have become part of a growing intra-Shi’a contest for state resources and legitimacy.

12. Dodge et al., *Understanding Conflict*, op-cit.

13. Ibid.

14. Edward D. Mansfield and Jack Snyder, “*Democratization and the Danger of War*,” *International Security*, Vol. 20, 1995, No. 1, 5-38.

15. The trigger was the arrest of Rafi Al Essawi and his ten bodyguards on charges of corruption.

16. On Friday 19 April 2013, confrontations took place between protesters and the army at a checkpoint in Hawija resulting in the death of one civilian and one officer. As the residents refused to hand over the suspects, the city was put under siege, sparking support for the Sunni Naqshbandi Army insurgent group and within a few days leading to violent clashes resulting in the death of 300 people. Other attacks took place in Salahdin and then Ninewah.

17. Robin Beaumont and Arthur Quesnay, “[The Return of the State and Inter-Militia Competition in Northern Iraq](#)”, 14 June 2018.

18. A term that is often used by Sunnis from provinces such as Salahadin, Ninewah and Anbar to refer to Sunni politicians or representatives who have no clout or legitimacy among the populations of these provinces but claim to represent them.

Among the PMF, there are roughly three groups.¹⁹ The first group emerged early in Iraq's post-2003 security vacuum and gained a fresh impulse from the ISIS takeover of Mosul in June 2014, when Prime Minister Maliki and his allies established the Hashd commission.²⁰ The second reflects Ayatollah Sistani's priority for the Hashd – the protection of Shi'a shrines. The groups that pledge allegiance to him are named after imams or their burial places in Iraq. The third group pledges allegiance to Muqtada al-Sadr and is called Sarayat al-Salam (Peace Brigades), a reincarnation of the Mahdi Army. The competition for power and resources among these groups was most evident during the 2018 election.

If anything, the PMF demonstrate that sect-codification is not just an elite-driven process and in fact calls for different groups or constituencies to buy in and actively participate. The elite are not confined to being sectarian entrepreneurs acting as puppeteers over masses devoid of agency; they are also driven by local demand.²¹ Economic opportunities weighed in considerably more than ideological or political motives during and after the conflict in a number of cases, which was evidenced by the young people that mobilised. Most of those interviewed stated that their primary hope in joining the PMF structure was to eventually obtain a position within a government structure.²² This was especially so for those who adhered to the first category cited above, the Badr Brigade, to which funds and access to state resources were more readily available. Most were mainly seeking employment, and communities rallied around opportunities that would spring from joining

the war in the form of contracts for reconstruction.²³ In an approach more instrumentalist than primordialist,²⁴ individual economic strategies for survival in social and political networks²⁵ are constructed and invested with political and economic power balancing individual needs with collective identity. The distribution of power and resources translates into ethno-sectarian patronage networks and exclusivist policies that prioritise economic survival at the expense of other groups. The policies they formulate and the approaches they develop are more sect-centric than sect-driven. In other words, the sectarian codification shapes the political and social community targeted.

After the fight against ISIS, several groups from the PMF coalesced to form a political alliance under the name of 'Fateh,' which was led by the Badr Commander Hadi Al Ameri. This competed against other Shi'a factions and won 48 seats. Sunni politicians were less critical and aligned themselves with Shi'a political leaders in the May 2018 election. However, while this may be interpreted as a sign that Iraqi politics are stepping away from identity politics and may opt for stability, I would caution against such a judgment. The deep-seated resentment is still present. However, the 'Green Zone' Sunnis are now aligning themselves with stronger figures as the economic outlook seems grim and opportunistic behaviour is taking precedence, further driving a wedge between Sunni populations and their political representatives.

A number of Sunni internally displaced persons (IDPs) have been largely prevented from returning to their areas of origin²⁶ by PMF groups. The latter deliberately target them and hence contribute to 'homogenising'

19. It should be noted that these three groups have been oversimplified for the sake of this article. The PMF is a to be seen as a grouping of what is estimated to be between 140,000 and 160,000 fighters and over 40 military units, whose relationship with political actors, Iran and each other vary according to interests, patronage, social anchoring and political and economic interests and vision. For more, see Haddad, F. (2018), *Understanding Iraq's Hashd Al Sha'abi: State and Power in Post-2014 Iraq*. March 5, The Century Foundation.

20. With Badr taking a prominent role, along with a more silent group that was still dominated by Hezbollah.

21. Fanar Haddad, "Shia-Centric State Building and Sunni Rejection in Post-2003 Iraq", Carnegie Endowment, 1 July 2016.

22. Interview conducted by the author with PMF soldiers in Amerli and Baghdad.

23. According to several interviews with young people mobilised into the PMF by various factions, the monetary incentive was the primary factor. Furthermore, to maintain legitimacy and popularity, various PMF groups set up a system of pensions for widows, families and others of 'fallen combatants.' This was later codified into law under the current PM.

24. While primordialists consider that individuals are defined by their identity and ethnicity as a social phenomenon has an independent existence that is not rooted in any particular social context (Van den Berghe 1994), instrumentalists perceive identity as an instrument to achieve a political or economic goal (Wimmer 2005, Davis 2008, Horowitz 2009).

25. These can be tribal, ethnic, religious, etc.

26. Some of the more documented areas are Jafr Al Sarar outside Baghdad, Yathrib in Salahdin and Suleiman Beg (which was destroyed).

the demography in order to bolster their legitimacy and political and economic grounding. Not only is this becoming a breeding ground for radicalism, but it will exacerbate political instability as longer-term displacement exposes those concerned to economic loss, in addition to the longer social stigmatisation that will affect these communities. A consequence of this is a considerable impact on the agricultural sector, which is being progressively replaced by a de facto public sector-based employment economy controlled by militias and their institutions.²⁷ Furthermore, the state and the PMF have engaged in revenge campaigns, systematically casting out or killing anyone perceived to have the slightest relationship to ISIS.²⁸

At the government level, the state's priorities were clear from the beginning. At the expense of reconstruction or stabilisation, among the first four cabinet decisions on the budget allocation for 2019, two granted higher salaries and an increased budget to the PMF. This was despite the ending of the war. Priority for employment and jobs was to be given to the relatives of the PMF members who died fighting against ISIS. Henceforth, competition for resources among the Shi'a groups and parties, and the structures established by the PMF that are semi-parallel to the state institutions that finance non-accountable state actors, will pose a challenge.²⁹

To date, despite the victory against ISIS and increasing demands by Iraqis for issue-based campaigns and parties rather than just identity-based ones, the capture of state resources and institutions by the political elite and their control over the patronage networks upon which they rely still dominate the social, political and economic landscapes. This not only underscores a pattern that has emerged and intensified since 2003, but it also means that the prospects for reconstruction are grim.

27. This was particularly evidenced in areas surrounding Kirkuk, in Yathrib, in mixed areas of Ninewah, in Hawijah and in several places in Diyala.

28. In many cases the author witnessed, the victim was simply the wife or relative of an alleged fighter. For more, see Ben Taub, "[Iraq's Post-ISIS Campaign of Revenge](#)," *The New Yorker*, 17 December 2018.

29. Erwin van Ven, Nick Grinstead and Floor El Kamouni-Janssen, "*A House Divided: Political Relations and Coalition-Building between Iraq's Shi'a*," 2017, CRU Report. As the authors point out, Shi'a political parties unite temporarily in the face of an external threat, especially if called upon by their religious leadership, but this tends to be short-lived and does not reduce opportunistic political behaviour.

2. Competing for Resources

While the defeat of ISIS marked a positive step, Iraq still faces major impediments to reconstruction that are more structural than situational. With its current political structure and modes of governance, patronage continues to weaken state institutions and enables a number of actors to perpetuate the war economy, hindering post-conflict recovery. First, the collapse of oil prices in 2014 revealed the vulnerability of the Iraqi economy and made the rentier state model more unsustainable if it is to embark on reconstruction. Second, the state's dire need for private investment to provide goods and services, rebuild the economy and reconstruct is key to stability. The necessity of overhauling the economy and passing legislation that would support a non-oil economy and promote job creation, particularly in the construction and agriculture sectors, calls for a set of political, institutional and legal changes that Iraq has yet to introduce but are, nonetheless, essential to its development, if not its stability. A continuation of the rentier state model and patronage-driven economy will accentuate identity-based cleavages and inequalities and increase the gap between citizens and their institutions.³⁰

On 9 December 2017, the Government of Iraq declared victory against ISIS after more than three years of intense fighting, 67,000 civilian deaths and 2.3 million IDPs as a result of conflict, with the cost of recovery estimated at USD 88.2 billion.³¹ Petrodollars account for about 90 per cent of government revenue, and crude production has tripled since the 2003 US-led invasion. To date there has been little progress in diversifying the economy and much of the government spending is focused on salaries.³² This is not only for political

30. In 2018, despite a resounding victory against ISIS, the turnout was the lowest since 2003, with only 44% of the eligible voters casting ballots. See <https://www.google.com/amp/s/www.latimes.com/world/middleeast/la-fg-iraq-election-day-20180512-story.html%3foutputType=amp>

31. Iraq Economic Monitor: From War to reconstruction and Economic Recovery: A Special Focus on Subsidy Reform, World Bank, 2018.

32. The public sector wage bill rose by 2.5 times between 2006 and 2016 and accounts for more than 12% of GDP, according to the IMF – available at <https://www.imf.org/~media/Files/Publications/DP/2018/45535-mcddp-public-wage-bills.ashx>

reasons to maintain the constituencies committed to, but the budget allocation is also detrimental to service provision as there is a lack of oversight and high levels of subsidies represent a large portion of GDP.³³ The rentier system on which Iraq's economy hinges and depending on oil for the primary income mean that oil revenue has primarily served short-term strategies financing a neo-patrimonial distribution of resources across identity and party-based relationships. This has been made evident by oil revenue being poured into public expenditure through the public sector to enhance control of the state and its institutions, with rife competition among the parties. The system is thus serving a political agenda rather than focusing on the state's investment capacity. The rise in oil prices should have resulted in a boom for Iraq, but instead it made the government reconsider its expenditure. The 2019 budget, however, shows that public spending will reach an all-time high, and while the defence budget needs to go down, it is unlikely to do so.

The Budget

Moving forward and despite positive oil price forecasts, Iraq's expenditure should remain focused on reducing subsidies, improving service delivery, fighting corruption and promoting investment reforms. While funds were raised to fight corruption in the Board of Supreme Audit and the Integrity Commission, the low rates of investigation compared to that of conviction point to a lack of political will to tackle the problem.³⁴

The number of public sector employees is expected to rise from 2.88 million to 2.93. Adding those of state-owned companies, they will officially increase by half a million. However, according to some estimates they may be double that as they include a considerable number of contractors and part-time employees.³⁵ Contractors and part-time employees are likely to be appointed through political connections, and particularly with the PMF, which have been heavily involved in reconstruction at the local level. Likewise, the low level

33. Energy subsidies alone were estimated at 13% of GDP in 2015. IMF: [Iraq: Selected issues. Country report 15/236](#).

34. Robert Tollast, Yasser Al Maleki and Harry Istepanian, *Iraq's 2019 Draft Budget Law: A Turning Point in Reconstruction*, Iraq Energy Institute, 29 October 2018.

35. Ali Al-Mawlawi, "[Iraq's State-owned enterprises: A case study for public spending reform](#)," LSE Middle East Centre, 10 October 2018.

of reforms and their lack of implementation indicate that subsidies in the energy sector will represent a considerable proportion of federal spending in the foreseeable future.³⁶ In fact, the 2019 budget re-ignited the ire of a number of governorates as it amounts to nearly USD 107 bn, with a USD 19 bn deficit and with oil revenue covering up to 88% of the budget (with oil prices estimated at USD 56 a barrel). The budget is a far cry from the austerity measures previously adopted by former PM Haider Al Abadi.

Although the conflict is over, defence expenditure is prioritised in the budget, with the most significant rise allocated to recruitment and maintaining the PMF, to IQD 1.693 trillion in operational expenditure from IQD 1.3888 trillion in 2018, and to IQD 404,560 bn in capital expenditure from IQD 294.5 bn in 2018.

The budget indicates that Iraq will remain fairly centralised despite small increases in revenue allocated to some governorates through the decentralisation process, such as the one in Basra after the protests and political infighting.³⁷ The budget law also tries to mitigate the risk of uncoordinated or politically oriented provincial spending. Cementing central control, however, points to additional funds being allocated as expenses on projects submitted by governors,³⁸ with priority being granted to projects with districts most impacted by oil and gas operations and environmental protection projects.

The reliance on oil revenue at the expense of other sectors has paved the way for the formation of a neo-liberal rentier system vulnerable to external shocks, rent-seeking and corruption. As explained earlier, Iraq has suffered setbacks due to growing personalistic and clientelistic relationships between the private

36. According to some estimates, it will amount to four times the federal expenditure on health, education, trade, industry and higher education combined. The electricity sector is heavily financed by the government at 12% of the total 2019 budget, while bill collection rates were at 28% in 2017.

37. In Basra, the oil companies, which are supposed to train and hire a workforce drawn from the local population and invest back in development projects, are forced to hire people with connections to powerful tribal sheikhs and the Islamist parties.

38. With the approval of provincial councils, governors can utilise up to 50% of the petrodollar funds for: (1) electricity imports, (2) services and cleaning, (3) sending patients outside Iraq, (4) provincial current account expenses.

and public sectors based on family, ethno-sectarian or political affiliations.³⁹ These relationships between the formal and informal economies are now even closer with the involvement of the PMF, to the extent that programmes that are implemented by international agencies or organisations in order to develop the private sector end up being heavily influenced by political sponsors, including local leaders and grant officers.⁴⁰ There are few signs of this situation changing.

The PMF and the state

With the rise of the PMF as political actors and by exploiting grey legal areas, they have been able to expand their reach in the security, political and economic spheres. Their initial willingness to integrate the ministries of the interior and defence was only a means to legitimise their leadership and provide access to state funding. Abadi's Executive Order 91 granted them legal status while preserving their autonomy, which was confirmed by the November 2016 PMF Law.⁴¹ It is precisely this unique status that allows them to shift between the formal and informal sectors and further undermine the state and its institutions. The PMF have achieved a profile in the economic sphere which on occasion directly competes with the state to provide reconstruction and services to citizens. They have done this particularly in areas retaken from ISIS, many of

39. See Irene Costantini, "A Neoliberal Rentier System: New Challenges and Past Economic Trajectories in Iraq," *The International Spectator*, 2017, 52:1, 61-75.

40. Ibid.

41. As Renad Mansour explains, the PMF law recognises them as "an independent military formation as part of the Iraqi armed forces and linked to the Commander-in-Chief." The PMF are therefore now legally recognised as a legitimate armed entity under the National Security Council (NSC) rather than being in a subservient position under one of the security ministries. The command structure does not always go up to the PM and the groups compete with the state forces at checkpoints. Likewise, in the political arena PMF leaders, and also Fatah members, use their political positions to argue for greater pay and pension allocations in the budget. As Mansour aptly remarks, "Baghdad has allowed the militias to institutionalise their role as part of the state, while maintaining autonomy as an independent security, political and economic actor. The PMF retains the image and prominence of a state actor but the autonomy of a non-state actor," See <https://warontherocks.com/2018/04/more-than-militias-iraqs-popular-mobilization-forces-are-here-to-stay/>.

which suffered heavy destruction.⁴² In effect, the PMF are setting up an array of institutions in parallel with the state. As the country recovers and money comes in to rebuild areas destroyed in the fighting, the PMF are positioning themselves as key intermediaries through their reconstruction companies and as brokers in contracting. Being middlemen allows them to both profit financially and to employ their demobilised fighters. As a PMF leader put it, "having the PMF on your résumé makes finding a job very simple these days."⁴³

The PMF have already moved beyond the reconstruction of areas destroyed in the fight against ISIS, and they proudly advertise their role in providing services and building critical infrastructure elsewhere in Iraq. Their website displays trucks bearing their logo that have begun repaving roads in Basra.⁴⁴ Beyond the formal economy, the PMF are active in informal markets and smuggling. In much of Iraq, and particularly in areas retaken from ISIS, they man checkpoints, decorate the metal posts with portraits of their 'martyrs' and leaders, and levy fees on travellers. Some have taken control of parts of the oil and gas trade in areas once ruled by ISIS, imposing tariffs on traders who, since the 1990s – when Iraq laboured under comprehensive international sanctions – have learned to smuggle oil and gas out of the country.⁴⁵

This is important given that a stabilisation of Iraq and its emergence from the war economy model would be based above all on job creation. According to a January 2018 World Bank report, 2.5 million Iraqis urgently needed jobs, with young people⁴⁶ being most affected. The youth unemployment rate reached 36% and demand for jobs was projected to span from 100 to 180% over the next 13 years. While reform of the private sector and business climate is urgent for jobs to be created, the elements mentioned above coupled

42. While it makes good sense to employ demobilised fighters in reconstruction, it makes no sense to allow the PMF to seize control of this economic sector without effective state oversight.

43. International Crisis Group, "*Iraq's Paramilitary Groups: The Challenge of Rebuilding a Functional State*," 30 July 2018.

44. See <http://al-hashed.net/2018/03/03/يس-دن-هل-اده-جل-ار-اوش-ء-اس-كاف-رش-ابي-دش-حلل>

45. Ibid.

46. Nearly 50 percent of Iraqis are younger than 19, and 60 percent are below 25. The population of young people is projected to increase from seven to ten million between 2015 and 2030.

with the PMF preventing the return of IDPs to their areas of origin and their dominance of the reconstruction sector at the local level means that the economy will continue to be shaped by rapidly shifting security, social and political conditions and a governance deficit. Likewise in agriculture and agribusiness, job creation and food security are key to stabilising the country, particularly in the liberated areas. Since the end of ISIL, Iraq has lost 40% of its agricultural production⁴⁷ due to barriers against the return of IDPs, changes made to the local economy by the victors in the conflict, deteriorating soil as a result of increasing salinity, and a lack of both skills and capital-intensive production.⁴⁸

Despite an increase in capital spending in the 2019 budget, the provision of vital services in the south and reconstruction in areas destroyed by the war are secondary to operational expenditures. Political competition among provinces and parties continues to hamper service delivery and reconstruction, not to mention poor implementation of the budget. The revenue generated by the oil sector benefits political parties and the elite, while transparency and accountability are still lacking. This translates into a lack of connection among ministries, with resources seldom being allocated to reconstruction in the governorates most affected by the war, especially in Sunni areas.⁴⁹

3. Conclusion: What next?

Can Iraq emerge from its war economy model and address its woes by diversifying its economic portfolio to reduce its dependency on oil and increase its resilience? Can it really efficiently combat corruption and overcome ethno-sectarian resource-sharing? There are no clear answers to these questions. The lack of political will, clientelism and control of state resources being in the hands of a few elite members remain serious impediments to moving forward. This is exacerbated by the rise of the PMF as political and economic actors, which will hamper much-needed changes and reforms. Furthermore, the PMF's militias and organised criminal networks, combined with the fact that they

47. Reach and Big Heart, 2016, Agricultural Market Assessment. FAO (2017), Near East and North Africa Regional Overview of Food Insecurity 2016.

48. According to the World Bank, a 10 percent increase in primary production may generate revenue for farmers and farm workers equivalent to 126,000 jobs, in addition to jobs in services and manufacturing.

49. Ben van Heuvelen, "Q & A with Haider Al Abadi, Former Prime Minister of Iraq," Iraq Oil Report, 19 March 2019.

man checkpoints, especially in Sunni areas, point to a return of the security and social factors that fuelled the rise of ISIL.

The PMF, rising key actors, are unlikely to reduce or stop their expansion through formal institutions and will move on to control ministries and institutions that offer lucrative rewards from contracting and access to resources. The fine line between the private and public sectors also hinders necessary reforms and weaning Iraq off its oil dependency. The PMF are also moving into controlling parts of the private sector, particularly in reconstruction, by taking over state-owned construction companies through the Ministry of Housing and Construction.

The high level of unemployment, particularly among the young, will not merely broaden the gap between the state and its citizens but will also foster risks of reviving radicalisation and hence impede recovery. Importantly, the need to match skill sets to the current economic needs of the market is also dire. The conflicts and instability that have affected Iraq since 2003 mean that today around 35% of Iraqis aged 15-24 have not completed primary education. It is essential for both stability and poverty reduction to facilitate their access to jobs and give them reasonable prospects of advancement. The scale of the employment challenge requires significant political will to overcome it. So far, despite the urgency this seems lacking.

The Iraqi government operates through coalitions made up of enemies and rivals, a recipe that makes progress notoriously slow. A recent accident in Mosul in which a boat capsized, which led to the removal of the Ninewah Governor Nawfal Hammadi, sparked demonstrations and protests that attest to the real problem: a need to combat corruption and address the lack of service delivery and reconstruction.⁵⁰ The state and its institutions continue to be absent from citizens' lives, leaving a vacuum for informal or semi-formal state actors to fill.

Iraq still has all the makings of being susceptible to relapsing into conflict, and rather than turn a new page it could find itself in another civil war. Beyond political and social polarisation, the government needs to address corruption and identity-based nepotism in

50. Alissa J. Rubin and Falih Hassan, [Iraq Ferry Accident Sets Off Political Upheaval in Mosul](#). New York Times, 24 March 2019.

the public sector and service provision.⁵¹ The current divided government has stopped most of the former PM's unpopular yet necessary reforms, mainly due to political pressure and competing priorities. The coming year's government spending exhibits all the traits of disposing of state resources to finance neo-patrimonial networks, with increased spending on the public sector. Meanwhile, the private sector continues to contribute to political settlements as it remains closely affiliated with the political establishment.

Iraq needs to diversify its economy through a reform of the private sector by means of laws and regulations, and also by removing the interests of political figures in private companies, which too often obtain contracts regarding education and reconstruction of infrastructure through political connections. Priority must be given to the war-affected areas in order to stabilise the situation politically and socially. However, more broadly speaking, Iraq's public infrastructure at large is in shambles and needs to be rebuilt, starting with the energy sector.

51. Nearly half of the budget – \$52 billion – will go on public sector salaries, pensions and social security for government employees, a 15 percent spike from 2018. In other words, operational spending (salaries) will eat up the largest part: about 75 percent compared to under 25 percent for investment.

CONSTRUCTION JIHAD: WARTIME AND POST-WAR RECONSTRUCTION AND DEVELOPMENT IN LEBANON¹

Eric Lob

Introduction

Analysis of the Iranian organisation, Construction Jihad (Jihad-i Sazandigi, hereafter JS), informs on how the Islamic Republic of Iran (IRI) has instrumentalised reconstruction and development to consolidate power at home and project influence abroad. Officially established on 16 June 1979, several months after the departure of Muhammad Reza Shah Pahlavi on 16 January and the return of the exiled Ayatollah Ruhollah Khomeini on 1 February, JS helped the nascent IRI gain popular support by undertaking an ambitious development campaign and by spreading revolutionary and religious values throughout the countryside, where over half the population resided. To this end, the organisation built roads, bridges, schools, libraries, clinics and baths; delivered electricity, water, medication and vaccinations; provided inputs, credit, guidance and assistance to farmers, herders and artisans; disseminated books and films with revolutionary and religious content; distributed Qur'ans and other Islamic texts; and organised clerical sermons, prayer groups and study sessions.

In addition to winning rural hearts and minds, JS helped a fledgling and vulnerable IRI demobilise and marginalise myriad domestic and foreign opponents,

1. A modified version of this chapter was originally and previously published as Eric Lob, 'Construction Jihad: State-building and development in Iran and Lebanon's Shi'i Territories,' *Third World Quarterly*, 2018, 39:11, p. 2103-25.

including Shah loyalists and royalists, communists and Marxists, Sunni and ethnic separatists, traditional elites and other counter-revolutionaries, and Iraqi forces and their collaborators in four ways. First, JS monitored these opponents and reported on their presence, personnel and activities in the countryside to the political and security establishment.² Second, in a clientelistic fashion, JS persuaded the beneficiaries of its projects and services to participate in public demonstrations in support of Khomeini and his political allies, and to vote for them in local and national elections.³ Third, JS integrated its members, partners and supporters – who ostensibly supported Khomeini and his allies and participated in the Iranian revolution and the Iran-Iraq War (1980-88) – into thousands of Islamic councils, land-distribution committees and rural cooperatives, and away from the traditional elite, Marxists and other opponents.⁴ Fourth, during the war, JS formed a corps of combat engineers, who logistically supported Iranian troops on the front and contributed to wartime and post-war reconstruction by repairing and rebuilding damaged and destroyed infrastructure.⁵

After helping the IRI consolidate power in 1983, JS became a ministry and helped the state export the revolution and project influence to other parts of the Muslim and developing world, including Lebanon. There, JS helped Hizbullah (The Party of God) establish a similar reconstruction and development organisation called Jihad al-Bina' (JB), the Arabic equivalent of 'Construction Jihad.' Based on extensive fieldwork in Iran and Lebanon, this chapter examines the wartime and post-war reconstruction and development activities of JB. These activities shed light on Hizbullah's strategic efforts to attract recruits, supporters and voters as a military organisation and a political party. Toward this end, Hizbullah advantaged Lebanese Shi'a economically, in part through JB's projects and services, including infrastructure, housing, hospitals, medical centres, dispensaries, schools, electricity, water, vocational training and agricultural assistance. As an unintended consequence, these projects and

2. Former deputy minister of JS, interview with the author, Tehran, 15 March 2011.

3. Former JS member and Iranian parliamentarian, interview with the author, Tehran, 1 June 2011.

4. Iranian sociologist, interview with the author, Princeton, NJ, 25 January 2011.

5. Former JS members and war veterans, interviews with the author, Tehran, 8 March, 15 March, 6 April, 17 April and 23 April 2011.

services subjected Hezbollah and JB to rising expectations from constituents, who increasingly valued performance and accountability alongside resistance and religion. JB also offers insight into Hezbollah's politicised, faith-based and distributive reconstruction and development model. Ideationally, JB helped Hezbollah spread political and religious values and demarcate its territorial boundaries by erecting and expanding the structures of the resistance society and the Islamic sphere. JB instilled cohesiveness and commitment in some of its personnel and beneficiaries. At the same time, JB dismissed the needs and aspirations of others and lacked inclusivity and sustainability.

Clientelism and Favouritism

Since its official establishment in 1988, JB has delivered diverse projects and services to Lebanon's Shi'i territories, including southern Beirut, the Bekaa Valley and south Lebanon. As JS had done during the Iran-Iraq War, JB renovated and reconstructed infrastructure, housing and businesses that rival Lebanese militias and the Israel Defence Forces (IDF) had damaged and destroyed during and after Lebanon's fifteen-year civil war and Hezbollah's repeated confrontations with Israel. In addition to wartime and post-war reconstruction, according to JB's director general, Engineer Muhammad al-Hajj, the organisation delivered drinking water, established agricultural cooperatives, offered vocational training, organised farmers and handicraft markets and promoted environmental protection.⁶

Strategically, JB delivered these projects and services to help Hezbollah advance its military and political interests, which changed with its organisational evolution. During the late 1980s and early 1990s, a fledgling Hezbollah used JB and other NGOs and service providers to alleviate the suffering of impoverished and insecure Shi'a, gain popular legitimacy and political support (the lifeblood of any guerrilla organisation), attract recruits and compensate fighters, martyrs and their families. During and after 1992, when Hezbollah participated in Lebanon's first parliamentary election since the civil war, the party also used JB and other NGOs and service providers to appeal to constituents and secure electoral votes.

6. Youtube Video, <https://www.youtube.com/watch?v=ayLChMj2rs>, no longer available.

Even in Lebanon's Shi'i territories, popular support for Hezbollah was not always a given due to the convoluted landscape of political allies and rivals, foreign powers, kinship networks and multiple confessions. For instance, during the 1998 municipal election in Hezbollah's birthplace, the northern Bekaa, the party unexpectedly lost to its Syrian-backed Shi'i predecessor and rival, Amal. The latter had successfully formed an opposing coalition of different parties, families, clans and confessions, not to mention followers of Hezbollah's disgruntled former secretary general, Subhi al-Tufayli (1983-84). During the next election in 2004, Hezbollah decidedly won, not just by effectively forging local alliances and outmanoeuvring its opponents, but also by recognising the necessity and urgency of mobilising Shi'i voters through social welfare and other means.⁷ This scenario probably changed after Hezbollah and Amal entered into the 8 March Alliance following the Syrian military's withdrawal from Lebanon in 2005.

Alongside other Hezbollah-affiliated NGOs and service providers, JB represented a conduit through which the party established and expanded its patron-client networks before municipal and parliamentary elections – a common practice in Lebanese politics. In a clientelistic and rentieristic fashion, and backed by international institutions and foreign partners and donors, local political parties and religious groups owned and operated their own reconstruction and development organisations. These groups did this to compensate for the weakness of the Lebanese state, fill the vacuum in public goods and social services in their respective communities and maintain legitimacy and support from them.⁸ Unlike these organisations, JB and other Hezbollah-affiliated NGOs initially and intentionally remained more autonomous from government departments and less dependent on public funds that were tied to a state widely perceived as sectarian, inefficient and corrupt.⁹ Compared to Hezbollah, JB and other affiliates, Amal and its service providers, such

7. Aurélie Daher, 'Le Hezbollah face aux clans et aux grandes familles de la Békaa-nord: les élections municipales de 2004 dans la ville de Baalbeck,' in Mermier, F. and Mervin, S., *Leaders et partisans au Liban*, Institut Français du Proche-Orient/Karthala, Beirut and Paris, 2012, p. 422-27, 429.

8. Myriam Catusse, and Joseph Alagha, 'Les Services Sociaux du Hezbollah. Effort de guerre, ethos religieux et ressources politiques,' in Mervin, S., *Le Hezbollah. État des lieux* (Sinbad/Actes Sud: Arles, 2008, p. 129-31.

9. Ibid, p. 127-31.

as the Council of the South, were less robust, efficient and legitimate because they were further entrenched in the state. However, since at least 2005, this distinction has waned after Hizbullah relinquished its status as an opposition party with its entry into the cabinet and expanded presence inside the government.¹⁰ This transformation probably explains JB's growing cooperation with different ministries and agencies, particularly those that fell under Hizbullah's purview.

According to JB's former president, Qasim'Ulayq, its most important goals were to:

Keep the people in their land, increase people's morale while they were in their land, prevent displacement and prevent the Israeli enemies from stopping the objectives of the resistance, which [the Israelis] attempted to weaken and end its work, to prevent Israel from achieving any social goal from its defeats in each battle, and bring people back [after these battles] and make their homes better than before.¹¹

Strategically, these objectives could be construed as an effort by JB to help Hizbullah maintain a critical mass of constituents within its territories and maximise recruits, supporters and voters. Ideationally, these goals could be interpreted as a mandate to undertake wartime and post-war reconstruction and development as a moral and symbolic victory and also as acts of defiance and survival against the IDF and rival Lebanese movements, militias and parties – some of which were suspected of collaborating with Israel.

As Hizbullah increasingly integrated into the state and distributed public goods and social services, the party subjected itself and its affiliates to rising expectations. Hizbullah probably maintained the non-governmental status of JB and other service providers in an attempt to shield them from popular demands, to help these organisations attract local, regional and foreign funding and support and to keep a certain distance from Lebanese politics in general.¹² However, as an affiliate of Hizbullah – with its parliamentary representatives and cabinet ministers – JB could not completely

separate itself from the party or the state. Rather than simply or exclusively commanding the political loyalty and religious commitment of some Lebanese Shi'a, the distribution of projects and services by Hizbullah, JB and other affiliates comprised a symbiotic or bi-directional process that generated and intensified public pressure for the continued provision and improved quality of these projects and services. For Hizbullah, JB and other affiliates, one crisis among others exacerbated this scenario: the post-war reconstruction between 2006 and 2012.

After the month-long war between Israel and Hizbullah in July 2006 decimated Lebanon's Shi'i territories, the party was obligated to fulfil the promise of its secretary general, Hassan Nasrallah, to make these territories more beautiful and better than before. As had been the case with previous conflicts with Israel, JB was technically in charge of the reconstruction. During its early stages, JB removed rubble and cooperated with Hizbullah's think tank, the Consultative Centre for Studies and Documentation, to conduct surveys, produce maps and collect data that assessed the damage. On 24 May 2007, Hizbullah established a non-profit and private planning agency called Wa'ad (the Promise) – which was named after Nasrallah's promise – to supervise and coordinate the reconstruction of demolished apartment buildings in southern Beirut and to undertake rebuilding operations in the areas of south Lebanon that were under Hizbullah's political control.

Hizbullah established Wa'ad to complement and bolster JB's resources and capabilities during this sizeable reconstruction. The party probably also did this in an attempt to circumvent the terrorist designations and economic sanctions that the United States had imposed on JB during the first year of the reconstruction on 20 February 2007 – even though Wa'ad was subjected to the same designation and sanctions nearly two years later during the reconstruction on 6 January 2009.¹³ Nonetheless, JB and Wa'ad seemingly performed an impressive feat of engineering by reconstructing and renovating 270 buildings, 941 apartments and 1,771 stores, warehouses and commercial spaces in the Haret Hreik municipality of southern Beirut between 2006 and 2012.¹⁴

One resident of Haret Hreik – who had his apartment reconstructed and renovated by JB and Wa'ad – heaped unadulterated praise on them while showing off his

10. Mona Harb, 'Faith-Based Organisations as Effective Development Partners? Hezbollah and Post-War Reconstruction in Lebanon,' in Clarke, G. and Jennings, M., Development, Civil Society and Faith-Based Organisations: Bridging the Sacred and Secular, Palgrave Macmillan, Basingstok, 2008, p. 216.

11. Youtube Video, <https://www.youtube.com/watch?v=715EzjIQVo>, no longer available.

12. See <http://www.jihadbinaa.org.lb/>.

13. See <http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.txt>.

14. Scarlett Haddad, "Promesse tenue : 270 immeubles à Haret Hreik entièrement reconstruits à l'initiative de Waad", 11 May 2012.

new residence, which, as Nasrallah had promised, was allegedly more beautiful and better than before.¹⁵ In reality, JB and Wa'ad had reinstated the pre-war status quo for approximately 200 private property owners (including the abovementioned resident) – who ostensibly were members and supporters of Hizbullah – in an attempt to advance its political and social priorities. These included controlling and taking credit for the reconstruction, preserving population density or outside resettlement, reaffirming its mediator or interlocutor status between the community and the state, renewing legitimacy among the community and maintaining service provider credibility, reasserting dominance and exercising political sovereignty over the territory and constituency, and achieving spatial hegemony and further reducing the spaces of contestation.

During the reconstruction, Hizbullah, JB and Wa'ad sidelined municipal officials and public authorities (even those who were affiliated with the party), architects, academics, the public (e.g. tenants, visitors, shoppers, mosque-goers and churchgoers) and other stakeholders in prioritisation, planning and decision-making. In the process, Hizbullah, JB and Wa'ad disregarded the priorities and preferences of these stakeholders regarding improved liveability, including less population density and traffic congestion and more public space (e.g. sidewalks, playgrounds and parks), pedestrian circulation, natural lighting, ventilation and privacy. In the end, the reconstruction was marked by a noticeable dearth or even absence of public debate, deliberation, participation, inclusiveness, consultation, consensus, transparency and accountability, with the exception of a few minor superficialities, such as the selection of building finishes, tiles and colours.

Ultimately, the reconstruction constituted a top-down and exclusionary process that triggered local discontent among the above-mentioned stakeholders and other residents. Despite Hizbullah's attempts to protect JB and Wa'ad through their NGO status, they were exposed to heightened expectations and created a buffer for the party during the reconstruction. The fact that input and feedback on the reconstruction were primarily relegated to property owners and minor superficialities narrowed the scope of this process and also raised the stakes and rendered it contentious, as was revealed by Wa'ad's director general, Hassan Jechi:

15. Resident, interview with the author, Haret Hreik, 15 July 2012.

Residents at first were worried and sceptical, then enthusiastic, and in the end insistent, demanding that [we] change the décor of the kitchens, the tiles in the bathrooms, etc... [One of our biggest challenges was] obtaining the approval of residents, who often changed their minds and with whom it was necessary to constantly negotiate.¹⁶

Even after Hizbullah declared the official end of the reconstruction in May 2012, the popular dissatisfaction did not subside. One resident of Haret Hreik complained about “low-quality housing, un-cleared debris, insufficient parking, and the lack of greenery and public space, notwithstanding mosques.”¹⁷ In response, the municipality – which was affiliated with Hizbullah, but, as previously mentioned, had been sidelined by it during the reconstruction – launched a programme in which young volunteers planted trees around the area.¹⁸ While visiting Haret Hreik on 14 July, the author witnessed groups of young volunteers planting trees. Although these activities may have partially resulted from grassroots pressure for more greenery, they may have also been inspired by and implemented in cooperation with JB's environmental protection campaign.

In addition to generating complaints about implementation, the reconstruction created perceptions of favouritism. Coinciding with Hizbullah's ceremony and rally announcing and commemorating the end of the reconstruction, residents of southern Lebanon criticised Hizbullah for having dedicated more resources to the reconstruction of the party's headquarters in Haret Hreik – a policy that corresponded to the government's compensation scheme.¹⁹ One resident of Haret Hreik insisted that “Wa'ad has exclusively serviced the owners of apartments and excluded their renters”²⁰ Another resident alleged that JB and Wa'ad had mainly serviced individuals and families who joined and supported Hizbullah – a common trend among its NGOs and service providers, not to mention

16. Haddad, op-cit.

17. Resident, interview with the author, Haret Hreik, 26 July 2012.

18. Municipality official, interview with the author, Haret Hreik, 14 July 2012.

19. Ya Libnan, “[South Lebanon residents criticize Hezbollah over reconstruction efforts](#)”, 11 May 2012.

20. Resident, interview with the author, Haret Hreik, 26 July 2012.

those of other political and religious groups.²¹ This accusation contradicted Jechi's claim that Hizbullah had not interfered in the reconstruction except to assist with zoning and traffic.²² However, in reality, Jechi and Wa'ad's board reported directly to Hizbullah's political authority or bureau without going through the agency. Furthermore, Hizbullah members and party cadres directed JB, and its employees were affiliated with the party, even if its Central Unit of Social Services attempted to present the NGO as autonomous.

Apart from the criticism of the implementation of the reconstruction and favouritism, perceptions existed among Lebanese Shi'a regarding corruption and embourgeoisement of the party during this period. Jechi himself expressed concerns about the large sum of money totalling approximately \$400 million that had been allocated for the reconstruction.²³ The financial cooperation that tenuously existed and opaquely transpired during the reconstruction between the Lebanese government and Hizbullah further blurred the distinction between the two – especially since the party sat on the government's reconstruction committee for southern Beirut. Hizbullah claimed that it had distributed the largest portion of the reconstruction costs to the amount of \$280 million and relied on only \$120 million from the state.²⁴ However, the fact remained that Hizbullah and Wa'ad had accepted and depended on post-war funds, indemnities and compensation from the state to partially finance the reconstruction. This undeclared partnership made it difficult for Hizbullah to disassociate itself from a government that was negatively perceived.

In the spirit of rentierism and with an annual operating budget of \$5 million in 2002,²⁵ JB depended on funding from the IRI, particularly from institutions that fell under the purview of the supreme leader. Nevertheless,

21. Ibid.

22. Haddad, op-cit.

23. Ibid.

24. Mona Fawaz, 'The Politics of Property in Planning: Hezbollah's Reconstruction of Haret Hreik (Beirut, Lebanon) as Case Study,' *International Journal of Urban and Regional Research*, 2014, 38:3, p. 929.

25. Lamia El-Moubayed Bissat, 'The Role of Civil Society in Rural Community Development: Two Case Studies from Lebanon,' paper presented at the Joint ESCWA-World Bank Capacity Building Workshop on Rural Development in the Middle East, UN-House, Beirut, 3-6 June 2002, p. 7.

JB and other Hizbullah-affiliated NGOs attempted to become more self-sufficient and diversify their funding to local, regional and foreign sources other than the IRI. As a registered NGO and like other Hizbullah-affiliated service providers, JB solicited and received financial assistance and other support from indigenous and diaspora Lebanese Shi'a, Lebanese governmental and non-governmental organisations, and foreign governments and international institutions, including the Italian government, the United Nations Development Programme (UNDP), the United States Agency for International Development (USAID) and the International Centre for Agricultural Research in Dry Areas (ICARDA).²⁶ Following the 2006 July War between Israel and Hizbullah, renewed terrorist designations and intensified economic sanctions against the party purportedly caused JB's funds, especially those from USAID and other American institutions, to substantially diminish and dry up – even though the European Union designations and sanctions targeted Hizbullah's military wing and excluded its NGOs and service providers.²⁷

The fact that Hizbullah and JB depended to varying extents and degrees on external rents from the IRI and the international community, and distributed these rents to constituents in the form of jobs, goods and services, made the party a distributive or rentier state within a state. This categorisation also applied to Hizbullah's patron, Iran, and to Lebanon and other countries in the region that relied on revenues from oil exports, foreign aid and/or diaspora remittances. However, rather than simply or exclusively creating economic dependency and commanding political loyalty among constituents, the rentier-based and distributive reconstruction and development of Hizbullah and JB generated popular pressure in the form of heightened expectations and demands for the continued provision of increased and improved public goods and social services.

26. Ibid, p. 9, 11.

27. See <http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.txt>; <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016D1136&qid=1474969819578&from=EN>.

Exclusivity and Sustainability

In helping Hizbullah consolidate a territorial and social base in Lebanon's Shi'i territories, JB contributed to the party's efforts to build and strengthen the political and religious identity of its members and constituents. These individuals primarily consisted of thousands of low- and middle-income Shi'a, who supported Hizbullah's mission and subscribed to its ideology, norms, and values, albeit in a critical and reflective manner. As JS and other revolutionary organisations had done in Iran, JB and other Hizbullah-affiliated NGOs attempted to construct and reinforce the political and religious identity of employees, volunteers and beneficiaries. Politically, JB sought to instil its personnel with unity, meaning and purpose by reiterating that its efforts not only contributed to wartime and post-war reconstruction and development but also to the resistance and the resistance society – expressions that JB's website and 'Ulayq used to describe its mission.²⁸ To this end, JB adopted JS's slogan "all together toward construction," but with a more militaristic bent: "Together we resist and together we build." While delivering projects and services, JB's employees and volunteers wore caps, jackets and vests that were green and yellow (Hizbullah's colours) and contained the organisation's slogan and logo of a sickle and stalk – a replica of JS's logo.

Religiously, and as had been the case with JS, the term 'jihad' in JB's name constituted a powerful recruitment and mobilisation tool because it implied that employees and volunteers were fulfilling a sacred, collective and individual duty to improve society and themselves. A Hizbullah member revealed that Lebanese Shi'a, like other Muslims, distinguished between the 'smaller jihad,' which included becoming a fighter and dying as a martyr in battle, and the 'larger jihad,' which comprised "building the self, for example, by reciting the Qur'an and helping the poor."²⁹ While JB's employees and volunteers perceived their work as contributing to the resistance,³⁰ their non-violent and collective efforts to reconstruct and develop society

28. See <http://www.jihadbinaa.org.lb/>; <https://www.youtube.com/watch?v=715Ezi1QVo> (videos no longer available).

29. Hizbullah member, interview with the author, Bekaa Valley, 10 July 2012.

30. Youtube Video, <https://www.youtube.com/watch?v=715Ezi1QVo>, no longer available.

during and after military conflict (the smaller jihad) remained contingent on their individual struggles to better themselves (the larger jihad). In return, JB's employees and volunteers were told that they would earn heavenly rewards, a concept that Khomeini had used to encourage and persuade Iranians to join JS.³¹

Strategically and ideationally, JB served an important function for Hizbullah by constructing the physical landscape of the Islamic sphere. To this end and as JS had done in Iran, JB prioritised structures and institutions that were related to religion, culture and education. Between 1988 and 2008, JB constructed and renovated 139 mosques, 95 congregation halls for 'Ashura and other Shi'i commemorations, three shrines and seminaries, 81 schools and nine institutes, in addition to six hospitals, 21 medical centres and 28 dispensaries (see table 1). JB's structures and institutions enabled Hizbullah to appropriate public space and demarcate territory or turf from other religious sects and political groups. With the transition from violent conflict to renewed electoral competition following the civil war, such appropriation and demarcation remained salient, as the flags, emblems, posters and signs of religious and political leaders and parties were conspicuously exhibited in their respective neighbourhoods and communities.

Despite the high levels of cohesiveness and commitment that it inspired, JB's resistance and faith-based reconstruction and development model encountered two limitations. First, it bred exclusivity. Like JS in Iran and in the spirit of clientelism, JB did not employ and service individuals and families who were necessarily the most qualified or needy but those who were deemed to be the most politically loyal and religiously committed. As indicated above, JB and other Hizbullah-affiliated NGOs primarily employed and serviced Lebanese Shi'a who joined and supported the party, even as it criticised its competitors and the state for the same discriminatory and clientelistic practices. At the same time, Wa'ad and other Hizbullah-affiliated service providers sought to present an image of religious inclusiveness and open-mindedness by hiring architects and workers of different confessions, even while the party ultimately made the actual decisions

31. See <http://www.jihadbinaa.org.lb/>. On heavenly rewards, see Momen, M. (1985), *An Introduction to Shi'i Islam: The History and Doctrines of Twelver Shi'ism*, New Haven, Yale University Press, p. 233-34.

about the modalities of reconstruction and development. According to one resident of southern Beirut, depending on the political circumstances, JB and other Hizbullah-affiliated NGOs attempted to portray themselves as non-sectarian by occasionally servicing other confessions outside of Shi'ism.³²

Apart from exclusivity, and like JS, a second shortcoming of JB's reconstruction and development model was its distributive approach or disproportionate focus on physical distribution instead of economic sustainability, even though the organisation and its affiliates recognised the need to promote and achieve it.³³ As JS had done in Iran and despite Hizbullah and JB's rhetorical emphasis on sustainable development, popular participation and self-sufficiency, the organisation focused primarily on delivering services and projects, particularly faith-based ones, rather than improving economic conditions by creating jobs and supporting industry. Compared to construction projects and social services, JB dedicated less attention and resources to self-sufficiency and income-generation projects such as factories, cooperatives, markets and vocational training, which the organisation launched in 2000, the same year as the Israeli withdrawal from southern Lebanon (see table 1). In the Bekaa Valley and south Lebanon, JB established a tomato processing and canning plant and sixteen cooperatives: one for pickle production, one for honeybee keeping, one for machinery servicing and thirteen in agriculture.³⁴

Instead of adequately promoting sustainability, JB's distributive reconstruction and development model caused beneficiaries to become dependent on the organisation and the party for survival and prosperity. A working class resident of southern Beirut confessed that "while a number of people like myself do not particularly care for either Hizbullah or Amal and feel trapped between them, being affiliated with one or the other increases the likelihood of receiving an education and earning a living."³⁵ According to the director of an international NGO that specialises in microfinance in the Bekaa, "rather than encourage and train residents

32. Resident, interview with the author, southern Beirut, 15 July 2012.

33. See <http://www.jihadbinaa.org.lb/>; and <https://www.youtube.com/watch?v=7i5EziJ1QVo> (video no longer available).

34. Bissat, op-cit.

35. Resident, discussion with the author, southern Beirut, 27 July 2012.

to develop entrepreneurial ideas, write business plans, secure private loans and start businesses through personal initiative, competence, skill and merit, Hizbullah and its affiliates make locals dependent on their employment and services, and condition them to continue seeking hand-outs by maintaining the proper connections and working the system to their advantage."³⁶ This critique of Hizbullah ignored the fact that it had distributed microcredit through JB and other NGOs, including the Good Loan Foundation and the Relief Committee, since 1982.

As had been the case with JS, JB's real and perceived inability to sufficiently promote sustainability was not just the by-product of a distributive reconstruction and development model, but also of a top-down one. Despite the fact that JB's employees and volunteers enjoyed autonomy and were embedded in local communities to assess their needs, the organisation remained more centralised than participatory with respect to its beneficiaries. Like JS and other Hizbullah-affiliated NGOs, JB engaged in cost-sharing with beneficiaries to grant them ownership of projects, such as the digging of wells and the building of clinics, and increase their chances of success, not to mention expanding and diversifying the organisation's funding sources.

Cost-sharing aside, and like JS, JB refrained from soliciting meaningful participation from its beneficiaries in the decision-making, prioritisation and planning of projects and services – a practice that, as noted above, applied to the organisation's post-war reconstruction of Lebanon's Shi'i territories between 2006 and 2012. In her ESCWA-World Bank report on JB's rural development activities, Bissat (2002) stated that the organisation built "strong ties with its target beneficiaries" and gained "the respect and trust of the people," while also concluding the following:

Beneficiaries, mainly poor villagers and small farmers, are not actively involved in the definition of needs and prioritisation of projects and activities. [JB] has a pre-defined plan. The field engineers of [JB] identify priorities themselves, on the basis of needs they perceive during their site visits and upon interaction with the population.³⁷

In a top-down fashion, JB imposed projects that did

36. International NGO director, interview with the author, Bekaa Valley, 11 July 2012.

37. Bissat, 'Role,' p. 8.

not always correspond to the priorities or preferences of its beneficiaries, especially those who were not Hezbollah members or supporters. When it came to project selection, JB's beneficiaries had limited, if any, say. Although they may have required and desired more cooperatives, factories, markets and training to boost self-sufficiency and income-generation, JB continued to concentrate more on social services and construction projects, especially in the areas of religion, culture and education. While likely to improve literacy rates and education levels, these activities did not necessarily generate greater employment opportunities or professional skills – which explains why JB launched its vocational training programme in 2000.

Conclusion

One explanation of JB's top-down reconstruction and development model and its disproportionate focus on physical distribution over economic sustainability is that Hezbollah's military and political priorities superseded its socioeconomic and developmental goals. Hezbollah's primary existence and *raison d'être* as a military organisation and a political party – the self-proclaimed Islamic Resistance in Lebanon – meant that its socioeconomic and developmental objectives were subservient to its military and political ones. Hezbollah's war with Israel in 2006 and the party's battles against Syrian rebels and Sunni extremists since 2011 have subjected Lebanese Shi'a and other citizens to continual and intensified conflict and instability.³⁸

So long as this remains the case, JB is likely to continue dedicating its finite resources to the immediate and pressing needs of wartime and post-war reconstruction and service provision rather than economic sustainability. Moreover, as Hezbollah continues its military operations and becomes increasingly integrated into the state, the party will probably continue using JB's projects and services to advance the strategic and ideational goals of attracting and socialising constituents, spreading political and religious values and maintaining a territorial and social base. For JB, inclusivity and sustainability have remained secondary to Hezbollah's social and political aims of servicing disadvantaged groups, improving their livelihoods, reducing migration from target villages, building solidarity and strengthening support for the Islamic resistance and its community.

38. See <https://www.crisisgroup.org/crisiswatch/database>.

Appendix

Table 1. JB's Developmental Activities (1988-2008).³⁹

Number of Projects Completed by JB (1988-2008)		
Type of Project	Construction	Renovation
Houses of Families of Martyrs and the Needy	59	147
Hospitals	2	4
Medical Centres	6	15
Dispensaries	13	15
Mosques	66	73
Congregation Halls	20	75
Shrines and Seminaries	3	0
Schools	13	68
Institutes	4	5
Professional Training Provided by JB (2000-2008)		
Profession/Domain	Number of Sessions	Number of Participants
Para-medical Equipment	8	52
Electricians	5	40
Carpenters	3	42
Mechanics	4	28
Iron Workers	3	15
Cement Workers	2	30
Painters	4	23
Reconstruction, Compensation and Assistance Provided by JB (1988-August 2007)		
Type	Number of Relevant Cases	Amount (USD)
Lodging	28,300	133.5 million
Repair of Damaged Houses	0	190.7 million
Economic and Commercial Institutions	12,500	30 million
Direct Damage (Agricultural)	1,300	2 million
Direct Damage (Livestock)	2,000	3 million
Public Transport	2,300	4 million
Support to Damaged Villages	(The Most Affected)	3 million
Support to Fishermen	3,500	700,000
Wa'ad Project	0	14 million*
Total Expenditure		380.9 million

*The amount is that accrued by 14 August 2007. It therefore does not correspond to the total amount invested in the project.

Source: JB's Website, 27 August 2009, www.jbf-lb.org.

39. Aurelie Daher, *Le Hezbollah: Mobilisation et pouvoir*, Presses Universitaires de France, Paris, 2014, p. 159 (translated by the author).



SECTION 3:

EXITING WAR ECONOMY:
TOOLS AND ACTORS

SAUDI FREE TRADE ZONES: CONFLICT RESOLUTION AND RECONSTRUCTION IN YEMEN AND IRAQ

Robert Mogielnicki

Free Trade Zones (FTZs) reflect collaboration between governments, local businesses, multinational firms, international investors and development banks. In theory, FTZs should serve as spheres in which international and local actors can cooperate to help end conflicts, achieve stabilisation and contribute to reconstruction efforts. This cooperation can entail both managing a variety of stakeholder expectations within a particular conflict and garnering global capital flows. In reality, geopolitics and domestic issues often play a crucial role in the timing, location and objectives of FTZ development across the Middle East and North Africa (MENA) region. Determining the likelihood that FTZs may replace international political commitments to assist in stabilisation and reconstruction efforts in the MENA region therefore requires identifying not only areas in which the theoretical and practical applications of FTZs overlap but also theatres in which public and private-sector actors possess a mutual interest in reconstruction and reconciliation. This paper seeks to determine whether FTZs in countries that border conflict areas can be utilised as vehicles to accomplish post-conflict objectives.

The FTZ system in Saudi Arabia offers a useful case study for addressing the paper's primary research question. First, the country borders two conflict-ridden states: Yemen and Iraq. Saudi Arabia is particularly concerned about the political, economic and security dynamics in the post-conflict futures of these neighbouring countries. Second, the Saudi government has exhibited an increased inclination to develop FTZs that

utilise the border regions and other non-contiguous territories of Yemen, Iraq, Jordan and Egypt as a means of navigating the new economic realities in the region. These nascent projects offer a comparative view of how Saudi FTZ development takes place alongside MENA territories in various stages of conflict. Third, the early developmental phases of Saudi FTZ projects present a window of opportunity for policymakers to better incorporate reconstruction and reconciliation objectives into these dynamic long-term initiatives.

This paper will first present a simplified political economy of FTZs in Gulf Arab states and highlight key insights from the available literature concerning the cross-border consequences of FTZ development. The paper then traces Saudi Arabia's plans for FTZs with countries outside of the Gulf Cooperation Council (GCC). The paper concludes with an assessment of how the country's economic and geopolitical interests in FTZ development may affect the likelihood of projects contributing to reconciliation and inclusion efforts, specifically those pertaining to Yemen and Iraq. The methodology combines analytically centric and metapolicy approaches by analysing the economic and technical feasibility of FTZ projects and contextualising these projects to better determine their likely structural impacts. The paper draws on interview material and data collected during the author's DPhil research and multiple professionally-oriented trips to the region for consulting engagements.

Contextualising the International Political Economy of FTZs

In global case studies traditional FTZs are recognised as means of increasing foreign direct investment (FDI), generating employment, boosting exports in strategic sectors and transferring skills to local workforces.¹ Other observers view FTZs as producing a "catalyst effect" for local exporters or functioning as second-best initiatives that encourage broader trade reform.²

1. Akinci Gokhan and James Crittle, 'Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development,' The World Bank Group, Washington DC, 2008.
2. Johansson, H. and Lars, N. (1997), 'Export Processing Zones as Catalysts,' *World Development* 25.12: 2115-2116.

FTZs in the GCC broadly resemble demarcated geographical areas contained within a territory's national boundaries where full foreign ownership is permitted and other rules of business are different to those that prevail in the national territory.³ More specifically, Gulf FTZs differ from onshore commercial hubs in three crucial areas: they permit full foreign ownership of commercial entities, they offer reduced workforce nationalisation requirements and they provide duty and tax exemptions.

FTZs emerged earlier and more often in the GCC territories lacking substantial oil and gas resources. Dubai launched the Jebel Ali Free Zone in 1985, and many of the northern emirates developed FTZs in the late 1980s. The coincidence of this early FTZ development with the oil glut of the 1980s linked FTZs with economic diversification efforts. Resource-abundant territories – such as Abu Dhabi, Qatar and Kuwait – also engaged in FTZ development, but these territories built their first FTZs in the 1990s and early 2000s. The FTZs in these territories have focused, with varying degrees of success, on attracting high-profile multinational firms to boost their commercial reputations.

By the end of 2016, there existed 51 FTZs operating across the GCC region. This FTZ system provides multiple market entry points for foreign companies seeking to enter Gulf Arab markets, and therefore local governments hail FTZ initiatives as state-led efforts to encourage private sector development. However, the overwhelming majority of GCC FTZs are government-owned and susceptible to exploitation by politically-connected firms and actors. Some authors, for example, posit that development initiatives associated with FTZs mask a fundamental goal of capital accumulation.⁴

The structural characteristics and policies of FTZs in the GCC, however, have often hampered or actively undermined objectives traditionally associated with FTZs. According to the International Monetary Fund (IMF), FTZs complicated the collection of non-oil tax revenue across the GCC,⁵ and the region's FDI has not

improved the quality and sophistication of exports.⁶ Policy divergence within the GCC's FTZ system also sends mixed signals regarding the centrality of local employment generation as an objective behind FTZ creation. FTZ policies in Oman and Bahrain require clients to meet workforce nationalisation targets, whereas FTZs in the UAE, Kuwait, and Qatar openly advertise unrestricted access to expatriate labour. These objectives challenge traditional notions of FTZ development, which focus primarily upon economic calculi yet neatly align with the concept that all economic institutions are political because they must have a political end to survive.⁷

There is a dearth of literature specifically addressing FTZ development in the GCC region. In one of the few political economy works focusing on FTZs in the GCC region, Arang Keshavarzian compares Dubai's Jebel Ali Free Zone with Iran's Kish Free Trade Zone to demonstrate that FTZs project territorial sovereignty in turbulent geostrategic settings and direct rents to domestic and international members of elite coalitions.⁸ Key works on the political economy of Gulf Arab states sporadically discuss FTZs but do not treat the concept as a central analytical category.⁹ A small number of academic works have explored the relationship between cross-country reconciliation efforts and FTZs, such as industrial zones in Israeli, Egyptian, Jordanian and Palestinian businesses¹⁰ and the "experimental form of territoriality"¹¹ in the Kaesong Industrial Zone between North Korea and South

3. Thomas Farole, *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experiences*, The World Bank: Washington D.C., 23.

4. Frank Cugurullo, 'How to Build a Sandcastle: An Analysis of the Genesis and Development of Masdar City,' *Journal of Urban Technology* 20.1: 34.

5. International Monetary Fund. (2016), *Diversifying Government Revenue in the GCC: Next Steps*. Riyadh: IMF, p. 5.

6. Tim Callen. et al., *Economic Diversification in the GCC: Past, Present, and Future*, Washington: IMF Staff Discussion Note, p. 21.

7. Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, New York, Cambridge University Press.

8. Arang Keshavarzian, 'Geopolitics and the Genealogy of Free Trade Zones in the Persian Gulf,' *Geopolitics*, 2010, 15.2: 263-89.

9. Adam Hanieh, *Capitalism and Class in the Gulf Arab States*, New York, Palgrave MacMillan; Young, K. (2014), *Political Economy of Energy, Finance and Security in the UAE: Between the Majilis and the Market*, London: Palgrave MacMillan; Davidson, C. (2005), *The United Arab Emirates: A Study in Survival*, Boulder: Lynne Rienner Publishers, 2005.

10. Congressional Research Service, "[Qualifying Industrial Zones \(QIZs\) in Jordan and Egypt: Background and Issues for Congress](#)", 23 August 2013.

11. Jamie Doucette and Seung-Ook Lee, 'Experimental territoriality: Assembling the Kaesong Industrial Complex in North Korea,' *Political Geography*, 2015, 47: 53-63.

Korea. However, these works examine how economic initiatives enhance linkages amidst poor diplomatic relations rather than how FTZs specifically contribute to building socioeconomic foundations in conflict and post-conflict states. In order to build on the available literature, this paper examines the potential for FTZs in Saudi Arabia to shape conflict resolution, reconstruction and reconciliation efforts in the broader region.

FTZs in Saudi Arabia

The early stages of FTZ development in Saudi Arabia included: i) the creation of two bonded re-export zones in Dammam and Jeddah during the late 1990s; and ii) the emergence of economic cities in the early 2000s under the direction of the Saudi Arabia General Investment Authority. Saudi economic cities are hybrid entities containing elements from both *offshore* FTZs and *onsshore* industrial parks and cities. As a result, such entities are often referred to as dual zones. The publicly-stated objectives behind the economic cities involved promoting growth outside the traditional urban centres in Saudi Arabia. While bonded and re-export zones and economic cities depended on international trading partners and foreign direct investment inflows, these entities marshalled resources primarily to accomplish domestic objectives and did not engage in bilateral or multilateral cooperation with neighbouring states.

Prior to 2015, the FTZ system in Saudi Arabia was mainly domestic in orientation and so had little to bear on the role of these entities in promoting conflict resolution and stabilisation efforts. A third stage of FTZ development began following a re-alignment of political institutions following the death of King Abdullah bin Abdulaziz in January 2015 and the succession of King Salman bin Abdulaziz and Crown Prince Mohammed bin Salman. During this stage, the Saudi state has demonstrated an increasing propensity to establish internationally-oriented economic initiatives that are inextricably linked to markets in neighbouring countries. It is to these initiatives that this paper now turns.

The Saudi-Yemeni Border

Nearly a decade ago, the Saudi government and private-sector actors explored the prospect of developing FTZs in Najran and Jizan – two provinces located

along the border with Yemen in the southwest part of the country – to promote development in marginalised areas outside of Saudi Arabia's traditional urban centres. The proposed FTZ project in the al-Wadeeah area of Najran reflected a collaboration between the Saudi government, private sector actors in both Saudi Arabia and Yemen, and the Islamic Development Bank. However, the initiative ultimately stalled following the regional protests of 2011 and the ensuing conflict, which increased the risks for the project stakeholders. The postponement demonstrated that, rather than political unrest providing an impetus for economic development through FTZ creation, political conflicts instead disrupted processes of FTZ creation. Shaykh Abdulmohsin Abdulaziz Al Hokair, founder of the Al Hokair Group and a prominent Saudi businessman, likewise proposed launching an FTZ on the Jizan-Yemeni border. Al Hokair suggested that Yemen's abundant labour resources would pair neatly with Saudi capital and commercial expertise and stimulate trade in Yemen.¹² However, the Jizan project never materialised.

The Saudi government reopened discussions concerning FTZs on its southern border in early 2017 through a government-issued press release:

It is expected that projects and programs of reconstruction of Yemen after the war ends and restoration of legitimacy will contribute to the revival of the project of free trade zones between the Kingdom of Saudi Arabia and Yemen.¹³

The nature of the conflict in Yemen had evolved substantially since 2011, and Saudi Arabia formally entered the unfolding civil war in 2015. It is noteworthy that government communications specifically mention "reconstruction" and the "restoration of legitimacy" as objectives behind the reinvigorated FTZ initiative. The press release also suggests that FTZs could facilitate the movement of "millions of tons of cement, rebar, wood and other infrastructure materials"¹⁴ into post-war Yemen, thus positioning Saudi Arabian commercial entities as facilitators of post-conflict reconstruction.

The former chief of the Saudi-Yemeni Business

12. National Yemen, "[Free Trade Zone Between Yemen and Saudi Arabia?](#)", 2012.

13. See <https://www.spa.gov.sa/viewfullstory.php?lang=en&newsid=1594386>

14. Ibid.

Council, Dr. Abdullah Marei Mahfouz, noted that the proposed FTZ would stimulate private-sector activity not only in Saudi Arabia's southern provinces but also in the Yemeni governorates of Hadramout, Al-Jawf and Saada. The Saudi business leader also mentioned increased Yemeni exports – namely fish, fruit and vegetables – and the generation of “thousands of jobs for the youth of Saudi Arabia and Yemen” as potential outcomes of FTZ development.¹⁵ He estimated that the project would require SR250 million (\$66.7 million) in initial investments and that the value of trade would reach SR500 million (\$133.3 million) in the first year.¹⁶

Increased trade flows in and out of Yemen and more employment opportunities would be welcome in a country where exports dropped from \$9.18 billion in 2013 to \$899 million in 2016 and imports decreased from \$13 billion to \$6.7 billion in 2016.¹⁷ Since the escalation of violence after March 2015, Yemen's economy has contracted at a cumulative rate of 50 percent.¹⁸ However, the growth trajectory of another FTZ on the Yemeni-Omani border – the Al Mazunah Free Zone in the Dhofar governorate of Oman – offers a critical view of the capital flows associated with the new economic realities in Yemen.

The Saudi-led military campaign in Yemen and the consequent escalation of the conflict in 2015 has been a boon for business in the Al Mazunah Free Zone on the Yemeni-Omani border. Very little activity occurred at Al Mazunah between its opening in 1999 and 2010. Security issues in Yemen prevented a smooth flow of workers over the border, and the Omani government found it difficult to differentiate between serious Yemeni investors and those with other motives. “Many rich Yemenis want to go to the free zone to escape the war and invest in a safer environment,”¹⁹ said a source closely associated with the Al Mazunah Free Zone. The investment trends in the Al Mazunah Free Zone illustrate a worrying scenario for FTZ development alongside theatres of conflict: that FTZs may ulti-

15. Arab News, "[Saudi-Yemeni free-trade zone would benefit both countries, says business leader](#)", 22 February 2017.

16. Saudi Gazette, "[Yemenis await revival of free trade zone project](#)", 22 February 2017.

17. See <https://atlas.media.mit.edu/en/profile/country/yem/#Destinations>

18. See <http://www.worldbank.org/en/country/yemen/publication/economic-outlook-october-2018>

19. Personal interview, senior industrial estate and free zone manager, *Salalah, Oman*, June 9, 2016.

mately facilitate the outflow of investment rather than working to stabilise economic institutions.

The ongoing conflict in Yemen caused an outflow of investment through the country's only non-Saudi land border. In May 2016, FTZ authorities reported that 75 multinational companies had signed free zone agreements, and a further 25 applications remained under review.²⁰ A director at the Public Establishment for Industrial Estates, the government entity that oversees Al Mazunah Free Zone, confirmed the war's effect on the FTZ: “Mazunah has witnessed a flurry of activity because all other borders are blocked. There are no commercial access points to Yemen other than its ports, but these have real security concerns. All of this [free zone activity] is because of the war.”²¹ He estimated that 95 percent of the available commercial space in Al Mazunah Free Zone had been allocated within a one-year period ending in June 2016. By March 2018, around 160 companies had signed contracts to operate in Al Mazunah Free Zone.²² The Omani zone focuses specifically on trade in and storage of vehicles, automotive parts, fruit and vegetables, livestock, fresh and frozen meat, machinery and equipment and other merchandise.

The Saudi-Iraqi Border

A deterioration in Saudi-Iraqi diplomatic relations and persistent security issues in Iraq prevented the emergence of FTZs along the border between the two countries during the late 1990s and early 2000s – a period of substantial FTZ proliferation across the Gulf region. The Saudi government cut formal ties with Iraq in 1990 after Saddam Hussein's invasion of Kuwait. Relations deteriorated further following the U.S. invasion of Iraq in 2003 and the subsequent security consequences resulting from military strife in the country. Although troubled diplomatic relations and instability owing to conflict complicated the emergence of an FTZ on the Saudi-Iraqi border, Iraq nevertheless attempted to develop a FTZ system within the country. In 1998, the Iraqi Ministry of Finance codified a Free Zones Commission Law resulting in the creation of

20. Times of Oman, "[Oman's Al Mazunah Free Zone signs 21 investment agreements](#)", 21 May 2016.

21. Personal interview, a director at the Public Establishment for Industrial Estates, *Knowledge Oasis Muscat, Oman*, June 12, 2016.

22. Free Zone Watch, "[Al Mazunah makes its mark](#)".

the Khor Al-Zubair Free Zone near Basra, the Felafal Free Zone near Ninevah, the Qayem Free Zone near al-Anbar and the Sulaymaniya Free Zone²³ in the north of the country.²⁴ All of these FTZs targeted trade with Iraq's northern neighbours, while the country's southern border with Saudi Arabia received substantially less attention from economic policymakers. Economic embargoes, armed conflict and damaged infrastructure negatively influenced commercial operations in these zones.²⁵

The poor progress of Iraqi FTZs and reinvigorated diplomatic ties presented an opportunity for Saudi Arabia to consider FTZ development in the north. Saudi Arabia signalled an intention to create FTZs on its border with Iraq following a broader warming of relations between the two countries in 2017.²⁶ The Saudi government reopened diplomatic offices in Iraq after 25 years, and several high-profile Saudi government officials subsequently visited the country.²⁷ In August 2017, Saudi Arabia created a Saudi-Iraqi coordination council and planned to reopen the Arar border crossing with Iraq for the first time since 1990 – a necessary condition for facilitating cross-border trade and rebuilding the economic institutions required for the FTZ development.

The Iraqi government insisted that \$88 billion was needed for the reconstruction of areas decimated by ISIS-related violence,²⁸ and Saudi Arabian officials pledged \$1.5 billion for reconstruction efforts in neighbouring Iraq. The Saudi Deputy Minister for Foreign Trade at the Ministry of Commerce and Investment, Abdulrahman Al Harbi, suggested that increased trade and investments could further contribute to post-conflict initiatives in the country. Saudi Arabia set a target of SAR25 billion (\$6.13 billion) in trade flows

23. The Sulaymaniya Free Zone is managed by the Kurdistan Board of Investment.

24. See: <https://www.oecd.org/mena/competitiveness/46868116.pdf>

25. See: <https://www.oecd.org/mena/competitiveness/47549223.pdf>

26. Asharq Al Awsat, "Iraq Oil Minister: Establishment of Iraqi-Saudi Coordination Council a Significant Step", 16 August 2017.

27. Christopher Blanchard, *Saudi Arabia: Background and U.S. Relations*, Washington, D.C, Congressional Research Service, 2017.

28. Lulwa Shalhoub, "Saudi Arabia to allocate \$1.5 billion for Iraq reconstruction, trade", 14 February 2018.

over the next decade, and the minister stated that "the increase in volume of trade and investment will positively impact the economy of the country [Iraq], which will lead to its development and stabilisation."²⁹ While a FTZ may indeed help facilitate trade and investment flows from Saudi Arabia into Iraq, there remain additional factors beyond stabilisation and reconstruction efforts that have influenced FTZ development considerations on the Saudi-Iraqi border.

Geopolitical rivalries, regional competition from within the GCC and border politics remain important factors behind Saudi plans for FTZ development on its northern border. First, the increasing Iranian presence in Iraq's political, economic and security structures represents a threat to Riyadh's foreign policy objectives in the region. On the economic front, Iran opened an FTZ along the Shalamchek border crossing near Basra, and Iran lifted visa requirements for Iraqis shopping for Iranian goods over the border.³⁰ In this context, Saudi efforts to create commercial hubs on its border with Iraq can be viewed as a means of countering Iranian economic influence in Iraqi markets. Earmarking funds for FTZs along the border would also augment Saudi Arabia's security-monitoring capabilities.

Iran, however, is not the only regional actor interested in exploiting post-conflict northern Gulf markets. Driven by its New Kuwait Vision 2035, Kuwait has sought to position itself as the premier financial hub in the northern Gulf and the commercial gateway to it. As part of this strategy, Kuwait has reinvigorated plans for its Silk City megaproject and an integrated economic zone on five of its northern islands – both of these initiatives contain FTZ characteristics that target Iraqi, and to a lesser degree Iranian, markets. Saudi Arabia also combines a substantial border with Iraq with a pressing need to diversify its economy by promoting non-oil trade and investment. Therefore, Saudi Arabia is unlikely to surrender the title of premier gateway into northern Gulf markets to Kuwait.

FTZs located along borders remain vulnerable to political conflicts, and tensions over Saudi Arabia's border with Qatar demonstrate this point well. Qatar's state-owned developer of economic zones, Manateq, planned to build a special economic zone, Al Karaana, on the Saudi-Qatari border. However, the diplomatic

29. The National, "Saudi-Iraqi trade to reach 23 billion Saudi Riyals within 10 years", 20 February 2018.

30. The Economist, "Saudi Arabia's use of soft power in Iraq is making Iran nervous", 8 March 2018.

dispute with the Saudi-led bloc of GCC members and the consequent economic embargo beginning in the summer of 2017 resulted in the closure of the Saudi-Qatari border. This political decision essentially destroyed the commercial feasibility of the Qatari special economic zone, which required unfettered overland access through Saudi Arabia to access Middle Eastern markets.

Egyptian and Jordanian territories

In October 2017, Saudi Arabia's crown prince, Mohammed bin Salman, unveiled plans to build a \$500 billion megacity-cum-FTZ in the north-western Tabuk region of the country. The ambitious initiative – known as Neom³¹ – promises to create “the world's first independent special zone stretching over three countries” by incorporating Egyptian and Jordanian territories as part of its 26,500 square kilometres.³² Of Saudi Arabia's three border-focused FTZ initiatives discussed in this paper, Neom's pace and scale of development far exceed the other economic initiatives on the Yemeni and Iraqi borders. The Saudi government has started geological surveys and construction of hotels and an airport in the area, and Saudi policymakers expect that the total capital investment in the project may reach \$500 billion dollars.

The rapid pace and massive scale of the Neom project can be viewed in part as an effort to consolidate state power and state institutions under the authority of the Saudi regime and, in particular, the crown prince. Mohammed bin Salman chairs both the special authority and state sovereign wealth fund³³ responsible for the development of Neom, and the project's first commercial contracts involved the construction of several royal palaces.³⁴ Resource-abundant economies often focus on real estate ventures rather than clusters of productive industries because the former initiatives offer a convenient method of distributing rents

31. The name combines the term ‘neo’ with the transliterated Arabic term for future, *mustaqbal*, to indicate ‘new future.’

32. See <https://www.neom.com/content/pdfs/NEOM-Faqs-en.pdf>

33. The Public Investment Fund is one of Saudi Arabia's sovereign wealth funds and managed approximately \$230 billion as of June 2018.

34. Middle East Online, “[Saudi awards contracts to build palaces in huge new business zone](#)”, 8 February 2018.

to the elite.³⁵ Neom also accomplishes elements of Mohammed bin Salman's broader social and economic reform agenda: a main theme of Saudi Vision 2030 involves promoting a vibrant society with strong roots, fulfilling lives and strong foundations. In this context, Neom promises its inhabitants “an idyllic living environment and rich quality of life” and “world-standard social norms in culture, arts and education.”³⁶ Saudi vision 2030 also aims to reduce the country's dependence on oil revenues and diversify its economy.

The ambitious nature and scale of the project, however, has created funding obstacles that highlight the continued role of hydrocarbon revenue in the kingdom's economy. After Mohammed bin Salman's plan to raise \$100 billion in funding through an initial public offering of Saudi Aramco was delayed, the government facilitated a \$69.1 billion share purchase agreement in which Saudi Aramco would purchase 70 percent of the stock of Saudi Basic Industries Company. The Public Investment Fund will use this funding to push ahead with the first phases of high-profile projects like Neom. That the primary source of funding originates from the country's national petroleum and natural gas company underscores the inherent difficulties involved in transitioning away from oil and gas income and toward revenue from strategic non-oil sectors.

The overlapping spatial elements of this initiative – while not including states embroiled in conflicts to the degree witnessed in Yemen and Iraq – nevertheless offer an insightful window into the motivations of Saudi policymakers as they embark on FTZ development within the country. Saudi Arabia announced plans to build a Saudi-Egypt causeway and construct an FTZ in the Sinai Peninsula in April 2017.³⁷ However, the conceptual launch of Neom in October 2017 represented an evolution of the earlier Sinai FTZ proposal. Egypt pledged 1,000 square kilometres of land in the Sinai in return for a stake in the project's \$10 billion

35. Michael E. Porter, ‘*Competitiveness and Economic Development of Gulf and Middle Eastern Countries*,’ Presentation to Middle East Petrotech, 2003, Bahrain in Micahel Ewers, and Edward Malecki, ‘*Leapfrogging into the Knowledge Economy: Assessing the Economic Development Strategies of the Arab Gulf States*,’ Royal Dutch Geographic Society, 2010 101.5: p. 499

36. See <https://www.neom.com/content/pdfs/NEOM-Faqs-en.pdf>

37. See <http://www.elfagr.org/2097217>

development fund.³⁸ The proposed territory for Neom includes the controversial islands of Tiran and Sanafir, which the Egyptian president ceded to King Salman in a June 2017 agreement that was ratified by Egypt's parliament and upheld by the Egyptian Supreme Court. The collaboration between Saudi Arabia and Egypt over Neom followed the latter country's support for the Saudi-led diplomatic and economic embargo on Qatar that began in June 2017. Following the announcement of the project, Jordan's Minister of State for Media Affairs briefly commented that the project would positively influence development rates, while the Chief Commissioner of the Aqaba Special Economic Zone Authority expected that Neom would boost commercial activity in Aqaba.³⁹

Viewing Saudi FTZ development along the borders of Egypt and Jordan against that of Yemen and Iraq illustrates how transnational FTZ development varies according to the nature of the project's partnerships. For example, the stated objectives for Neom involve attracting foreign investment and redirecting local capital into the domestic economy.⁴⁰ Both of these objectives demonstrate the regime's intention to partially shift distributive responsibilities to private-sector actors through FTZ development processes. Japan's SoftBank, which secured \$45 billion in planned investment from the crown prince in 2016, indicated that it would reinvest \$15 billion in Neom and an additional \$10 billion in other Saudi projects, reflecting a recycling of Saudi investment into the domestic economy.⁴¹

In addition, Saudi government officials are actively courting market-leading firms like Amazon and Lockheed Martin in the hope that investments by these firms will establish credibility and attract ancillary investments. Neom aims to capture approximately \$70 billion in outward investments – described as “economic leakage” – resulting from foreign imports, international investment and overseas spending and

to contribute \$100 billion to the country's GDP.⁴² The parameters of private-sector partnerships involved in prospective FTZs can also change as a result of exogenous factors and shocks. For example, the anti-corruption campaign of 2017 and global news coverage of the murdered Saudi journalist Jamal Khashoggi have affected investor confidence in the country and led some international business leaders to delay or cancel their participation in the Neom advisory board.

Conclusions

The specific development trajectories of FTZs on Saudi Arabia's borders, as indicated by the case studies, suggests that these initiatives are unlikely vehicles for garnering private-sector participation in post-conflict stabilisation and reconstruction efforts. Since the Saudi government announced each of the three FTZ initiatives in 2017, the respective development progress of each project reveals a greater prioritisation of initiatives in areas with lower levels of conflict. With Yemen embroiled in military conflict and humanitarian crises, the Saudi-Yemeni FTZ remains merely a verbal commitment by the Saudi government. The Saudi-Iraqi FTZ is in the conceptual design stage and part of the portfolio of an economic coordination council arranged by the two governments. In contrast, Neom represents the most advanced of the initiatives examined. The Saudi government has appointed an advisory committee, awarded commercial contracts and launched construction on the site. Moreover, the scale of and the expected capital investment in the Neom initiative far exceeds that of the other case studies. The other country partners in the Neom project, Egypt and Jordan, confront economic and political challenges. However, these challenges do not equate to the level of state collapse and military strife witnessed in Yemen and Iraq. Thus, the degree of conflict in neighbouring territories appears to exert a negative impact on the speed and scale of Saudi Arabia's FTZ development.

Exogenous factors and shocks to regional and domestic institutions can disrupt FTZ development and associated activities – thus complicating the ability of these initiatives to meet long-term post-conflict targets. Initial attempts to construct an FTZ along the Saudi-Yemeni border stalled as a result of the so-called ‘Arab

38. Independent, "[Saudi Arabia and Egypt pledge \\$10bn to kickstart construction of high-tech mega-city](#)", 6 March 2018.

39. See <http://jordanembassyus.org/news/saudi-arabia-s-neom-project-good-news-jordan-region-officials>

40. See <https://www.neom.com/content/pdfs/NEOM-Faqs-en.pdf>

41. Dinesh Nair, Ruth David, and Matthew Martin, "[Soft-Bank Plans Up to \\$25 Billion in Saudi Investments](#)", 15 November 2017.

42. See <https://www.neom.com/content/pdfs/NEOM-Faqs-en.pdf>

Spring' protest of 2011, revealing that instability ultimately disrupts FTZ development instead of serving as a justification of it. The ongoing GCC crisis between a Saudi-led coalition and Qatar illustrates that any border-dependent initiative, such as the Al Karaana special economic zone, is vulnerable to regional shocks. Competing FTZ projects from regional allies, like Kuwait, or opponents, such as Iran, can alter the underlying commercial dynamics behind FTZ initiatives. Other system-wide shocks – whether in the form of anti-corruption campaigns targeting prominent Saudi businessmen or negative global news coverage of the country – can abruptly impact investor confidence and reduce the demand for government-sponsored economic initiatives.

The predominantly public-sector nature of FTZs in Saudi Arabia – and indeed in the Gulf region more broadly – incentivises the government to employ FTZs to accomplish domestic and foreign policy objectives that do not necessarily align with reconciliation and reconstruction efforts. Official statements from the Saudi government indicate an intention to leverage FTZs to reinforce the legitimacy of the Saudi-backed government in Yemen. Meanwhile, the Saudi-Iraqi FTZ appears to be an element of Saudi Arabia's strategy to counter Iranian economic influence in Iraq. Moreover, the economic scope of these FTZs reveals their expected contribution to job creation, trade and investment flows, and GDP *within* Saudi Arabia; very few details exist on the projects' expected contribution to the economies of partnering countries. In this regard, the scope of these projects conforms with North's argument that all economic institutions are political because they must have a political end to survive.⁴³

FTZs in Saudi Arabia do not currently function as viable vehicles to address post-conflict reconstruction in neighbouring states because these entities either reflect multipurpose initiatives or possess a decidedly domestic orientation. The fact that the initial group of FTZs lacked a strong strategic thrust nevertheless offers the Saudi government an opportunity to adapt the scope of zone development to include these new goals. By incorporating stabilisation and reconstruction objectives as part of FTZ development strategies and

43. Douglass C. North, John Joseph Wallis, Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, 2009, New York: Cambridge University Press.

prioritising development initiatives near the borders with conflict-ridden countries, economic policymakers in Saudi Arabia may be able to influence private-sector investment flows and other economic activities. This will not be an easy task. The governments in Gulf Arab states are careful to limit the economic autonomy afforded to their private sectors, while private-sector actors in the region will view reconstruction efforts through a profit-maximising lens.

Saudi Arabia's regional allies operate FTZ models from which to extract institutional knowledge, replicate useful frameworks and develop beneficial partnerships. For example, Shaykh Mohammed bin Rashid Al Maktoum, the ruler of Dubai, established International Humanitarian City – the region's first humanitarian-focused free zone – in 2003. International Humanitarian City possesses 63 humanitarian organisations and 18 commercial companies. By leveraging its membership base, the FTZ facilitates and coordinates efficient emergency responses to crises around the world. The Dubai-based FTZ also provides free airlifts to transport aid and evacuate staff members from danger zones. The Saudi government could seek to establish a strategic partnership or memorandum of understanding with International Humanitarian City to strengthen the government's capacity to integrate conflict-related objectives into its evolving FTZ system. Indeed, a deeper understanding of the dynamics behind FTZ development in Saudi Arabia and in the broader region is the first step toward determining the most effective manner in which these commercial entities can contribute to regional reconciliation and reconstruction in the future.

HOW CHINA SEES ITS STABILISING ROLE IN MENA

Christina Lin *

Introduction

The purpose of this chapter is to analyse how China sees and communicates its actual and potential role in the Middle East and North Africa (MENA). It sets the background context of why China criticises the Western approach of democracy promotion as the cause of disorder in MENA and is responding to this crisis with its own ‘peace with development’ solution to restore regional order. The chapter provides an overview of China’s interests in MENA, how it is implementing its narrative via the Belt and Road Initiative (BRI) and examines the regional perception of China’s policy. It compares the West’s state-centric approach with China’s regional approach to peacebuilding and tries to identify possible convergences and venues of cooperation with the West to promote stability.

China is rising as an extra-regional power in the MENA. In a way, it provides a unique opportunity for the countries in the region to project their aspirations for a different type of great-power relationship. Unlike the West, it has no colonial history in the region and its non-interference principle does not moralise for others to conform to the superiority of China’s ideology or culture. After decades of Western-backed democracy promotion and violent regime change that have precipitated failed states, rising terrorism and regional disorder, Beijing is stepping in and offering an alternative narrative of ‘peace with development’ as a more sustainable security concept. By promoting connectivity and economic integration and creating

* Christina Lin is a Research Fellow at the Centre for Global Peace and Conflict Studies at UC Irvine specialising in China-Middle East relations. She is a former Senior Transatlantic Academy Fellow at the German Marshall Fund of the United States and Visiting Fellow at the Washington Institute for Near East Policy. Dr Lin has extensive US government experience working on China security issues, including policy planning at the Department of Defence, the National Security Council and the Department of State.

economic value from the bottom up, rather than a top-down approach of mandating democratic governance systems, China’s economic involvement via the BRI has the potential to transform MENA trade and infrastructure, boost regional relations and provide new security and stability. In the face of ongoing regional security problems with terrorism, economic woes and a need for immediate infrastructure investment and trade, the BRI, which taps into China’s financial wherewithal, could potentially provide much-needed quick economic relief.

Moreover, while the US is seen as pro-Israel, the EU as pro-Palestinian and Russia as pro-Iran and Syria, the Middle Kingdom has good relations with all parties – whether in the Syrian crisis, the Israel-Palestinian conflict or Saudi-Iran rivalry. Given China’s ‘cleaner’ scorecard than those of other members of the UN Security Council, it may be more successful in promoting economic-based regional cooperation. Beijing’s increasing role in MENA thus presents an opportunity for regional actors to leverage the BRI as a catalyst and help pave the way towards post-conflict peace and stabilisation. While it is not a substitute for political solutions, the BRI could perhaps create a friendlier environment and conditions to facilitate the arrival of these solutions in the region.

The Chinese Perspective on the Causes and Cure of MENA disorder

Cause of Disease: Democracy-promotion and Regime change

From China’s vantage point, when asked what the main cause of disorder in MENA is, it usually points to the Western narrative that sees a lack of democracy as the cause of conflict and disorder. This is rooted in the Democratic Peace Theory,² which asserts that democracies are less likely to go to war with each other than autocratic regimes. Democratisation and

2. A leading proponent of Democratic Peace Theory (DPT) is Rudolph Rummel, who in 1999 asserted “democracy is a general cure for political or collective violence of any kind.” According to DPT, democratic leaders are restrained by the resistance of their people to bearing the costs of war deaths, and democracies are therefore less likely to go to war against each other than autocratic regimes.

governance have been part of US foreign assistance for many decades, and since 1990 almost every US presidential National Security Strategy has linked the promotion of democracy to US security.³ Anchored in the Democratic Peace Theory, the 2010 National Security Strategy stated “The United States supports the expansion of democracy and human rights abroad because governments that respect these values are more just, peaceful and legitimate” and more likely to support US interests.”⁴ Thus, by delineating democracy as a legitimate form of governance that is more likely to serve US interests, and autocratic countries as illegitimate, Washington purports to shape MENA according to this narrative, which has provided legitimate cover for a string of interventions.

Ironically, China sees the Western approach of exporting democracy and sponsoring ‘regime change’ as the disease and cause of regional disorder, not order, after a string of targeted countries such as Iraq, Libya, Syria and Yemen descended into chaos and created ungoverned space for rising Islamic extremism and terrorism. In witnessing the MENA chaos and refugee crisis that is spilling into the EU and is also affecting Chinese interests, Beijing has been very critical of the Western narrative and its regime-change policy as the cause of the current disorder.⁵ The Middle Kingdom is therefore stepping in and offering a new narrative of ‘peace with development’ to restore order in MENA.

Chinese Medicine: Peace with Development

Beijing has long promoted the idea that economic development is vital to advance stability and peace, and as Madame Fu Ying, chairperson of the Foreign Affairs Committee of the National People’s Congress underscored, “lessons from history show that unbalanced development provides a breeding ground for extremist

ideologies.”⁶ Therefore, China’s alternative narrative to restore order in MENA is grounded on building a ‘community of common destiny’ for peace and development, which has been the official party line and aspiration for a reshaped international order since Xi Jinping became president in 2012.⁷ The concept is intimately associated with the BRI, which ties economic development with improved security. According to China’s Middle East envoy, Gong Xiaosheng, the BRI will be Beijing’s main contribution to Middle East peace by providing the much-needed economic solutions the region needs, such as post-war reconstruction, humanitarian aid and local economic and social development, instead of only focusing on anti-terrorism campaigns and democratisation processes as Western countries do.⁸

The provenance of this narrative stems from China’s own historical experience as a country traumatised by foreign invasions and violent instability that killed millions of Chinese – an estimated 3.5 million in the Chinese civil war, 45 million in the Great Leap Forward, 1.5 million in the Cultural Revolution – and a lagging economy for several centuries.⁹ As a result, maintaining stability, or *weiwēn* (维稳), is gospel for the Communist Party of China (CPC), which attributes poor economic performance to a lack of social stability. At the 2017 World Economic Forum, Chinese Premier Li Keqiang also stated “a lack of development is the greatest risk” in China so *weiwēn* and gradual economic and social development is the right path for the Chinese.

In contrast to the Western model of instant ‘democracy’ as narrowly defined by free elections and political expression with little regard for long-term strategic engagement on counter-terrorism or poverty reduction, the Chinese model of governance focuses

3. US Agency for International Development, USAID *Strategy on Democracy, Human Rights and Governance*, USAID, Washington, D.C., 2013, p.9; Jon Alterman, ‘China, the United States, and the Middle East,’ in James Reardon-Anderson, ed., *The Red Star & the Crescent*, Oxford University Press, New York, 2018, p.45.
4. The White House, *National Security Strategy of the United States*, The White House, Washington, D.C., 2010, p.37.
5. Thomas Hon Wing, “[Democracy: A Western tool for domination](#)”, 2 November 2018.

6. Fu Ying, “[China’s Vision for the World: A Community of Shared Future](#)”, 22 June 2017.
7. See http://www.cssn.cn/zxx/zxxzt_zxx/gtt/wz/201705/t20170516_3519569.shtml.
8. New China, “[Israel, Palestine ready to work with China to find solution to peace process](#)”, 11 July 2017.
9. Xin Ming, et al., ‘*The Institutional Causes of China’s Great Famine 1959-6’* *Review of Economic Studies* 82, 2015, p. 1568, 1569-70, 1608; Arifa Akbar, ‘*Mao’s Great Leap Forward ‘Killed 45 Million in Four Years’*’, 17 September 2011, *The Independent*.

on improving citizens' living standards.¹⁰ Indeed, the fact that China has lifted 800 million citizens out of poverty since implementing economic reforms in 1990 prompted World Bank President Jim Yong Kim to state that there are "lessons to be learned" from the Chinese experience.¹¹ Now, faced with the aftermath of Western-backed regime change interventions that triggered MENA's descent into chaos and increased unpredictability to the detriment of China's regional interests, the Middle Kingdom has embarked on implementing the BRI to help restore order and protect its interests.

China's MENA Interests and the Implementation of the BRI

China's core interests are sovereignty, territorial integrity, continued economic development and the survival of the Communist Party, and MENA supports these interests by providing energy resources, consumer markets and advanced technology, especially from Israel, for China's economic development. The region is a hub for market access to Africa and the EU, which is China's largest export market, and also provides more than half of China's crude imports. With the presence of ISIS, Al Qaeda affiliates and thousands of Chinese Uyghur jihadists in Syria and the eastern Mediterranean, MENA has also become a forward front to counter terrorism and separatism in Xinjiang – the bridgehead of the BRI.

Therefore, China is adopting a more robust diplomatic and security posture, and proactively supporting the 'peace with development' narrative to mitigate this risk and restore regional order.¹² It is implement-

10. Iraq, Libya, Syria and Afghanistan highlight the ineffectiveness of using military force and violent regime change as a tool to promote democracy. In Egypt, where the Muslim Brotherhood's Morsi won the 2012 election, continuing poor governance, economic woes, rising terrorism and persecution of minorities precipitated another revolution in 2013. See <https://foreignpolicy.com/2016/04/25/why-is-america-so-bad-at-promoting-democracy-in-other-countries/>

11. Business Standard, "China lifting 800 million people out of poverty is historic: World Bank", 13 October 2017.

12. Christina Lin, 'China's Emerging Role as a Security Provider in the Middle East – The EU's Response', July 2016, EU-China Observer, Issue #2.16, College of Europe.

ing this narrative via the BRI and has underscored the importance of development aid in preventing Syria from being a haven for terrorists, including Uyghur militants, and is establishing a new naval base in Djibouti to augment its UN peacekeeping and anti-piracy operations around the Red Sea and the Horn of Africa. In so doing, China hopes to ensure energy and market access, reduce regional inequalities through infrastructure connectivity and economic integration, and help promote stability as a way to reduce the chances of violent regime change. China values 'stability maintenance' (*weiwen*, 维稳) above all else, as it underscored as a theme in the March 2019 meeting of the National People's Congress.¹³ The BRI subsumes China's pursuit of this goal into an ambitious Eurasian strategy that adds institutional frameworks.

Infrastructure Investment and Economic Development

China's narrative of peace with development was further supported by a new July 2018 study in which a team of Danish economists made a forceful case for infrastructure investment as a pathway to longer-term prosperity.¹⁴ Carl-Johan Dalgaard of the University of Copenhagen and his colleagues looked at how the density of ancient Roman roads at given points in Europe strongly correlates with present-day prosperity, as measured by the modern-day population, the density of current roadways and economic activity. Places with more Roman roads and connectivity tend to have more roads today, more people and greater levels of economic development.

Interestingly, Roman roads in MENA are a less reliable predictor of modern road locations in MENA, given that roads built in North Africa fell into disrepair in the period 500 to 1000 A.D., when wheeled transport was replaced by camels. The reasons for this shift are unclear and could involve costs, advances in saddle technology and an increasing military and political

13. Willy Wo-Lap Lam, "Stability Maintenance" Gets a Major Boost at the National People's Congress", 22 March 2019.

14. Ingraham, C. (August 7, 2018), 'How 2,000-year-old roads predict modern-day prosperity', *The Washington Post*; ; Dalgaard, C., Kaarsen, N., Olsson, O. and Selaya, P., 'Roman Roads to Prosperity: Persistence and Non-Persistence of Public Goods Provision', CEPR Discussion Paper No. DP12745, February 2018.

might of groups that traditionally relied on camels for transport. If carts pulled by oxen were no longer around then there was less need to maintain paved roadways. As a result, the Roman roads in MENA were not maintained the same way they were in Europe, where cart-based transit remained dominant. Dalggaard observes “since ancient roads fall into disrepair in the MENA region to a much greater extent than in Europe, one should expect to see much less persistence in infrastructure density.”

These research findings that infrastructure investment in roads and trade corridors can be a driver of economic growth add weight to China’s BRI approach of promoting infrastructure connectivity and economic development as a pathway towards regional stability and eventual peace in MENA. This peace with reconstruction approach is also corroborated by a 2016 World Bank report on Syria, recommending that development institutions support an inclusive reconstruction strategy that might foster peace by bringing economic relief and appeasement in the short term and stability in the long term.

Inclusive Reconstruction as a Peace Process

A 2016 World Bank report entitled “Syria: Reconstruction Could Foster Peace” states “reconstruction and peace are two sides of the same coin,” and that development institutions such as the World Bank and the IMF can promote an inclusive reconstruction strategy to incentivise warring parties to come closer to a peace deal.¹⁵ While full-scale reconstruction may have to wait for peace before it can begin, and given that the war economies in Syria, Iraq, Libya and Yemen have weak local institutions, development institutions can step in and act as substitutes. They can help secure credible commitments and provide a means of enforcing inclusion clauses and resource-sharing rules in future reconstruction plans.¹⁶ This is similar to the case of the

15. Shantayanan Devarajan, Lili Mottaghi, Quy-Toan Do and Mohamed Abdel Jelil, *Syria: reconstruction for peace (English)*. Middle East and North Africa (MENA) Economic Monitor, World Bank Group: Washington, D.C.; <http://www.worldbank.org/en/news/press-release/2016/04/12/syria-reconstruction-could-foster-peace>; <https://www.reuters.com/article/us-imf-g20-syria/world-bank-urges-reconstruction-strategy-as-way-to-foster-peace-in-syria-idUSKCN0X91NI>.

16. Barbara F. Walter, *The Critical Barrier to Civil War Settlement*, International Organization, pp. 335-364.

Bosnian War, where according to former World Bank president James Wolfensohn the Bank’s involvement during the conflict played a role in helping secure the Dayton Agreement, which ended three and a half years of civil war.¹⁷

Thus, rather than seeing political settlement as a causal variable in the outcome of reconstruction in the peace process, the World Bank report considers development institutions an intervening variable in political settlement to reach the outcome of reconstruction in the peace process. Admittedly, reconstruction cannot be solely driven by infrastructure projects, and the report argues that the international community still needs to address the underlying causes of civil war, regional disparities and inequitable resource distribution. However, inclusive multilateral institutions can help rebuild trust and mitigate social tensions, and to that end the BRI’s network of cooperative mechanisms such as the Asian Infrastructure and Investment Bank (AIIB), the Silk Road Fund and the New Development Bank could perhaps foster friendlier conditions conducive to reaching political solutions in the region.

Institutionalising the BRI

In a nutshell, the BRI is a vision launched by President Xi in 2013 that seeks to integrate China with the Eurasian landmass through a vast network of transport corridors, energy pipelines and telecom infrastructure. The geographical scope covers 65 countries, 4.4 billion people or 62% of the world’s population, and 30% of global GDP. It consists of a land route called the ‘Silk Road Economic Belt’ linking China, Central Asia, the Middle East, Russia and Europe and a sea route known as the ‘Maritime Silk Road’ connecting China’s eastern ports with southeast Asia, south Asia, east Africa, the Middle East and the Mediterranean.

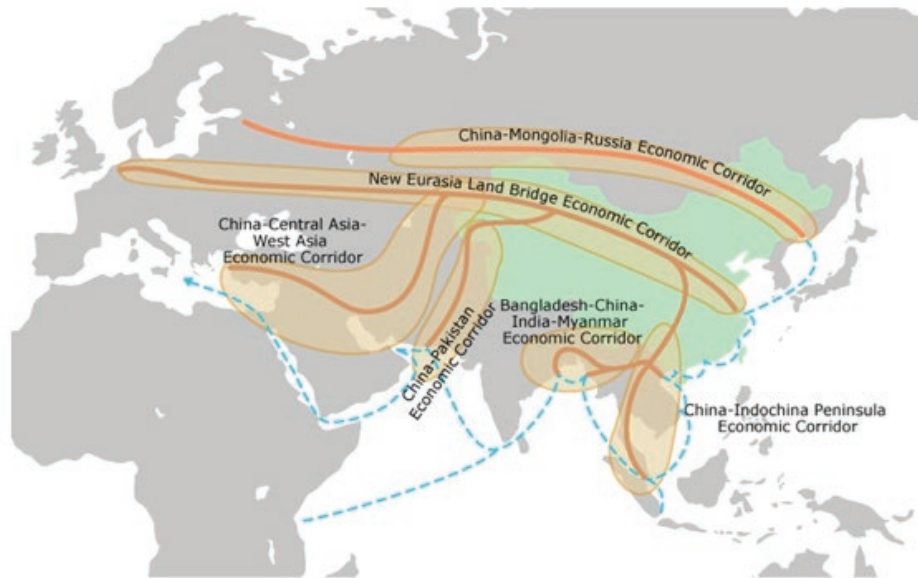
The two main routes have a series of loops, branches and various economic corridors such as the China-Pakistan Economic Corridor (CPEC) and the China-Central Asia-West Asia Economic Corridor (CCWAEC) that starts from China’s Xinjiang and traverses Central Asia, the Persian Gulf, the Mediterranean Sea and the Arabian Peninsula.¹⁸

17. James D. Wolfensohn, *A Global Life: My Journey Among Rich and Poor, from Sydney to Wall Street to the World Bank*. World Bank Public Affairs.

18. See <https://www.pwc.com/gx/en/growth-markets-center/assets/pdf/china-new-silk-route.pdf>.

Map 1: Six Economic Corridors

The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa



Source: HKTDC Research, 'The Belt and Road Initiative,' September 13, 2017

As mentioned earlier, a network of cooperation mechanisms will support BRI projects, including the AIIB, the Silk Road Fund and other existing bilateral and multilateral cooperation mechanisms such as the World Bank, the Asian Development Bank, the Shanghai Cooperation Organization (SCO) and the China-Arab States Cooperation Forum (CASCF). It is thus a very broad, flexible and inclusive framework for economic cooperation, and in return for cooperating in BRI projects countries receive preferential financing in terms of grants, interest-free and concessional loans, other forms of government funding and a full development package to stimulate their economies.

For example, the United Arab Emirates (UAE) is China's second largest trading partner in MENA and handles 60% of China's re-exports to Europe and Africa, with an estimated value of \$70 billion each year.¹⁹ In July 2017, China signed a \$300 million deal to develop a manufacturing operation in the free trade zone of Khalifa Port, on the heels of China's COSCO Shipping winning the right (\$738 million) to develop and operate a new container terminal there for 35 years. While most shipping companies own/operate terminals and ports on foreign terrain as shipping-centric operations, China differs in that it opens new ports

19. See <https://www.forbes.com/sites/wadeshepard/2017/08/02/next-up-abu-dhabi-chinas-maritime-silk-road-breaks-into-the-middle-east/#173997699bbe>; <http://www.seatrade-maritime.com/news/middle-east-africa/abu-dhabi-ports-inks-300m-investment-cooperation-with-china.html>.

and invests in adjoining free trade/special economic zones and other development initiatives so that the host countries obtain an entire development package.

Moreover, even if Abu Dhabi does not directly economically benefit from this project beyond the initial investment capital, it can serve as a catalyst for other projects to grow up around it (for example, factories need local suppliers, workers, etc.). The idea behind these places is regional connectivity and for them to become international hubs for transport, production and commerce and bring in investments from various countries around the world.²⁰

What Role for China in Conflict Mitigation and MENA Stabilisation?

The MENA View of China Policy

MENA countries have generally been welcoming of Chinese's rising economic role, and its authoritarian development model fits well with the political systems and social contracts in place in large parts of

20. Christina Lin, 'The Belt and Road and China's Long-term Visions in the Middle East,' Issam Fares Institute for Public Policy and International Affairs Working Paper #47, American University of Beirut, February 2019.

the region.²¹ However, recently Chinese investment and the BRI have become part of a wider narrative accusing China of being a neo-colonial power by using 'debt-trap diplomacy' to create economic dependencies for military-strategic gains. Critics often invoke the 2017 case of Sri Lanka granting a 99-year lease of Hambantota port in a debt-equity swap, and concern that economic dependency could translate into a loss of sovereignty similar to MENA's colonial experience with the West – most notably Egypt's loss of control over the Suez Canal in the 1870s.²²

As a result, countries in the region have been exhorted to exercise caution in accepting Chinese foreign investments, and some analysts propose a multi-stakeholder model of lending as one form of risk mitigation. As Alessandro Arduino from the Shanghai Academy of Social Science argues, international support for China's investments could be a way to share the investment risk burden and also to increase the efficiency and positive spillovers for all the stakeholders involved.²³ Indeed, over the past few years the AIIB has partnered and co-financed projects in Asia and the Middle East with other international financial institutions such as the World Bank, the European Bank for Reconstruction and Development and the Asian Development Bank to help China improve project governance and standards.²⁴ At the same time, the multi-stakeholder model helps mitigate risk for Chinese companies operating in complex and unstable zones, and could help prevent future losses, such as the \$1 billion loss in the Djibouti-Addis Ababa railway due to underuse caused by power shortages.²⁵

21. Deborah Lehr, '[How China is Winning over the Middle East](#)', *The Diplomat*. China does not disregard domestic components of discontent in social protests and uprisings but it is against external interference that hijacks and militarises protests into a violent proxy fight for dominance. It supports the principle of national sovereignty and believes reforms should be implemented domestically within a country's existing governance structure – be it an autocratic, democratic or hybrid system – and should not be forced by external powers to convert to a democratic structure as a panacea for all domestic grievances.

22. Geoffrey Aronson, '[China is playing the West's debt game](#)', *The Arab Weekly*, 7 April 2019.

23. Alessandro Arduino, '[China sees risks, profits in MENA](#)', *The Arab Weekly*, 17 February 2019.

24. Wade Shepherd, '[The AIIB One Year In: Not As Scary As Washington Thought](#)', 16 January 2017; Sara Hsu, '[How China's Asian Infrastructure Investment Bank Fared Its First Year](#)', 14 January 2017.

25. Eric Ng, '[Botched Chinese railway project in Africa is a warning to belt and road investors](#)', 29 October 2018.

Others note that China can play a complementary political role to fill diplomatic gaps in MENA.²⁶ Gal Luft for one has recommended in a *Foreign Policy* article that in the absence of official ties between Saudi Arabia and Iran, China's open communication with both capitals could become a vital asset, and China could use the BRI as a tension-reduction mechanism to promote projects that create shared Sunni-Shiite economic interests. With both Israel and Iran as members of AIIB and aspirant members of the China-led SCO, Beijing can also use these regional institutions to promote cooperative opportunities between the two countries, akin to its current attempts with Pakistan and India within the SCO.²⁷

Moreover, Israel would prefer China to lead the reconstruction in Syria. Roie Yellinek has argued in a BESA paper that "from Israel's perspective, it would be much better to see a Chinese aid programme and Chinese companies rebuilding the Syrian Golan Heights rather than Iranian ones."²⁸ Indeed, Sino-Israeli ties have been enjoying a boom in recent years, and in fact after the 2006 war with Lebanon China contributed 1,000 peacekeeping troops to UNIFIL at the request of Israel, given that the Israelis did not want Arab troops and requested Asian troops from China, South Korea, India and Malaysia, which were viewed as more neutral in the Arab-Israeli conflict.

The Evolving Non-Interference Principle and a Rising Political Role

Understandably, some sceptics point to China's non-interference principle as an obstacle to an increasing political role in MENA, but it is important to consider this policy in context. From the Chinese perspective, the principle refers more to intervening in other countries' domestic politics, such as the US/Western penchant for intervening to overthrow autocratic regimes they dislike. The non-interference policy does not mean inaction when China's security and core interests are threatened. As Yun Sun from the Stimson Centre clarifies, when it comes to protecting Chinese citizens the non-interference policy does not apply, and China will exhaust all means possible to protect them when they are threatened in order to maintain

26. Gal Luft, '[China's New Grand Strategy for the Middle East](#)', 26 January 2016.

27. Sabena Siddiqi, '[Can the SCO Bring India and Pakistan Together?](#)', 10 February 2018.

28. Roie Yellinek, '[Who Will Reconstruct Syria?](#)' BESA Centre Perspectives Paper No. 750, 25 February 2018.

the legitimacy of the Communist Party.²⁹

In recent years, China has been signalling its long-term commitment to MENA and floating its diplomatic trial balloon in conflict mediation – whether in the P5+1 over the Iran nuclear issue, appointing a special envoy to the Syrian crisis or issuing a four-point peace plan for the Israeli-Palestinian conflict.³⁰ It is also taking a more proactive role in mediation efforts elsewhere, such as Afghanistan, South Sudan and Myanmar, where Beijing was instrumental in shepherding all the opposition factions into attending a peace conference for the first time.³¹

China is also testing its role as a partial security provider for MENA stability – with its anti-piracy operations off the Gulf of Aden, by deploying combat troops to the UN peacekeeping mission in South Sudan, providing \$100 million in military aid to the African Union, offering 8,000 standby troops for rapid deployment to UN peacekeeping operations, whether in Africa or Northern Cyprus, Lebanon or the Golan Heights in the eastern Mediterranean, and by establishing a naval base in Djibouti to augment these operations. While peacekeeping is one objective, these resources also allow China to project its military power to protect its citizens and assets.

A State-Centric vs. a Regional Approach to Peacebuilding

There are also several other reasons why countries in the region may perceive China's MENA approach to be more attractive than the US approach. First, China is focused on long-term economic investment, whereas the US seems more preoccupied with military investment. Geoffrey Aronson, an expert on Middle East affairs and chairman of the Mortons Group consulting firm, observes how Washington and Beijing differ in their approaches, with the US spending money on dropping bombs or building military infrastructure while China sees a big opportunity to cash in.³² "We're, in a sense, not in the business of rebuilding infrastructure and development not directly related to our military presence," Aronson notes. "We'll build

29. International Institute for Strategic Studies, YOUTUBE, Launch of '[China's Strong Arm: Protecting Citizens and Assets Abroad](#)', 17 July 2015.

30. Times of Israel, "[China pushes four-point Israeli-Palestinian peace plan](#)", 1 August 2017.

31. Mark Inkey, "[China's Stake in the Myanmar Peace Process](#)", 15 August 2018.

32. Tom O'Connor, "[China may be the biggest winner of all if Assad takes over Syria](#)", 19 January 2018.

an airstrip, a base. The Chinese will build a railroad, a port; they're investing in the future."

Second, Washington suffers from a state-centric bias in the peace process, despite the fact that international conflicts have [regional economic spillover effects](#) on neighbouring states, as Kaysie Studdard observes in an International Peace Academy Report.³³ For example, before the war, Syria was a vibrant trading hub that linked Turkey, Lebanon and Syria itself with Jordan, Egypt and the Arab Gulf states, and was Lebanon's only land-based trade corridor. As border crossings for trade with Syria were vital arteries for Jordan and Lebanon, ongoing US and EU sanctions on Syria have a negative contagion effect on the neighbouring economies. As a result of the war and continued sanctions, trade with both countries has plummeted and they are now at risk of destabilising economic collapse, with Beirut's debt ratio at 150% of gross domestic product.³⁴ With Lebanon and Jordan hosting 1.3 million and 660,000 Syrian refugees respectively, the economic crisis is also provoking a new wave of refugees in Lebanon to flee to Cyprus and Europe, exacerbating the EU refugee crisis.

This is similar to the contradictory US policies in central and south Asia, where Washington's state-centric approach to rebuilding Afghanistan and promoting regional economic integration while simultaneously sanctioning and isolating its large neighbour Iran has posed challenges to Afghan efforts at regional connectivity. Moreover, ignoring the regional dimensions of conflicts may also create a balloon effect whereby instability and conflict is displaced from one country to another neighbouring country. Given that Western state-centric peacebuilding efforts do not adequately address the regional economic spillover effects in many conflicts, and given the interconnectedness of conflicts and economies, China's regional approach to MENA via the BRI could potentially play a more constructive

33. Kaysie Studdard, '[War Economies in a Regional Context: Overcoming the Challenges of Transformation](#)', *International Peace Economy Policy Report*; Jonathan Goodhand, Michael Pugh, and Neil Cooper, *War Economies in a Regional Context: The Challenges of Transformation*, Lynne Rienner Publishers, Boulder, 2004; Karen Ballentine and Jake Sherman, eds., *The Political Economy of Armed Conflict: Beyond Greed and Grievance*, Lynne Rienner Publishers, Boulder, 2003; Michael E Brown, 'The Causes and Regional Dimensions of Internal Conflict', in Michael E Brown ed., *The International Dimensions of Internal Conflict*, The MIT Press, Boston, 1996; Peter Wallensteen and Margareta Sollenberg, 'Armed Conflict and Regional Conflict Complexes, 1989-1997', *Journal of Peace Research* 35, September 1998 no. 5, p. 621-634.

34. Lebanon News, "[Opening of Syria-Jordan border crossing to revitalize economy: Aoun](#)", 11 July 2018.

role in post-conflict reconstruction and stabilisation efforts. In the face of the current Western refusal to provide aid and Russia lacking the requisite financial resources for the estimated \$250 billion needed for Syrian reconstruction, the BRI's development institutions could help foster an economic ecosystem in MENA by linking various trading and logistic hubs to promote regional stability.³⁵

Cooperative Projects with the West to Promote Stability

Lebanon, Jordan and Syrian Reconstruction

China is already viewing Lebanon as a platform for reconstruction in Syria and Iraq. In January 2018, China's trade body, the China Council for the Promotion of International Trade (CCPIT), chose Lebanon as its MENA headquarters.³⁶ According to Lebanon's Economy Minister, Raed Khoury, China does not "look at Lebanon as a small country of 4 million citizens but as a country with huge potential given its geographical location," with Beijing eyeing the port of Tripoli as a main trans-shipment hub for the eastern Mediterranean.³⁷ Before the war, Lebanon's ports were used to trans-ship goods overland to Syria and even Iraq and bypass the longer sea route through the Suez Canal and around the Arabian Peninsula. There has also been talk of rehabilitating the Tripoli-Homs railway network. Coupled with a planned Tripoli Special Economic Zone adjacent to the port, Tripoli could be a useful hub for Syria and enable China's BRI to play a constructive role in post-conflict reconstruction and stabilisation efforts.³⁸

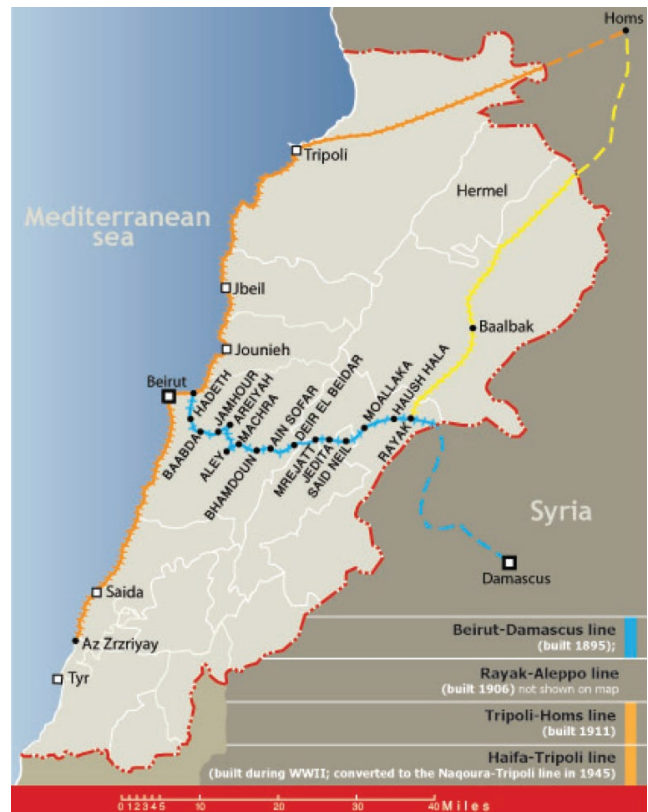
35 Oded Eran, "['Belt and Road Initiative' can help slowly heal divisions in the Middle East](#)", 15 May 2017.

36 Xinhua Net, "[China's trade body chooses Lebanon as Mideast, North Africa headquarters](#)", 16 January 2018.

37 The Daily Star, "[China looks to invest in north Lebanon](#)", 12 July 2018.

38 Philip Issa, "[Lebanon prepares for Syria's post-war construction windfall](#)", 17 August 2017. Christina Lin, 'The Belt and Road and China's Long-Term Visions in the Middle East,' *Issam Fares Institute for Public Policy and International Affairs Working Paper #47*, American University of Beirut.

Map 2: Tripoli-Homs Railway (built in 1911)



The Jezreel Valley Railway line

Another project that could coordinate with the BRI is the Jezreel Valley Railway line. Revived after 65 years in August 2016, cargo travelling by sea from Turkey to the port of Haifa can be placed on the Jezreel line and transported to Jordan and the broader Arab Gulf region. With China winning a tender to operate Haifa port for 25 years, this would facilitate China shipping goods from Turkey to Jordan and on to Asia via the Red Sea or the Arab Gulf region, and vice versa.³⁹

39 Yoram Evron, '[Can China Participate in Middle East Stabilization Efforts by Supporting Regional Connectivity?](#)' *Asia Pacific Bulletin* No. 363, East-West Centre December 2016.

Map 3: Jazreel Valley railway



Source: Wikipedia

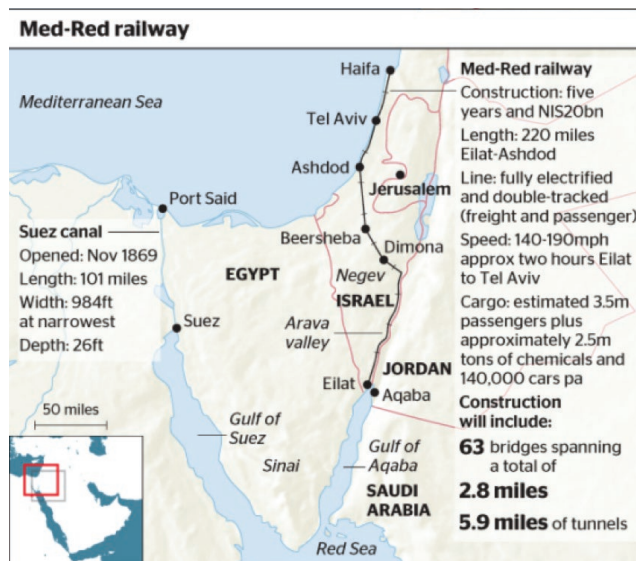
The Med-Red Railway

In conjunction with the Jazreel Valley Railway, the Med-Red Railway connecting the port of Ashdod in the Mediterranean to Eilat in the Red Sea, with an extension to Jordan's Aqaba port, would further integrate the economies in the eastern Mediterranean and the Arab Gulf region. China is also enlarging Ashdod port and hopes to construct the Med-Red railway.

A land-based trade corridor can strengthen Israel's relationship with its treaty partners Egypt and Jordan. The cargo rail line could facilitate transport between the industrial centres in the north and south, thereby increasing economic cooperation and strengthening security coordination to help maintain regional stability. Given that Eilat port is not able to receive larger vessels (10,000-plus TEU), if the railway line is extended to Jordan's larger Aqaba port facilities, which are among the largest and most modern in the Middle East, it could involve Jordan in a project to strengthen bilateral relations and encourage Arab countries to use the Eilat port infrastructure.⁴⁰

40. Mordechai Chaziza, "The Red-Med Railway: New Opportunities for China, Israel, and the Middle East," BESA Centre Perspectives Paper No. 385, December 2016.

Map 4: Med-Red Rail linking Ashdod to Eilat



Source: <https://arielfi.wordpress.com/2016/12/29/red-med-raide-hanke-harkinnassa/>

Valley of Peace Initiative

The [Valley of Peace initiative](#) was launched in 2008 by the late president Shimon Peres to promote economic cooperation between Israel, Jordan and the Palestinians via joint projects in the Arava/Arabah Valley that runs along the southern portion of the Israel-Jordan border.⁴¹

China has traditionally had good ties with the Palestinian Authority and on 17 July 2017 President Mahmoud Abbas visited Beijing on a four-day tour to garner Chinese political and economic support for the Middle East peace process.⁴² Since China is already investing in various infrastructure projects in Israel, Jordan and the Palestinian territories, such as the Ring Road in Ramallah, the multi-stakeholder model of the Valley of Peace initiative could profit from synergistic cooperation with China's BRI initiative and AIIB funding.

41. See <https://www.youtube.com/watch?v=E1H3SE9xUIg>; <https://www.bloomberg.com/news/articles/2008-05-28/a-mideast-valley-of-peacebusinessweek-business-news-stock-market-and-financial-advice>

42. Adam Rasgon, "Abbas looking for political and economic support in visit to China", 17 July 2017.

Gaza Island

Israel is also interested in building an island off Gaza to relieve its isolation while protecting Israeli security.⁴³ Israeli minister of intelligence, Israel Katz, promoted the plan and was considering financial partners for the \$5 billion project, with the Saudis and Chinese being possible builders of the port.⁴⁴ It would be a man-made island measuring four square miles and located three miles offshore, connected to the mainland by a causeway and a bridge. A checkpoint in the middle of the bridge would be staffed by international authorities such as NATO or other organisations, and the island would have an international legal status with international security forces. Israel would be responsible for security in the surrounding waters. Less expensive options such as a direct shipping line from Cyprus are also being considered.

Map 5: Gaza Island



Source: Ministry of Transport and Israel Ports

The Palestinians have begged for a small port on the shoreline, but Minister Katz fears such an unsecured port would become a duty-free transit zone for

43. See https://www.dropbox.com/s/6apf052p5kiym5o/Island_En_HD.wmv?dl=0; https://www.washingtonpost.com/news/worldviews/wp/2017/06/27/israel-is-still-floating-a-plan-for-gaza-island-and-now-theres-a-video/?noredirect=on&utm_term=.f771cb83ecec.

44. See https://www.washingtonpost.com/world/middle-east/israel-wants-someone-to-build-a-5-billion-island-off-gaza--for-a-seaport-hotels-airport/2016/06/20/e45ce6fc-7948-4a10-bef3-0f782b030739_story.html?utm_term=.6e3d2ae662b7.

weapons and terrorists. Currently, goods enter Gaza through two land crossings controlled by Israel and a third – the Rafah crossing – is controlled by Egypt. However, Rafah crossing is usually closed so most commercial and humanitarian goods bound for Gaza enter through Israel's Kerem Shalom crossing. Heavily relying on imported goods for survival presents another problem for the Palestinians in the form of high prices, due to double taxation by the Palestinian government in Ramallah and the Hamas authorities in Gaza. Chinese goods now comprise more than 50% of imports to Gaza due to their cheaper price which offsets the extra tax, according to the Palestinian Chamber of Commerce.⁴⁵ Given China's increasing regional presence and good relations with both the Palestinian Authority and Israel, and that Jerusalem prefers Syria's Golan Heights to be reconstructed, the Gaza port to be built and UN peacekeeping forces in Lebanon to be staffed by Beijing, it is emerging as a key stakeholder that may be more animated to help resolve MENA conflicts to protect its interests.

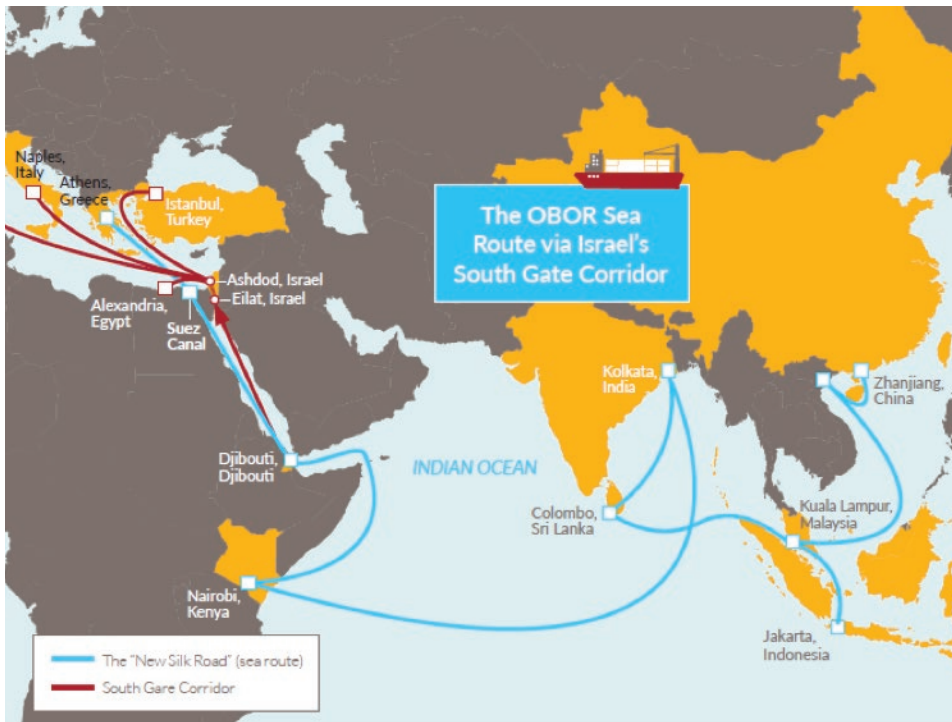
The Israel-Gulf Economic Corridor (IGEC)

It was also within the context of the BRI and the goal of broader regional cooperation that Israeli transport minister, Captain Yigal Maor, proposed an Israel-Gulf Economic Corridor (IGEC) in September 2016 at a Herzliya conference.

He believes that if China can invest in this IGEC, which encompasses linking infrastructure projects in the Arab Gulf region with Israel and Jordan to transship Chinese goods, it could push Gulf countries into more formal ties with Israel. As a by-product, it could jumpstart the Arab peace initiative, which aligns with EU and US goals in the Middle East peace process, with the added benefit of promoting broader regional cooperation with Turkey and the EU in the eastern Mediterranean. The IGEC vision can also be a test case to promote concrete Sino-US cooperation and interdependence in the Middle East, given that China can be more successful in promoting economic-based regional cooperation among MENA countries while many of them still depend on the US as a security provider.

45. See http://www.xinhuanet.com/english/2016-03/29/c_135231227.htm.

Map 6: Israel and southern corridor/IGEC



Source: APCO worldwide <http://www.apcoworldwide.com>

Conclusion

China's rise in a globalised world presents a number of challenges and opportunities in the sphere of conflict prevention, post-conflict reconstruction and peace-building. However, with realism being the dominant conceptual framework for examining Beijing's ascension, this zero-sum perspective combined with America's narrow focus on historic rivalry in east Asia risks rejecting cooperative opportunities elsewhere, especially in MENA where China is a rising power. In the face of a rapidly changing security environment and the pressing need to exit war economies, the MENA region offers a potential constructive framework for cooperation between China and the West, and for fostering the successful integration of emerging powers in the management of post-conflict and transitional settings.

Therefore, China's involvement via the BRI has the potential to create economic value and boost geopolitical relations in the region, and also to provide new security and stability. Rather than considering how China can *supplant* the US in MENA, the BRI's 'peace with development' platform may be a way to incorporate China in a constructive role to *supplement* Western efforts for Middle East stabilisation and reconstruction.



CONCLUSION

A CHANGING LANDSCAPE OF POST-CONFLICT RECONSTRUCTION: SOME LESSONS FOR POLICY-MAKERS

Steven Heydemann and Luigi Narbone

1. Authoritarian peace and reconstruction

What are the key takeaways presented in this e-book? In our view, they highlight changes that are reshaping the landscape of post-conflict reconstruction in the Middle East and North Africa. For those who view post-conflict economic recovery as more than just clearing rubble we are entering uncharted and dangerous territory.

The conditions now taking shape in conflict-affected states present an ominous picture of the obstacles confronting Western governments. If the purpose of economic reconstruction is not only to restore economic infrastructure but also to mitigate the economic and social causes of conflict, Western leaders now face an environment that is less favourable than at any time since the end of the Cold War. As Wennmann points out, Western approaches are increasingly out of step with conflicts that unfold in domestic and global contexts that are increasingly less responsive to the standard repertoire of post-conflict reconstruction treatments. Conflict-affected states, Wennmann warns, “no longer respond to the standard treatment and what is in the medicine chest no longer seems to work.”¹ Yet the European Union, the United States of America, the United Nations and the World Bank – the main pillars of today’s global architecture of post-conflict reconstruction – are struggling to adapt to this changing landscape.

1. Achim Wennmann, this volume.

The papers in this volume not only diagnose this growing gap between tools and approaches, on the one hand, and the problems they are intended to solve, on the other hand, they also help us understand the origins of this disconnect, and why closing it will take a considerable investment in new approaches and tools on the part of Western actors. No less importantly, closing the gap will require the EU, its member states and other key actors to acknowledge the urgent need to rethink what works and what does not in post-conflict reconstruction.

Heydemann’s chapter offers a starting point for understanding this gap, highlighting the shortcomings of fragility-based models of post-conflict reconstruction. If our approaches assume that conflict is a marker of state fragility, that it destroys pre-war institutions and creates space to build effective responsive governance, we will be poorly equipped to deal with conflicts in fierce states such as Syria. As Daher’s paper goes on to show in vivid detail, wartime political economies in states like Syria function much like those that existed before the onset of conflict. Post-conflict political economies exhibit significant continuity in the norms and practices that shape economic behaviour. When authoritarian regimes win civil wars, they dominate reconstruction processes. The end of violence is not seized as a welcome opportunity for reform but is exploited to reassert regime control, enrich loyalists and cronies, and settle scores.

Hagood’s chapter offers an additional perspective on the changing terrain of post-conflict economic reconstruction. In Iraq, the boundary between what constitutes conflict and what constitutes post-conflict has been all but erased. So have the boundaries between state and non-state armed actors, and between military and political actors. Economic reconstruction is intensely contested among competing coalitions organised largely along sectarian and ethnic lines. Conflicts over economic reconstruction become an extension of competition between Shi’a, Sunni, and Kurdish parties that express sharply divergent visions of Iraq’s future. In this environment, the way reconstruction unfolds will help consolidate social and political cleavages and could well become a new driver of future violence.

An ‘authoritarian peace,’ it turns out, is a poor setting in which to build good governance. In such cases, strengthening state institutions is more likely to threaten than to improve human security. However,

Western peacebuilders have largely failed to take these realities into account. How should states be rebuilt if state security comes at the expense of civilian populations? In cases like Iraq, where conflict and post-conflict have blurred together, how can economic reconstruction reduce rather than exacerbate political polarisation?

2. The regional and international environments

These challenges are further complicated by regional and international environments that have eroded the capacity of Western actors to affect how post-conflict reconstruction will occur. In the not-too-distant past, Western donors and international financial institutions in which Western voices were dominant essentially monopolised processes of post-conflict reconstruction. They controlled funding streams, were the arbiters of how states and economies should be rebuilt, served as gatekeepers of international legitimacy, and possessed the political and economic leverage to define the terms on which post-conflict states could gain access to critical resources. This is no longer the case.

Today, the West no longer owns the post-conflict reconstruction space. States such as Turkey, South Korea, India, and Brazil, previously recipients of development assistance, are now themselves donor countries. The governments of the Arab Gulf also have an established presence as international donors, providing the impetus behind the formation of new non-Western international financial institutions such as the Islamic Development Bank and the Kuwait Fund for Arab Economic Development. In addition, governments in the Gulf have leveraged their resources on a bilateral basis in support of regional partners. Bahrain and Jordan are both recipients of large-scale Saudi support intended to stabilise conservative Sunni regimes in the face of the 2011 uprisings. Iran too has become deeply involved in post-conflict reconstruction in the Middle East. Lob's paper in this e-book offers a compelling account of Iran's growing role as a source of reconstruction funding in Iraq, Lebanon, and now Syria. As Lob points out, in creating the Reconstruction Jihad organisation as an arm of the Iranian regime "Iran has instrumentalised reconstruction and development to consolidate power at home and project

influence abroad." By spring 2019, US sanctions had forced cutbacks in Iran's economic support for neighbouring states. However, it remains a potent presence and valuable resource for governments and non-state actors that are themselves under Western sanctions, including both the Assad regime and Hezbollah in Lebanon.

However, it is the rise of China and Russia as active and assertive participants in development lending and post-conflict reconstruction funding that presents the most significant challenges to the influence of Western donors and multilateral institutions. Lin's contribution to this volume focuses on China's role in post-conflict reconstruction. She presents what can be read as an official Chinese narrative about the benefits of its Belt and Road Initiative, a narrative which is particularly attractive to authoritarian regimes looking for ways to insulate themselves from the conditionalities that often accompany Western assistance. She also reproduces the official Chinese critique of US and Western policies in the Middle East, echoing the positions expressed by Russian officials as well. Readers may view these perspectives as one-sided and profoundly distorted but should not overlook their appeal. China, like Russia, explicitly contrasts its 'hands-off' approach to development assistance with what it characterises as the destabilising interventionist policies of the West. China's priorities are stability and the integration of Arab markets into global economic networks dominated by Beijing. Like Russia, it is indifferent to the social and economic dysfunctions that drive regional conflicts – blaming these instead on Western intervention. It is indifferent to corruption, and whether reconstruction is linked to a fair and inclusive social contract. In Syria, where the approach to economic reconstruction will only deepen the divisions that drove the country into conflict in 2011, the approach adopted by China and Russia is like throwing a lifesaver to a brutal authoritarian regime that rejects accountability for its conduct during more than eight years of violent conflict. Neither is Syria alone: China and Russia are aggressively engaged with other post-conflict countries in the Middle East as well.

To be sure, Russia's ability to offer development assistance is limited by its own economic difficulties. China has proven to be quite risk-averse in its funding of post-conflict reconstruction. It prefers to invest in projects that have clear economic benefits, and those that tighten the economic dependence of the recipients on China. Thus far, the Belt and Road Initiative has

produced meagre commitments in Syria, despite the grandiose rhetoric attached to it by Chinese officials. However, as an alternative model of economic development via authoritarian stability, the initiative has already introduced new complexities and challenges into the landscape of post-conflict economic reconstruction. It gives ruling elites in post-conflict states ways around the demands of Western donors. It has weakened the influence of the EU, the US, and other actors who link access to funds to political, economic, and social reforms that autocrats find unpalatable.

As conflicts have spread across the region, the Middle East is now one of the most important global arenas in which competing visions of post-conflict reconstruction struggle for influence. If the West remains by far the most important source of post-conflict reconstruction funding, alternative models of aid without political strings – whether true or not – are already making their presence felt. They are evident in the Assad regime’s pushback against efforts by the EU to use such funding to gain diplomatic leverage over the terms of a political settlement in Syria. The EU’s former leading diplomat, Federica Mogherini, has said that the EU cannot accept a “black hole” in Syria. It has taken the position that political reform is an essential step for ensuring long-term stability and conditioned the commitment of EU funding for Syrian reconstruction to it. Buoyed by Russian, Chinese, and Iranian support, however, the Assad regime has shrugged off the EU’s demands. Thus far, its promise of aid in exchange for “meaningful political reform” has not yielded results. Meanwhile, the question of what to do to address the issue of the human security of the Syrian people, for instance by focusing on millions of IDPs and refugees and ensuring their safe return, remains dangerously without answers.

In the Middle East, and in other cases too, the future of post-conflict reconstruction may well look more like Syria than Rwanda or Liberia, examples that are held out as more positive instances of the effects of Western investments in reconstruction. With the UN and other core mechanisms of global governance increasingly polarised, as is evident in the Security Council’s deliberations about both Syria and Ukraine, a vision of post-conflict reconstruction tied to the health of a liberal international order becomes ever more precarious.

As we move toward an increasingly multi-polar international order, one more tolerant of dictatorship, where the commitment of Western states to liberal values is

eroding from within and under growing pressure from without, and where publics are increasingly sceptical about the value of peacebuilding and development, the landscape of post-conflict reconstruction is experiencing rapid and unwelcome changes. Nowhere is this more the case than in the Middle East. However, in Western capitals practitioners and policymakers remain wedded to tools and methods that are increasingly out of touch with emerging conditions.

3. Western reconstruction: fatigue and dilemmas

In tackling reconstruction in MENA, Western policymakers and practitioners face a series of complex dilemmas, the resolution of which will have important consequences shaping future approaches. First, critiques of liberal peace-building increasingly stress the importance of ‘doing no harm’ through peacebuilding and reconstruction assistance. Aid dependency and other types of externally induced distortions are often characterized as unwanted diseases created by peacebuilding efforts. Wary of the failures of past interventions, the temptation to minimise involvement is high. However, the option of doing nothing is not acceptable. The West and policy-makers, even if they wanted to, cannot afford to turn their backs on conflict-affected states. Europe is directly exposed to the effects of conflicts that drive new waves of refugees, generate humanitarian crises, promote radicalisation, and inspire terrorists to strike across the continent. The economic, political and security costs of conflicts in MENA have already been high for Europe and risk spiralling out of control if the region remains mired in its current instability and violence.

Second, after years of protracted conflicts around the world, reconstruction fatigue is particularly high among Western donors. It is widely accepted in the West that successful reconstruction can be the key to avoiding new conflict cycles in the future and that if reconstruction fails the likelihood of a return to violence increases, as has been the case in some fifty percent of post-WW2 conflicts. However, the political will to engage in a substantive and prolonged diplomatic effort to bring peace in the EU’s neighbourhood is in short supply, as are the financial resources available for a meaningful commitment to the reconstruction of

MENA. Current stabilisation policies in MENA mostly seek short-term gains, and, as the term suggests, emphasise stability rather than the difficult reforms needed to ensure durable peace. Western states, like many other actors in the regional arena, appear to be driven not by long-term strategic visions but by short-term political and economic considerations.

Third, given the context analysed in this e-book, it is doubtful whether traditional top-down state-centred reconstruction approaches will work. The liberal peace-building model included reform of governance institutions, transformation of the economy, and consolidation of an inclusive and democratic political system. These entailed protracted external assistance to accompany efforts to build resilient states, responsive democracies and sustainable peace. The approach and the related toolbox aimed to promote reconciliation, security sector reform, transitional justice, democracy, human rights, the rule of law and an open market economy. These interventions required a sustained comprehensive approach aligning peace, security, and development. In the current MENA context, the level of ambition in external intervention in support of reconstruction, at least in the short term, will necessarily be more limited. State-based approaches which end up strengthening the resilience of states at the expense of the human security of their citizens do not necessarily guarantee sustainable peace in the region. If authoritarian states pursue their own security, the main drivers of the ongoing conflicts will be likely to persist. The struggle over resources will be further entrenched, together with widening inequality and the feeling of injustice and exclusion among the population, leading to continuing contestation, radicalisation and social fragmentation.

In spite of this rather bleak outlook, in MENA conflict-affected countries there might still be opportunities to break cycles of violence through reconstruction efforts. Seizing these opportunities, however, will require a critical assessment of existing approaches and a willingness to strike out in new directions. This raises a number of questions for policymakers. What kind of alternative approaches show some promise? Which goals are we trying to achieve and what is the end situation we should be working toward in our efforts to rebuild economies after war? Moreover, very importantly, how can we strengthen human security when states are the source of insecurity?

4. Alternative approaches to reconstruction

The West, and particularly the EU and its member states, ought to reflect on the opportunity to engage more systematically in bottom-up, people-centred reconstruction. This needs creativity and thinking outside the box. But it also needs caution, as the international system and EU external policies are still predominantly based on inter-state relationships. Most instruments used by donors have a strong state bias and need a cooperative relationship with recipient state authorities. This is the case for most international cooperation instruments, where programmes and projects are negotiated with governments. Funding is overwhelmingly channelled through national or international state-based institutions and humanitarian assistance can only be effectively delivered if governments (and other conflict parties) allow it. Working outside the state framework inevitably creates difficulties with state authorities and bottom-up approaches will never be fully able to replace the work done at the national level with state-centred actions. Persistent political and diplomatic involvement will therefore also be necessary to accompany the work done through bottom-up approaches. However, what is needed, ultimately, is for state actors to recognise their own limitations and invest in the development of mechanisms that enable and empower non-state reconstruction strategies.

It is too early to have a structured description of what such bottom-up mechanisms and approaches might consist of – although a systematic effort to put such descriptions in place and begin to implement them is overdue. At this stage, one can only identify a few promising dimensions and sketch a few unsystematic ideas, hoping to foster a much-needed debate among researchers, pundits, and policymakers.

4.1 The local dimension

Many people on the ground working in municipalities, local businesses, young people's and women's organisations, and people belonging to other communal, tribal, or civil society organisations are daily confronted with the problems caused by destruction and dysfunction and, to the best of their abilities, are forced to solve everyday governance challenges one after

another.² During the acute phases of a conflict, these local actors have often been instrumental in providing their communities with basic security and social or economic services, even replacing the state in ensuring minimum living standards. External funding and assistance should support the efforts of these actors. By empowering local players, international support could promote localised reconstruction while at the same time fostering societal resilience at the local level and reinforcing positive forces, working in a sort of horizontal peer-to-peer reconstruction process.

Approaches should aim to multiply and strengthen smaller scale inclusive targeted actions. While maintaining the autonomy of each project, they should try to move from the micro to the macro by disseminating success stories and methodologies and creating informal networks of actors involved in similar activities across conflict zones. The idea would be to promote grass-root coalitions for change made up of people and organisations with hands-on experience of and responsibilities in local reconstruction. In this way “reconstruction [will become] poly-centric at micro levels in many different spaces, involving limited ‘self-help’ reconstruction or reconstruction packages.”³

Bottom-up approaches require refraining from projecting rigid views of what the governance structure or the post-conflict economy should look like. The best solutions to strengthen local governance systems should emerge from these bottom-up experiences. They would still need a broader strategic framework shared by both external donors and local partners, and to respond to the needs and visions of local actors. But this strategic framework should be understood more as ‘software’ than as a rigid set of prescriptions. For example, rather than over-emphasising elections as the only way to build legitimate governance, bottom-up approaches could provide space for locally legitimate authorities to emerge and establish themselves as effective actors capable of creating and promoting the common interests of a conflict-affected community. This requires support for inclusive, gender-balanced, and participatory consensus-building approaches to local governance, mediation, and reconciliation activities.

2. World Bank Group, *United Nations Pathways for Peace, Inclusive Approaches to Preventing Violent Conflict*, 2018.

3. Wennmann, this volume, p.31.

What is needed is to work within the de-facto political economy and develop interventions which take into account the opportunities and constraints that emerge in the field. These need to be designed carefully to avoid becoming a source of distortions over time, for instance by endlessly perpetuating a class of privileged partners who come to monopolise the reconstruction scene. At the same time, local players should also be able to count on a steady commitment on the part of donors to accompany fragile developments on the ground.

In a recent proposal for a new US approach to Libya, for instance, some thinking has been devoted to a possible city-centric model which would give substantial autonomy to municipalities, empowering them to exert control over “most law and law enforcement, resources and budgets, local services and even local governance structure. [External] assistance would be focused on this level of government, building capacity and bolstering authority where possible [...] the allocation of resources should be focused more transparently and methodically on cities and other local structures”⁴

4.2 Security and mediation

Interventions could also aim to establish an effective system of incentives for local actors entangled in violence to turn them away from conflict dynamics and re-direct them towards local development objectives. Grass-roots reconstruction activities should push local actors to adopt individual and collective strategies which enhance the prospects for peace. For example, by using small-scale lending and investment schemes to re-start local agriculture or to create alternative employment in areas such as the southern regions of Libya, interventions could both re-launch the local economy and reconstruction process and break the business model of migration smugglers, which is the predominant source of revenue for the local population and armed groups.⁵

To become possible antidotes to the cycle of violence and its future resurgence, bottom-up approaches will need a continual prioritisation of prevention and reduction of violence and a granular involvement on

4. Various authors, *Empowered Decentralization: A City-Based Strategy for Rebuilding Libya*, Brookings, 2019.

5. Luigi Narbone, *Libya's illegal migration: the urgent need for a new strategy*, The Conversation, June 13, 2017 6.58am BST.

the part of the diplomatic and donor communities. This may mean that a continual search for effective ways “to engage conflict parties on their partisan interests, ensuring vertical linkages within the conflict system” will need to be part and parcel of the grass-roots approach.

As Wennmann avers:

“Within these processes of reconstruction, the key is to identify the people managing coexistence and disagreements. Such individuals are called different names in different constituencies, including ‘insider mediators’ (in peace mediation circles), ‘interrupters’ (in violence reduction circles) or ‘transpublics’ (in academic circles). What these actors have in common is that they are connected to, and trusted by, important local constituencies and that they can build trust in processes and outcomes where the formal authorities or other power holders are too weak or illegitimate to do so. They can also talk the languages of different constituencies and therefore enable understanding and dialogue across divided communities or enemy groups.”⁶

4.3 The economic dimension

The structure of the economy and its performance, together with its political economy dynamics, are critical factors igniting and perpetuating conflicts. They also create resistance against attempts to normalise the economy after conflict and can hamper reconstruction efforts. To exit war economies, conflict-affected MENA countries will need sustained efforts and multi-level policies to re-start sustainable growth, and also to promote job creation and fight exclusion and inequality. However, traditional post-conflict economic recipes do not sufficiently address how the political economies of these countries can negatively affect progress toward these outcomes. For example, contrary to what is normally assumed, experience shows that macro-economic stabilisation is not necessarily followed by structural reforms aimed at opening up the economy or by profound changes in the economic governance structure of a post-conflict country. Deep reforms run counter to the interests of the existing economic elite,

6 Wennmann, this volume, p.31.

power groups, and the regimes with which they have symbiotic relationships.

The problem for bottom-up approaches to economic reconstruction, therefore, is how to work with the real political economy. How can one counter the economic interests of specific groups in maintaining the war economy? How can one provide effective incentives to reintegrate them in the formal economy in areas where localised reconstruction efforts are taking place? Optimal policies need to leave space for flexible non-orthodox policies if they turn out to be opportune and strategic.

Working at the subnational level, for example, bottom-up approaches could try to focus on assessing local economic infrastructure repair needs. This could then be followed by small-scale funding for local reconstruction activities and micro-credit to leverage efforts by the local population. Donor-funded incentives could be put in place to enhance the role of locally-oriented public-private partnerships that could support the constructive participation of international investors, such as firms that provide solar energy generation equipment, small-scale technologies for purifying water, and localized broadband services.

To attract the necessary investment in local economies, schemes aimed at lowering investment risk could be used. However, some mechanisms, including legal protection and amnesty, should also be provided to favour investment in reconstruction by actors operating in the illicit or black economy. Special reconstruction zones aimed at both export promotion and imports for local development needs could be set up with an eye to the opportunities provided by the new regional economic order which has emerged from the conflict.⁷ They could provide an opportunity for capital investment by economic actors, while interested local communities could benefit from newly-created employment possibilities.

A new social contract will gradually need to emerge from bottom-up efforts, based on a participatory and inclusive dialogue process. Bottom-up approaches could support such dialogue among economic actors and the broader population on reconstruction objectives, or on longer-term issues such as how to divide rents in a way that is beneficial for social development and the needs of future generations, how to upgrade human capital, how to diversify away from hydrocar-

7 Eric Lob, this volume.

bon dependence, and how to upgrade the country's role in global value chains. A new vision of the state and the economy allowing for inclusive reconstruction, decentralisation and local development would then gradually emerge from the process. Donors could leverage their reconstruction assistance to help pursue these strategic objectives.

4.4 Data and analysis: the importance of conflict area field-based research

Experience has shown that sound field-based research carried out by reputable independent organisations is important to build new peace-building and reconstruction software which can be used in bottom-up approaches. Evidence-based analysis should cover issues like the mapping of key actors, the changing dynamics of local governance, the trends and players in the war economy, the changing local security landscape, and what works and what does not in terms of responses to the challenges.

Research outputs should produce data and analysis which is perceived as trustworthy and reliable and can gradually become a neutral and independent anchor for common understanding in a polarised and “rumour-rich information-poor environment.”⁸ Research should also be part of a regular dialogue between researchers, policymakers, donors, and practitioners, but also among local stakeholders to dispel misunderstandings and shape policymaking and the design of responsive programmes. Wennmann example of independent research on Syria's land and housing tenure, and on urban transformation before and during the war as instruments to contrast government abuse, thus reducing the space for polarisation on all sides and building confidence, is a good case in point.

5. Conclusion

The possibilities we sketch out in the above sections are both notional and aspirational. They suggest some initial steps that can be taken to begin to put in place alternatives to the state-based, state-dominated, formal and centralised strategies for post-conflict reconstruction that define today's reconstruction orthodoxy. What these recommendations also highlight, however,

8 Wennmann, this volume, p.30.

is how much additional work remains to be done to move new models of post-conflict reconstruction beyond the notional and aspirational to the real and effective. Simply replacing the rather formulaic vernacular of the current reconstruction orthodoxy with another will be unlikely to do the job. It would miss the opportunity to take meaningful steps to build reconstruction strategies that offer greater prospects of being able to address the conditions that drive communities to violence, overcome the effects of conflict, reduce its recurrence and strengthen the social solidarities on which inclusive effective governance depends. Progress toward these goals will not be easy. It will face resistance from entrenched interests in the international system. However, whether the field of post-conflict reconstruction is able to overcome the many challenges it now confronts may well hinge on its willingness to tackle the fundamental questions raised here about the relevance and efficacy of current approaches and commit to developing and putting to test new and more effective alternatives.



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