

# THE COSTS OF THE SYRIAN CIVIL WAR AND PROPOSITIONS FOR SYRIA'S POST-WAR RECOVERY

ALİ FİSUNOĞLU

*Carlos III - Juan March Institute, Junior Research Fellow  
Claremont Graduate University, Ph.D. in Political Science and Economics*



GLOBAL RELATIONS FORUM YOUNG ACADEMICS PROGRAM POLICY PAPER SERIES No.11

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July 2019

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## CONTENTS

<b>About GRF</b>	<b>iv</b>
<b>About the GRF Young Academics Program</b>	<b>v</b>
<b>About the Author</b>	<b>vi</b>
<b>Abstract</b>	<b>2</b>
<b>1. Introduction</b>	<b>3</b>
<b>2. Evaluating the Costs and General Consequences of Major Wars</b>	<b>3</b>
<b>3. Assessing the Severity of the Syrian Civil War</b>	<b>5</b>
<b>4. Policy Recommendations for Post-War Reconstruction in Syria</b>	<b>9</b>
<b>4.1 Establishing Stability</b>	<b>10</b>
<b>4.2 Providing Essential Services</b>	<b>11</b>
<b>4.3 Reclaiming Human Capital</b>	<b>12</b>
<b>4.4 Rebuilding Industrial Capacity</b>	<b>13</b>
<b>4.5 Strengthening Social Capital</b>	<b>13</b>
<b>4.6 Increasing State Capacity</b>	<b>14</b>
<b>4.7 Distribution of Foreign Assistance</b>	<b>14</b>
<b>5. Who is Going to Pay for the Reconstruction of Syria?</b>	<b>15</b>
<b>6. Conclusion</b>	<b>18</b>
<b>References</b>	<b>20</b>
<b>GRF Young Academics Program Publications</b>	<b>23</b>

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This paper, entitled “*The Costs of the Syrian Civil War and Propositions for Syria’s Post-War Recovery*,” is authored by Mr. Ali Fisunoğlu as part of the GRF Young Academics Program Policy Paper Series.

GRF convened the following group of distinguished members to evaluate and guide Mr. Ali Fisunoğlu’s paper:

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# The Costs Of The Syrian Civil War and Propositions For Syria's Post-War Recovery

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## Abstract

Syria is enduring one of the most severe wars in recent history. The damage it has suffered is tremendous. This paper discusses existing theories on the consequences of wars and the determinants of post-war recovery, and provides several macro- and micro-level policy recommendations that can assist with post-war reconstruction efforts in Syria.

- Syria has suffered massive destruction as a result of the ongoing civil war. The economic, political, and social fabric of the country has deteriorated, and significant interventions are required to repair them.
- In order to terminate the decline in Syria and start the recovery process, the first issues to address are establishing stability and providing essential services. In the long run, these should be supported by projects to re-attract human capital, rebuild industrial and social capital, and strengthen state capacity.
- The reconstruction of Syria will be costly, and it will require a long-term coordinated effort by several international actors.
- There is no obvious candidate to pay for the cost of reconstruction. The ideal situation would be the sponsorship of an international coalition of countries under the coordination of the United Nations, the World Bank, and/or the Asian Infrastructure Investment Bank.

Preventing Syria from becoming a failed state is crucial. If the Syrian state fails, there would emerge a substantial risk for Syria to turn into a center for international terrorism and/or experience recurring conflict. Moreover, a failed Syria would mean intensified radicalization of the locals and exacerbated refugee flows.

## 1. Introduction

Years of fighting in Syria have devastated the country and caused immense suffering. The international community has been deeply concerned and active about the situation in Syria, yet the potential for reaching a political solution to the conflict in the near future is still ambiguous. Understandably, the main focus of the involved parties has been to seek de-escalation, ceasefire, and de-confliction arrangements. However, the recovery after major wars lasts longer than the actual fighting and is often more operationally complex than the conflict itself, given the economic, social, and physical devastation.<sup>1</sup> In the case of Syria, achieving a sustainable recovery is crucial for many reasons: Syria's impact on regional and global security; the risk it creates for radicalization; the urgency of resettling refugees, which put significant economic and social pressure on their host countries; and the necessity of avoiding the resurgence of conflict.

Managing to establish stability and security is the ultimate determinant of achieving successful post-war reconstruction and development. Carrying out economic, political, and social reforms in an unsafe environment is challenging, if not impossible. Afghanistan, Libya, and Iraq are three recent examples that emphasize the importance of stability and security for post-conflict transformations. Establishing post-conflict stability in Syria will likely be particularly challenging, considering the evolution of the protracted conflict and the inability of the government to address the grievances of different groups.

However, this paper does not directly deal with ways to establish post-conflict stability in Syria. Nor does it delve into the highly-complex issue of reaching a political agreement or a settlement. Instead, based on the existing research on the consequences of wars and determinants of post-war recovery, this paper provides several macro- and micro-level policy recommendations that can potentially assist post-war reconstruction efforts in Syria. Laying out such a plan of reconstruction, if supported by major countries and international organizations, can bolster conflict resolution and normalization efforts. It will not only remind the public that life after the war is possible in Syria, but it will also underscore the commitment of preeminent actors to Syria's development.

The analysis suggests that post-war Syria will likely remain a weak state. However, despite the dire situation and modest prospects for full recovery, successful implementation of certain policies can generate significant improvements. Attracting human capital, rebuilding industrial capital, reestablishing trust, and increasing state capacity can help to ignite the economic recovery of Syria – or at least to arrest its decline. The failure of recovery efforts in Syria and the devolution of Syria into a failed state would entail significant risks for the Middle East and regions beyond Syria's immediate neighborhood.

## 2. Evaluating the Costs and General Consequences of Major Wars

Since the beginning of the 20th century, scholars and practitioners have been investigating how wars affect short- and long-term economic performance. The findings on the demographic consequences of wars are consistent: even though wars distort population size and structure in the short term, their overall impact diminishes over time, and total

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<sup>1</sup> Ali Fisunoglu, *Beyond the Phoenix Factor: Consequences of Major Wars and Determinants of Postwar Recovery*, PhD diss. (Claremont Graduate University, 2014).

populations recover in approximately one generation.<sup>2</sup> However, findings regarding the long-term economic consequences of wars, and mechanisms that cause nations to rise, stagnate, or fall after episodes of conflict are inconsistent.<sup>3</sup>

Objectively evaluating the costs and consequences of wars is a challenging task because it requires comparing nations that have different sizes and levels of development at different historical periods. For example, examining the absolute values of national capabilities and losses of Japan in 1945 and Lebanon in 1990 does not allow for direct comparisons, since the total number of civilian and military casualties in Japan during WWII was higher than Lebanon's population in 1990.

As a solution to this problem, I use the *years forgone as a result of the conflict* as a standardized measure to assess the costs of war. To do this, I analyze the data for the years preceding the conflict to predict where the GDP per capita and population of the countries would have been, had the war not been waged. The difference in years between where the country should have been and where it actually is after the war provides a common and standard unit of analysis. Whereas a 7% loss in GDP per capita represents significantly different amounts for Japan and Lebanon, and is therefore problematic for making direct comparisons, a loss of 7 years as a result of the conflict can function as a common unit for all countries.

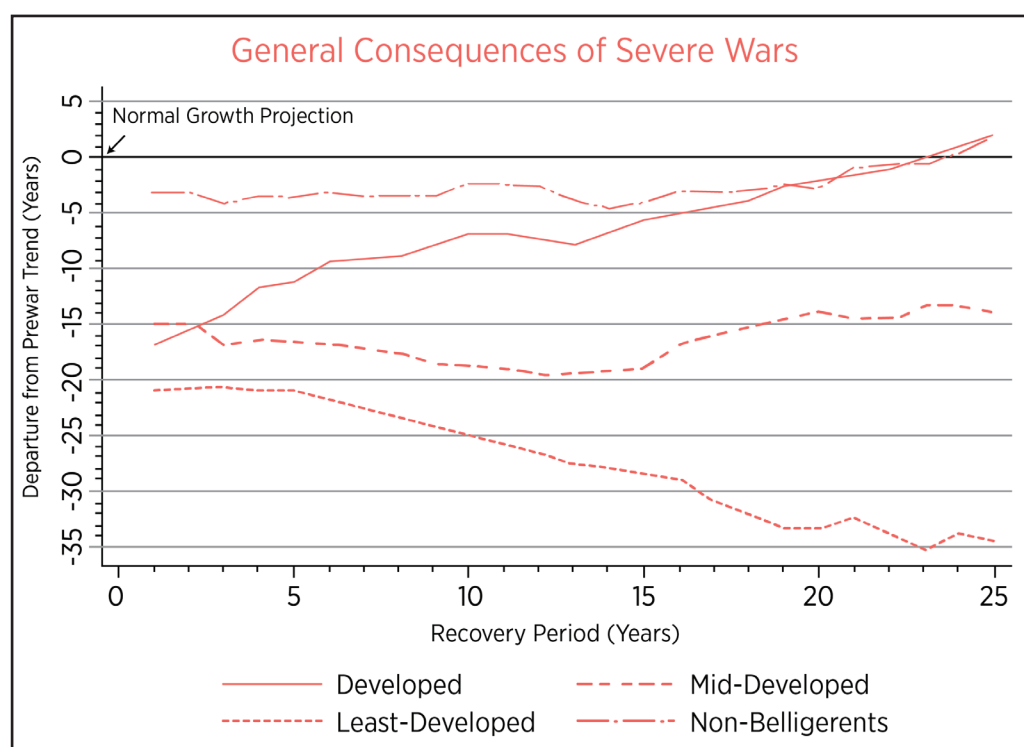


Figure 1: Economic Consequences of Severe Wars for Different Development Levels.<sup>4</sup>

<sup>2</sup> Jack Goldstone, Eric Kaufmann, Monica Duffy Tuft, *Political Demography: How Population Changes are Reshaping International Security and National Politics* (Oxford: Oxford University Press, 2012).

<sup>3</sup> For a thorough review of the literature on the economic consequences of conflict, see Fisunoglu, *Beyond the Phoenix Factor*.

<sup>4</sup> Adapted from Fisunoglu, *Beyond the Phoenix Factor*.

Based on this measure, Figure 1 uses data from 47 countries that experienced major wars that took place between 1913 and 2010.<sup>5</sup> The x-axis in the figure represents the years passed after the conflict, and the y-axis represents the cost of wars in years forgone.

The figure demonstrates that the initial cost of wars is similar for belligerents from all different levels of development. Following severe conflicts, all nations lose 15 to 20 years on average. Non-belligerent countries also suffer from the severe wars that other countries experience, encountering approximately three years of economic losses. This happens due to the slowdown in global trade and economic activities as a result of severe conflicts, especially world wars.

The long-term implications of major wars present a different picture. Divergent economic recovery patterns emerge for groups of countries with different levels of pre-war development. Developed countries achieve high rates of recovery and converge to (even exceed) their pre-war growth projections within one generation. However, other countries, on average, are not as successful in their recovery efforts. Countries in the middle level of development neither lose nor gain after the conflict ends, carrying their initial losses into the future and lingering about 15 years below their projected growth. On the other extreme, least-developed nations experience a consistent decline. As a result of this decline, they lose almost 35 years compared to where they should have been if the war did not take place, essentially falling into a poverty trap. The control group, nations that were not involved in any wars, encounter losses of roughly three years, only to return to their pre-war levels in the long run.

### 3. Assessing the Severity of the Syrian Civil War

The Syrian Civil War is one of the most violent wars in recent history. As of July 2019, it has been going on for over eight years with at least four factions<sup>6</sup> still actively fighting. Despite the progress made by central government forces in recent months, reaching a conclusive end to the war might still take some time. The total civilian and military casualties are estimated to have exceeded half a million, which accounts for approximately 2.5% of Syria's pre-war population.<sup>7</sup> There are also 5.6 million refugees and 6.5 million internally displaced people.<sup>8</sup> More than half of the hospitals are either destroyed or severely damaged.<sup>9</sup> With education facilities becoming military bases and targets, and children being forced to work, school attendance has dropped by 40%, causing the mean years of schooling to decline to 5.1 years.<sup>10</sup> More than 70% of the population lacks access to clean water and a consistent supply of food.<sup>11</sup> Life expectancy at birth dropped from 75.9 in

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<sup>5</sup> Losses exceeding 1% of the pre-war population. Note that a group of randomly selected non-belligerent nations that are not involved in any conflicts is included as a control group.

<sup>6</sup> These factions are the Syrian government, supported by Russia and Iran, the Syrian National Coalition, backed by Turkey, the Syrian Democratic Forces, supported by the Combined Joint Task Force, and the Islamic State of Iraq and the Levant (ISIL).

<sup>7</sup> Syrian Observatory for Human Rights, "More than 570 Thousand People Were Killed on the Syrian Territory within 8 Years of Revolution Demanding Freedom, Democracy, Justice, and Equality." March 15, 2019, <http://www.syriahr.com/en/?p=120851>

<sup>8</sup> Syrian Regional Refugee Response, *UNHCR*, October 25, 2018, <https://data2.unhcr.org/en/situations/syria>

<sup>9</sup> The World Bank, *The Toll of War: The Economic and Social Consequences of the Conflict in Syria* (Washington DC: The World Bank, 2017).

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

2010 to 55.7 in 2014.<sup>12</sup> With limited access to food, water, electricity, healthcare, education, and security, the human suffering in Syria is immense, and events in the country continue to be one of the greatest tragedies in recent history.

In addition to its humanitarian fallout, the war has also caused the Syrian economy to suffer extensively. Syria's GDP is estimated to have shrunk by about two thirds since the beginning of the conflict.<sup>13</sup> It will take decades for Syria's economic activity to return to its pre-war levels. The Syrian pound is traded at less than one tenth of its pre-war value against the dollar, and consumer prices increased by approximately 800% between 2011 and 2017, which has further impaired the financial and macroeconomic dynamics in Syria.<sup>14</sup> Syrian foreign exchange reserves were depleted in 2016.<sup>15</sup> Residential, commercial, and industrial centers, as well as the infrastructure in almost all the major cities and the intercity road network throughout the country, have undergone significant damage.

During the conflict, the Syrian government lost almost all its crude oil and gas production. The energy infrastructure and distribution networks are mostly damaged. Electricity production dropped from 9,530 MW per day in 2011 to 2,000 MW in 2016.<sup>16</sup> With shortages of fuel, power, and other raw materials, as well as accompanying physical and economic difficulties, many manufacturers have closed their businesses or significantly decreased production, causing major declines in Syria's manufacturing capacity. Agriculture, which accounted for one fifth of pre-war GDP, also declined when the government lost its hold on the fertile east and northeast of the country. Moreover, since the transportation networks and storage facilities were destroyed and local markets disappeared, many farmers were forced to sell or leave their land, which exacerbated food security problems. The self-sustaining nature of the Syrian economy and economic sanctions<sup>17</sup> made things worse. Without the option of diversifying their supply chain and sales networks, many producers had to stop or significantly decrease production in the early days of the conflict, which created a chain reaction in other sectors of the economy and accelerated the tearing down of the economic fabric.

In addition to the loss of physical capital, Syria also lost a significant portion of its human capital and suffered disruptions in its labor market. The majority of the high-skilled workforce, including up to 2,000 professors, fled the country after the conflict intensified.<sup>18</sup> The World Bank estimates that a combination of casualties, out-migration, and decreases in education spending account for the permanent loss of 30% of Syria's human capital stock.<sup>19</sup> Moreover, the majority of the people who have stayed in the

<sup>12</sup> UNRWA, *Alienation and Violence: Impact of Syria Crisis Report 2014*, (Damascus: Syrian Centre for Policy Research, 2015). [https://www.unrwa.org/sites/default/files/alienation\\_and\\_violence\\_impact\\_of\\_the\\_syria\\_crisis\\_in\\_2014\\_eng.pdf](https://www.unrwa.org/sites/default/files/alienation_and_violence_impact_of_the_syria_crisis_in_2014_eng.pdf).

<sup>13</sup> Jeanne Gobat and Kristina Kosial, "Syria's Conflict Economy," *IMF Working Paper* No.16/123 (2016): 1-28

<sup>14</sup> Syrian Arab Republic Central Bureau of Statistics, November 5, 2018, [http://www.cbssyr.sy/CPI/%E2%80%8F%E2%80%8F%E2%80%8F%E2%80%8F%E2%80%8FInflation\\_May\\_2017.htm](http://www.cbssyr.sy/CPI/%E2%80%8F%E2%80%8F%E2%80%8F%E2%80%8F%E2%80%8FInflation_May_2017.htm).

<sup>15</sup> The World Bank, *The Toll of War*.

<sup>16</sup> Mohammad Bassiki, "Iran Sets Sights on Syrian Reconstruction Projects," October 24, 2018, <https://www.al-monitor.com/pulse/originals/2018/10/iran-reconstruction-syria-process-electricity-priority-debt.html>.

<sup>17</sup> The EU and the US imposed comprehensive sanctions against the Syrian state as well as several important individuals and companies as a response to the government's harsh response to the protests in 2011. The sanctions include asset freezes and major trade and investment restrictions. Although there are exceptions for humanitarian supplies and the items used by the UN missions, the risk of being misinterpreted as violating the sanctions has discouraged many international corporations from exporting to and importing from Syria.

<sup>18</sup> Paul O'Keeff and Zsuzsanna Pasztor, "Interview with James King," *International Journal of Research from the Front-Line* 1 (2016): 10-16.

<sup>19</sup> Kirk Hamilton and Thuy Nguyen, "Estimating Syrian Human Capital Loss Over the Civil War Years," mimeo (The World Bank, 2017). According to the Wealth of Nations data set at the World Bank, human capital constitutes 57% of the overall wealth of an average lower-middle income country like Syria, compared to natural capital that constitutes 18% and produced capital that constitutes 25%. These figures emphasize how significant human capital is for Syria and how severe the damage is from the loss of human capital.

country are not employed. About 77% of the working-age population is either out of the labor market or unemployed. Youth unemployment in 2015 was estimated to be 78%.<sup>20</sup> This idleness and inactivity, especially among the youth, is likely to further intensify the human capital depreciation in the future.

Thus, the Syrian economy is in a breakdown. The complex web of economic relations that most normal countries take for granted has been destroyed. Unsurprisingly, the economic breakdown and lack of political capacity have left the field open for black-marketers and war profiteers. Reports suggest that especially after the government permitted forming and hiring militias to protect capital goods in 2013, some “entrepreneurs” emerged to provide services that the government fails to deliver.<sup>21</sup> Although these war profiteers can supply necessary services, such as neighborhood power generators, some of them have taken over parts of major cities and gained total control of the market and the prices of goods coming in and out.<sup>22</sup> Unsurprisingly, several of these unregulated militia forces have transformed into armed gangs and started committing crimes such as robbery, looting, kidnapping, extortion, and tax farming.

As depicted by the assessment above, the war in Syria has not demonstrated qualities such as state-making and capacity-enhancement that are characteristic of most wars.<sup>23</sup> In fact, it has so far had the opposite impact. The Syrian government's extractive capacity has significantly declined since the beginning of the conflict.<sup>24</sup> This decline is mainly because the war in Syria has descended into a war of third parties and their proxies. Although Bashar al-Assad is still the president, his survival depends on continuing support from Russia and Iran. These countries support the Syrian military directly by sending army units, and indirectly by supplying weapons and organizing pro-government militias. They also provide economic support by opening credit lines and supplying financial aid. Thus, Assad has not needed to reorganize and strengthen government institutions, significantly reshuffle the winning coalition, or mobilize resources. Among the other major factions in the country, the Syrian National Coalition is supported by Turkey, while the Syrian Democratic Forces are supported by the United States and its allies. Although these groups control some territory and strive to mobilize the population for fighting, their backers supply the majority of the war finances and resources in addition to providing direct military support, which decreases the need for building capacity. Another faction that can be considered a significant actor is the Islamic State of Iraq and the Levant (ISIL). Despite losing the majority of its territorial holdings and power, ISIL had nonetheless come to control significant territory and resources at its height between 2014 and 2017. They operated as a state, and they were able to build effective mechanisms of extraction.<sup>25</sup>

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<sup>20</sup> UNESCWA. *Syria at War* (Beirut: UNESCWA, 2016).

<sup>21</sup> Tobias Schneider. “Aleppo's Warlords and Post-War Reconstruction,” *Middle East Institute*, June 13, 2017, <http://www.mei.edu/content/article/growing-warlordism-battle-scarred-aleppo>.

<sup>22</sup> The Economist. “Syria's New War Millionaires,” June 1, 2017, <https://www.economist.com/news/middle-east-and-africa/21722833-new-elite-peace-would-be-bad-business-syrias-new-war-millionaires>.

<sup>23</sup> Most wars increase the state capacity of the governments involved. Charles Tilly famously stated that “war made the state, and the state made war.” He explains that “war and preparation for war involved rulers in extracting the means of war from others who held the essential resources ... extraction and struggle over the means of war created the central organizational structure of states.” Thus, wars allow states to reform and mobilize their administrative and bureaucratic units. This causes a short- and long-term rise in their capacity, making them more efficient in reaching their policy goals. Charles Tilly, *Coercion, Capital, and European States, AD 990-1990*, (Cambridge: Blackwell, 1992):p. 11-12.

<sup>24</sup> Gobat and Kosial, *Syria's Conflict Economy*.

<sup>25</sup> Laurence Bindner and Gabriel Poirot, *ISIS Financing 2015* (Center for the Analysis of Terrorism, 2016).

Framing the analysis around the issues discussed above, the United Nations estimates the cumulative damage of the civil war on the Syrian economy to be over \$388 billion between the years 2011 and 2017.<sup>26</sup> To put this figure into perspective, Syria's GDP in 2010 was approximately \$60 billion. Its estimated GDP in 2017 was slightly above \$25 billion.<sup>27</sup> Recovery from a conflict of this scale will be challenging. World Bank simulations show that economic disorganization is the most important factor affecting a conflict economy. Disruptions in the economic makeup – which include broken economic and social networks and supply chains, decreased trust, and eroded public institutions – decrease incentives to invest and participate in economic activities.<sup>28</sup> Whereas physical capital damages can be considered a shock that has only a temporary impact on a well-functioning country, institutional damages are more difficult to fix, and their adverse effects persist for a more extended period.

Using the years forgone as a result of the conflict, I make a separate assessment of the costs of the Syrian Civil War and forecast Syria's potential for recovery based on the recovery patterns of countries that endured major wars between 1913 and 2010.<sup>29</sup> Assuming that the war ends in 2019, the forecasts affirm how catastrophic the Syrian Civil War has been and paint a grim picture for the future of Syria.

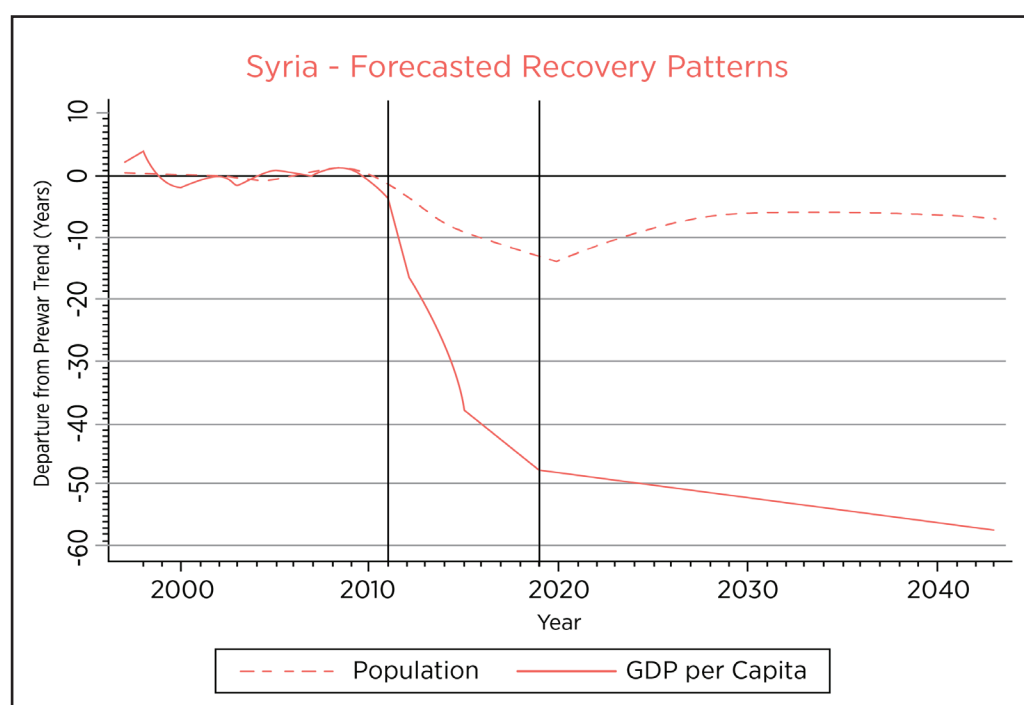


Figure 2: Forecasted Recovery Patterns for Syria

<sup>26</sup> UNESCWA. "Experts Discuss Post-Conflict Reconstruction Policies after Political Agreement in Syria," August 7, 2018, <https://www.unescwa.org/news/syrian-experts-discuss-post-conflict-reconstruction-policies-after-political-agreement-syria>. This number includes the total physical damages and the GDP loss as a result of the conflict.

<sup>27</sup> The World Bank, *The Toll of War*.

<sup>28</sup> Ibid.

<sup>29</sup> The model and estimations that are used to carry out this forecast can be viewed in Fisunoglu, *Beyond the Phoenix Factor*. The model explains the determinants of recovery after major conflicts for countries from different levels of development using human capital, birth and fertility rates, political capacity, GDP per capita, severity of the conflict, and foreign aid data.



As can be seen in Figure 2, after eight years of conflict, Syria lost almost 50 years in terms of GDP per capita, compared to where it would have been if the war did not happen. In the sample of wars analyzed, this is the second largest loss in terms of years forgone after Angola, which lost almost 60 years, but only after 17 years of fighting. According to estimates, it will take at least 20 years until Syria reaches its pre-war GDP levels.<sup>30</sup> However, considering the Syrian economy would have continued to grow had the war never happened, and that the war caused immense destruction in capital and institutions, it may never reach these counterfactual levels. The loss in population is approximately 12 years. Even the population, which almost always recovers in a generation, will not reach its pre-war trends in the following 25 years.

Several reasons can be put forward to explain why Syria's losses are so intense. First, Syria was progressing steadily before the conflict. Several critical economic reforms were implemented in the early 2000s, including permitting private banks to operate and reopening the stock exchange. Furthermore, Syria was endeavoring to establish deeper ties with the rest of the world. Official talks for Syria to become a member of the World Trade Organization (WTO) were in progress before the conflict started. Syria and Turkey initiated a free trade agreement in 2007 and visa-free travel arrangements in 2009, which boosted economic interactions between the two countries. As a result of these developments, Syria's non-oil economy grew by an annual 4.4% on average between 2000 and 2009.

Despite the economic expansion in the 2000s, Syria was by no means a wealthy nation. Even before the war started, it was still a lower-middle income country. Nevertheless, amongst the nations that have experienced such severe and exhaustive civil conflicts, Syria is still one of the more developed ones. The high levels of inequality, as well as the asymmetrical development and investment regimes within Syria meant that some parts of the country, such as Aleppo, Damascus, and Latakia, had considerable economic activity. The civil war caused massive destruction in these cities.

Setting aside all the statistics and figures, one should keep in mind that quantifying the actual suffering of the Syrian people is impossible. While the numbers of casualties, refugees, internally displaced people, and the magnitude of economic dissolution can be measured, the long-term effects of the current agony and trauma of the Syrian people will likely be substantial. Millions of Syrians will constitute "a lost generation beset by idleness, crime, illiteracy, despair, radicalization, and hostility from and toward host communities."<sup>31</sup> Every day without a solution pushes Syria deeper into the poverty trap, making the recovery increasingly more difficult and decreasing the probability of a reversal of fortune for Syria.

#### 4. Policy Recommendations for Post-War Reconstruction in Syria

Based on previous research, and experiences from other recovery programs, this section outlines several policies that can help Syria recover from the conflict. These policies are not recommendations for a short-term stabilization operation. Instead, they lay out what needs to be achieved to attain long-term recovery. There is no one-size-fits-all approach which guarantees successful reconstruction. However, some factors stand out as commonly beneficial, and they are likely to be useful for Syria's recovery as well.

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<sup>30</sup> Gobat and Kosial, *Syria's Conflict Economy*.

<sup>31</sup> Faysal Itani and Tobias Schneider. *Rebuilding Syria Part 1: A Localized Revitalization Strategy*. (Washington DC: Atlantic Council Rafik Hariri Center for the Middle East, 2017), p. 7, <https://www.atlanticcouncil.org/publications/reports/rebuilding-syria>

One of the main challenges for these recovery programs is the interconnectedness of most of their main elements. Achieving one without the other will be difficult. This increases the need for detailed planning and coordination. Although this paper only provides a general outline rather than an exhaustive roadmap, it aims to distinguish between policies that are valid mainly for the short run and policies that target sustainable recovery in the long run.

## 4.1 Establishing Stability

Establishing stability is a precondition for recovery. It is the necessary first step and probably the most critical component of any recovery plan. However, it is also one of the most challenging components to achieve. Especially after such a prolonged conflict, saying that “establishing stability is a precondition for recovery” is similar to telling a sick person that “not being sick is a precondition for being healthy.”

Stabilization efforts should be planned with the ultimate goal of strengthening the authority of a central government.<sup>32</sup> Considering the fragmented structure of the pre-war winning coalition and the diversity of the groups and ideologies fighting in Syria, localized efforts to establish security would weaken the reach of the government, which would increase the likelihood of recurring conflict. Moreover, localized stabilization efforts can enable radicalized groups to regain power in certain regions. In this regard, as soon as the conflict ends, national forces should take over control of rebel-held areas in coordination with existing local councils while the restructuring of security and police forces is prepared.

Given the lack of physical or political capacity of the central government, foreign actors will likely be involved in the stabilization efforts. Stabilization operations that include more troops per capita and a longer timeframe achieve greater success.<sup>33</sup> Similarly, multilateral rather than unilateral operations increase the likelihood of stabilization. Although multilateral operations are more difficult to organize, they contribute to the legitimacy of the operation, decrease the costs for participating actors, and make the operation more durable.<sup>34</sup> Considering these empirical observations, a UN Security Council resolution for securitization and stabilization as well as the general post-war restructuring of Syria should be passed, and a UN peacekeeping force should be established to aid in settling the conflict.

The two items outlined above can take as a starting point the concept of de-escalation zones established by Iran, Russia, and Turkey. Additional de-escalation zones led by the other primary actors and major global powers involved with the conflict can also be instituted. After short-term stability is achieved by these actors, the international stabilization and peacekeeping force can take charge of stabilization efforts. Ideally, this peacekeeping force should include troops from countries that are not directly involved in the conflict to help to build trust.<sup>35</sup>

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<sup>32</sup> By central government, I do not necessarily indicate the Assad regime. It could be any central government formed after the peace talks.

<sup>33</sup> Hans Binnendijk and Stuart E. Johnson. *Transformation for Stabilization and Reconstruction*. (Washington DC: National Defense University Press, 2004).

<sup>34</sup> Christopher S. Chivvis and Paul K. Davis, “Establishing Security,” *Dilemmas of Intervention: Social Science for Stabilization and Reconstruction*, ed. Paul K. Davis (Santa Monica: RAND Corporation, 2011), p. 45-56.

<sup>35</sup> Andrew Parasiliti, Kathleen Reedy, and Becca Wasser. *Preventing State Collapse in Syria*. Perspective Report (Rand Corporation, 2017).

## 4.2 Providing Essential Services

Syria's recovery will be particularly complicated due to the large number of refugees and displaced persons created by the drawn-out conflict. Along with the establishment of security, the provision of essential services like water, electricity, sanitation, healthcare, education, and housing will be crucial for reinstating the social and economic order and resettling refugees. Some of these services, such as housing and sanitation, can be achieved through local endeavors, whereas others, such as the rebuilding of roads and power networks, concern a broader region or even the entire country.

Syria is likely to go through a significant physical reconstruction phase after the conflict ends. Ideally, this construction effort should be coordinated, potentially by the central government, and carried out throughout Syria based on local needs. However, especially in the immediate aftermath of the conflict, it is unlikely that a single actor will have the capacity to establish a central authority, determine needs, and start coordinating these efforts on a national scale. Given the vitality and urgency of the provision of essential services upon initiating the recovery process, finding an alternative solution for this problem is of the utmost importance.

The physical and social reconstruction projects that Turkey has implemented in al-Bab and the broader Euphrates Shield area appear to be a viable model that can be extended and applied across Syria.<sup>36</sup> In this model, Turkey sponsors and oversees residential and industrial development projects that are carried out in partnership with local councils and firms. The project includes the construction of public housing units to resettle the local population, the provision of public services like healthcare and education, training of the local police force, building industrial complexes to rekindle the economy and provide short- and long-term employment, and connecting the housing and industrial districts with a road network.<sup>37</sup>

Thus, one possible way to achieve a speedy reconstruction is to appeal to interested regional and global actors to carry out local development projects in the regions they currently dominate, based on the needs, existing infrastructure, and comparative advantages of the region. As mentioned above, these projects will be ideally coordinated by the central government or an international organization, preferably the United Nations. Moreover, the patrons of these projects should work with local councils and active NGOs.

Running these projects in coordination is useful for four reasons. First, some coordination guarantees that all the projects satisfy minimum standards. Second, learning from each other emphasizes success stories and prevents the repetition of failures, which would also increase efficiency and reduce costs. Third, especially in larger projects and projects concerning the connectivity of the country, coordination increases trade and financial interactions, and ensures that investments are distributed fairly across different sectors. Fourth, coordination provided by the United Nations in particular can prevent projects from being misused for demographic engineering, which can provoke future grievances.

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<sup>36</sup> Khaled al-Khateb, "Turkey Props up Industrial Zone in Syria's al-Bab," *Al-Monitor*, March 1, 2018, <https://www.al-monitor.com/pulse/originals/2018/02/syria-al-bab-euphrates-shield-industrial-area-turkey.html>.

<sup>37</sup> Khaled al-Khateb, "Turkish-Supported Public Services Flourish in Euphrates Shield Area," *Al-Monitor*, September 17, 2018, <https://www.al-monitor.com/pulse/originals/2018/09/euphrates-shield-area-turkish-government-bab-city-jarablus.html>

### 4.3 Reclaiming Human Capital

Achieving sustainable recovery without providing adequate education to the existing population in Syria and attracting back the lost human capital, especially the high-skilled individuals, is extremely unlikely, if not wholly impossible. Whereas ways of providing education to the existing population and reconstructing the physical capital can be planned, the greater challenge is attracting back the human capital and high-skilled labor.

A significant portion of the out-migrated population consists of middle-class people who have an above-average education.<sup>38</sup> As the years pass, the refugees continue settling elsewhere, and the likelihood of their return decreases as they further establish themselves within their host countries.<sup>39</sup> Considering the significant income and human development gap between Syria and the majority of the host countries, persuading them to return to Syria will require ambitious policies and incentive mechanisms.

Investing in higher education institutions and putting a specific emphasis on research and development can motivate some of the academics and researchers to return, which would increase short-term productivity and provide resources for the long-term higher education of the population. The paper proposes two ways to attract higher education professionals. First, several new universities should be established – with campuses both in Syria and neighboring countries – that focus mainly on educating the refugee population. Even though a similar plan, albeit on a smaller scale, was laid out by Qatar and Turkey in 2015,<sup>40</sup> no concrete steps have been taken. Such international universities can be established in Southeastern Turkey, Lebanon, Jordan, and even Northern Iraq and Israel. These universities would create employment for Syrian academics and attract Syrian academics and students from around the world.

Second, encouraging major international universities to open satellite campuses or form partnerships with local universities would encourage academics and students by providing employment to Syrian and regional experts and increasing the international visibility of local institutions. These partnerships would also help transfer institutional and academic know-how through exchange programs for academics and students. Latakia would be an especially good site for such an international institution, considering its demographic, economic, and geographic characteristics.<sup>41</sup>

General lack of security in Syria will be an obstacle to establishing reputable higher education institutions. However, making use of online education technologies, especially in the short term, can smoothen the establishment phase. Over time, as Syria stabilizes, the physical presence of these institutions can be expanded.

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<sup>38</sup> The World Bank, *The Toll of War*.

<sup>39</sup> Council on Foreign Relations, “Syria: Are There Any Steps Forward?” June 6, 2017, <https://www.cfr.org/event/syria-are-there-any-steps-forward>.

<sup>40</sup> Middle East Eye, “Qatar, Turkey to Launch Joint University for Syrian Refugees,” May 18, 2015, <http://www.middleeasteye.net/news/qatar-turkey-launch-joint-university-syrian-refugees-2140368479>.

<sup>41</sup> Latakia is a coastal city in Northwestern Syria. With a population of around 400,000, it was the 4th most populous city in Syria before the conflict. It is a culturally diverse city with a 50% Alawite, 40% Sunni, and 10% Christian population. (It is the city in which Maronites are the most prominent in Syria.) Latakia has been one of the wealthiest cities in Syria with its major port and coastal resorts. Due to its proximity to the Russian bases in Tartus and Khmeimim, Latakia remained in the central government's control throughout the conflict, which minimized the damage it suffered.

## 4.4 Rebuilding Industrial Capacity

An upside of post-war reconstruction for long-term development is the forced modernization of infrastructure and physical facilities related to the industrial sector after the destruction caused by the conflict.<sup>42</sup> This reconstruction will have a positive impact on recovery in three ways. First, the investments needed for reconstruction increase the demand for goods and create employment, especially in the short term. Second, newly built infrastructure and physical facilities tend to have higher levels of productivity since they benefit from technological advancements and better planning. Third, it allows the government and entrepreneurs, who were previously constrained to well-established but potentially unproductive industries, to switch to promising new fields.

Post-war reconstruction of the industrial capacity in Syria should also be used as an opportunity to decrease the role of government in the economy. The pre-war Syrian economy was dominated by the public sector, which was mostly inefficient and corrupt.<sup>43</sup> Privatization of these industries would create a more inclusive economy and attract foreign direct investment.<sup>44</sup> Enhanced economic activity and opportunities would also encourage war profiteers to come out from the black market and invest in the real economy.

Another way Syria can turn the reconstruction into an opportunity is by expanding the integration of geographically peripheral regions into the economy,<sup>45</sup> especially the northern and northeastern governorates such as Idlib, Raqqah, and Al-Hasakah, and enhancing the incorporation of new demographic groups into the labor force. Specifically, Syria should empower women and integrate them into the labor force.<sup>46</sup> Before the conflict, labor force participation for females was 14.1% compared to 75.9% for males.<sup>47</sup> Encouraging women to take a more central role in the economy can be achieved through government policies as well as targeted foreign aid and investment mandates.

## 4.5 Strengthening Social Capital

Reconstructing social capacity and national identity have often been underemphasized in previous post-war reconstruction efforts.<sup>48</sup> The Syrian War has created an extremely polarized and factionalized society. The sheer scale of destruction and the atrocities committed have produced shattered generations that will remember and project the memory of this war into the future. Grievances formed within Syrian society could trigger vengeful political and ideological movements, even after the conflict is over, unless social cohesion is widely established.<sup>49</sup>

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<sup>42</sup> A.F.K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980).

<sup>43</sup> Gobat and Kosial. *Syria's Conflict Economy*.

<sup>44</sup> Although the privatization of state-owned enterprises will be beneficial in the mid- and long term, the scheduling of privatization should be carefully planned. If it is carried out prematurely, before establishing sufficient state capacity and functioning legal and institutional frameworks, these state-owned enterprises could be captured by the cronies of the winning group.

<sup>45</sup> Tilly, *Coercion, Capital, and European States*, p. 73.

<sup>46</sup> Arthur A. Stein and Bruce Russett, "Evaluating War: Outcomes and Consequences," *Handbook of Political Conflict: Theory and Research*, ed. Tedd Gurr (New York: The Free Press, 1980), p. 399-422.

<sup>47</sup> UN Women. "Spring Forward for Women Programme, Syria," <http://spring-forward.unwomen.org/en/countries/syria>.

<sup>48</sup> Matt Freer, "Syrian Stabilization and Reconstruction" (American Security Project, 2016).

<sup>49</sup> James D. Meernik, Angela Nichols, and Kimi L. King, "The Impact of International Tribunals and Domestic Trials on Peace and Human Rights After Civil War," *International Studies Perspectives* 11 (2010), p. 309-334. This article demonstrates that international criminal tribunals and domestic human rights trials do not have a significant impact on reducing the recurrence of civil war or improving human rights practices. The empirical and theoretical literature on this topic has conflicting findings.

The result of a severe conflict such as the Syrian War will inevitably cause the reshuffling of the winning coalition. Historically, these kinds of reshuffles have enabled previously excluded groups to be more involved in political and economic life, which creates more inclusive institutions.<sup>50</sup> Inclusive institutions not only create a socio-economic environment that can foster higher growth rates, but they also boost democratization.

Ensuring that the new political and social institutions are as inclusive and representative as possible would help to build social trust and cooperation<sup>51</sup> and increase the economic potential of Syria. To achieve this, the significance of local councils and local administrative bodies should be sustained during the restructuring of central governance. Furthermore, reconciliation and cohesion-building programs should be used to reestablish trust in society.

## 4.6 Increasing State Capacity

Rebuilding the governance structure and improving state capacity are going to be key aspects of the recovery process. Increasing state capacity necessitates the establishment of the above-mentioned inclusive institutions and good-governance practices, as well as the enactment of reforms to improve extractive effectiveness and mobilization capacity.

The primary mechanism to improve state capacity sustainably is to develop the rule of law and an independent judiciary. Building these institutions allows for securing individual and property rights, and ensuring fair and non-discriminatory access by the population to economic and political processes. Restoring the accountability of public officials is required to attain the public's trust, which would increase the legitimacy of reconstruction efforts.

Several economic reforms are also required to increase state capacity. Forming efficient fiscal management should be prioritized, and bureaucratic processes should be streamlined to be transparent and fair, so that transaction costs and the size of the black market decrease. Moreover, the central bank, alongside banking supervision and regulation frameworks, should be reestablished to improve extractive capacity and allocative efficiency. Improved financial institutions will also help facilitate the reintegration of Syria into the global economy.<sup>52</sup>

## 4.7 Distribution of Foreign Assistance

The effect of foreign aid on economic growth and post-war recovery has been divergent. Although the provision of foreign aid increases the general well-being of the population, its long-term impact is conditional on the quality of governance.<sup>53</sup> Foreign aid is particularly inefficient, even harmful, when the recipient country has low levels of state capacity, as

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Therefore, I do not make any specific propositions regarding the establishment of these institutions and practices.

<sup>50</sup> Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven: Yale University Press, 1982).

<sup>51</sup> Caroline Hartzell and Matthew Hoddie, "Institutionalizing Peace: Power Sharing and Post-Civil War Conflict Management," *American Journal of Political Science* 47 (2003), p. 318-332.

<sup>52</sup> Gobat and Kosial, *Syria's Conflict Economy*.

<sup>53</sup> Craig Burnside and David Dollar, "Aid, Policies, and Growth," *The American Economic Review* 90 (2000), p. 847-868.



the examples of Afghanistan and Iraq have demonstrated.<sup>54</sup> Consequently, the majority of the foreign aid distributed in recent years has been provided with several political conditions attached.

An assessment from the Brookings Institution recommends a slow flow of resources to fund small-scale local projects.<sup>55</sup> This is probably a viable long-term strategy. In the immediate aftermath of the conflict, some foreign aid should directly be given to the central government to assist with urgently required services and pay public sector wages. After this initial push to the public sector, remaining foreign aid efforts should be directed and conditional. Considering the low capacity of the Syrian state, going “local, small, and slow” appears to be the most efficient way until the capacity to absorb the money is built.

Dealing with the donor community and managing the foreign aid funds in a significant reconstruction endeavor such as this one is a challenging task. Providing robust coordination is necessary for at least two reasons. First, without proper coordination, it will be impossible to ensure that the funds are fairly distributed across the country and different demographic factions. In such a setting, the funds will likely flow mainly to the supporters of the winning group. Second, since the recovery will take years, coordination of the funds is required to manage the timing of fund-raising and distribution. The United Nations is the natural candidate for providing such coordination.

## 5. Who is Going to Pay for the Reconstruction of Syria?

According to estimates, the reconstruction of Syria is going to cost between \$200 and \$350 billion.<sup>56</sup> Therefore, in addition to planning what needs to be done to achieve recovery, different actors should be considered that might be willing to invest in Syria or pay for the enormous task of reconstruction. This section lists potential contributors and assesses their prospects for contributing.<sup>57</sup>

**The Syrian Government:** The general budget of the Syrian government in 2019 is a meager \$9 billion.<sup>58</sup> As discussed above, other economic, political, and social indicators in Syria are also in poor condition. Thus, the government lacks the resources to pay for the country’s reconstruction.

**Russia:** Considering its role during the Syrian Civil War, Russia can be expected to take the lead in reconstruction efforts. The Syrian government has been offering Russia a prioritized position for the reconstruction, and Russia has been awarded several infrastructure and oil-related contracts.<sup>59</sup> However, as happened in Crimea, Russia is likely to be selective

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<sup>54</sup> Fisunoglu, *Beyond the Phoenix Factor*.

<sup>55</sup> Steve Heydemann, “Rules for Reconstruction in Syria,” *Brookings Institution*, August 24, 2017, <https://www.brookings.edu/blog/markaz/2017/08/24/rules-for-reconstruction-in-syria/>

<sup>56</sup> The World Bank, *The Toll of War*. To put this number into perspective, the total cost of the Marshall Plan was \$13.2 billion, which comes to approximately \$800 billion relative to the current US GDP.

<sup>57</sup> I use a comprehensive conceptualization of contributions in this section, which includes but is not limited to foreign aid, official development aid, and foreign direct investment. The analysis is generally conducted at the state level, although the discussion also touches upon private and intergovernmental actors. In line with the previous section, the United Nations can take part in the coordination of the funds. The World Bank can also play a role by directly providing some funds and organizing pledging conferences.

<sup>58</sup> The Globe Post, “Syria President Announces \$9 Billion Budget for 2019,” December 6, 2018, <https://theglobepost.com/2018/12/06/syria-budget-2019/>.

<sup>59</sup> Bethany Allen-Ebrahimian, “Syrian Reconstruction Spells Juicy Contracts for Russian, Iranian Firms,” *Foreign Policy*, October 20,



in its contribution to reconstruction, focusing on projects that maximize its profits and security rather than on civilian or humanitarian issues. Russia has already made the point to the world that it is still a force to be reckoned with. It has also guaranteed its continued naval and military presence in Syria for the near future through its bases in Tartus and Khmeimim. However, its sluggish domestic economy and already-signaled unwillingness to pay suggest that Russia's role in Syria's reconstruction will be limited.<sup>60</sup>

**Iran:** Similar to Russia, Iran was a key player during the conflict, and the government rewarded Tehran with prioritized access to the Syrian market.<sup>61</sup> During the conflict, Iran and Syria signed contracts on energy, mining, natural resources, and telecommunications.<sup>62</sup> Iran also allocated \$6 to \$10 billion in credit to the Syrian government. Iran's extended reach in Syria would be strategic as well as economic, since having a larger footprint in Syria means being closer to Lebanon and Hezbollah, and countering its regional adversaries, Israel, Saudi Arabia, and Turkey. Iranian efforts might attempt to replicate Hezbollah's role in Lebanon's reconstruction. However, Iran is also experiencing economic difficulties, which may become more severe after the reenactment of international sanctions. Moreover, an increased Iranian presence in Syria would make its regional adversaries, as well as the United States, uncomfortable, potentially distancing Syria from the rest of the world.

**Turkey:** Turkey already hosts the second largest Syrian population in the world. The 822-km-long Syrian-Turkish border is both countries' longest border. Having an appetite for construction, Turkey is profoundly interested in playing a major role in Syria's reconstruction, and it is already carrying out development projects in the Euphrates Shield region.<sup>63</sup> However, Turkey's efforts are likely to stay regional, because it, too, has economic problems and the current government in Syria has stated that they do not want Turkey to be a partner in Syria's reconstruction.<sup>64</sup>

**United States:** Although the United States is involved in the conflict, it has little to no direct stake in expanding its footprint in Syria, besides containing Iran and Russia. The United States has been working in Syria through Kurds and some other local groups. It has been scaling back its military aspirations in the Middle East since 2006, and focusing mainly on counter-terrorism and counter-insurgency missions. Recently, in line with Trump's "America first" rhetoric, the United States announced that it is going to withdraw the majority of its troops from Syria<sup>65</sup> and will not spend significant resources for Syrian reconstruction.<sup>66</sup> Thus, although it may be involved in certain parts, the United States is unlikely to play a leading role in Syria's reconstruction.

**The European Union:** The primary motivation for the EU to participate in Syria's reconstruction is the refugee population it is hosting. The EU has a strong emphasis on

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2017, <http://foreignpolicy.com/2017/10/20/syrian-reconstruction-spells-juicy-contracts-for-russian-iranian-firms-china-civil-war/>.

<sup>60</sup> Michael Peel, "Russia Presses EU to Pay Up for Rebuilding Syria," *Financial Times*, January 10, 2018, <https://www.ft.com/content/21483e5c-f22a-11e7-b220-857e26d1aca4>.

<sup>61</sup> Allen-Ebrahimian, *Syrian Construction*.

<sup>62</sup> Bassiki, *Iran Sets Sights on Syrian Reconstruction Projects*.

<sup>63</sup> Al-Khateb, Turkish-Supported Public Services Flourish in Euphrates Shield Area.

<sup>64</sup> Heydemann, Rules for Reconstruction in Syria

<sup>65</sup> Karen DeYoung and Missy Ryan, "U.S. to Leave a 'Peacekeeping Group' of 200 Troops in Syria," *The Washington Post*, February 21, 2019, [https://www.washingtonpost.com/world/national-security/us-to-leave-a-peacekeeping-group-of-200-troops-in-syria/2019/02/21/7b03bbc8-363b-11e9-af5b-b51b7ff322e9\\_story.html](https://www.washingtonpost.com/world/national-security/us-to-leave-a-peacekeeping-group-of-200-troops-in-syria/2019/02/21/7b03bbc8-363b-11e9-af5b-b51b7ff322e9_story.html).

<sup>66</sup> Ibid.

humanitarian issues and would want to gain some leverage and voice in Damascus in the restructuring of Syria. However, the collective action problem within the EU has to be overcome before expecting significant contributions from EU countries, and this remains unlikely.<sup>67</sup>

**Germany:** Hosting over a million Syrian refugees, Germany has a direct interest in the resolution of the conflict and a successful reconstruction in Syria. In addition to its security interests, Germany can also benefit economically from the future development potential of Syria. Economic performance in Germany has been robust and, with its \$70 billion annual budget surplus and over \$200 billion in reserves,<sup>68</sup> Germany is one of the few global actors that are capable of reconstructing Syria. Berlin has been increasing its involvement in Syria and establishing a rapprochement with Russia as the conflict is coming to an end.<sup>69</sup> Despite being the dominant power in the European Union, Germany might still choose to act independently or through a bilateral partnership with France to overcome the decision-making inefficiencies within the European Union and take part in the recovery efforts in Syria.

**France:** France has historical colonial ties to Syria and, as of late, has been increasingly involved in the Syrian conflict. However, the French economy is not as strong as the German economy, and France's United Nations ambassador, François Delattre, has stated that France is not willing to fund the reconstruction efforts.<sup>70</sup> Despite these facts, considering its existing political and historical ties, as well as economic and security interests in the region, France might team up with Germany to play a significant role in the reconstruction process.

**China:** China-Syria relations have been improving, with China supporting Syria at the UN, sending troops to train members of the Syrian army, providing financial aid, and executing infrastructure and commercial contracts.<sup>71</sup> The Syrian government has already invited China to be a part of the reconstruction process.<sup>72</sup> China would be interested in strengthening its market access and energy ties in the Eastern Mediterranean region; the Belt and Road initiative, the Asian Infrastructure Investment Bank, and the Resources for Infrastructure strategy provide the mechanisms necessary to implement Chinese support.<sup>73</sup> Considering China's \$3 trillion foreign exchange reserves, the Chinese economy can absorb the Syrian reconstruction. China's role would also be effective since it did not openly support any side in the conflict, making it easier for all parties to recognize Chinese

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<sup>67</sup> At a joint European Union-UN pledging conference, the foreign ministers of mainly Western donors pledged approximately \$7 billion for the year 2019. Although this is higher than the \$6 billion pledged in 2017 and \$4.4 billion pledged in 2018, it is still far from what is required for reconstruction. The EU pledged €2 billion, but this amount includes the €1.5 billion to be given to Turkey, which was already confirmed under the EU-Turkey refugee deal. Moreover, major European donors, including Germany, France, Britain, and the Netherlands, are still divided over whether to release the reconstruction funds before a transition begins that would lead to Assad leaving power. Robin Emmott, "U.N. Raises \$7 Billion for Syria from Donors," *Reuters*, March 14, 2019, <https://www.reuters.com/article/us-mideast-crisis-syria-eu-idUSKCN1QV144>.

<sup>68</sup> Guy Chazan, "Germany's Record Budget Surplus Triggers Calls for Tax Cuts," *Financial Times*, August 24, 2018, <https://www.ft.com/content/ce744c1e-a784-11e8-8ecf-a7ae1beff35b>

<sup>69</sup> Maria Tsvetkova and Can Sezer, "Russia, Germany, France and Turkey Call for Lasting Ceasefire, Constitutional Meeting for Syria," *Reuters*, October 27, 2018, <https://www.reuters.com/article/us-mideast-crisis-syria-turkey/russia-germany-france-and-turkey-call-for-lasting-ceasefire-constitutional-meeting-for-syria-idUSKCN1N10HU>.

<sup>70</sup> Edith M. Lederer, "Russia and West Spar over Reconstruction of Syria," *Associated Press*, July 28, 2018, <https://apnews.com/6fa0762530274c48937817d77a10c7e8>.

<sup>71</sup> Kamal Alam, "The Dragon and the Lion: China's Growing Ties with Syria," *Middle East Eye*, August 9, 2017, <http://www.middleeasteye.net/columns/dragon-and-lion-syrian-chinese-relations-blossom-57414512>.

<sup>72</sup> New China, "Interview: Syria Welcomes China in Investments, Reconstruction Process: State Minister, September 11, 2018, [http://www.xinhuanet.com/english/2018-09/11/c\\_137461257.htm](http://www.xinhuanet.com/english/2018-09/11/c_137461257.htm).

<sup>73</sup> Syria is still not a member of AIIB, but it can easily become one.

assistance as neutral and legitimate. These factors make China the ideal candidate for leading the reconstruction efforts. However, China has been a primarily risk-averse actor in the international system, outside the Asia-Pacific region, and has remained uninvolved in conflicts in the Middle East. It would not want to risk sparking any domestic or international terrorist activity as a result of its involvement in Syria. Moreover, it would not want to upset its relations with Russia, Iran, and the United States. Thus, although China has the capability and the potential willingness to play a major role in the reconstruction efforts, its intensive involvement is conditional on several external factors.

**Lebanon (and Jordan):** Hosting significant numbers of refugees, Lebanon and Jordan are also interested and willing to benefit from Syria's reconstruction. Lebanese Hezbollah has fought alongside the Syrian army during the conflict and is likely to try to play a major role in the reconstruction efforts. However, the sanctions on Hezbollah as well as the lack of financial and physical capacity in Lebanon and Jordan will probably limit the extent of their involvement. Nevertheless, Lebanon is likely to – directly and indirectly – benefit from the reconstruction as a facilitator with post-war reconstruction experience, international banks, and logistic advantages.<sup>74</sup>

**The Rest of the Arab World:** Egypt and the members of the Gulf Cooperation Council (GCC) are major actors in the region. Although Egypt individually lacks the resources, the GCC can provide a substantial portion of the funds needed. However, their hostile position towards any Iran- or Assad-related factions renders their involvement implausible. Moreover, even if they were to provide a significant amount of resources, their support would not be impartial, which potentially increases the likelihood of future conflicts in Syria and in the region. Furthermore, the US is putting pressure on the Gulf states to prevent them from reestablishing their ties with the Assad regime and investing in Syria's reconstruction.<sup>75</sup>

**Private Investors:** An alternative source of funding could be provided by private actors or multinational corporations. This could contribute to Syria's recovery in the long run. However, in the short run, obstacles such as sanctions and tariffs, a lack of population or of a natural resource base to bring quick returns, and opacity and uncertainty in Syrian politics are likely to prevent any private investors from becoming involved in Syria's reconstruction.

## 6. Conclusion

This paper assesses the costs of the Syrian Civil War and provides a general roadmap and several recommendations that can help with recovery and reconstruction efforts. The Syrian Civil War has caused immense destruction, and it will take years for Syria to repair all the damage. So far in the conflict, circumstances in the country have been increasing the risk of Syria falling into a lasting poverty trap.

If the recovery in Syria fails, various adverse situations could emerge. First, Syria could turn into a hotbed for international terrorist activities, causing instability in the region and the world. Second, conflict could reoccur. Third, with intensified grievances, Syrians in the

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<sup>74</sup> Philip Issa, "Lebanon Prepares for Syria's Post-war Construction Windfall," *Associated Press*, August 17, 2017. <https://www.apnews.com/b3491b276c8446e3acf8e445890d3bac>.

<sup>75</sup> Ghaida Ghantous and Michael Georgy, "U.S. Pressing Gulf States to Keep Syria Isolated: Sources," *Reuters*, February 18, 2019, <https://www.reuters.com/article/us-mideast-crisis-syria-gulf/u-s-pressing-gulf-states-to-keep-syria-isolated-sources-idUSKCN1Q70VO>.

country or abroad could radicalize and take part in acts of terrorism. Fourth, more Syrians could be forced to leave the country, exacerbating the ongoing refugee crisis.

Several policies must be implemented, as discussed in the paper, in order to change the trend of decline and achieve recovery in Syria. Establishing security and providing essential services should be prioritized as they are the necessary steps for achieving sustainable recovery. In the long run, these should be supported by projects to re-attract human capital, rebuild industrial and social capital, and strengthen state capacity.

Two of the main challenges in Syria's post-war recovery are to find the required resources and coordinate the recovery process. Few international actors can individually finance the recovery efforts. Amongst these actors, the United States appears uninterested and perceives minimal direct benefit from being highly involved. The necessary physical and institutional conditions for Chinese involvement exist, and there are potential gains China can achieve from participating in the reconstruction efforts. However, China needs to be convinced by the primary actors, including the EU, Russia, and the US, if Chinese involvement is desired. Germany, and to a certain extent France, are two other major actors who can individually, or as a group, absorb the costs of reconstruction and reap direct benefits from a successful recovery in Syria. Thus, they might also play a major role in the reconstruction. The ideal situation is sponsorship of the recovery process by an international coalition of countries under the coordination of the United Nations, the World Bank, and/or the Asian Infrastructure Investment Bank.<sup>76</sup>

Even if Syria faces one of the most optimistic scenarios, in which the conflict ends soon, stability is achieved, refugees – especially the ones with high human capital – are resettled, social and industrial capital is rebuilt, state capacity is strengthened, and the resources for reconstruction are found, the best foreseeable outcome is still only partial recovery. Nevertheless, helping Syria recover, preventing it from becoming a failed state, is a crucial task, not only to avoid the adverse consequences of state failure, but also to increase the potential for achieving economic, political, and social stability and development in the Middle East and beyond.

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<sup>76</sup>The recovery process is likely to evolve differently depending on which of these institutions coordinate the efforts. Analyzing the potential strategies that each institution might follow is beyond the scope of this paper.

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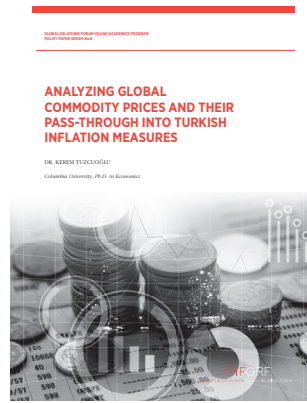
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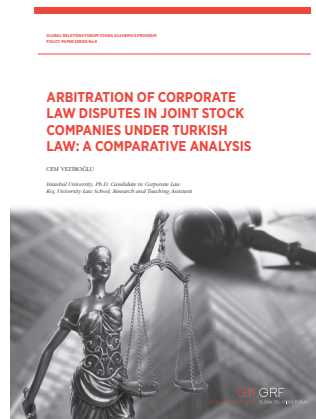
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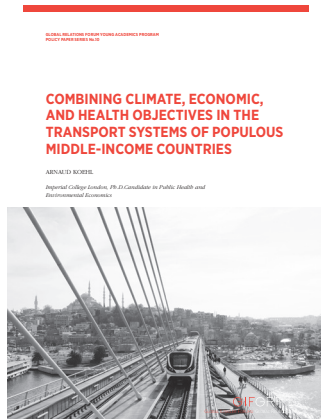
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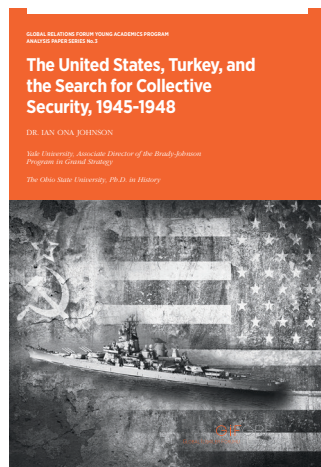


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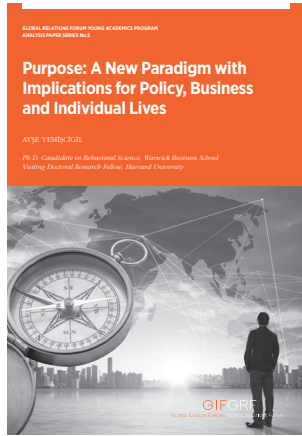
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