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Syria

# **Crony Capitalism and Federalism in Syria's Reconstruction**

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## **Description:**

**Katty Alhayek (KA):** Recently, you published an article titled "Militias and crony capitalism to hamper Syria reconstruction," how do you define "crony capitalism" in this context and what challenges it poses to future reconstruction efforts in Syria?

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**Katty Alhayek (KA):** Recently, you published an article titled [Militias and Crony Capitalism to Hamper Syria Reconstruction](#) how do you define "crony capitalism" in this context and what challenges it poses to future reconstruction efforts in Syria?

Joseph Daher (JD): Crony capitalism can be defined generally as when owners of big businesses use their links with the state and the government to gain a decisive advantage over their competitors.

In the region of the Middle East and North Africa, Crony capitalism has been strengthened by the patrimonial nature of the state in which the centers of power (political, military and economically) within a regime are concentrated in one family and its clique, just as in Syria with Assad's family.

In Syria's patrimonial regime, you have had the development of a form of crony capitalism in the last decades dominated by a rent seeking alliance of political brokers (led by Assad's mother's family) and the regime-supportive bourgeoisie. In other words, the circles close to the ruling family exploit their dominance to amass considerable fortunes. The main sectors of the economy in Syria, prior to the uprising, were dominated by businessmen with direct connections to the regime. This form of crony or mafia capitalism, in which economic opportunities were dependent on loyalties to the regime, alienated and marginalized some elements of the bourgeoisie that were not connected to the regime and therefore did not constitute a strong element of support for the regime. No deal or large venture was actually possible without crony capitalists linked with the regime.

Rami Makhoul, the cousin of Bashar al-Assad, represented the mafia-style process of privatization led by the regime. His economic empire was vast including telecommunications, oil and gas, as well as construction, banks, airlines, retail, etc. Makhoul was also the main shareholder of Cham Holding Company, the second largest holding company in the country, while holding more than 300 licenses as an agent for big international companies. The personal fortune of Rami Makhoul was estimated at close to 6 billion dollars. At the beginning of 2011, the British magazine "World Finance" actually extolled Makhoul's visionary leadership and his outstanding contribution to the Syrian economy, calling him a symbol of the positive change at work in the country. According to different sources, he controlled directly or through indirect means nearly 60 percent of the Syrian economy, thanks to a complex network of holdings.

The Crony capitalists have been the heart of the regime coalition and its main supporters. At the beginning of the uprising, the crony capitalists first mobilized people to demonstrate in favor of the regime, and private media, owned by them, tried from the first days of the uprising to undermine the message of the protesters by defaming the protest movement and promoting the regime's propaganda. Moreover, they played an important role in the development of pro regime militias by funding them to make up for the lack of manpower in the regime's army.

The "business" of reconstruction is in this perspective no different from other sectors of the economy: The main contracts will benefit businessmen linked to the regime and will reward foreign allies for their assistance with a share of the market. There are already some early examples of this happening and in other sectors of the economy as well.

The reconstruction process will help the regime and crony capitalists consolidate their political and economic power, while also rewarding foreign allies for their support by granting them a sizable share of the market. As such, reconstruction will consolidate and even reinforce the patrimonial nature of the state.

## Crony Capitalism and Federalism in Syria's Reconstruction

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The Decree 66, enforced in September 2012, allows for example the government to "redevelop areas of unauthorized housing and informal settlements [slums]." This policy will allow for the transfer of assets to private companies and regime cronies free of taxes. It will also provide the legal and financial framework for reconstruction by allowing for the destruction and expropriation of large parts of the country and the dispossession of a number of people. In addition, whenever there have been expropriation projects in Syria, compensation has been extremely low. It's a very clear dispossession of the lower strata. This is a transfer of public assets, tax-free, to private companies and it will be a big boost to regime cronies. Secondly, the reconstruction process will also help the regime crackdown on dissent in certain areas. The government can leverage this decree to use reconstruction as a punishing measure against the part of the population known for their opposition to the regime. This is the case with the two large informal districts of Damascus (the first in the Mezzeh district and the other in a large area extending from Qadam to Daraya) and Baba Amro neighborhood in Homs, which are being rebuilt while the majority of its population is outside of Syria or in other areas of the country. In both cases, the most probable scenario is the replacement of these hostile Sunni impoverished constituencies by middle and wealthy higher classes, from various religious backgrounds, including Sunnis, less willing to oppose the government.

More generally, the regime's continuous policies in the socio-economic and political spheres will probably strengthen social and regional inequalities throughout the country, deepening problems in terms of development that were already present before the beginning of the uprising in 2011. We could add that the absence of independent trade unions and democratic rights for workers to defend themselves will probably lead to many cases of exploitation, irregularities, and lack of good conditions on working places for workers in the reconstruction process. The increasing reliance of private crony capitalist and foreign actors in this process will reinforce these problems.

Therefore, the absence of democracy and social justice, which were at the roots of the uprising, are still very much present and were even deepened.

Unfortunately, as I mentioned in the article, the absence of a structured and independent democratic, inclusive and social Syrian political opposition, which appealed to the popular classes and social actors such as the independent trade unions will prevent or render difficult the transformations of various struggles to come into connected and organized political battles challenging the regime on a national scale.

**KA: In your article, you indicate that any reconstruction efforts in Syria needs massive foreign funding. You referred that Iranian, Russian and Chinese capital might not be enough. How do you see the future of foreign investment in Syria reconstruction projects and do you think Western states and Gulf monarchies will be more involved giving the political changes regionally and internationally?**

JD: The states that will benefit are definitely the countries allied to the Assad regime, particularly Iran, Russia and China. India and Brazil might also benefit from the reconstruction drive. Assad and Syrian officials have repeatedly declared that companies from allied countries will be rewarded, while European and American companies will first need to have their governments apologize for supporting the opposition before benefiting. Damascus has also adopted a similar position towards Saudi Arabia, Qatar, and Turkey for the current period. Assad in his speech in August 2017 went as far as to declare that the regime will not "let enemies, adversaries, and terrorists, through any means, accomplish through politics what they failed to accomplish on the battlefield and through terrorism".

On the other side, the so called "Friends of Syria" group, Western countries, Turkey, and Gulf Monarchies, in a side event in New York in September during the U.N. General Assembly) declared that "recovery and reconstruction support for Syria hinges on a credible political process leading to a genuine political transition that can be supported by a majority of the Syrian people."

The European Union had announced a similar position in April 2017, in arguing that they will be ready to assist in the

## Crony Capitalism and Federalism in Syria's Reconstruction

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reconstruction of Syria only when a comprehensive, genuine and inclusive political transition, negotiated by the Syrian parties in the conflict on the basis of UN Security Council Resolution 2254 (2015) and the 2012 Geneva Communiqué, is firmly under way. It is therefore hard to see or expect in the near future a high involvement of these states in the reconstruction process, except funding rather small-scale, local projects in areas outside the regime's control and without the regime's participation or consent. This is actually already the case for Turkey in some areas controlled by its armed forces and proxies for example in Jarablus and al-Bab, and for some Western institutions and states also providing some financial assistance, including support for local governance and for the rehabilitation of basic services, to regions under the domination of the PYD or some opposition held areas. These projects are however isolated and limited and can't replace a wide reconstruction process.

Changes on the international and regional political scenes can however occur rapidly as we witnessed on several occasions, so the doors are never completely closed one would say. For example recently, Saudi Arabia's Gulf affairs minister, Thamer al-Sabhan, visited Raqqa on September 19 after the capture of the city by Syrian Democratic Forces (an Arabic, Kurdish and Assyrian military alliance dominated by YPG, the arm branch of the Kurdish PYD), supported by US led international coalition, to meet with the civil council established six months before under the leadership of SDF and composed of local dignitaries and discuss the reconstruction of the city. No concrete plans were however set.

**KA:** Last year, you wrote an article discussing [federalism as a political option](#) in Syria? What was the goal of this article? How do you see federalism as a future solution for Syria in light of recent political developments?

JD : The article had the objective to promote the idea of federalism (or decentralization) in a progressive and secular framework in order to tackle a certain number of problems within Syria, including notably the Kurdish issue, social and regional inequalities and trying to encourage self-organization from below.

The Assad's regime and the mainstream opposition, represented by the Etilaf, oppose a federalist option, preferring a rather authoritarian centralized state.

The main opposition body today in the negotiation (and mostly linked to the Etilaf), the High Negotiations Commission (HNC) for « the Syrian Revolution and Opposition Forces », has actually failed in providing any democratic and inclusive message, quite on the opposite. In Autumn 2016, its vision within an Executive Framework for the Political Solution in Syria that was far from offering an inclusive and pluralistic citizenship or of Syria as we can see in its first article:

"Syria is an integral part of the Arab World, and Arabic is the official language of the state. Arab Islamic culture represents a fertile source for intellectual production and social relations amongst all Syrians of different ethnic backgrounds and religious beliefs as the majority of Syrians are Arabs and followers of Islam and its tolerant message which is distinctly moderate".

This is of course exclusionary for all ethnic and religious minorities in the country, in addition to all people not identifying with these identities. This is without forgetting that the Etilaf has supported and supports the Turkish intervention in Syria against the Kurds in general and not only PYD.

The Etilaf and many of the personalities linked to it have also promoted a sectarian, racist (particularly against Kurds), and authoritarian discourses and behaviors. Similarly, when it comes to women, the Etilaf has completely neglected their large participation in the uprising, providing them with only "decorative positions" without any effective role in the decision making process.

## Crony Capitalism and Federalism in Syria's Reconstruction

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The support for a federal state is a key issue today for trying to challenge the division among Arabs and Kurds today and re-establish trust and confidence between these parties. The demand for a federal system in Syria is a demand of the quasi majority of Kurdish parties in the country, despite their political differences and rivalries. To this day, the majority of the Syrian opposition, even some democratic and leftist sectors, reject the demands of the far majority of the Kurdish people in Syria, or reduce it to a question of providing simply citizenship.

This is very problematic and unfortunately not new. We must remember that Kurds in Syria suffered decades of political, social and cultural repression and Arabization policies in the northern regions of Syria imposed by the Assad regime and other oppressive measures since the independence of the country. Not to mention the silence of a large part of the opposition during the Kurdish uprising in Syria in 2004, while accusing some Kurds of serving foreign projects to weaken Syria.

That is why we must support the right of self-determination of the Kurdish people in Syria and elsewhere, which does not mean necessarily the creation of an independent state, but that they decide their own future. Similarly, the support of the self determination of the Kurdish people does not mean being uncritical of the policies of the leadership of the PYD or any other Kurdish political party. I personally criticized the human rights violations by PYD armed forces in Syria against civilians or repressive policies against other Kurdish activists. I did the same regarding Barzani authoritarian and corrupt rule in Kurdistan in northern Iraq.

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