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Report

Buying Peace in Syria: Drawing Lessons From Iraq



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Introduction*

An instrumental step towards toppling the dictator in Syria was the formation of the "Syrian National Coalition" after two years of armed uprising against Assad's regime. However, forming a representative interim government and building consensus on the transitional period priorities and time line, are equally important steps still needed to avoid the transitional period hardships like Iraq in post U.S. invasion in 2003 - where planning failure, ideological and political biases, and overseeing economic reconstruction ultimately resulted in the deaths of more Iraqis in this period than during the basic invasion operations.²

The perplexing political as well as economic challenges facing post-Assad Syria will affect not only Syrians but also the whole region. This obliges the interim government to demonstrate a high capability for steering the country safely to inclusive democracy and sustainable development. Therefore, avoiding the Iraqi failure, a prolonged violent conflict that cost Iraqi lives, determines that providing security, justice, and jobs to citizens should be the main mission of government.³

Iraq and Syria share similar political, economic, and socio-cultural structures, so Iraq's experience is relevant to Syria's present situation. Both countries share a history of authoritarianism and central role of the Baath Party in all aspects of social life; plurality of sects and ethnicities; political dominance of a sectarian minority over the majority; weak socio-economic institutions (markets, civil society, and social capital); vast, inefficient bureaucracy and public sector; weak infrastructure after years of sanctions, isolation, and inattention; and immense embedded security networks penetrating all sectors of society.

Nevertheless, significant differences necessitate more caution and consideration for analysis: While the Iraqi transition occurred post-invasion, the Syrian transition is during the aftermath of a civil war; and Iraq has enormous natural resources compared to Syria. Iraq "has the world's fourth largest proven oil reserves, estimated at about 115 billion barrels" (about 9% of the world's total oil deposits/production).⁴ Moreover, Iraq's financial resources in the UN account as surplus from the food-for-security program.

This report aims to contribute to the current global debate by intellectuals and practitioners on the interim period policies and priorities after Assad, by discussing Iraq's much overlooked lessons in economic reconstruction, as a crucial component for the smooth transition in Syria and the region. The first proposal is to revisit economic reconstruction lessons from Iraq; second, to discuss the economic objectives for the interim government; and finally, to develop policies for achieving the objectives.

Iraq's lessons to Syria

Three main sources of policy planning oversights can be drawn from the Iraqi experience that should be avoided when planning for Syria's interim period:

- 1- Poor planning for post-Saddam era's reconstruction that resulted from lack of information about Iraq's infrastructure, and overvaluation of the central government's capacity.⁵ The central government was weak and dysfunctional, and the infrastructure and the economy were in a bad condition after years of sanctions and negligence, which is the same case in Syria, with additional destruction to infrastructure due the violence.⁶

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Similarities and differences between Iraq and Syria's political and economic structures are compiled in the table below:

Comparison points	Iraq's Saddam	Syria's Assad
Similarities		
Ruling party	Ba'ath Party	Ba'ath Party
Societal identities and divisions	Sunnis/Shits, Arabs/Kurds, Muslims/Christians, others	Sunnis/Shits, Arab/Kurds, Muslims/Christians, others
Economic system	Un-transparent	Un-transparent
Bureaucracy and public sector	Central, huge	Central, huge
Infrastructure	Weak	Weak
Security service	Huge, octopus-like	Huge, octopus-like
Differences		
Natural resources	Rich	Poor
Type of regime changes	Invasion/Regime Change	Civil war

2- Liberal ideological planning led to inappropriate economic policies that followed traditional neo-liberal market schemes,⁷ without any sensitivity to conflict specifics. Enacting economic liberalization and privatization laws were among the top agenda topics for Paul Bremer, the head of the Coalition Provisional Authority (CPA).⁸ That proved to be counterproductive, weakening the economy and security situation. Driving around 650,000 workers in around 190 state-owned companies to idleness led to violence increase, and local production capacities' squandering, which deteriorated the legitimacy and revenue generation power of the Iraqi government.⁹

3- Inattention to economic reconstruction priorities disrupted peacebuilding efforts in general and economic reconstruction in specific. Perilous political decisions such as the De-Ba'athification, accompanied with inadequate implementation, led to disbanding of around 400,000-500,000 military and security service personnel, and lustering of around 30,000 of public managers thereby leading to an increase in unemployment rate of up to 60%, deprivation of needed expertise in the public sector, and increased resentment among Sunnis, thus exacerbating sectarian conflict¹⁰.

The effects of the aforementioned misjudgments on economic reconstruction are twofold. On the one hand, it affected the ability of Iraqis to utilize their human and material resources as economic activities contracted, while government legitimacy collapsed and the service delivery deficit gap widened¹¹.

On the other hand, the outbreak of violence following these decisions negatively affected the economic reconstruction by exacerbating criminal activities like looting, kidnapping contractors, and attacking construction sites— in turn, these activities quickly became major sources of income for many idle Iraqis;¹² lessened availability of strategic goods (gasoline and other fuel products); increased inflation to reach 65% at the end of 2006;¹³ amplified transaction costs through the proliferation of private security providers and foreign contractors who thrived on the expenses of economic reconstruction (about 20,000 security service providers had arrived by June of 2004)¹⁴ usurping around 25-50% of the reconstruction contracts, which totaled \$18.6 billion in 2004.¹⁵ Subsequently, the direct effect of lost security meant that, "considerably less money was available for economic reconstruction projects" for Iraqis.¹⁶

A Plan for Syria

Two questions should be raised for Syria according to Iraq's experience. First, How much should be paid to avoid violence? As long as that the financial, political and human costs of violence resulting from overlooking economic reconstruction are massive, the international community must avoid prolonged instability and turmoil in Syria and the region by committing to fund stabilization programs in the interim period. Second, How can Syrians avoid such a huge cost? It is easier said than done, but Syrians should

consider the following:

- A)** *Preemptive planning for economic reconstruction* will make a difference in the interim period of post-Assad.¹⁷ Accordingly, economic reconstruction plans should be on the top of the agenda, going hand in hand with political, justice and security plans.¹⁸
- B)** *Satisfy the emergencies* by implementing necessary infrastructure reconstruction and service delivery programs, as well as job protection and creation programs, which will help achieving political transition in a timely manner, containing violence and assuring irreversibility of the process.
- C)** *Incorporate long-term seeds in short-term economic plans.* In Iraq, the short run mandate of the CPA and the legitimacy of the occupation policies were the two major problems affected policy continuation and consistency.¹⁹ This could be alleviated by an effort to:
- D)** *Build consensus on the minimum economic objectives* that provide basic needs, employment and economic growth as objectives for any government under any leadership. This consensus is necessary to maintain the legitimacy and the efficiency of the interim government as well as a guarantee for policies' continuity regardless of leadership and government turnover.

It is too early to predict the length of the interim period; however, the economic policy objectives could be drawn according to similar situations given Syria's specific conditions. Iraq's experience suggests three economic objectives and five economic strategies to be part of the economic agenda of the interim government in Syria.

Economic reconstruction objectives

Three main issues constitute the economic objectives of the interim Government in Syria: fulfill basic needs gap and short term reconstruction, protect and create jobs, and foster inclusive and sustainable economic growth necessary for sustaining the government functions and to support peace related programs. Those objectives are critical for economic development as well as achieving success in the overall transition tracks.

- 1- *Fulfill basic needs and short-term reconstruction:* In the case of the immediate breakdown of Assad's regime, the collapse of the central government will result in a service delivery gap that needs to be filled. Decades of heavy state control and restriction on private economic activities have weakened the private sector in Syria, thus challenging any prospects for relying on the private sector for service delivery in the short- and mid-term. In Iraq, reluctance to restart the provision of basic services, particularly electricity and water, exporting, and the production of oil seriously complicated efforts to revitalize Iraq's economy;²⁰ i.e., electricity cuts paralyzed Iraq's institutions including hospitals, schools, water treatment, companies, government agencies, and international organizations that could flee Iraq, while Iraqis could not do so.²¹
- 2- *Protect and create jobs:* Government, public sector, military and security services are the major employers of Syrians, as they were in Iraq. That highlights the importance of avoiding the Iraqis' failed policies of rapid de-Ba'athification, privatization and disbanding the security service under the presumption that private sector and market mechanisms will absorb the resulting high unemployment.
- 3- *Promote inclusive economic growth:* In Syria, the growth rate in 2012 has contracted by 15% according to the "Economist Intelligence Unit" estimates.²² A reverse in the direction is unlikely unless Assad departs. However, political and security factors will affect the economic activity and could exacerbate the downturn. In Iraq, rapid reconstruction of the oil sector helped to balance the public budget and push economic growth while the attacks on oil facilities and delay in reconstructing

electricity and water facilities adversely affected economic activities and economic growth.

Economic reconstruction policies

The aforementioned objectives are overlapping and not mutually exclusive, thus the following proposed policies are designed to achieve them all.

First: Prioritize infrastructure reconstruction.

Electricity and water facilities, roads and bridges, education and health, and government utilities are the most important infrastructure objectives. Investing in infrastructure has very high political as well as economic return rates, as it will help in creating jobs through the construction period; resuming economic sectors activities means stability and jobs; and supporting inclusive and sustainable economic growth will help maintain government legitimacy and efficiency.

Second: Recover growth sectors (oil, agriculture, and Industry)

- a) *Prioritize oil sector in the early interim period.* In 2010, the oil sector in Syria was covering 25% of the total revenue²³ that will help to support the public finance deficit.²⁴ Therefore, ensure lifting the sanctions on oil exports to start production and export of oil; resume production on the facilities suspended due to sanctions; provide maintenance of idle refineries; and establish a governance system for natural resources to prevent corruption, to support public finance, and to avoid popular resentment.
- b) *Ensure quick recovery of agriculture and industry.* Agriculture and industry sectors in Syria employ around 50% of the work force.²⁵ The agriculture sector contributed 12.8% to the GDP growth in 2008.²⁶ The industry sector is a major contributor to the Syrian economy, despite massive contraction by 37.8% in 2012, due to insecurity, infrastructure damage, and electricity cuts; thus swift recovery could help protect jobs and normalize life for 32% of the work force.²⁷

Quick recovery of the agricultural and industrial sectors will help to absorb the large number of unemployed people, facilitate the return of refugees and Internally Displaced Persons IDPs, accelerate and smooth Disarmament, Demobilization and Integration DDR programs, achieve self sufficiency of food supplies, support trade balances, diversify the economy and reduce dependency, strengthen currency and monetary policy, stabilize prices and control inflation.²⁸

Third: Revitalize bureaucracy and public sector

The Syrian bureaucracy black box complicates reaching to accurate estimates of the number of public employees. However, it is certain that the system's centrality, and the entrenchment of the security, military and civil branches across all society's sectors will lead to a service delivery gap in case of regime collapse. Relying on civil society or markets alone will not help fill the gap, nor will disbanding the military bring stability.

In this regard, four lessons can be drawn from the Iraqi experience as follows:

- 1) *Reactivate the government as quick as possible* to resume its role in service delivery and keeping jobs as well²⁹. In addition, the government will need foreign assistance to ensure consistent salary payment systems. More importantly, in order to avoid the knowledge gaps of the ministers, consider appointing leaders with prior experience in the government.
- 2) *Support public companies* and do not make any early privatization decisions. These measures would ensure stability by containing unemployment and preventing state institutions' failure.
- 3) *Avoid early unplanned lustration*, as the old elite are the only source of know-how related to the Syrian government's black box of corruption and cronyism; the new Syrian elite are yet to have the necessary experience in managing the state. Accordingly, Syrians could avoid one of the fatal mistakes in the Iraqi experience as the CPA fired up

to 30,000 high-ranking Baath party members from public administration jobs. These polices came at the expense of capacity-building³⁰ and systematic ways of transferring power to the new elite with minimum loss.

4) *Protect public institutions property, and documents.* That helped Iraqis to avoid paying salaries for the wrong people. Even during the interim period, where violence is highly predictable, therefore consider necessary measures to protect the records by keeping back-up copies of records relating to all public institutions in a safe place

Fourth: Conduct early security sector reform

Irresponsible policies regarding confronting the octopus-like security and military network could aggravate instability in the whole region. Ignoring the historical and structural roots of this network in society and labeling people on the basis of black or white will not result in the desired aim of protecting the revolution; on the contrary, it will complicate the situation and lead to bottomless instability and prolonged mistrust.

Security and military massive networks are highly effective and less costly to be accommodated and relaxed than confronted and threatened. In order to incorporate them into the new structures of development and democracy in the long-term as well as to contain the security gap in the short-term, consider the following:

- 1- *Avoid early, unplanned disbanding of the old security:* The security sector should be radically reformed based on professional standards. Such a process usually takes long time and should be gradual. Often, indecisiveness will radicalize the security personnel resistance positions. Buying peace by continuing to pay salaries for members of the old security service could help mitigate the situation and neutralize the old network of vested interests.

The anticipated threat of Assad's remnants should be scrutinized, and should be approached by accommodating policies rather than hostile ones. The Iraqi de-Ba'athification program failed because of its exclusivist nature. Because they considered the Baath, Sunnis, and security services as threats, rather than as potential partners and co-citizens, they let the past destroy their future.³¹

- 2- *Plan for an early DDR process:* a comprehensive plan for DDR of all combatants could be of two steps as following:

- a) *Quickly integrate the Free Syrian Army (FSA) and the Militias into one unified Army:* the majority of the FSA are defectors from Assad's army, and they will be the backbone of the new army. The militias either be integrated with supplementary training or be directed towards civilian sectors within wider long-term DDR programs.
- b) *Assign human security tasks to the FSA:* given the human and security deterioration in the transitional periods, consider directing the newly formed military towards policing, humanitarian tasks.³². Skeptics point to the lack of popular trust and the lack of capability of the new military. This is true, but given the severe vacuum in delivering security and basic needs, the ill-trained military could be a savior to many Syrian lives; moreover, early involvement in statebuilding will accelerate institutionalization and maintain state legitimacy.

Fifth: Stabilize financial and monetary policies

It is very early to estimate the total reconstruction costs. However, it is certain that transitional period success will depend on how the government activities are financially covered. A differentiation must be clear between reconstruction costs and government-activities expenditures. All reconstruction programs need huge funding, especially when all economic activities are suspended and public revenues are at their lowest. That is totally different from the day to day usual government expenditure. Only effective policies could help generated revenues in the mid-term; therefore, the interim

government should plan ahead for covering the first six months' expenditures for both reconstruction and normal expenditures.

Economic soundness measures should not prevail over political considerations: it is challenging to continue financing and extremely central economy such as the payroll for government employees, the public sector, the security sector, the subsidies system, and reconstruction programs; however, these costs may seem burdensome, but Iraqi experience indicated strongly that "paying much now, is less," in terms of the opportunity cost of instability and prolonged violence.

Assure commitment measures from donors, as there is always a big gap between what is promised and what is delivered. In Iraq, only 3% has been delivered out of \$36 billion originally pledged in July 2003³³. Establishing a central agency for coordinating donors and reconstruction programs can reduce this gap, as donors are expecting information, analysis, transparency and efficiency from the government before they commit.

Conclusion

Saving Syrian people's lives and assuring them a better future through a stable transition to democracy is not only a local concern. It is a regional and international interest as well. Smooth democratic transition will contribute to the whole region's security and welfare. Consequently, the interim government in Syria needs the support of its neighboring countries and the international community by committing financial support, training, humanitarian assistance and political support, and considering that the earlier the stability, the lesser the overall cost.

Syrians should avoid making plans based on unreliable information and ideology planning when considering scenarios for future. They should make security-sensitive economic plans to avoid the negative effects of irresponsible economic decisions on stability. Carefully considering the long-term effects of short-term plans while simultaneously building consensus over economic priorities and goals is essential for consistency and effectiveness of any new policy initiative implemented in Syria. Three pillars of the proposed economic strategies and policies should include the following: fulfill the basic needs of the Syrian population, protect and create jobs, and promote and sustain inclusive economic growth. In order to meet these goals the interim government in Syria should focus its policy efforts on five economic sectors: 1) Prioritize rebuilding Syrian infrastructure, 2) Recover growth sectors (oil, agriculture and industry), 3) Revitalize government and public sector, 4) Conduct early security sector reform, and 5) Stabilize fiscal and monetary policies.

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