

# **Russia, the European Union, and the Gulf Cooperation in Syria**

## **From Punishment to ‘Infitah’?**

Alexey Khlebnikov and Igor Matveev

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**by Alexey Khlebnikov and Igor Matveev**

**November 2021**

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*The views and opinions expressed in this publication are those of the authors and do not necessarily reflect the opinions or views of The Carter Center.*

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## I. Executive Summary

There is a new buzzword among the Syrian elite today — “*infitah*” or “openness.” Syria has been under debilitating U.S.-led sanctions for a decade. Local politicians, entrepreneurs, and scholars have begun to place hope on the prospects that recent Global Cooperation Council (GCC) contacts with Damascus as part of “*al-infitah al-Khaliji*” or “the Arab Gulf opening” will lead to increased humanitarian and reconstruction assistance from European countries (“European *infitah*” or “*infitah Uwruba*”), which would help mitigate the impacts of those sanctions. At the same time, in any scenario of support to Syria, Russia would necessarily be part of the equation. This paper discusses how Russia’s strategic goals in Syria relate to the European Union (EU) and GCC’s positions toward increased engagement and where areas of correlation could be used to facilitate an economic opening for an improved humanitarian and socio-economic situation in Syria. It proposes a possible economic bridging between Russia, the GCC and the EU to create a basis for joint humanitarian, socio-economic, and political efforts that can ultimately lead to a genuine large-scale “infitah.” The United Nations’ two-stage universal framework for economic recovery and post-conflict reconstruction is one such bridge. The GCC’s significant investments and financial presence in Syria could further propel economic improvement.

All three parties have distinct capacities to contribute to economic recovery and post-conflict reconstruction in Syria through different means: economic and financial (EU and GCC), technical and technological (Russia, EU), and security (Russia).

Other important actors in the Syrian conflict such as Iran, Turkey, and the U.S. would have to factor into any major economic and political transformation in the country. However, prospects for their participation in an economic “Infitah” at this juncture are unlikely. Syria is a low priority on the American foreign policy agenda. Iran’s Syria policy is largely isolated from the international context with its own separate “Syrian track,” while Turkey’s involvement is limited to the opposition strongholds in Northern Syria deterring the Kurdish forces in Northeast Syria.

There are more promising outlooks for alleviating punishing economic sanctions on Syria and potential new openings for moving beyond stagnation by analyzing the interests of the three stakeholders and the conditions that might enable joint coordination to move toward an economic opening. The absence of consensus between the Gulf Arab states and EU members on one side and Russia on the other should not mean that the Syrian people must suffer. Clearly identifying engaged stakeholders’ positions and policy requirements coupled with real threats and opportunities could begin an economic opening that could also usher in compromise and agreements. This paper identifies areas of common ground and discrepancies that can be taken into consideration when seeking an economic opening. These are illustrated in the table below.

**COMMON GROUNDS AND DISCREPANCIES BETWEEN RUSSIA, EU, AND GCC IN SYRIA'S POSTCONFLICT ECONOMIC RECONSTRUCTION**



*Policy recommendations.*

1. Push for progress on the political track should go hand in hand with addressing humanitarian and economic issues in Syria, exploring avenues where the EU, GCC, Russia and the U.S. can build constructive dialogue and progress. That said, early recovery projects (such as humanitarian assistance) and post-conflict reconstruction efforts by regional and international actors should remain delinked from any political requirements and adhere to recognized principles of humanitarian assistance (within the International Humanitarian Law and UNDP principles).
2. Pursue a "step-for-step" approach to advance realistic, practical, and tangible confidence building measures (CBM) (e.g. the release/exchange of detainees; guarantees of unhindered humanitarian relief to the whole of Syria through transparent national-international monitoring; small/medium-scale mutually identified win-win projects) to ensure broader engagement by the EU in early recovery and potentially individual European country involvement in the early phases of post-conflict reconstruction.
3. Convene a working international dialogue platform (Track II) of academics, experts, entrepreneurs, and policy practitioners aimed at identifying a comprehensive inventory of interests, challenges, capabilities, and prospects for coordinated action. The platform would produce scenarios for Russia-GCC and/or Russia-EU-GCC engagement on humanitarian and economic reconstruction. Such a platform could be hosted by a reputable think tank from a GCC-member country such as Oman, UAE, Bahrain, or Kuwait.

4. Identify a list of eight to 10 priority economic projects (e.g., domestic trade, agriculture, mineral resources, local administration, and energy) for joint implementation with Syrian central authorities and the Autonomous Administration of North and East Syria (NES) with Russian mediation incorporating the “security matrix” experience, EU administrative and business guidance, and the GCC business-to-business funding and experience. These projects could be done in close cooperation with the United Nations, the U.S., or in a separate format with the objective of building the capacities to collaborate on the administration of key economic issues across Syrian territory – a requirement for Syria’s ultimate economic recovery.

## II. Introduction

Worsening socio-economic and humanitarian conditions in Syria, exacerbated by the COVID-19 pandemic, underscore the urgency of increasing humanitarian provisions to the country. The EU, Russia, and the GCC (“the stakeholders”) have shared interests and respective capacities to improve the humanitarian and socio-economic situation.

### *The analytical frameworks and associated vocabulary*

This report analyzes approaches of the EU, the GCC, and Russia to the early recovery and post-conflict reconstruction in Syria within the UN-defined two-stage universal framework for economic reconstruction in a conflict-affected country. The UN approach is the only one that addresses such a problem by dividing it clearly into two stages and providing a clear description of each stage. For these reasons, it will be the one we use to describe the issues.

The UN-defined two-stage universal framework for economic reconstruction in a conflict-affected country<sup>1</sup> presents a relevant international framework for assessing prospects for stakeholder coordination or complementary action toward improving the socio-economic situation and putting Syria on track for progress.

The United Nations Development Program (UNDP) provides a two-stage conceptual framework for identifying and assessing bridging opportunities between the stakeholders to move from minimal humanitarian provisions to meaningful advancement for Syria. (See Table 1 in Annex)

It deals with the topics of *early recovery* and *post-conflict economic reconstruction*, which make up a consecutive two-stage UN approach to providing humanitarian aid and preparing the ground for the subsequent post-conflict reconstruction/development in crisis areas. This UN approach has been solely used as the analytical framework for this report.

UN: Two-stage approach for providing humanitarian aid and creating appropriate conditions for a post-conflict development<sup>2</sup>

Stage 1: Early recovery – providing humanitarian aid with foreign funding

<sup>1</sup> Post-conflict Economic Recovery: Enabling Local Ingenuity, p. 5.

<sup>2</sup> Guidance Note on Early Recovery CWGER April 2008//UNDP, 22 Nov. 2015. URL: <https://www.undp.org/content/undp/en/home/librarypage/crisis-prevention-and-recovery/guidance-note-on-early-recovery-cwger-april-2008.html> (retrieved on 26 Apr 2021)



Stage 2: Post-conflict reconstruction – essentially a transformative process which requires a mix of far-reaching economic, institutional, legal, and policy reforms that allow war-torn countries to re-establish foundations for their self-sustaining development

*Early recovery* is defined by the UNDP as “a multidimensional process of recovery that begins in a humanitarian setting. It is guided by development principles that seek to build on humanitarian programs and to catalyze sustainable development opportunities. It encompasses the restoration of basic services, livelihoods, shelter, governance, security, and rule of law, environment and social dimensions, including the reintegration of displaced populations.”<sup>3</sup> Early recovery serves as an initial stage that aims to generate self-sustaining, nationally owned, resilient processes of a long-term post-crisis/conflict recovery, which is the second stage.

In short, early recovery can be understood as an approach that addresses recovery needs that appear during the hot phase of an emergency, while remaining an integral part of the general humanitarian response. The overall focus of the recovery approach, as laid out by the UNDP, is to restore capabilities of national institutions, facilities, and communities to recover from human-made or natural disasters, as well as to ensure proper transition or “building back *differently and better*,”<sup>4</sup> avoiding relapses. This is the reason both successful post-conflict recovery and longer-term development should be planned from the outset of the humanitarian emergency and the early recovery. According to the UNDP, the focus of early recovery should be on restoring national capacities to provide a secure environment, offer services, restore livelihoods, coordinate activities, prevent the recurrence of crisis, and create conditions for future development.

According to the UN, early recovery has three broad aims:

1. Augment ongoing emergency assistance operations by building on humanitarian programs;
2. Support spontaneous recovery initiatives by affected communities; and
3. Establish foundations for the longer-term post-conflict recovery.

Early recovery can be viewed as a prelude and an initial stage leading to the second stage of post-crisis recovery/reconstruction. The latter’s success largely depends on the early recovery stage, which either manages to build sufficient basis and capacities for a sustainable recovery or not.

As for the post-conflict recovery or the post-conflict reconstruction, the UNDP views it as “a process of return from instability and conflict to a normal development trajectory, where a country has reacquired the capability to make and implement economic policy as part of a largely self-sustaining process of economic governance.”<sup>5</sup> Economic recovery, therefore, depends on the establishment of basic security, the reassertion of the rule of law, the formation of a coherent macroeconomic framework, and an effective system of oversight and accountability.

Although the UNDP argues that it’s “never too early to start” post-conflict reconstruction, in reality such policy is often very difficult to initiate and/or sustain because of many stumbling blocks, such as conflict relapse, ongoing fighting and insecurity, terrorist threat, and sanctions.

<sup>3</sup> UNDP Policy on Early Recovery. p. 7.

<sup>4</sup> Post-conflict Economic Recovery: Enabling Local Ingenuity. p. 5.

<sup>5</sup> Ibid., p. 4



In the case of Syria, Western donors mainly argue that present conditions in Syria are still very far from being appropriate to start post-conflict reconstruction. The EU largely views the post-conflict reconstruction phase in Syria as a large-scale reconstruction requiring substantial financial funding and a political transition.

Thus, the main difference between the early recovery stage and post-conflict reconstruction is that the first is mainly connected with and is largely part of a broader humanitarian assistance effort, while the second mostly concerns capacity building and launching a nationwide reconstruction process. The substance of the latter is that it is an essentially transformative process that requires a mix of far-reaching economic, institutional, legal, and policy reforms that allow war-torn countries to reestablish the foundations for self-sustaining development.<sup>6</sup> As a result, it requires substantial financial input and commitments.

These two major humanitarian and development constructs used by UNDP and the majority of intergovernmental organizations and international nongovernmental organizations (INGOs) provide an agenda for identifying and evaluating shared interests among Russia, the EU, and the GCC, and potential entry points forward for Syria.

### III. The Russian Approach

Russian policy toward early recovery and post-conflict reconstruction in Syria is tightly connected to its strategic goals in the country and the wider Middle East region.

#### A. Russia's Strategic Goals in Syria

Since Russia acquired a military airbase in Khmeimim (Latakia) in 2015 and began large-scale reconstruction of its naval facility in Tartus, it became vested in stabilizing Syria and ensuring large-scale economic recovery and intra-Syrian reconciliation — the latter through diplomatic support of an inclusive Syrian-owned political process, which is a precondition for Russia to avoid having Syria as a burden.

Second, Moscow prioritizes countering terrorism, which cannot effectively rely solely on military means. It requires improvement of the economic, social, and political situation in Syria, addressing root causes of violent extremism and the populist *jihadi* (Islamic holy war against nonbelievers and heretics) ideology.

Third, Russia wishes to showcase a successful story of its military engagement, building up local “reconciliations” (*musalaha*),<sup>7</sup> and a political settlement of the conflict. The Russian armed forces facilitation and monitoring of local “reconciliations” in Aleppo (December 2016), Rural Damascus and Southern Syria (spring and summer of 2018), as well as the joint patrols with the Turkish armed forces in the northern “security zone” (since November 2019) created a unique phenomenon that could be described as a “security matrix.”

Russia's approach is about local security. The Russian military police contingents in Syria are overwhelmingly constituted by Sunni Muslims from Chechnya and other regions of the Russian Northern Caucasus. This is meant to create a more friendly environment among local Sunni

<sup>6</sup> Ibid., p. 5

<sup>7</sup> In the case of Aleppo the positive Russian role was admitted by foreign observers and even Syrian opposition groups (Aleppo24, etc.): Nathan Hodge. Rossiya napravlyayet v Aleppo chechentsev, chtoby zavoyevyvat' serdtsa lyudey [Russia Sent Chechens to Aleppo for Winning People's Hearts]/Inosmi.ru, 1 Feb 2017. URL: <https://inosmi.ru/politic/20170201/238647293.html> (retrieved on 4 May 2021)

Arab and Kurdish populations in contrast to pro-Iranian Shia militias. This in turn facilitates more favorable conditions for distribution of aid, early recovery efforts, official development assistance, and intra-confession/intra-ethnic dialogue.

Russia has paid a price for protecting deliveries and transit<sup>8</sup> of humanitarian aid<sup>9</sup> from donors such as the EU. In 2017, Russian experts reported 98 cases of the Russian military accompanying UN humanitarian convoys in Syria carrying 1,678 tons of relief.<sup>10</sup> In February 2019, the Russian military accompanied an aid convoy to the Al-Rukban refugee camp up to the boundaries of the U.S.-controlled 55-km Al-Tanf zone adjacent to the Iraq-Jordan-Syria borders.<sup>11</sup> Throughout 2021, Russian military assisted in the delivery of aid via the M4 highway to the Kurdish-inhabited northeast Syria<sup>12</sup> and to Idlib<sup>13</sup> across the conflict lines.

However, to fully achieve its goals, Moscow needs to show a certain degree of flexibility and persuasion because, despite winning the war, it still needs to “win the peace,” which requires constructive engagement with other actors in the conflict who often have different if not polarized approaches to the resolution of the Syrian crisis.

Russia is an indispensable stakeholder in the Syrian conflict whose interests and concerns cannot be ignored. Moscow has already facilitated several regional fora to address the conflict, namely: trilateral Iran-Russia-Turkey summits, Astana peace negotiations, and the recently formed Qatar-Russia-Turkey trilateral initiative. These fora include countries with varying and often conflicting interests in Syria, which should not prevent them from effective coordination and settlement of conflict-related issues. In parallel, Moscow favors constructive engagement on Syria with the EU and the GCC states, in addition to the U.S.

## B. Russian Limitations in Syria

Russia understands its limitations in reaching its strategic goals in Syria on its own. According to the United Nations Economic and Social Commission for Western Asia (UN ESCWA), by 2019, economic losses of eight years of the Syrian war had exceeded \$442 billion.<sup>14</sup> Moscow has neither the capacity nor the will to become the major donor of reconstruction in Syria. None of Damascus' closest allies have the capacity to meet the enormous needs of post-war economic reconstruction in Syria, even if others like China, India, some individual European countries, and the GCC countries contributed funds.

<sup>8</sup> Rossiyskiy voennyi pogib pri podryve avtomobilya [A Russian soldier died in car explosion]//RBC, Sept. 9, 2021. URL: <https://www.rbc.ru/society/09/09/2021/613a61489a79471172e8f94f> (in Russian) (retrieved on Nov. 4, 2021)

<sup>9</sup> Svyatoslav Ivanov. Morpekh pogib pod Pal'miroy [A Marine Killed near Palmyra]//Gazeta.ru, 20 Jun 2016. URL: <https://www.gazeta.ru/army/2016/06/19/8317349.shtml> (in Russian) (retrieved on 3 May 2021)

<sup>10</sup> Gumanitarnaya Missiya Minoborony Rossii [Humanitarian Mission of the Russian Ministry of Defense]. Moscow: Center of Political Information, 2017, p. 20. URL: [http://www.polit-info.ru/images/data/gallery/0\\_7596\\_missiya\\_Minoborony\\_Rossii\\_ITOG\\_\(1\).pdf](http://www.polit-info.ru/images/data/gallery/0_7596_missiya_Minoborony_Rossii_ITOG_(1).pdf) (in Russian) (retrieved on 3 May 2021)

<sup>11</sup> Rossiyskiye voyennyye v Sirii gumanitarnyy konvoy OON v kontroliruyemoy zone SSHA [Russian Military in Syria accompanied a UN Humanitarian Convoy to the U.S.-controlled Zone]//Interfax, 6 Feb 2019. URL: <https://www.interfax.ru/world/649485> (in Russian) (retrieved on 4 May 2021)

<sup>12</sup> Rossiyskiye voyennyye v pervyye dostavili gumpomoshch' na severo-vostok Sirii [For the First Time, Russian Military Have Delivered the Humanitarian Relief to the Syrian North-East]//Izvestia, 20 Apr 2021. URL: <https://iz.ru/1153863/2021-04-20/rossiiskie-voennyye-vpervye-dostavili-gumpomoshch-na-severo-vostok-sirii> (retrieved on 4 May 2021)

<sup>13</sup> Russian, Syria military ensure security of UN humanitarian convoy to Idlib, Sept. 3, 2021, <https://tass.com/defense/1333963> [retrieved on Nov. 5, 2021]

<sup>14</sup> Syria at War: Eight Years On, UN ESCWA and University of St. Andrews, 2020, p. 13. URL: <https://www.unescwa.org/news/losses-exceeding-442-billion-syria> (retrieved on June 5, 2021)

Lack of financial capabilities coupled with insufficient experience in economic and institutional reconstruction requires that Russia seek engagement with other actors that possess such capacities — namely, the EU, U.S., and GCC, through a process of constructive engagement that can garner sufficient commitments to help Syria recover economically, if not politically.

### C. Characteristics of Russia's Humanitarian Aid, Early Recovery, and Reconstruction Efforts in Syria

To understand how Moscow views humanitarian assistance, early recovery, and post-conflict reconstruction, one needs to understand the characteristics of the Russian approach toward such activities in Syria.

#### i. Russia's State-centric Approach

Moscow has a state-centric approach to humanitarian aid, early recovery and post-conflict reconstruction. When such activities are required, especially in conflict-affected areas in foreign countries, the Russian Defense Ministry and Emergency Ministry become exclusive operators of aid delivery. Russia's almost six-year-long direct military involvement in the Syrian war has had a significant impact on its humanitarian policy. Russia's Defense Ministry and its subordinate Reconciliation Center play the central role in humanitarian operations in Syria. Since its establishment in 2016, the Reconciliation Center has delivered about 5,000 tons of humanitarian cargo to Syria. Thus, Russia's Defense Ministry has become a major contributor and operator of humanitarian aid deliveries to Syria, funded primarily from Russia's military budget. Since this part of the budget is classified, distributions cannot be precisely determined. Interestingly, during the International Conference on Refugees Return, which was co-organized by Russia in 2020 in Damascus, Col.-Gen. Mikhail Mezentsev, the head of the Russian-Syrian Interagency Coordination Center for the Return of Refugees, stated that Russia had allocated \$1 billion<sup>15</sup> for humanitarian purposes, reconstruction of electrical grids, and industrial facilities in Syria. However, he did not specify when those funds were budgeted or over what time period they are intended to be spent.

The Russian Reconciliation Center has been issuing daily updates<sup>16</sup> on reconstruction efforts undertaken by the Russian specialists and the military. These bulletins help to understand the scope of work Russia has undertaken in Syria. On May 6, 2021, a broad list of restoration, repair, and construction projects that Russia has sponsored since July 18, 2018, was published. They include:

- 983 educational and 253 medical facilities;
- 4,927 residential buildings, one sport, and three entertainment facilities;
- Six road bridges and 1,748 km of highways;
- 1,457 km of electricity transmission grids (installed);

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<sup>15</sup> Rossiya videlila bolee milliarda dollarov na pomosh Sirii [Russia Allocated over \$1 billion in Aid to Syria]//RIA Novosti, 11 Nov. 2021. URL: <https://ria.ru/20201111/siriya-1584087521.html> (in Russian) (retrieved on 30 Apr 2021)

<sup>16</sup> Informatsionni Bilyuten Tsentra po primireniyu vrazduyushikh storon I kontrolyu za peremesheniyem bezhentsev// Russian Reconciliation Center in Syria, Daily Bulletin, 6 May 2021. URL: [https://syria.mil.ru/peacemaking/info/refugee\\_migration/more.htm?id=12359877@egNews](https://syria.mil.ru/peacemaking/info/refugee_migration/more.htm?id=12359877@egNews) (in Russian) (retrieved on 30 Apr 2021)

- Four drinking wells, 264 water supply systems (constructed), 323 bakeries, 821 electrical substations, four gas stations, and 14,453 industrial facilities (put into service).

Currently, reconstruction and reparation projects are underway in 345 localities and settlements across Aleppo, Damascus, Deir ez-Zor, Latakia, Hama, Homs, Deraa, al-Suwayda, al-Quneitra, and Raqqa provinces. These projects are to include the construction or repair of 2,619 residential buildings, 218 schools, 178 preschool facilities, 239 medical facilities, 212 bakeries, 182 electrical substations, 260 water pumping stations, and 86 religious objects.

Regular publications of such information in Russian on the Russian Defense Ministry's website do not solve the problem of an overall lack of full transparency in reporting about the Russian humanitarian, early recovery, and reconstruction efforts in Syria. The lack of transparency complicates communication about the socio-economic situation in Syria and impedes meaningful dialogue between Russia and the West on humanitarian aid delivery, early recovery and post-conflict reconstruction efforts.

#### ii. Certain Lack of Transparency in Aid Provision

Another complicating issue is that Russian humanitarian aid is mainly organized on a unilateral basis rather than through multilateral channels. As a result, the EU and U.S. only see a small part of Russia's involvement in humanitarian aid, early recovery, and post-conflict reconstruction efforts in Syria. Thus, they do not take into consideration the hundreds of millions of dollars that Russia has already spent on immediate humanitarian assistance including early recovery efforts, e.g. debris clearance, supplies of construction materials, restoration of electrical grids and water pump stations, and restoration of transport infrastructure, educational, and medical facilities. The lack of understanding of the extent and nature of Russia's humanitarian and reconstruction efforts in Syria adds to the complexity of Russian-Western effective communication on the topic.

#### iii. In Between the Needs and Capacities

The perception of the limited scale of Russia's own resources invested in Syria's recovery and reconstruction compared to its leading role in the military-political dimension of the conflict further complicates Russian-Western understanding. Russia's economic role in Syria is seen as disproportionate to its military, political, and diplomatic role in the conflict. Russia's decision to directly interfere in the Syrian war automatically made it partially responsible for a political resolution of the conflict as well as for the country's post-conflict reconstruction.

Russia will hardly be able to cover the \$442 billion needed for the Syrian reconstruction even with Iranian, Chinese, and other individual contributions. However, Moscow cannot simply distance itself from the issue of Syria's recovery and reconstruction as it will inflict serious damage to its reputation as an effective actor in the conflict and in the whole region. This is the reason Moscow is looking for ways to involve the EU and the GCC states in more active recovery and reconstruction efforts in Syria. This has become clear during the past couple of years.

## IV. The EU Approach

The EU is among the major donors to the UN and other international humanitarian agencies and international NGOs. It possesses substantial economic and professional capacities to play a

bigger role in addressing not only the humanitarian crisis in Syria but also the country's post-conflict reconstruction. However, the EU is reluctant to participate in such reconstruction unless there is genuine progress on the political track. As a result, the EU is in a situation where it has all the necessary capacities and the will to be a bigger player in addressing Syrian humanitarian issues and post-conflict reconstruction, but its ability to take on a more proactive approach is limited by its own normative, ideological, and political stance together with existing legal restrictions.

For the time being, the EU remains committed to the "no reconstruction without political progress" formula, despite changing conditions on the ground (about 64-65% of the territory is controlled by the Syrian government, and there has been gradual reconciliation between Damascus and regional partners). This approach *de facto* indicates the EU's unwillingness to accept the reality that Syrian President Bashar al-Assad remains in power. The EU position on early recovery and post-conflict reconstruction continues to be based on the precondition set in UNSC Resolution 2254 (2015) that a political transition process be in place to end the crisis.

#### A. Early Recovery vs. Post-Conflict Reconstruction

According to the UNDP, any reconstruction belongs to the second stage of a country's long-term economic recovery. The UN framework envisages a grand transformative process that requires a mix of far-reaching economic, institutional, legal, and policy reforms enabling war-torn countries to reestablish the foundations for self-sustaining development. In light of such approach, the EU has viewed its participation in this second stage post-conflict reconstruction (PCR) as inseparable from progress on the Syrian political track, which diplomats have said should include real political reforms, adoption of a new constitution, inclusive elections, and the release of prisoners. Thus, EU engagement has mainly concentrated on humanitarian relief akin to early recovery steps, although not formally attributed as such.

According to EU experts interviewed,<sup>17</sup> any broader European participation in early recovery and post-conflict reconstruction measures in Syria is a "gray area." There is a growing European willingness to support measures and steps that can boost social capital, resilience, and infrastructure on the ground. However, all such activities are only possible if implemented via third parties rather than directly by the EU. Officially Brussels acts with the utmost caution not to cross the "reconstruction line."

This is the reason the early recovery seems to be an area with a potentially wider room to maneuver and willingness to push the boundaries. But everything that looks like reconstruction support will remain firmly off limits, according to a European Parliament official<sup>18</sup>.

Declaratively, the EU has been looking at humanitarian aid as apolitical, expressing readiness to meet humanitarian needs wherever they are, including in Syria. So, the real question is about a thin line, if any, of the early recovery evolving into development support with an eye to certain EU member states hypothetically willing to use humanitarian aid as an umbrella for some low-level reconstruction support.

But more fundamentally, there is a division within the EU on how to treat the Syrian file, despite the union's seeming overall consensus. There has been firm internal opposition from a core group of states (i.e., France, Germany, UK) to do anything that looks like reconstruction. At

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<sup>17</sup> Based on a series of telephone interviews with Syria experts from leading European think tanks conducted in March 2021

<sup>18</sup> A phone interview with a European Parliament official conducted in March 2021

the same time, there is another group of states with more pragmatic positions that are trying to push an opposite view advocating for more aid and are more willing to move toward reconstruction (i.e., Czech Republic, Cyprus, Greece, Italy, Hungary, Poland, Austria). Of course, they can conduct their own national policies toward Syria despite the EU common position on it, but their assistance will be marginal. Any serious EU funding for rehabilitation and recovery seemingly will not come to Syria without the Syrian political process moving forward.

## B. Key Factors Affecting the EU's Syria Policy

### i. Dependence of EU on U.S. Syria Policy

A key factor influencing the EU's Syria policy is the U.S. and its approach to the conflict. Being involved in the Syrian conflict militarily (with its armed forces on the ground), politically (supporting Syrian Kurds and other factions of the Syrian opposition), and economically (upholding sanctions and providing humanitarian aid), Washington is the one who sets the principal Western approach to the Syrian conflict. In this context, the EU is a follower rather than an agenda-setter.

U.S. sanctions under the Caesar Act or secondary sanctions have a critical impact on the European approach to Syria, as much as the EU's strong desire to stay aligned with the U.S. position and common transatlantic solidarity. Brussels will look for the U.S. position before taking any step in any direction on the Syrian track as it does not want to break away from the U.S. position on reconstruction and the "step-for-step" approach.

While there is a possibility for a tactical dissociation between the U.S. and the EU on early recovery provisions and development support driven by Europe's geographical proximity to Syria and the terrorist threat as well as refugees and illegal migration, the EU is hesitant to do more even in areas of Syria not under government control. For instance, Idlib is seen as controversial because of Hayat Tahrir al-Sham's (HTS) dominance there, which induced the EU to provide humanitarian aid only, and, preferably, via the Turkish Red Crescent and NGOs.

Economic assistance and recovery in Northeast Syria, under Kurdish PYD party dominance, is also problematic due to uncertainty about future control of the areas and the potential for conflict with Turkey, as well as concerns about Arab exclusion from the PYD's administrative regime. The EU's early recovery assistance to the Kurdish-held areas has been quite limited and tied to a need for greater political progress on governance and security arrangements for that area and a clear movement toward positive changes. If implemented, such steps could demonstrate a success story in contrast to the government-held areas. However, Washington does not seem ready to commit to the Kurds and to invest in another "nation-building" exercise in the Middle East region, while the Kurds themselves are still undecided whether to reconcile with the government of Syria or wait for the U.S. final decisions.

On this front, the EU could be incentivized by any clearer U.S. involvement coupled with better EU-U.S. coordination on Syria.

### ii. EU Hesitance to Engage in Early Recovery

Unfortunately, Syria is not an EU policy priority. This explains largely the lack of political will to apply a proactive approach, as well as little consistency in the EU's Syria policy and inability to clearly formulate goals, tasks, and modalities of action. As a result, the EU is reluctant to take any initiative on Syria. Our interviews revealed concern about a "slippery slope" and a lack of "confidence" in the EU's ability to hold firm in the face of Russia and Damascus. The fact that



Syria and the broader region is not a priority limits available EU human, financial, and other resources to develop an adequate proactive policy. According to an EU official, anything proposed to the EU must be less risky, i.e. approved/supported by the EU/U.S., as the EU needs the U.S. and the UN by its side, being unready to go it alone.

### iii. Challenges to a European-Russian Dialogue

When it comes to the EU's approach toward Syria and the country's reconstruction, Russia is also an important factor. A dominant view among European decision-makers is that, although Moscow has influence over Damascus, it is rather reluctant to pressure Syrian authorities on the political track. Russia's reluctance to engage further discouraged the EU from continuing dialogue with Russia on Syria. According to an EU official, there has been some European outreach to Russia on Syria, in particular on a "step-for-step" approach. However, according to European diplomats, Moscow did not take these initiatives seriously; Moscow just passed them to Bashar al-Assad, who predictably rejected them. There is a strong belief among the Europeans that they have already attempted to promote the "step-for-step" approach, which, regretfully, was not reciprocated by Russia. At the same time, the EU views this particular approach as still tied to UNSC Resolution 2254, which envisages a political transition as preceding reconstruction. According to sources in the European Parliament, the EU still views such a political transition as requiring al-Assad's removal. This is the reason Moscow and Damascus treat the EU's general stance on Syria as one "obsessed" with regime change.

### iv. Syria: An Adjunct Portfolio to the EU

Another reason for the lack of Russian enthusiasm about the EU's proposals on Syria is the deficit of concrete substance. A former Russian diplomat admitted that the EU had not actually made any specific proposals on the "step-for-step" approach that clearly defined what exactly it wanted from Damascus and Russia, and what exactly the EU was ready to give in exchange. According to an EU think tank analyst, a main concern is that if officials in Brussels start conversations with Russia and/or Damascus, defining in detail what they are ready to put on the table in exchange for what they want to achieve in Syria, Russia and Damascus are likely to outmaneuver the Europeans, giving them nothing in return.

## C. Possible Alternatives

To change Russian-EU dynamics and create more openings for dialogue, the EU should publicly declare and clearly articulate what exactly a "step-for-step" approach could look like, including positive conditionality that would incentivize good behaviors through efforts such as lifting certain sanctions. Articulating the approach helps set up EU red lines, which so far are not visible. To date, there have been no serious conversations inside the EU about how a compromise with Russia and Damascus on Syria could look. All current conversations are being conducted on a low expert level and have not been transformed into official policies.

In this context, it is worth underlining the July 9, 2021, vote in the U.N. Security Council that unanimously adopted UN Resolution 2585 (2021) extending the use of the Bab al-Hawa border crossing for humanitarian aid delivery for six months with the expectation of a subsequent renewal for another six months. This tactical compromise, reached between Russia and the U.S. principally, but also including China and other members of the Security Council, demonstrated their ability to find a common ground that may help to develop further constructive interaction. For example, it looks increasingly like the U.S. move to greenlight restoration of the Arab Gas Pipeline in September 2021 in order to transport Egyptian gas via Jordan and Syria to Lebanon



was made to demonstrate U.S. good will. Basically, Washington turns a blind eye to Syria's re-integration into the regional economy and *de facto* exempts it from sanctions. If ultimately implemented, gas and energy transfers to Lebanon via Syrian territory will significantly benefit the Syrian economy, which may be viewed as a U.S. response to Russia's vote to prolong Resolution 2585.

Nevertheless, as long as the Syrian political process is fundamentally stuck and there is no visible prospect for progress, any "step-for-step" approach is a dead end. Alternatively, the "step-for-step" approach could be tied to more realistic and tangible issues, e.g. release/exchange of detainees, humanitarian access and assistance, transparent monitoring mechanisms of aid delivery, etc. In other words, the issues that are less sensitive to Damascus and Moscow and are most likely to create more space for maneuver and have more chance to be implemented, thereby moving the "step-for-step" approach down the road.

i. A Chance for a Win-Win Approach

In this realm, a "win-win" game is required as the only effective alternative to the archaic "zero-sum" game. It might be the concentration of all parties on small/medium scale projects, e.g. restoration of water-pump stations, energy plants and electric stations, which service both government- and opposition-held areas. Such small-scale "win-win" projects have more chances to engage constructively the EU in the early recovery and post-conflict reconstruction processes.

According to some EU Syria experts, positive change started to appear as some European countries began recognizing that any feasible "step-for-step" approach has to be detached from the existential threat to al-Assad's position and focus more on tangible matters.

In this context, the situation in and around Idlib, which is inseparable from the problem of providing humanitarian access to it,<sup>19</sup> has already become a key issue of the internationalization of the Syrian conflict. The way this problem is solved will have a crucial impact on the future dynamics of the Syrian conflict and on the nature of Russia-U.S.-EU-Turkey interactions on Syria. Idlib might be viewed as a litmus test to EU, Russia, the U.S. and Turkey's ability to find a compromise.

ii. Can the EU Play a Bigger Humanitarian and Diplomatic Role?

Thus far, the EU can realistically do nothing more than increase its humanitarian aid deliveries and enhance the early recovery inside Syria. So far, since 2011 the EU has allocated €1.8 billion to assistance inside Syria, both humanitarian (71%) and non-humanitarian (29%) which is less than 10 percent of its assistance aimed at Syrians outside Syria.<sup>20</sup>

That said, the EU seems to avoid any involvement in sanctions relief and reconstruction inside Syria that remain tied to the political process and U.S. position. Nonetheless, the EU can still play the role of connector between Russia and the U.S. by becoming more active in diplomatic engagement with Moscow. The EU can demonstrate its constructive approach to addressing

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<sup>19</sup> Cross-border mechanism (CBM) of aid delivery was initially introduced in 2014 as an *ad hoc* tool by UNSC Resolution 2165 to increase humanitarian aid outreach to Syria: S/RES/2165 (2014), adopted by the Security Council at its 7216<sup>th</sup> meeting on 14 July 2014//United Nations Security Councils, 14 July 2014. URL: [https://undocs.org/en/S/RES/2533\(2020\)](https://undocs.org/en/S/RES/2533(2020)) (retrieved on 30 Apr 2021)

<sup>20</sup> European Neighborhood Policy: Syria. [https://ec.europa.eu/neighbourhood-enlargement/european-neighbourhood-policy/countries-region/syria\\_en](https://ec.europa.eu/neighbourhood-enlargement/european-neighbourhood-policy/countries-region/syria_en)

Syrian humanitarian issues through initiating meaningful, respectful discussions with Russia and make concrete and realistic proposals on CBM and more aid flow via Damascus, which may well become a litmus test for a future Russia-West cooperation on Syria.

## V. The GCC Approach

The GCC's stance toward Damascus since 2011 has been declaratively hostile but also pragmatic and not monolithic in practice. A review of their outward position against their actual investments and trade with Syria indicates that they might be amenable to participating in more directed arrangements around early recovery and post-conflict reconstruction.

### A. "Realpolitik": The GCC's Version

On the one hand, all GCC members supported suspension of Syria's membership at the Arab League on Nov. 12, 2011, initiated by Qatar and Saudi Arabia, which two weeks later was unanimously enhanced by a harsh package of economic sanctions. On Feb. 7, 2012, the GCC issued a consensual decision recalling their ambassadors from Damascus.

On the other hand, such collective moves have not vaporized individual Arab Gulf states' diplomatic maneuvers related to Syria. Oman, for instance, kept its embassy in wartime Syria, headed by a *charge d'affairs en interim*, with a frontline role similar to the ambassador-level Czech Embassy. The United Arab Emirates (UAE) and Bahrain reopened embassies in Syria on Dec. 27 and 28, 2018, respectively, disavowing the above-mentioned GCC decision. On Oct. 5, 2020, Oman returned its ambassador to Damascus.

Although during the conflict diplomatic traffic between the GCC and Syria came to a halt, contacts continued. For instance, Omani Foreign Minister Yusuf bin Alawi visited Damascus in 2015 and 2019. Bin Alawi met with his Syrian counterpart as well as with President Bashar al-Assad. On March 22, 2021, Syria's foreign minister, Faisal Miqdad, made a reciprocal visit to Muscat.<sup>21</sup>

UAE engagement in Syria was partly driven by aspirations to deter Turkey in Syria and in Libya: the Emirati-Syrian rapprochement coincided with the 2017-2021 rift between Qatar, a Turkish ally, and the rest of the GCC. In addition, the recent publications about the UAE's regular humanitarian aid deliveries to Syria, about top-level contacts (like a March 27, 2020, telephone conversation between al-Assad and Mohammed bin Zayed Al Nahayan, Crown Prince of Abu Dhabi<sup>22</sup>) and numerous leaks in the Arab and Western media about the UAE's under-the-table diplomacy indicate Emirates plans for rapprochement with Damascus. These efforts allegedly aimed to provide \$3 billion support for keeping the offensive of the Syrian Arab army (SAA) against pro-Turkish Syrian rebels in Idlib regardless of an uneasy March 5, 2020, truce agreement between Russia and Turkey. Some commentators even spoke about a secret visit to Damascus by Ali bin Hammad Al Shamsi, deputy secretary-general of the UAE's Supreme National Security Council.<sup>23</sup>

<sup>21</sup> Mazen Eyon. Mikdad Concludes Official Visit to Oman//Syrian Arab News Agency (SANA), March 22, 2021. URL: <https://www.sana.sy/en/?p=227236> (retrieved on 2 May 2021)

<sup>22</sup> Phone Call Between President Al-Assad and Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi//SANA, 27 Mar 2020. URL: <https://www.sana.sy/en/?p=189028> (retrieved on 2 May 2021)

<sup>23</sup> David Hearst. EXCLUSIVE: Mohammed bin Zayed Pushed Assad to Break Idlib Ceasefire//Middle East Eye, 8 Apr 2020. URL: <https://www.middleeasteye.net/news/abu-dhabi-crown-prince-mbz-assad-break-idlib-turkey-ceasefire> (retrieved on 2 May 2021)

Ankara, in return, accused Abu Dhabi of systematic and malicious violations of anti-Syrian sanctions, presenting a variety of arguments. Those included unconfirmed information about the Emiratis providing training for Syrian intelligence officers with reference to the report "How does Abu Dhabi help Damascus?" issued on June 23, 2020, by the France-based research and news portal OrientXXI.<sup>24</sup>

In August 2019, Oman and the UAE sent 40- and 35-member business delegations respectively to the 61<sup>st</sup> Damascus International Fair. (This annual event resumed in 2017 after a six-year wartime break.)<sup>25</sup>

Even the Kingdom of Saudi Arabia (KSA), although most hostile toward Bashar al-Assad's Syria among the GCC states, has not stepped away from contacts with the Syrian authorities. Thus, on May 26-27, 2021, Syrian Minister of Tourism Muhammad Martini attended the 47<sup>th</sup> meeting of the World Tourism Organization Committee for the Middle East in Riyadh.<sup>26</sup> Three weeks earlier, information leaked to the media about a May 3 confidential meeting conducted in Damascus between Syrian and Saudi intelligence chiefs, respectively Gen. Ali Mamlouk and Gen. Khalid Humaidan. Western journalists and experts instantly characterized this meeting, although officially not confirmed by both sides, as *détente*,<sup>27</sup> an optimistic word.

## B. Economic 'Infitah'

Individual political approaches of the GCC's members have been reflected in their vision of Syria's early recovery and post-conflict reconstruction. Unlike the EU's pre-war focus on institutional dialogue with Damascus or Russia's obsession with Syria's mineral resources before and during the conflict, the Arab Gulf countries have always viewed trade and investments as the two driving forces of mutual economic cooperation. In the meantime, the ongoing humanitarian assistance can be recognized as a real contribution of certain GCC states in Syria's early recovery.

The existing statistics tell an interesting story about the status of the GCC-Syria economic relations that exist in spite of sanctions. According to infographics and calculations provided by a Damascus-based consulting partner to the authors of this paper, the evolution of the Syrian trade (exports and imports) with Arab countries in general and with all six GCC countries in particular can be found in Tables 1 and 2 in the Annex of this paper.<sup>28</sup>

<sup>24</sup> Idris Okuduci. UAE Closely Cooperating with Assad Regime for 2 Years//Anadolu Agency, 7 Jul 2020. URL: <https://www.aa.com.tr/en/middle-east/uae-closely-cooperating-with-assad-regime-for-2-years/1902688>; Comment Abou Dhabi donne un coup de main à Damas//ORIENTXXI, 23 Juin 2020. URL: <https://orientxxi.info/magazine/comment-abou-dhabi-donne-un-coup-de-main-a-damas,3970> (available in French and in Arabic) (retrieved on 2 May 2021)

<sup>25</sup> Ruaa al-Jazaeri. About 400 Arab and Foreign Businessmen Invited to Visit Damascus International Fair//SANA, 13 Aug 2019. URL: <https://sana.sy/en/?p=171093> (retrieved on 3 May 2021)

<sup>26</sup> Wazir as-siyaha yushariqu fi ajtimaa as-siyahah al-aalamiya wa muatamar anaash as-siyaha fi ar-Riyadh [Minister of Tourism Participates in the World Tourism Organization's Meeting and Forum for the Revival of Tourism in Riyadh]//SANA, 25 May 2021. URL: <https://sana.sy/?p=1392373> (retrieved on June 5, 2021)

<sup>27</sup> Martin Chulov. Meeting Between Saudi And Syrian Intelligence Chiefs Hints at Détente//The Guardian, 4 May 2021. URL: <https://www.theguardian.com/world/2021/may/04/meeting-between-saudi-and-syrian-intelligence-chiefs-hints-at-detente> (retrieved on 5 June 2021)

<sup>28</sup> The report was presented by the authors' consulting partner on April 28, 2021 (in English); it covered statistics related to the developments of trade turnover between Syria and the UAE or the Kingdom of Saudi Arabia (KSA) throughout the Syrian conflict (2015-2019) as compared with pre-war 2010, along with analyzing joint partnerships with the GCC states in banking and insurance spheres; the ICT Trade Map Database and data from the Corporate Governance Report prepared by the Syrian Commission on Financial Markets and Securities have been used. The Arab League includes 22 member states. For the purpose of the present research, a major trade partner is

Both tables reflect important trends intrinsic to the Syrian conflict. First: the Syrian-Arab and consequently Syria-GCC trade turnover declined dramatically in 2010-2015 (exports fell by 72%, imports by 64.3%) due to the warfare affecting production of goods in Syria amid international sanctions. However, as early as 2010, Kuwait (in 2010, 2018-2019), Saudi Arabia, and the UAE could be recognized as major destinations for Syrian exports while the other three GCC members shared symbolic 0.3-3%. Moreover, the UAE constituted the sole major exporter to Syria (Saudi Arabia also but throughout 2010-2016) with the rest of GCC states sharing even in 2010 symbolic 2.6-3.1% of Syria's imports from Arab countries. However, thanks to deep-rooted intra-Arab commercial ties, Syria-GCC trade has not declined so dramatically as in the case of the EU, where Syrian exports and imports in 2010-2020 were reduced from €3,576 million (\$4,720.32 million) to €61 million (\$74.42 million) and from €3,579 million (\$4,724.28 million) to €332 million (\$405.04 million) respectively<sup>29</sup>. (See Table 4 in Annex)

Further, the hostile war of words waged against the Syrian authorities together with the wartime challenges and participation in the anti-Syrian embargo have not prevented key GCC members like the KSA or the UAE from preserving trade relations with Syria. Thus, Riyadh remained an important trade partner for Damascus — Saudi share in Syrian exports even slightly increased from 25% prewar war in 2012 from to 28% in 2019. At the same time, the Emirati share in Syrian imports rose significantly during the same period by over 6 times (from 9% to 55%), which indicates the UAE's continuous interest in developing trade with Syria. The shares of major partners for the Syrian exports grew as well in all cases except Qatar (-1.0%) and Oman (-0.4%). According to the authors' consulting partner, certain parts of Saudi exports to Syria in 2015-2019 were registered as emanating from Jordan (whose share in Syria's imports was 14% in 2015 and 6% in 2019).

The economic relations between Syria and the Arab Gulf have become cemented by the successful pre-conflict record of "business-to-business" (B2B) cooperation along with the active role played by Syrian entrepreneurs residing in Saudi Arabia, the UAE, and other GCC states. Syrian columnist Samer Abboud fairly called these people either *expatriates* who had accumulated much wealth overseas while staying partially supportive of the Syrian authorities, or the *dependents*, living abroad but keeping businesses inside Syria<sup>30</sup>.

Influence of various domestic and external factors on the Syrian trade with the GCC states is demonstrated by Table 5, using the Saudi and Emirati cases. (See Table 5 in Annex)

Thus, Syrian trade with the GCC members largely depended on the political-military developments inside Syria and along its national borders. For instance, Syrian exports of edible vegetables and fruits to Saudi Arabia traditionally transported by trucks deteriorated significantly in 2010-2015 by 92.1% and 74.4% respectively. The main reason for that was the

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recognized as sharing no less than 5% of total Syrian exports or imports from/to Arab countries. Export and import ratings designed by Matveev.

<sup>29</sup> European Union, Trade in Goods with Syria//European Commission - Directorate-General for Trade, 12 Apr 2021, p. 3. URL: [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_syria\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_syria_en.pdf) (retrieved on 3 May 2021). USD equivalents calculated by the EUR/USD exchange rates applicable to December 2010 and December 2020, such as 1.32 and 1.22 respectively: Euro (EUR) to US Dollar (USD) Exchange Rate from January 1999 to April 27, 2021//Statista (web-database), 28 Apr 2021. URL: <https://www.statista.com/statistics/412794/euro-to-u-s-dollar-annual-average-exchange-rate/> (retrieved on 3 May 2021)

<sup>30</sup> Samer Abboud. The Economics of War and Peace in Syria – Stratification and Factionalization in the Business Community//The Century Foundation, 31 Jan 2017. URL: <https://tcf.org/content/report/economics-war-peace-syria/> (retrieved on 4 May 2021)

loss of the Syrian government's access to the Jordanian border. The gradual revival started in 2018-2019 after the official reopening of the Nassib border crossing on Oct. 15, 2018. In the meantime, nonperishable goods like coffee, tea, spices, or vegetable oils exported through the Beirut seaport witnessed stability or sporadic rises. Live animals sometimes just walked through porous borders in the Syrian Desert (Badia).

Table 6 illustrates the substantial share of investors from the GCC states in Syrian private banks, including Islamic banks, in comparison with investments from other Arab countries (up to mid-2020).<sup>31</sup> (See Table 6 in Annex)

Investors from the Arab Gulf countries have also entered Syria's insurance market although on a smaller scale in comparison to the banking sector (Table 7, up to mid-2020)<sup>32</sup>. (See Table 7 in Annex)

Thus, the list of Arab investors in Syria's banking and insurance sectors is led by **Lebanon** (\$35.67 million: banking and insurance), and followed by **Qatar** (\$26.97 million: banking), Jordan (\$15.61 million: banking and insurance), **Saudi Arabia** (\$6.42 million: banking and insurance), **Kuwait** (\$5.23 million: banking and insurance), **Bahrain** (\$2.98 million: banking and insurance), and the **UAE** (\$1.93 million: banking and insurance).

### C. Opening Syria for the Arab Gulf: Politics vs. Economic Dichotomy

Substantial trade, investment, and business-to-business opportunities have accumulated between Syria and the Arab Gulf states. These contacts could lead to a substantial GCC role in leading early recovery and post-conflict reconstruction in Syria. Unlike the EU and more like Russia, there have been no deep differentiation lines drawn by the GCC between early recovery and post-conflict reconstruction. However, Syria's post-conflict reconstruction has been viewed by Abu Dhabi, Riyadh, and Doha through the prism of inspiring economically both a peaceful, gradual power change in Damascus, although al-Assad's stepping down is not an ultimate demand anymore, and/or Syria's drift from Shia Iran to the Sunni family of Arab states in parallel with deterring Turkey, which has been increasingly recognized as a regional rival by Abu Dhabi and Riyadh.

The current status quo in the Syria-GCC relations is endangered by four major challenges:

1. The present stalemate of the Syrian peace process.
2. The U.S. Caesar Act, which places traditional trade and investment partnerships at risk (not by chance, diplomats of the UAE, Saudi Arabia, and Qatar complained about the mounting American pressure on the Syrian track while speaking to their Russian counterparts during the visit of the Russian Foreign Minister Sergey Lavrov to Abu

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<sup>31</sup> Registered banking capital after increase (Syrian Gulf Bank – at establishment). USD equivalents calculated by SYP/USD exchange rate established by the Central Bank of Syria as of 1 Jan. 2020: <https://ru.tradingview.com/symbols/USDSYP/> (retrieved on 4 May 2021)

<sup>32</sup> Registered capital after increase

Partner's share laid down in precise figures, while equivalents in USD have been rounded to the nearest 100. Syrian banks: Banque Bemo Saudi Fransi and Bank of Syria and Overseas counted for the Saudi/Lebanese and Lebanese investments respectively; Dashti (Syrian) company counted for the Kuwaiti investments due to the Kuwaiti citizenship of its owner Abdul Hameed Dashti; Syria Libya (Syrian) Company counted for the Libyan investments.

Investment rating designed by Matveev.



Dhabi, Riyadh, and Doha on March 8-12, 2021<sup>33</sup>). There have been rumors about the current *Syrian-Syrian* pattern used instead of the *Arab Gulf-Syrian* model of the “*Arab Gulf infitah*.” That means not investing the GCC member states’ own money but partial unblocking of the Syrian financial assets in the GCC financial institutions.<sup>34</sup>

3. The long-lasting domestic crisis in Lebanon, a regional finance center/hub, hindering business capabilities.
4. The ongoing COVID-19 pandemic, which exacerbated all above-mentioned challenges.

Therefore, future optimistic or pessimistic scenarios and the GCC involvement in Syria’s economic reconstruction in particular will largely depend not on the GCC or its members alone but rather on finding common ground with the main stakeholders of the Syrian conflict.

## VI. Prospects for Coordinating These Stakeholders

A wide range of Russia’s differences with the EU (to a larger extent) and the GCC states (to a lesser degree) makes progress on the Syrian political track quite problematic, which obstructs progress on early recovery and post-conflict reconstruction fronts. As long as the parties primarily focus on sensitive political issues<sup>35</sup> and put forward unrealistic demands without offering meaningful concessions and incentives to each other, they will not produce positive outcomes and ease the suffering of civilians in Syria. Instead, Russia, Damascus, the EU, the U.S., and the GCC should compartmentalize their interactions on Syria and prioritize the least sensitive issues, such as economic reunification of the country. An inability to progress on the political track must not hamper or exclude humanitarian aid and the early recovery efforts in Syria.

However, this is not to say that the political process should be de-prioritized. Rather, it is to underline that pushing for progress on the political track should go hand in hand with addressing humanitarian and economic issues in Syria, exploring avenues where the EU, GCC, Russia, and the U.S. can build constructive dialogue and progress. According to conversations with Russian and European diplomats and experts<sup>36</sup>, Russian policymakers — together with their counterparts in the EU and the GCC — seem to start realizing the necessity to reassess approaches toward the Syrian conflict. According to retired Russian ambassador and vice-president of the Russian International Affairs Council (RIAC), Alexander Aksenok, over the past year, “Moscow has increased its efforts to convince the Syrian leadership to support the work of the Constitutional Committee more constructively, create appropriate security conditions and improve the investment climate [in Syria].” Such evolution confirms Russian commitment to keep all doors for constructive discussions open with an eye to eventually reach compromises with American, European, and Gulf partners.

Although potential EU and GCC partners are still reluctant to fully engage in early recovery and post-conflict reconstruction in Syria, Moscow remains open for dialogue with all of them on most urgent issues in the humanitarian field. Moscow clearly understands that in order to reach a compromise each side needs to make certain concessions.

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<sup>33</sup> Citing anonymous Russian diplomats who participated at relevant talks

<sup>34</sup> Authors’ interviews with anonymous Syrian bankers

<sup>35</sup> E.g., insisting on radical political reforms, calling for Bashar al-Assad to step down, *de facto* supporting violations of Syria’s territorial integrity, treating entire Syrian opposition as terrorists, etc.

<sup>36</sup> Based on authors’ private conversations with Russian and EU officials and experts in March and April 2021

Of importance, Russian diplomats in private conversations appeared to believe that the EU had not demonstrated any willingness to offer real concessions and to incentivize Moscow and Damascus to be more flexible and cooperative. Since the humanitarian situation in Syria is getting worse and is impacted by the continuous crisis in Lebanon and the COVID-19 pandemic, Russia, the EU, and the GCC should demonstrate more flexibility and creativity in finding ways to enhance humanitarian and early recovery efforts in Syria.

According to a former senior Russian diplomat, Moscow needs to reach a certain degree of understanding with Western partners, notably with the EU, and its major member states, like Germany and France, on three practical issues: sanctions relief, limits of political conditionality, and the "step-for-step" approach.

## VII. Conclusions

This paper leads to the following conclusions.

First, the absence of consensus on Syria between the Arab Gulf states and the EU members on the one side and Russia on the other does not seem completely inevitable, even in the foreseeable future. All Syrian conflict stakeholders have their own strengths and weaknesses while facing real threats and opportunities (see table below)

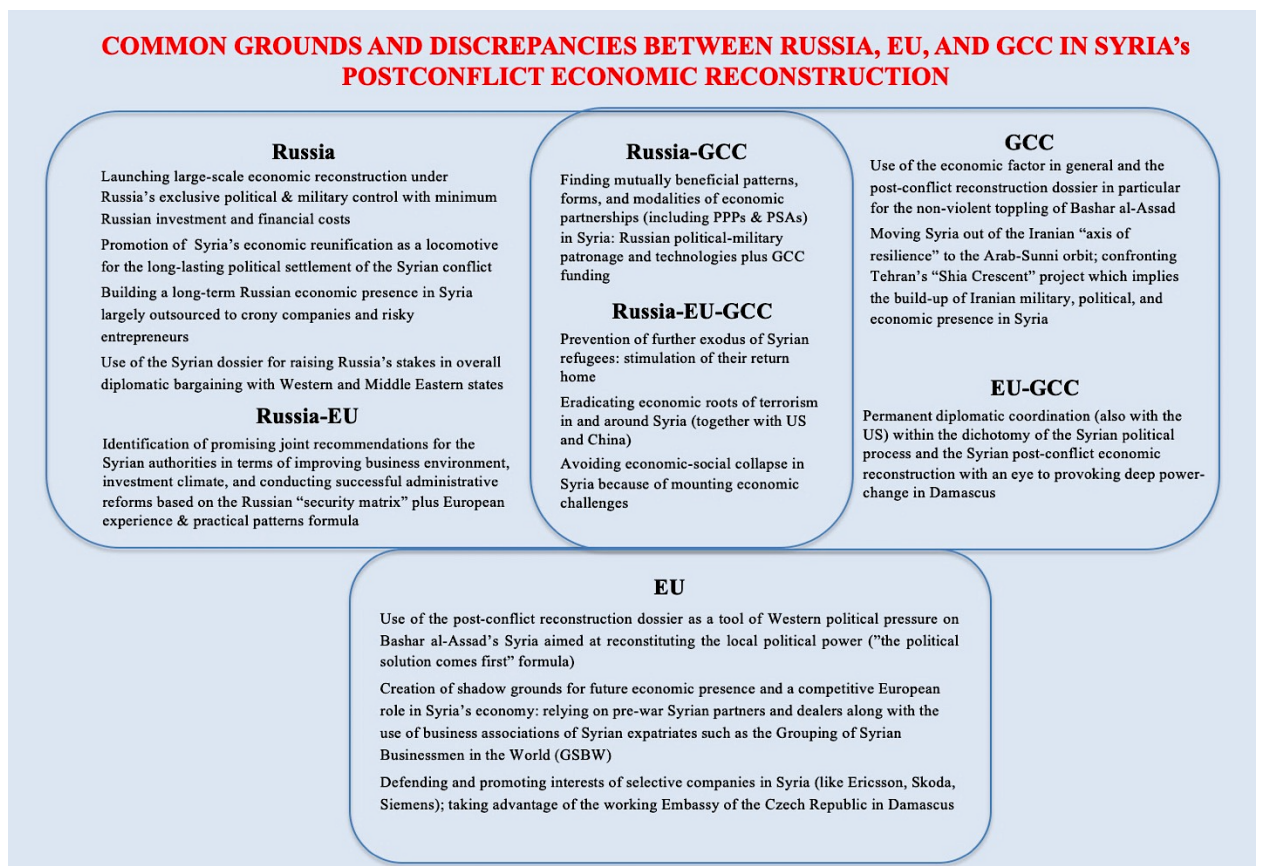
<b>SWOT Analysis of Russia, EU, and GCC Stances Toward Syria's Reconstruction</b>			
	<b>Russia</b>	<b>EU</b>	<b>GCC</b>
<b>Strengths</b>	<ul style="list-style-type: none"> <li>Russia has obtained significant political-military presence in Syria, incl. a lobby in the local security community plus police presence on the ground; this enables Russia to preserve a proactive role on the Syrian humanitarian track</li> <li>Russia is a facilitator and a key player at various fora of the Syrian peace process (intra-Syrian talks, Astana, Tripartite summits, Russia-Qatar-Turkey format), controlling the dichotomy of the Syrian political process vs. economic reconstruction</li> <li>Russia has been dominating the sector of local mineral resources</li> </ul>	<ul style="list-style-type: none"> <li>Preserving influential shadow economic lobby in Syria (private traders and dealers)</li> <li>Winning sympathies of Syrian refugees and expats (incl. Kurds) who could return in future to their homeland obtaining a role within Syria's new political landscape</li> <li>Well-established coordination with the UN (incl. the UN Syria Country Team); which enables the Europeans to play a proactive role on the humanitarian track incl. the "all-of-Syria" format</li> <li>Well-set relations with the NE Syria</li> </ul>	<ul style="list-style-type: none"> <li>Successful pre-war record of the B2B cooperation and Gulf investments in Syria (mostly, from Qatar): the existence of reliable business partnerships</li> <li>Preserving influential shadow economic lobby in Syria (private traders and dealers, incl. <i>awlad as-sultah</i> and <i>expatriate</i> entrepreneurs) along with the existing Syria-GCC trade regardless of sanctions</li> <li>Some GCC states (Bahrain, Kuwait, Oman) preserved good reputation among Syrians in the government-controlled zone</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>Russian economic lobby in Syria is weaker in comparison with the Iranian and even the Chinese</li> <li>Russia's reconstruction efforts in Syria have been outsourced to the selective number of parastatal businesses; this does not allow Moscow to build long-lasting and diversified economic presence</li> </ul>	<ul style="list-style-type: none"> <li>No direct participation in the Syrian peace process</li> <li>Lost official economic presence in Syria due to sanctions</li> <li>Negative image of the EU among ordinary Syrians in the government-run areas who believe that the Europeans have "betrayed" them by supporting sanctions</li> </ul>	<ul style="list-style-type: none"> <li>Very limited official economic presence in Syria worsened by the negative impact of lost pre-war investments</li> <li>Loosing economic competition to Iran and Lebanese Hezbollah in terms of winning lucrative contracts within Syria's recovery</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Russia's traditional links with the Kurdish business community could be useful in terms of restoring the economic unity of Syria</li> <li>Russia's diplomacy based on President Putin's personal relationships with the Iranian, Turkish, and the Gulf Arab tracks could assist in building international consensus on Syria's recovery (the humanitarian dossier, Russian know how + foreign funding formula), linking it with rational compromises from Damascus</li> </ul>	<ul style="list-style-type: none"> <li>Quick restoration of the pre-war positions in various sectors of the Syrian economy in case of launching a large-scale reconstruction</li> <li>Real prospects for increased presence in the "parallel economy" of the NE Syria</li> <li>Non-monolithic stance of the EU toward Syria provides opportunities for the re-establishment of relations with individual countries (Czech Republic, Cyprus, Hungary, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Prospects for the rapid revival of economic presence in return for the restoration of S.A.R.'s membership in the Arab League</li> <li>GCC diplomacy could play a positive role in pushing forward the Syrian peace process via putting reasonable pressure on the Syrian opposition vs. reciprocal moves from Damascus</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>Risk of economic marginalization in Syria in case of loosing competition with Iran, China, and Arab states while making Hmeimim and Tartus military bases like "Ceuta &amp; Melilla"</li> <li>Rise of Russia's own financial costs in Syria if failing to ensure any international consensus on Syria's recovery</li> </ul>	<ul style="list-style-type: none"> <li>Risk of new exodus of Syrian refugees to the EU as a result of the deterioration of the current social-economic crisis in Syria</li> <li>Risk of infiltration of extremists from Syria</li> <li>Unfavorable prospects for the marginalization of the European diplomacy in the Syrian peace process affecting the EU's influence and its image in the Middle East</li> </ul>	<ul style="list-style-type: none"> <li>Distancing of the Gulf Arab states from Syria's economic reconstruction could bring Syria closer to Iran, affecting GCC's vital interests</li> <li>Risk of new exodus of Syrian refugees to the Arab Gulf as a result of the deterioration of the social-economic crisis in Syria</li> </ul>

That means none of the stakeholders is able to effectively complete tactical tasks, not to mention strategic goals without a consolidation of efforts. Even after the joint military victory over the Islamic State of Iraq and Syria (ISIS), Syria's territorial partition is still present along with the co-existence of official and three parallel economies (areas of the NE Syria, the Turkish



buffer zone in the north, and HTS-controlled Idlib). This reality prevents Syria from becoming a “zero-sum game” case with a perspective of post-war fragmentation of state (this time driven not by the war but the mounting domestic economic crisis multiplied by harsh international sanctions) becoming a genuine nightmare for all. Undoubtedly, no stakeholder will be satisfied if the HTS-controlled part of Idlib becomes another “Gaza strip”<sup>37</sup> with the possibility of becoming a source of religious radicalism and “shadow” trade.

Second, the mosaic of common ground and discrepancies applicable to the three parties in terms of early recovery and the post-conflict reconstruction as depicted in the chart below could be recognized as another proof of the vital interconnection among foreign actors regardless of their political sympathies or antipathies toward official Damascus or opposition.



Russia has been under increasingly severe Western sanctions that hinder its already limited capability to bear alone the burden of early recovery and post-conflict reconstruction in Syria. Thus, Damascus and Moscow are hardly ready for the immediate return of millions of Syrian refugees if Syria sanctions remain in place.

The GCC and EU members are the missing potential donors of Syria's recovery. However, the Gulf Arab states, like Qatar, the UAE, Kuwait, and Bahrain, although they have a successful past record of trade, economic, business-to-business, and investment cooperation with Syria, cannot implement future large-scale reconstruction projects without taking into account Russia's “security matrix” because they have been absent from Syria since 2011. Moreover,

<sup>37</sup> Such a scenario has been increasingly referred to by international scholars; see, for instance: Fabrice Balanche, Idlib May Become the Next Gaza Strip, The Washington Institute for Near East Policy, March 26, 2020, <https://www.washingtoninstitute.org/policy-analysis/idlib-may-become-next-gaza-strip>

Russia could be viewed by the Gulf Arab Sunni monarchies as the sole actor capable to deter the military, political, and economic ambitions of Iran.

EU members, like France and Germany, have a positive record of pre-war institutional and economic dialogue with Syria. The authors' field research indicates that there are still European-oriented Syrian entrepreneurs who had positive experiences with business-to-business partnerships in EU states. Some European businesses are still operating in Syria, such as the French CMA-CGM maritime company using the Latakia and Tartus seaports.<sup>38</sup>

Third, there are modest signs of recovery facilitated with the use of EU development assistance in the Kurdish northeast – data about at least one early recovery project was released by the UK government referencing also a U.S. Department of State contribution<sup>39</sup>. However, its impact remains questionable. One could hardly imagine successful monetizing of the Kurdish administration's access to the major oil fields located in northeastern and eastern Syria without restoration of Syria's oil infrastructure. Eventually, that could mean linking the oil storage facilities in northeastern and eastern Syria with government-run export facilities located in the Mediterranean port of Banyas via a restored national network of pipelines. This could also lead to the restoration of normal supplies of grain from Hasakah province, which was always called Syria's "wheat basket," to government-held areas. Russia can assume a role here as a mediator between the Syrian authorities and the northeastern Syria officials. Some steps in that direction have already been taken by the Russian MFA, such as organizing a visit to Moscow by a delegation of the Syrian Democratic Council in August 2020<sup>40</sup> and September 2021<sup>41</sup> led by its executive co-chairman, Ilham Ahmed.

Fourth, the highest degree of internationalization of the Syrian conflict and the objective interdependence of the EU, the GCC, and Russia determine the necessity of finding mutually acceptable real compromises to ensure progress on the Syrian track. Namely, it is about finding a *modus vivendi* solving the outstanding dichotomy of whether the Syrian political reform or Syria's post-conflict reconstruction should come first.

Fifth, any dialogue between the Gulf Arab states, European countries, and Russia to achieve true success requires *ad hoc* coordination with other global and regional actors, such as the U.S., Iran, and Turkey. The U.N.-designed Geneva format of the Syrian peace process as well as Refugee Resilience Plans, Humanitarian Response Plans, and the Supporting Syria and the Region (Brussels) format should not be ignored nor overestimated. Russia seems to take first steps aimed at transforming its former largely declarative "from refugees to reconstruction"

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<sup>38</sup> Relevant CMA-CGM contacts in Syria: Offices and Contacts//CMA-CGM official web-site. URL: <https://www.cma-cgm.com/local/SY-510/offices-contacts> (retrieved on 3 May 2021)

<sup>39</sup> Syria Early Recovery and Civil Protection Programme Summary//Gov. UK, 5 Nov. 2019. URL: <https://www.gov.uk/government/publications/conflict-stability-and-security-fund-programme-summaries-for-middle-east-and-north-africa-2019-to-2020> (retrieved on 4 May 2021)

<sup>40</sup> O vstreche Ministra inostrannykh del Rossiyskoy Federatsii S.V.Lavrova s predstavatelyami siriyskoy oppositsii [Russian Minister of Foreign Affairs Sergey Lavrov Met Representatives of the Syrian Opposition]//MFA of Russia, 31 Aug 2020. URL: [https://www.mid.ru/ru/foreign\\_policy/news/-/asset\\_publisher/ckNonkJE02Bw/content/id/4306677](https://www.mid.ru/ru/foreign_policy/news/-/asset_publisher/ckNonkJE02Bw/content/id/4306677) (in Russian) (retrieved on 4 May 2021)

<sup>41</sup> O vstreche spetspredstavatelya Prezidenta Rossiyskoy Federatsii po Blizhnemu Vostoku i stranam Afriki, zamestitelya Ministra inostrannykh del Rossii M.L.Bogdanova s predsedatelem ispolnitel'nogo komiteta Soveta demokraticeskoy Sirii I.Akhmed [Russian President's Middle East Envoy M. Bogdanov met with representatives of Syrian Democratic Council]// MFA of Russia, 15 Sept 2021. URL: [https://www.mid.ru/web/guest/foreign\\_policy/international\\_safety/conflicts/-/asset\\_publisher/xIEMTQ3Ovzca/content/id/4858950](https://www.mid.ru/web/guest/foreign_policy/international_safety/conflicts/-/asset_publisher/xIEMTQ3Ovzca/content/id/4858950) (retrieved on 4 Nov. 2021)

approach in favor of practical if not commercial modalities. Thus, Foreign Minister Sergey Lavrov's March 8-12, 2021, visits to the UAE, Saudi Arabia, and Qatar highlighted Moscow's readiness for fresh operational frameworks like the Qatar-Russia-Turkey format.

## VIII. Recommendations

Based upon the above analysis, we propose the following recommendations:

1. Push for progress on the political track should go hand in hand with addressing humanitarian and economic issues in Syria, exploring avenues where the EU, GCC, Russia and the U.S. can build constructive dialogue and progress. Early recovery projects (including humanitarian assistance) and post-conflict reconstruction efforts by international and regional actors which aim at improving life of ordinary people inside Syria should remain delinked from any political requirements.
2. Pursue a "step-for-step" approach whereby realistic, practical, and tangible confidence building measures (CBM) — such as the release/exchange of detainees, guarantees of unhindered humanitarian relief to the whole of Syria through transparent national-international monitoring, small/medium-scale win-win projects — are advanced in order to ensure broader engagement by the EU in early recovery and potentially individual European country involvement in early phases of post-conflict reconstruction.
3. Convene a working international dialogue platform (Track II) of academics, experts, entrepreneurs, and policy practitioners aimed at identifying a comprehensive inventory of interests, challenges, capabilities, and prospects for coordinated action. The platform would produce scenarios for Russia-GCC and/or Russia-EU-GCC engagement on economic reconstruction. Such a platform could be hosted by a reputable think tank in a GCC-member country such as Oman, UAE, Bahrain, or Kuwait .
4. As part of platform discussions, participants could identify a list of eight to 10 priority economic projects (e.g., domestic trade, agriculture, mineral resources, local administration, and energy) for joint implementation with Syrian central authorities and the Autonomous Administration of North and East Syria (NES) with Russian mediation and the "security matrix" experience, EU administrative and business guidance, and the GCC business-to-business funding and experience. These projects could be done in close cooperation with the U.N., the U.S., or in a separate format.

## IX. Annex

**Table 1 - Syrian exports to Arab and GCC states**

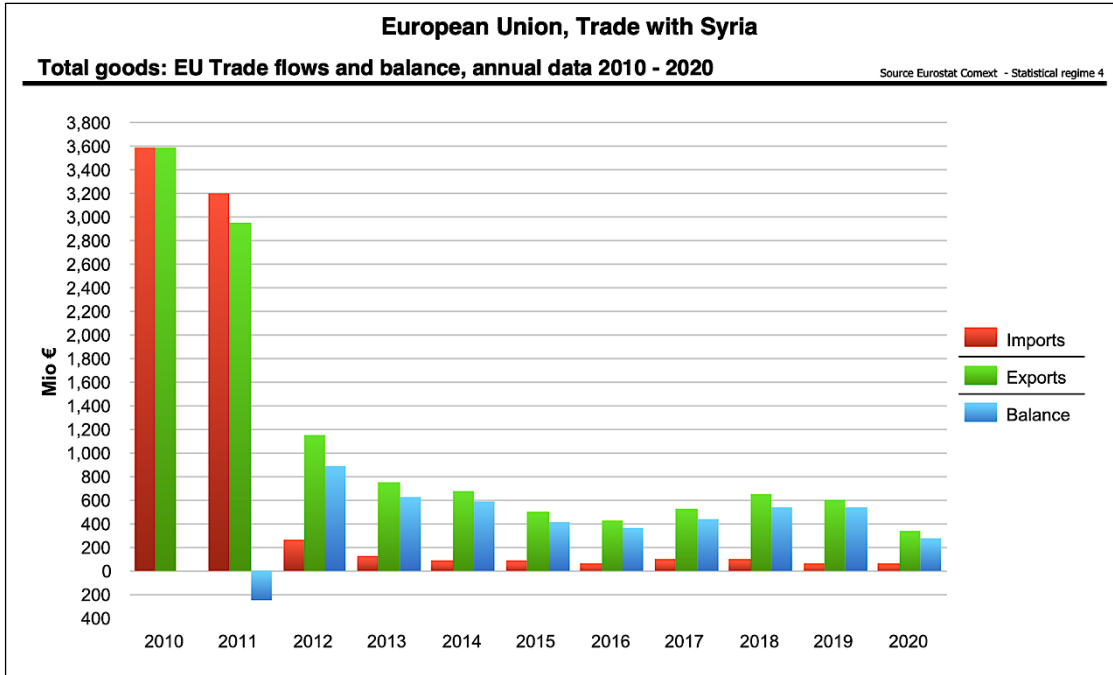
Syrian exports to Arab and GCC states							
Country/year	2010	2015	2016	2017	2018	2019	Place in export rating (2019)
Syrian exports to Arab countries (USD thousand)	2,154,005	601,463	562,626	512,607	489,279	530,438	
Share of Bahrain (%)	0.3	0.4	0.5	0.5	0.6	0.7	5
Share of Kuwait (%)	5	2	4	4	6	7	3
Share of Oman (%)	0.7	1.0	0.1	0.6	0.5	0.3	6
Share of Qatar (%)	3	2	-	2	2	2	4
Share of Saudi Arabia (%)	25	15	17	16	22	28	1
Share of the UAE (%)	4	7	9	9	8	10	2
Share of other Arab states	62.2	72.7	69.4	69.2	61	51.6	

**Table 2 - Syrian imports from Arab and GCC states**

Syrian imports from Arab and GCC states							
Country/year	2010	2015	2016	2017	2018	2019	Place in import rating (2019)
Syrian imports from Arab countries (USD thousand)	2,759,283	984,382	774,003	1,647,730	1,942,968	1,475,196	
Share of Bahrain (%)	2.68	0.47	0.01	0.01	0.12	0.02	5
Share of Kuwait (%)	3.10	0.31	0.36	0.31	0.17	0.23	2
Share of Oman (%)	2.56	1.03	1.33	0.37	0.25	-	6

Share of Qatar (%)	2.60	0.01	-	0.01	0.004	0.07	3
Share of Saudi Arabia (%)	32	7	9	1	0.08	0.04	4
Share of the UAE (%)	9	23	23	59	61	55	1
Share of other Arab states	58.11	68	69.16	39.61	37.62	43.9	

**Table 3 – European Union, Trade with Syria**



**Table 4 – Syrian Emirati / Syrian-Saudi Trade**

Syrian-Emirati/Syrian-Saudi Trade (Selective Components)						
Components/year	2010	2015	2016	2017	2018	2019
<b>Syrian exports to Saudi Arabia (USD thousand):</b>						
Coffee, tea, maté and spices	8,091	14,646	19,464	19,173	17,858	18,581
Edible fruit and nuts; peel of citrus fruit or melons	33,640	8,626	11,870	12,487	21,606	24,202
Edible vegetables, roots and tubers	93,822	7,374	6,584	8,706	6,538	24,476
Animal or vegetable fats and oils; prepared edible fats; animals	12,309	10,990	23,026	16,802	31,003	29,118
<b>Syrian imports from the UAE (USD thousand):</b>						
Plastics and articles thereof	42,518	9,989	24,564	20,828	47,061	41,531
Electrical machinery and equipment; sound recorders and reproducers, television	3,510	55,970	34,448	479,870	594,126	263,755
Tobacco and manufactured tobacco substitutes	457	1,791	18,374	280,015	282,425	381,458
Machinery, mechanical appliances, boilers; parts thereof	6,231	28,291	6,904	64,387	84,543	28,126

Table 5

Bank name	Share Capital (SYP million)	Equivalent (USD million)	Strategic Partner	Partner's share (%)	Partner's share (USD million)	Investment rating (by country)
Qatar National Bank Syria	15,000	34.48	Qatar National Bank (Qatar)	50.81	17,52	1 (Qatar)
Syrian International Islamic Bank	13,701	31.50	Qatar International Islamic Bank	29.99	9.45	2 (Qatar)
Byblos Bank Syria	6,120	14.07	Byblos Bank (Lebanon)	59.87	8.42	3 (Lebanon)
Bank of Syria and Overseas	6,000	13.79	Bank of Lebanon and Overseas	49	6.76	4 (Lebanon)
Fransabank Syria	5,250	12.07	Fransabank (Lebanon)	55.66	6.72	5 (Lebanon)
Arab Bank Syria	5,050	11.61	Arab Bank (Jordan)	51.286	5.95	6 (Jordan)
The International Bank for Trade & Finance	5,250	12.07	Housing Bank for Trade & Finance (Jordan)	49.06	5.92	7 (Jordan)
Bank Audi Syria	5,725	13.16	Bank Audi (Lebanon)	41	5.40	8 (Lebanon)
Banque Bemo Saudi Fransi	6,500	14.94	Banque Saudi Fransi (Saudi) Banque Bemo (Lebanon)	27 22	4.03 3.29	9 (KSA) 12 (Lebanon)
Cham Bank	5,250	12.07	Commercial Bank of Kuwait Islamic Development Bank	32 9	3.86 1.09	10 (Kuwait) 16 (KSA)
Bank of Jordan Syria	3,000	6.90	Bank of Jordan	49	3.39	11 (Jordan)
Bank al-Sharq	2,750	6.32	Banque Libano-Française	49	3.10	13 (Lebanon)
Al Baraka Bank	5,000	11.49	Al Baraka Banking Group Emirates Islamic Bank	23 10	2,64 1.15	14 (Bahrain) 15 (the UAE)
Syria Gulf Bank	1,500	3.45	United Gulf Bank (Bahrain)	9.30	0.32	17 (Bahrain)



Table 6

Insurance company name	Share Capital (SYP million)	Equivalent (USD million)	Strategic Partner	Partner's share (%)	Partner's share (USD million)	Investment rating (by country)
Syria International Insurance AROPE	1,270.5	2.92	AROPE (Lebanon) Bank of Syria and Overseas	34 5	0.99 0.15	1 (Lebanon) 8 (Syria-Lebanon)
Syrian Kuwaiti Insurance Co	1,062.5	2.44	Gulf Insurance Group (Kuwait) Syrian Kuwaiti Insurance Co (Kuwait) United Gulf Bank (Bahrain)	38.99 10 1	0.95 0.24 0.02	2 (Kuwait) 7 (Kuwait) 11 (Bahrain)
United Insurance Co.	1,593.75	3.66	Banque Bemo Saudi Fransi	23.07	0.84	3 (KSA-Lebanon)
Arab Orient Insurance	850	1,95	Arab Orient Insurance (UAE)	40	0.78	4 (UAE)
Solidarity Insurance	1,000	2.30	Dar Al Talahom for Trading Services	20	0.46	5 (KSA)
National Insurance Company	1,500	3.45	Al Ola and Marwa for Trading (Syria) Jordan French Insurance Co. - JOFICO (Jordan) Syria Libya Co.	34 10 3.15	1.17 0.35 0.11	6 (Jordan) 9 (Libya)
Oqaila Takaful Insurance Company	4,000	9.20	Dashti Company (Kuwait) Syrian Engineers Association Karkoor for Trading Dashti Investment Group (Kuwait) Aman Company	1 5 1 1 0.28	0.09 0.46 0.09 0.09 0.03	10a (Kuwait) 10b (Kuwait)

Table 7

<b>SWOT Analysis of Russia, EU, and GCC Stances Toward Syria's Reconstruction</b>			
	<b>Russia</b>	<b>EU</b>	<b>GCC</b>
<i>Strengths</i>	<ul style="list-style-type: none"> <li>Russia has obtained significant political-military presence in Syria, incl. a lobby in the local security community plus police presence on the ground; this enables Russia to preserve a proactive role on the Syrian humanitarian track</li> <li>Russia is a facilitator and a key player at various fora of the Syrian peace process (intra-Syrian talks, Astana, Tripartite summits, Russia-Qatar-Turkey format), controlling the dichotomy of the Syrian political process vs. economic reconstruction</li> <li>Russia has been dominating the sector of local mineral resources</li> </ul>	<ul style="list-style-type: none"> <li>Preserving influential shadow economic lobby in Syria (private traders and dealers)</li> <li>Winning sympathies of Syrian refugees and expats (incl. Kurds) who could return in future to their homeland obtaining a role within Syria's new political landscape</li> <li>Well-established coordination with the UN (incl. the UN Syria Country Team); which enables the Europeans to play a proactive role on the humanitarian track incl. the "all-of-Syria" format</li> <li>Well-set relations with the NE Syria</li> </ul>	<ul style="list-style-type: none"> <li>Successful pre-war record of the B2B cooperation and Gulf investments in Syria (mostly, from Qatar): the existence of reliable business partnerships</li> <li>Preserving influential shadow economic lobby in Syria (private traders and dealers, incl. <i>awlad as-sultah</i> and <i>expatriate</i> entrepreneurs) along with the existing Syria-GCC trade regardless of sanctions</li> <li>Some GCC states (Bahrain, Kuwait, Oman) preserved good reputation among Syrians in the government-controlled zone</li> </ul>
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<i>Opportunities</i>	<ul style="list-style-type: none"> <li>Russia's traditional links with the Kurdish business community could be useful in terms of restoring the economic unity of Syria</li> <li>Russia's diplomacy based on President Putin's personal relationships with the Iranian, Turkish, and the Gulf Arab tracks could assist in building international consensus on Syria's recovery (the humanitarian dossier, Russian know how + foreign funding formula), linking it with rational compromises from Damascus</li> </ul>	<ul style="list-style-type: none"> <li>Quick restoration of the pre-war positions in various sectors of the Syrian economy in case of launching a large-scale reconstruction</li> <li>Real prospects for increased presence in the "parallel economy" of the NE Syria</li> <li>Non-monolithic stance of the EU toward Syria provides opportunities for the re-establishment of relations with individual countries (Czech Republic, Cyprus, Hungary, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Prospects for the rapid revival of economic presence in return for the restoration of S.A.R.'s membership in the Arab League</li> <li>GCC diplomacy could play a positive role in pushing forward the Syrian peace process via putting reasonable pressure on the Syrian opposition vs. reciprocal moves from Damascus</li> </ul>
<i>Threats</i>	<ul style="list-style-type: none"> <li>Risk of economic marginalization in Syria in case of loosing competition with Iran, China, and Arab states while making Hmeimim and Tartus military bases like "Ceuta &amp; Melilla"</li> <li>Rise of Russia's own financial costs in Syria if failing to ensure any international consensus on Syria's recovery</li> </ul>	<ul style="list-style-type: none"> <li>Risk of new exodus of Syrian refugees to the EU as a result of the deterioration of the current social-economic crisis in Syria</li> <li>Risk of infiltration of extremists from Syria</li> <li>Unfavorable prospects for the marginalization of the European diplomacy in the Syrian peace process affecting the EU's influence and its image in the Middle East</li> </ul>	<ul style="list-style-type: none"> <li>Distancing of the Gulf Arab states from Syria's economic reconstruction could bring Syria closer to Iran, affecting GCC's vital interests</li> <li>Risk of new exodus of Syrian refugees to the Arab Gulf as a result of the deterioration of the social-economic crisis in Syria</li> </ul>

**COMMON GROUNDS AND DISCREPANCIES BETWEEN RUSSIA, EU, AND GCC IN SYRIA'S POSTCONFLICT ECONOMIC RECONSTRUCTION**

**Russia**

Launching large-scale economic reconstruction under Russia's exclusive political & military control with minimum Russian investment and financial costs  
 Promotion of Syria's economic reunification as a locomotive for the long-lasting political settlement of the Syrian conflict  
 Building a long-term Russian economic presence in Syria largely outsourced to crony companies and risky entrepreneurs  
 Use of the Syrian dossier for raising Russia's stakes in overall diplomatic bargaining with Western and Middle Eastern states

**Russia-EU**

Identification of promising joint recommendations for the Syrian authorities in terms of improving business environment, investment climate, and conducting successful administrative reforms based on the Russian "security matrix" plus European experience & practical patterns formula

**Russia-GCC**

Finding mutually beneficial patterns, forms, and modalities of economic partnerships (including PPPs & PSAs) in Syria: Russian political-military patronage and technologies plus GCC funding

**Russia-EU-GCC**

Prevention of further exodus of Syrian refugees: stimulation of their return home  
 Eradicating economic roots of terrorism in and around Syria (together with US and China)  
 Avoiding economic-social collapse in Syria because of mounting economic challenges

**GCC**

Use of the economic factor in general and the post-conflict reconstruction dossier in particular for the non-violent toppling of Bashar al-Assad  
 Moving Syria out of the Iranian "axis of resilience" to the Arab-Sunni orbit; confronting Tehran's "Shia Crescent" project which implies the build-up of Iranian military, political, and economic presence in Syria

**EU-GCC**

Permanent diplomatic coordination (also with the US) within the dichotomy of the Syrian political process and the Syrian post-conflict economic reconstruction with an eye to provoking deep power-change in Damascus

**EU**

Use of the post-conflict reconstruction dossier as a tool of Western political pressure on Bashar al-Assad's Syria aimed at reconstituting the local political power ("the political solution comes first" formula)  
 Creation of shadow grounds for future economic presence and a competitive European role in Syria's economy: relying on pre-war Syrian partners and dealers along with the use of business associations of Syrian expatriates such as the Grouping of Syrian Businessmen in the World (GSBW)  
 Defending and promoting interests of selective companies in Syria (like Ericsson, Skoda, Siemens); taking advantage of the working Embassy of the Czech Republic in Damascus

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