

# From the Social Market Economy to the National Partnership: The conflict elite and public-private partnerships in a post-war Syria

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Marota City, Syria: Construction work at the site of Marota City project. One of the projects of Cham Holding. The land of the project was occupied by informal houses- some of which could be seen in the background. Source: Marota City website.

The current state of the Syrian conflict has turned our collective attention to questions of reconstruction, despite the absence of a formalised peace process or political negotiations. The Syrian post-war order is **not** being shaped by a liberal peace imposed from the outside by multilateral powers, nor a negotiated peace that emerged from within the country through negotiations between various factions. Instead, what is emerging in Syria – drawing from the work of David Lewis – is an ‘authoritarian peace’ in which perpetual violence, the persistence of enmity, and forms of social and political erasure underpin the post-war order. It is through this interpretative framework and its materialisation on the ground that I believe we need to think about Syria’s current and future political economy.

This article is intended to show a specific trajectory in relation to the conflict and to demonstrate how the policies of the 2000s laid the groundwork for a sliver of the reconstruction approach that is manifest in Syria today. As far as anyone can tell, in the absence of a blueprint or a master plan for reconstruction, the main approach to reconstruction in Syria is not one based on specific policies, or on institutional development, or even one that relies on privileging some sectors over others. But rather, it is an approach that centralises public-private partnerships (PPP) as the core mechanism through which to attract capital and to achieve reconstruction ends. The groundwork for such an approach was laid prior to the conflict. As I claim throughout this article, the PPP strategy allows for the transition of a new strata of the business community that emerged after 2011 to transition away from being intermediaries in a conflict economy to playing more productive roles. So, while I am tracing this shift from the Social Market Economy to the National Partnership, I am simultaneously tracing the ways in which a conflict elite has emerged in relation to violence, and how it is being integrated into the emerging reconstruction strategies of the regime.

I will first briefly take us through the two economic strategies, then discuss the processes that have given rise to a new conflict elite whose central role emerged out of the need for distributive and financial intermediation. I conclude by bringing these discussions together.

I want to stress that when I talk about the Social Market Economy and the National Partnership I am not taking them as a coherent set of policies but as a kind of political rationality as a way of talking about and thinking about the economy.

The Social Market Economy was a strategy promulgated at the 10<sup>th</sup> Ba'ath Party Regional Conference in 2005 that gave a name to liberalising measures that began much earlier, in the 1986 and the 1990s, and were accelerated in the early 2000s. The Syrian approach to liberalisation and privatisation, however, was not premised on the transfer of assets from the public to private sector, but rather, through the expansion of markets to facilitate the entry of private capital into the economy. Thus, for example, banks were not sold off but rules were relaxed so that private banks could operate in the country. The same could be said in most areas of the economy, from insurance to higher education, that were effectively marketised rather than privatised. In theory, the public sector would continue to operate alongside an expanding private sector made up of diasporic and national Syrians as well as regional private actors. The strategy sought to link Syria to the flowing circuits of Gulf and Eastern capital that were being invested in growing numbers during the 2000s. The role of the state was imagined as a protector of society from the negative costs of marketisation, hence the marshalling of the social label.

The policies of the 2000s created new elements within the business class and provided new opportunities for the expansion and wealth accumulation of the networks Dr Bassam Haddad talks about in his [Business Networks in Syria](#) book. Of interest are the developments in the latter part of the decade when two holding companies were created, Cham and Souria. Similar to the Chambers, they represented an institutionalisation of a certain kind of business interest, an amalgamation of interests, assets, and power. Many people believed that these companies were politically relevant but economically irrelevant, that is that they were small at that time and were not doing very much. Today, I believe that the situation has changed and that they are relevant in both ways.

Interestingly, when the holding companies were started they were limited in their activities but soon, prior to the outbreak of conflict, they were swallowing up major government contracts, including large infrastructure projects. This led to the creation of a new public-private partnership law to facilitate and legalise the procurement system and to privilege these new partnerships within an evolving economic strategy. Within a few short years, power plant projects, major national highways covering the entirety of Syrian territory, an urban metro network in Damascus and new airports were all projects that were to be realised through PPPs. The passing of public-private partnership laws coincided with laws passed throughout Syria's various ministries eliminating public sector monopolies on major projects, including electricity and transportation, thus displacing the central role of the public sector in major national works. Within this framework, the role of the public was not merely as a partner to private capital but also as a facilitator of land transfer, tax exemptions, and so on.

Thus, there were many changes happening with the business networks and within the business community as a whole prior to the outbreak of conflict. There are three broad changes that have accelerated the transformation of the Syrian business community in the context of the conflict and the emergence of a conflict elite after 2011: economic contraction, international sanctions, and capital flight.

It is in this broader context that Syria's war economies emerge and which provided the conditions for the emergence of what I refer to as the 'conflict elite', specifically distinguishable from other profiteers and war beneficiaries. Generally speaking, the conflict elite are individuals or small networks that operated predominantly in regime areas and who have been central to the regime's shifting modes of economic governance during the conflict, especially concerning attempts to evade sanctions. These elites are not necessarily linked to the regime through familial or social linkages but instead through a system of mutual benefit and interdependency in which the regime has been forced to cultivate and rely on them to stimulate economic activity. Their importance emerged in so far as they linked their activity – such as procurement from the outside or transportation – to the needs of the battlefield. In some cases, they have taken up leadership positions in various Chambers (such as the Damascus Chambers of Commerce and the Damascus Chamber of Industry) and other bodies.

To stress, as the conflict dragged on, the dual impact of sanctions and capital flight meant that many people on the boards of these Chambers' either resigned or fled the country. In 2012, every single member of Cham Holding's board was under US sanctions, so they resigned and were replaced by an entirely new crop of people outside of



Dr Samer Abboud delivering his keynote speech at the Political Economy and Governance in Syria conference.

the sanctions regime. This the crux of what I am talking about – the process of how the sanctions created this need to have a new kind of elite. Years later, internal rules within the Chambers led to the dismissal of chamber members who had fled the country and their replacement by some of these new elite.

Unlike the upper strata of the pre-conflict business class who are primarily involved in the formal economy such as in production, services, and trade, the conflict elites functioned as intermediaries and facilitators to ensure that goods can be brought to regime areas. This role is a function both of the conflict elites' lack of investment capital and of the specific opportunities afforded them during the conflict. And while they may have lacked the wealth and investment capacity of other elites, their presence in the country and their access to the political and security apparatus made them important actors.

They generally come from varied social and economic backgrounds and have not displayed any tendencies toward autonomous collective representation. In other words, they remain fragmented and lack the cohesion or interest to act in a unified autonomous way but have rather sought to integrate within existing modes of representation or within new bodies such as the Syrian Metals and Steel Council that was formed during the conflict. Generally speaking, they tend to have emerged from two different situations: first, those who owned small or medium-sized enterprises prior to the conflict and chose not to divest of their assets and leave the country, and second, private- or public-sector managers who had established enterprises during the conflict. One of the key factors driving their formation is their relationship with regime officials, especially from within the security apparatus. Their central role began as one of intermediation.

I stress intermediation here in contrast to the extractive role that we may think of other actors as playing. I would consider, for example, activities as kidnapping, looting, taxation, and so on, as extractive, short-term, and unsustainable activity that is underpinned by violence. In contrast, intermediaries were implicated in the violent economies but not directly guiding it. As such, they were well positioned to facilitate transactions, evade sanctions, serve as fronts for the existing elites, and so on.

How, then, is the emergence of the conflict elite relevant to the discussion of the National Partnership and to the question of public private partnerships more broadly?

The National Partnership was promulgated in 2016 and with it the end of the Social Market Economy. Far from being a policy blueprint for reconstruction, the National Partnership represents an approach to reconstruction that builds on some of the main marketising and privatising elements of pre-conflict economic policy through the centralisation of public-private partnerships as the core approach to reconstruction. Again, to stress, this is an idea and an approach, not a coherent set of policies. But as an idea it indicates the central role that private capital will play in Syria's reconstruction. This is not simply because of the obvious government fiscal problems, but part of a trend in Syria state formation since the 2000s to shift and open up spaces for capital accumulation within the business community. The final frontier, so to speak, was always large-scale public works, and the conflict's transformations have shattered that border and opened up all areas of the economy to private investment. Through this framework, the state commits itself to a transfer of wealth and assets under the guise of reconstruction. I should say parenthetically that there is no specific model for PPP, it could be public capital or private capital but in the Syrian case I believe that the state's role as a partner is to facilitate these kinds of transfers.

For the conflict elite, the PPPs give them a way to connect with existing capital networks and to shift from the role of intermediation to deeper roles in the economy. In many ways, the conflict elite became so because of their ability to intermediate in conditions of violence. Now, the National Partnership is a way to bring them into the existing capital networks.

To conclude, the National Partnership is reflective both of contemporary processes of state formation and the social transformations wrought by the conflict. Syria's authoritarian peace leaves long-term questions of reconstruction largely peripheral and the possibility of a comprehensive, socially-grounded reconstruction program virtually nil. In other words, the kind of comprehensive liberal peace that is imagined in many of the discussions about Syria will not happen. Indeed, when I was in contact with a Syrian economist recently and asked him about all of the policy documents being produced in the West about Syrian reconstruction his response was blunt but very informative: "nobody in Damascus is talking about this". Instead, what has emerged is a strategic approach to reconstruction that is premised on attracting and circulating capital into the economy through public-private partnerships, a strategy that both extends processes of state formation prior to the conflict and incorporates new sources of power in the form of the conflict elite.

*Note: The CRP blogs gives the views of the author, not the position of the Conflict Research Programme, the London School of Economics and Political Science, or the UK Government.*