

Building a New Syria: Socio-Economic Challenges

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[00:00:00]

YEZID SAYIGH: Recoup some of the time lost, claimed for unimportant things like politics in the first session. We were waiting for the first speaker, Jihad Yazigi, to arrive, apparently who's held up by traffic, and Beirut traffic can be very bad. But he's now there. You hear me, Jihad? Hi, yes.

JIHAD YAZIGI: I do, hi.

MR. SAYIGH: Jihad, I was told by our communications people to ask you to ask your communications people to get the camera zoomed in on you more, so if you can give someone –

MR. YAZIGI: It's not the case now? Right, I have no idea how to do this.

MR. SAYIGH: No, I think –

MR. YAZIGI: Give it back, I'm doing it myself. I'll get paid for that actually. (Laughter.)

MR. SAYIGH: Well, Jihad, I propose maybe then to – oh yes, he's gone, all right. (Scattered laughter.) So while Jihad is away, I'll introduce everyone.

Jihad Yazigi is the editor of Syria Report, which is a very leading business and economic web-based magazine on Syria. And he will be speaking to us about the current – I mean, sort of characterizing current economic situation laying the ground for our second speaker, Dr. Omar Dahi, who is assistant professor of economics at Hampshire College, to speak about the social and political dynamics of rebuilding Syria's economy, in other words, to try and pin down what often is approached as a highly technical issue, and sort of set of policies in the real dynamics that will probably shape what actually comes out at the end of this process.

And then we'll move third to Doctor Samer Abboud, who's assistant professor of international studies at Arcadia University, who will assess the needs and priorities of economic reconstruction in Syria, based on a summary sense of what the situation actually will be in terms of damage and cost, and what the key structural and other factors will be that will shape what is possible and not possible in reconstruction, and direct it.

[00:02:14]

Jihad, I'm very pleased to see you have grown in stature in the last few seconds. I've already introduced you, and we're going to come immediately to you to give us – and a reminder to everyone to speak for no more than 10 to 15 minutes at the latest. And I will be firm with you, economists, since you're meant to be efficient.

Please go ahead, Jihad, the floor is yours.

MR. YAZIGI: Well, good morning everyone. Good morning to Omar, to Samer, whom I met with years ago, and to everyone in Washington. And I'm sorry for being late, but the Beirut traffic is what it is. And of course, congratulations for holding these elections; I mean, it's something that is basic for you, but that is obviously not the – it's not the case everywhere, actually.

Right – I will talking – I don't know what is it you told the – the gentleman there – basically my idea here is to maybe give a background on the economic and social conditions prevailing in Syria before and at the beginning of the revolution in March 2011. So as you probably know, people in Syria who took to the streets spoke pretty little when they took the streets of issues related to economic or social conditions, to social justice, for instance. You didn't hear that much when people took to the streets. But that does not mean that there weren't – there aren't significant reasons from an economic and social point of view, why people, you know, have many reasons to be uneasy with the state of affairs in Syria two years ago.

I – what I would like to do is to go back around three decades ago, in the early (to the late ?) 1980s. I will do that very quickly because I know we don't have much time. But I think that's an important time and an important moment, because in the 1980s, in the early 1980s, the Baath Party and its socialist economic policies had been in place for some two decades, and during these two decades, you will have had, you know, strong economic growth, and you know, strong, also, state investment in the physical infrastructure of the country, and in the social services, health and education. To give an example, GDP per capita at the time in 1983, for instance, in Syria was equivalent to that of Turkey or South Korea. That has – that is only 30 years ago. I said I'd talk to – we discussed this recently with an economist here, and he pointed out that obviously, you have to take into account devaluation of the – of the exchange rate, but still Syria's GDP per capita was significant just a few decades ago.

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Now, what happened in the – in the early 1980s, is you have had – you had a strong – you had an economic crisis in Syria, a strong economic contraction for a number of reasons. I'm not going to badger into details, but this includes a decline in aids and remittances from the Gulf. And it was associated with the increasing size of the state and the bureaucracy, corruption and red tape that were associated with it.

So in that – in 1983, you have strong contraction of economy, you have a severe foreign currency crisis for the government, and the government then does three things then: It decides to divest from the state, from the – sorry, from the economy. It devalues its currency, and it decides to start opening, liberalizing, some segments of the Syrian economy. And it did this in the early 1980s; that is well before, for instance, what did – what happened in Eastern Europe, where economic liberalization really took place at the end of the '90s and after the fall of the Berlin Wall. But from 1986, for instance, in Syria, you had more (facilities ?) given to private investors in the tourism sector, because that was a sector that was supposed to – (inaudible) – foreign currency reserves.

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Then – since the, you know, following that – the – after the mid-'80s, towards the late 1980s, you have an empty – actually, for the following two decades, you have a number of characteristics of a Syrian economy. First of all, you have a strong state divestment – and this has been in place really actually until now, until very recently – you have high population growth, you have very low GDP growth. It's important to note, for instance, that from the early 1980s to 2010, the GDP growth averaged below 5 percent, so of course, by Western standards, that is a high rate, but in Syria you

need a GDP growth of 7 (percent) to 8 percent per annum on average to create new job growth changes.

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In other words, you had for around three decades in a row, a GDP growth that was below the level needed to create employment. So you have almost 30 years of successive increasing unemployment in Syria. You have – what you also had was a loss – the state lost its role as a social integrator, as a provider of fair services, and you have had – you had a Syrian middle class that gradually, slowly, but very surely decided to disappear.

To give you a figure, in 2002, for instance, the number of – the ratio of the labor force to the total population was 52 percent, the number of people above 15 years, really. Eight years later in 2010, this ratio decreased actually, in spite of the – to 42 percent. So if you want, you had during these three years – it would be these 30 years, sorry – a long period of divestment from the state, of low growth, of high unemployment, that during this period, what happened was that in the early '90s, Syria began to pump significant amounts of crude oil. In 1996, it reached a peak of 600,000 barrels of crude oil a day.

This period was important for the Syrian government, because it allowed it to generate new foreign currency reserves, and to gain some fiscal margins of maneuvers. Unfortunately, instead of using these margins of maneuvers to invest in the economy, it basically used these to amass vast reserves, the same reserves that it had at the beginning of uprising two years ago, and that have had to sustain the level of the currency, relatively sustain.

So until really the early 2000s, which coincide with arrival of Bashar Assad to the presidency, we are talking there of a very low period of time with poor, very poor economic growth, increased unemployment, and so on and so forth. What happened with Bashar Assad, in 2000s, in the early 2000s, there were Syrian officials, the Syrian government realized that it could not continue in the same path, because all the exports were decreasing quickly, the oil fields were more seriously were decreasing very quickly, and very quickly, Syria was at risk of being in a new – was at risk of facing a new economic crisis, and a new crisis of its foreign reserves.

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The government was forced this time to take serious economic – adopt serious economic liberalization reforms. What I forgot to say – I just remembered now – is that in early '90s, when the government discovered crude oil reserves, and therefore gained some margins of maneuvers, it stopped the – liberalization efforts had begun in the mid-'80s, because obviously, when you liberalize your economy, you give more power to the private sector, more economic power. You are also at risk of giving – you are taking the risk of giving more political power. And the government decided that having enough reserves to sustain itself, to finance its deficits and to amass reserves, it did not need to liberalize and to attract private investors. So the – so you had the extent of economic liberalization was radically limited, and the size of private investment that were attracting to the country were also very limited. And this limited size of investment by the private sector, as I said, was not compensated by public sector investment into infrastructure or anything else.

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Now, beginning in the 2000s, the Bashar presidency then begins a number of economic liberalization reforms. They include, for instance, the lifting of many obstacles to foreign trade, the signing of (free trade agreement ?) with Turkey and the greater Arab area, the opening-up of sectors of activities such as cement production, bioproduction (ph), to private investment, the opening of financial services and so on and so forth. This liberalization largely focuses on the services sector, and – (inaudible) – favors urban areas. It's also largely driven by the – by the interest in attracting investment from Gulf countries. This was the period of, you know, a boom in impasses after 9/11 and divestment from many Gulf Arabs from the Western markets. So there was sort of competition to attract investment in the Middle Eastern and Arab markets, and Syria tried to play that game by, you know, opening up the financial market, for instance, of bringing investment into real estate.

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So this liberalization, which had some successes, had also some major flaws. In particular, liberalization largely neglected two key sectors in Syria, which are the agricultural sector, which made up at the time, up to 25 percent of GDP and maybe up to, around the same level of the labor force, and the manufacturing sector. For instance, the free trade Arab idea signed with Turkey enabled a flood, really, of Turkish products into Syria. I remember very well having put myself there; we really had this feeling of being invaded by Turkish products. And of course, this radically quick liberalization, which did not come up with significance or with any, really, support for local manufacturers, and no support, for instance, to encourage them to export, to, you know, to thousands of workshops and plants being closed in these – in the industrial areas around the large Syrian cities, such as Aleppo, for instance, which is major manufacturer area, which is the main manufacturer area of Syria. So you have the, you know, a large number of plants in the textile center that were – that were first to close.

And at the same time, so apart from the manufacturing sector, you have the agricultural sector. One figure that is important to know is the contribution of agriculture to GDP, which fell from 25 percent in 2003 to 16 percent in 2010. In other words, in less than seven years, you had a decline of nine percent in the contribution of the sector to the economy as a whole.

The reason for that is a number of factors, including the drought. We had a severe drought in the late 2000s, but also poor economic policies by the government, in particular, a decision – decisions by the government to reduce subsidies on the farming sector, just in the midst, actually, of the – of the drought that the farming sector was facing.

And this actually (led ?) a massive migration of people what people say, (I believe the number is ?) of up to 1 million Syrians from the eastern areas of the country, which are mainly farming areas, to western – to the suburbs of the western cities that are (Homs ?) and Damascus.

And also, another important thing is that this liberalization process, this economic opening up, if you want, was not accompanied by any major achievement, no significant political liberalization whatsoever. And – (audio break) – for instance, the judiciary system remained extremely corrupt. The legal environment was in theory much better, but in practice much more complicated because you always needed to have a good local partner if you want to do business.

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And if you look, for instance, at all the main surveys produced by these international institutions such as the World Economic Forum or the World Bank and the Doing Business report, you see Syria being ranked almost every year among the last quarter of not only – of Arab countries, actually. We – you see our ranks with Yemen and Sudan and – countries – or Iraq, countries that have, really, a very poor business environment. FDI in Syria in 2010, for instance, was lower at the same level than that of Jordan, for instance, which is a country a fifth of the size of Syria, with – and with none of its vast resources.

So you have all these factors. When the revolution begins in March 2011, you have over 30 years of deteriorating – slowly, gradually deteriorating economic and social conditions. And that affected mainly Syria's working world, if you want – the suburbs of the cities, the smaller towns, the areas, basically, where most or many of the demonstrations and now violent opposition are taking place. Daraa, which is at the center of the Haran, a vast agriculture area; the suburbs of Idlib, which is mainly an agriculture area; the rural areas of Aleppo. One – Aleppo's a very good example, actually. If you read it in the news reports about the entry of the FSA in the city of Aleppo, you will – you will read that, until this day, the inhabitants of Aleppo reject by large – you – apparently, there is a lot of rejection of the FSA. In a certain – and if you see how the FSA entered the – now, for instance, they also entered into the Umayyad Mosque or the souks of Aleppo, there is a feeling among many Aleppines that – as if, if you walk inside – as these people from the rural areas are invading their city. That's a big word of course, and that's not really how we should describe it.

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But what I mean to say here is that Aleppo, which is a city that suffered a lot, actually, during the 20th century for a number of reasons – at one time it was largely – larger than Damascus – how with the Bashar era managed to, if you want, to gain back part of its wealth. And when it – and of course, when the uprising began, it was an uprising that the city did not want, that many of the urban dwellers did not want, actually; while the rural areas, neglected for decades, poor, want more radical change, if you want. And this contradiction, this strong contradiction, is something you – we could see in that city.

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Now, I'm not going – I think I'm over the 10 or 15 minutes here – but maybe, is it, what I just wanted to –

MR. SAYIGH: (Inaudible) – at 15 (minutes).

MR. YAZIGI: It's 15 (minutes)?

MR. SAYIGH: You – in 10 seconds, so if you –

MR. YAZIGI: OK. OK, I'll – let me get – in 10 seconds –

MR. SAYIGH: And – I'm sorry – just so you know –

MR. YAZIGI: I'll say it in 10 –

MR. SAYIGH: No, no; more than 10 seconds. But just so you go ahead –

MR. YAZIGI: OK. Now, what I wanted to say is that the revolution is most probably going to lead to a demise of the Baath Party but possibly also to a lot of the policies of the Baath Party, including its pro-poor – if you can say that, for a certain time – pro-farming – and quite surprisingly, I mean, the people that take to the streets today are the people who are most in need of these support. So farmers are – want to remove the Baath Party, workers want – are in the streets – taking to the street to remove the Baath Party. And they're going to get a new political system and economic system which will – most likely will not adopt any of the pro-farming or pro-workers policies that it had in the '70s or '80(s), and it doesn't have anymore.

I would like to speak much more, but – (audio break) – have the time.

MR. SAYIGH: Many thanks, Jihad, and we will – we will definitely come back to you during the discussion period, for sure.

I'll hand over to Omar Dahi on my left, here.

[00:19:39]

OMAR DAHI: Well, thank you very much. And I'd like to start off by thanking Carnegie for organizing this important event and inviting all of us – Marwan, Yezid, Katherine, Tiffany, Intissar, Omar and all the team. Thank you very much for this wonderful opportunity.

I have been researching Syria, and this summer I went to Beirut; spent a couple months talking to lots of people – business people, artists, activists, medical workers who were working on humanitarian assistance. Last year, I was in Syria, and I traveled a little bit inside the country, so I'd like to share some thoughts and observations about the economy in light of what we see happening on the ground and some of the, what I see, missing issues on economic debate and economic discourse that are going to be crucial for moving forward.

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I'm going to start off by saying that we have, I would assume, two important goals in mind. The first goal is that we'd like to have peace and stability in Syria moving forward, and the second goal is that we'd like to see a healthy, legitimate and functioning state that is able to do its job at the economic level, and that we want those goals long after aid organizations have left and aid is diminishing and development agencies working in the country are packing up and leaving as well. So we should think of the immediate future, of course, with the catastrophe happening on a humanitarian level – 4 million people, the Red Cross is saying, are in need of urgent aid – but also think, as we're moving forward. And I agree with Jihad that a lot of the slogans that are being chanted were not economic, but that economics was a core grievance and economic issues were core issues that fueled the uprising. Just as much as it was an uprising about authoritarianism, it was also an uprising about economic marginalization, economic inequalities and, really, an elite capture – the capture of wealth between the holders of economic power and their partners, the holders of political power – and all the issues that Jihad mentioned, so I won't sort of dwell over them.

So I think, from my perspective, it's sort of curious and a missed opportunity that, as far as I can tell, the political organized opposition groups have not made the economic critique a central aspect of their platform. Just as a, sort of, a minor anecdotal example, if you go to the main SNC website you don't see a sort of straight link to economic issues. You see lots of other issues which are very important, but last time I checked I couldn't find, like, a link on the economy. Now, many of them have had and have articulated very important economic issues, and should continue to do so, but I think there's been a sort of exclusion of economic issues, and they've been treated more or less as sort of fixed rather than contested. And as a development economist, I can tell you that economic issues are just as much contested terrain as politics – and as we see from the U.S. election, and we see as – every country in the world.

So while there has been vigorous debate about various important issues such as relationship between sects, the rule of law, minority rights, role of women and so forth – and these are crucial and important – I think the economic issue has to be there in those debates and get equal attention. Economic development, economic growth is not a technical formula to be solved. It's a process. It's a process that ideally should be inclusive and participatory, but at the very least it should have a sort of legitimacy and mandate with the people involved.

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So on that end, I want to say, sort of, a couple things, first about, sort of, the immediate transition process of reconstruction, some general thoughts about it, as well as perhaps looking at the future, economic issues and economic policies as we move forward. And I think that when we're thinking about reconstruction, when we're thinking about redevelopment and economic growth, we want to think about how this process can be done in a way that promotes the kind of Syria we want in the long run – that is to say, of course there is an economic catastrophe that must be solved immediately, and more attention should be paid to that, but there is also the desire to building a long-term healthy state. And the way we do that is that we try to model the behavior that we want in the long run in the reconstruction process. If we want a Syria that is inclusive and participatory, pluralistic and democratic, so too should the reconstruction process be that way.

The politics of post-conflict reconstruction, therefore, must be transparent and legitimate. There has to be an open and transparent assessment of needs that accurately surveys the level of damage across the country. And we see that it's been uneven; it's not everywhere the same. And perhaps Dr. Abboud will talk a little bit about that.

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It must also take into account the new economies in organizing local networks that we've seen on the ground. Last year, I visited Hama after it had been liberated by its people but before the infamous massacre on the first day of Ramadan. Those were some of the most exciting and hopeful moments that I've – that I've seen, where the people were really doing a process of self-governance. It was open, it would hold daily assemblies every night in Assi Square, in Orontes Square, attended by hundreds of thousands – or tens of thousands of people; I shouldn't say hundreds of – hundreds of thousands was on the weekly demonstrations – but every night, there was at least tens of thousands. And they would talk openly and honestly about the problems of the day, the problems facing the city, the long-term prospects, what's happening in the country. And there was nobody

armed, it was inclusive in terms of sectarianism and so forth. So it was really, kind of, a hopeful moment that I feel must be built upon in the reconstruction – in the economic reconstruction process, to take their lead and see the people who are already on the ground, what they value or what they want in terms of their needs.

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Transparency also means that the type of spending that we're going to see moving forward – even though it's huge, but it also must be rationalized and it must – the process itself must be open and transparent. Syria is a country that does not have huge resources of oil, compared to other countries that can sell and pay off its debt. So when we're thinking about the process of reconstruction, it's important that it's not done in a way that really squanders whatever gains we've made in this process. And you hear sometimes statements that are kind of curious about, we're going to spend X amount of dollars in the first six months. I've heard this statement several times. Well, where's the money coming from? Where's it going to go, according to what priorities and so forth? In order to, sort of, model the behavior that we want moving forward, this has to be transparent.

Second, decision-making should not be monopolized by any one group, and it also must be inclusive for those refugees, for those affected by the devastation regardless of their political, ethnic or religious identity. And this is not a process – this is not a revolution, as many people say, again, to the people who carry the revolution; it's a revolution for all Syrians regardless of their political stances, whether they've been silent or not. Again, thinking in the long run, this is the process and the way to go.

And I think a crucial point that I see that needs to be considered in the immediate – in the immediate future or in the – in sort of a near future is that we need to separate, in my opinion, humanitarian assistance, medical assistance – meeting the needs of people – and long-term legislation and thinking about the future economy of Syria. There's a sort of, what I would say, a revolutionary legitimacy that can be gained in the process of overthrowing an authoritarian regime where you're making decisions based on needs, based on the facts on the ground and so forth. And that legitimacy exists. That is not a legitimacy for long-term legislation on process. That needs to be deliberated openly by the Syrian people after Assad has left. And I think, even though these two are connected, there's no way to separate them. But as much as possible, they have to be separated to give a mandate – give a popular legitimacy through popular legitimation of long-term reconstruction.

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Jihad ended on a note which perhaps – I don't know if I can call it pessimistic, or – I don't want to give it a connotation – but in terms of what is going to be the economics of future Syria. And I think, here, it's also important to learn from the last decade, learn from the mistakes; have a very honest, critical reappraisal of the strengths and weaknesses of what the regime has accomplished. We need to – and then if, just at some level, the regime is now unfortunately using the foreign exchange reserves that they've built over the last decade on destroying the country, destroying the population. But nevertheless, they had built a sizable foreign exchange reserves, and they were – you know, we – economists like to look at the debt-to-GDP ratio. It was very low. That's something that you can think is a positive. So we need to look at the negatives in the past

decade and then look at the positives, and be honest with ourselves about what worked and what didn't.

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We have an inclination, perhaps, of what might be the economics of future Syria. And I think, here, I want to just take the experience and my observation from several of the neighboring countries of the political Islamic movements that have come to power, whether in Egypt – and also the case of Turkey.

And we find that their economic policies are actually quite in line, contrary, perhaps, to maybe what someone might expect, of what used to be called, back in the '90s, the Washington consensus of an emphasis and really embracing the trinity of deregulation, liberalization and privatization, at a time when the development community and the rest of the world has moved on to a post-Washington consensus that emphasizes real social safety nets, equality, labor issues, a role of the state in the economy. And I think we need to really think about how these movements will come to power and enact policies that may be recapitulating or redoing some of the policies that Jihad mentioned and other people have mentioned that brought us to this point to begin with.

Of course, I say that with a caveat that's important not – we should not assume these movements are homogeneous. Of course, they're very heterogeneous, and we've seen perhaps disagreements within – on economic policy. But we can observe some of these trends. And I think the trends point to the direction that many of these movements have sort of embraced the free market and, in a way, talked about the relationship between the state and civil society in a way that is sort of appealing. We want to all sort of diminish the authoritarian arm of the state, but we also want the state to do its job.

So in conclusion, I just want to say a couple things. Regardless of the terminology we choose to describe what is happening in Syria, if we look at it from afar, it appears to be similar to other countries that have gone through intense and violent civil war, OK, and I think it's important to learn lessons from across the world of post-conflict peace-building and think about these issues as we move forward.

Ever since Alvaro de Soto's famous 1994 Foreign Policy article called "Obstacles to Peacebuilding," the international community and development institutions have learned about the need for a joint development process. And I quote from that article: "We need an integrated approach to development where political, economic, social, environmental and security-military problems should be addressed jointly and coherently rather than separately." And this means moving forward a process where there's coordination among the development agencies.

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Since that period of time, we've also learned about the fact that the solution to building a legitimate and lasting peace is on building state capacity rather than gutting the state and slashing the state. And building state capacity and – to do its economic job, to provide the social services that people need and want is what will provide legitimacy. It will – it is what will provide buy-in by the population, which in turn will create a virtuous cycle because if it's – the state is viewed legitimate, it

can tax the population, it can mobilize resources, and then it can do its job. If it's not viewed as legitimate, it can't, and there's sort of a vicious cycle that's happening.

We've talked a lot – and I think it's important to talk about the sectarian polarizations. But those are not the only polarizations that existed in Syria. And we have to take into account as we move forward the inequalities across regions, the inequalities within regions, the relationship of the city to the periphery. Deir ez-Zor, for example, was one of the poorest regions in Syria, although it's the source of Syria's wealth, oil, water and agriculture. What are we going to do about that? All these things need to be publicly deliberated side by side with the political and equally important issues.

Thanks.

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MR. SAYIGH: Many thanks, Omar, for that, and you're very well in time as well. I'm collecting themes and thoughts to pursue during the discussion. But first I'll come to Dr. Samer Abboud.

SAMER ABOUD: Thank you. I would like to thank my hosts, of course, and thank everyone for coming. I never like to be the last person to speak before lunch, but – (scattered laughter) – this is my fate today. But thank you for sticking around.

I'd also like to thank Jihad, who is actually the first person I ever spoke to when I started my research on Syria more than 10 years ago. So I'd like to thank him, of course, for his excellent Syria report.

I would like to begin my presentation with perhaps a slight apology to my moderator because I plan on raising a series of questions that I don't have answers to. But hopefully, I can contribute to our thinking around the various questions and areas that I want to discuss.

The first concerns the actual kind of costs of the conflict. So moving forward, how do we think about things like damage to infrastructure, the effect on households, the effect on specific sectors and of course the resulting humanitarian crisis that flows from all of these outcomes? The second question or area of concern here concerns the costs of reconstruction and how we can begin to think about the relationship between the rehabilitation of the economy, the financing of that rehabilitation and the political authority that emerges in a post-Assad Syria. And finally, I want to consider very broadly what a map or outline of reconstruction can look like moving forward.

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So my first question is what are the actual costs of the conflict? The Syrian Constitutional Movement recently released a report that put that cost at over 200 billion U.S. dollars. For anyone who follows kind of basic daily Syrian news, you'll know that ministries regularly report losses in the tens if not hundreds of millions of dollars. I recently read a report that the institution responsible for pensions had lost something like \$175 million.

So, you know, the costs are actually impossible to determine even if we start counting up the numbers from the different ministries, even if we start counting dollars and cents of the physical damage, in part because we're not just evaluating money lost and buildings destroyed but the depletion of Syrian household assets, which is one of the coping strategies that many Syrians have resorted to over the course of the last year and a half. We don't know how to measure the long-term implications of fiscal stress and the depletion of the Syrian reserves and of course the host of other economic problems on the micro level that we just don't pay much attention to when we think of the costs of conflict.

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So all this is to say is that the pressures of the conflict are multilayered, and the costs of the conflict are therefore multilayered. And we can see them, you know, at different levels, at the level of the sector, the household and the macro economy. At all of these levels, the costs have been profound and will continue to be profound.

And I referred earlier to the kind of multidirectional pressures, and I'd like to kind of talk a bit about this. The pressures – I mean, I'm thinking about it in terms of kind of a triangle. The first pressure is the pre-existing economic landscape of Syria. So what were the economic – the political-economic conditions of Syria prior to the revolution? And this is precisely what Jihad was talking about. I mean, it wasn't a kind of blank economy. It was an economy that was experiencing declines in certain sectors, growth in other sectors. And this has an impact on the economy effects of the conflict.

The second part of the triangle is the war economy itself. So what has happened to the economy not – again, not only in terms of the physical damage, but how have Syrians coped? What has the rise in informality meant? What has the depletion of assets meant – all of these things that we associate with the kind of economic impacts of war.

And the third part of the triangle, of course, are the sanctions. So we have to be – moving forward, we should consider the relationship between those three points.

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Over the course of the conflict, the vulnerable links in the Syrian economy have been exposed, and Jihad and Omar alluded to this: oil production, tourism, the manufacturing capacities of the economy.

The oil sector has been especially affected by what's happened during the conflict. Prior to it, almost all of the exports were geared towards Turkey and the European Union. Then with sanctions, those markets were effectively cut off. There – nobody was willing to insure the ships. I mean, it was difficult to find insurance. And then with a decreased access to energy, more and more of the consumption turned inward. And this is actually happening in many Syrian sectors.

The Economist Intelligence Unit at the end of 2011 estimated that on average, 290,000 barrels per day were used for domestic consumption, leaving only 30,000 for export. And that was about a year ago, which means that – and this, again, has long-term implications for the ability of the oil sector and the revenues from the oil sector to be marshaled towards reconstruction. There's of

course the tremendous loss in the revenues. I mean, these estimates are kind of wild, but I think the last one I had was about 4 billion (dollars). And this of course has placed the stress on the foreign reserves that Jihad referred to. I'm going to abstain from giving a number because I'm not very trusting of all of these numbers.

[00:40:44]

All of this is to say that there are considerable implications for the reconstruction period. I think there may be a tendency to try and centralize the oil sector somehow, this kind of, like, magic pill as a way to generate revenues, to finance reconstruction. And I simply don't think that that's possible.

Similarly, another source of both income and employment for Syrians, which is tourism, has virtually come to a halt. Even by official declarations, we're talking about the closure of dozens if not hundreds of tourism establishments in Damascus alone. We're talking close to a hundred thousand people who are employed in the tourism sector both formally and informally, and many of these people are of course now out of work.

I would suggest, as Jihad did, that the most profound impact has been in the agricultural sector, which was suffering tremendously prior to the conflict. I remember hearing a stat once that there are dozens – somewhere well over a hundred populations over the last generation that have been completely depopulated in the agricultural regions. The pressures here have been multiple. The first is of course insecurity. This has forced many workers to flee. There is a labor shortage, paradoxically, in some areas. Fuel and electricity shortages have reduced the kind of cultivation capacities of the farmers. This has led to high prices, et cetera, et cetera. I mean, it's all very unfortunate and cyclical.

Similarly, Syria's manufacturing capacities have been virtually decimated. The manufacturing heartland of Aleppo has experienced a 75 percent closure in factories, and that's according to the Aleppo Chamber of Industry.

[00:42:47]

All of these pressures that I've detailed very broadly with these numbers and whatnot have contributed to the deepening humanitarian crisis in the country. With unemployment and the cost of living increasing, Syrians are forced to adopt coping mechanisms to deal. They are selling off their assets. They are migrating. They are engaging in informal employment. They are moving in together and so on. And as the conflict deepens, so will these patterns.

So with these realities in mind, I raise my second question: How can we think about the cost of reconstruction? The tendency of post-conflict planners has been to focus on the macro economy, in achieving stability in things like the exchange rate and attracting investment, trade liberalization and so on. While of course this is no doubt important, the specific kinds of policies that will be needed in the Syrian reconstruction period have to be associated and have to be directly tethered to the country's specific needs that have emerged out of the relationship between the war economy, the sanctions and its pre-existing landscape.

So for example, while the banking system in Syria surely needs an injection of liquidity, there have to be parallel policy moves to enhance and incentivize the rejuvenation of the manufacturing capacity. In other words, you can't just pump money into a bank if there's nobody there to take credits and loans. And now effectively, the banking system in Syria has contracted so much that for those businesses that are open, it is becoming increasingly difficult for them to gain access to credit and loans.

But in the case of a sector like agriculture, perhaps liquidity alone isn't enough. It had been suffering long before the conflict because of issues of drought and so on. And what I'd like to suggest here is that reconstruction policy should centralize the revitalization of those sectors that don't simply need an injection of liquidity, such as financial services, but sectors such as agriculture and tourism.

[00:44:58]

Consider, for example, that the Food and Agricultural Organization has estimated that 80 percent of rural Syrians are somehow dependent on agriculture. So a collapse of – a complete collapse of the agricultural sector means much more than the reduction of agriculture to GDP; it means much more than where the food on people's plates comes from. I mean, we're talking about the complete destruction of communities and livelihoods. So perhaps a revitalization of these sectors through very targeted policies, through coordinated policies that Omar was talking about, can also be a way to think long-term about addressing the humanitarian crisis.

This brings us back, of course, to the question of, so who finances all of this, and what happens? I'd again perhaps like to get out of the way of the question and say that I think it's completely dependent on the nature – or the nature of the future political authority in the country. But suffice to say that the ways in which reconstruction is funded will determine both the possibilities of economic rehabilitation and the potential strength and legitimacy of a post-conflict political authority.

[00:46:17]

If I can simplify what is, in my head, a very complicated process, I would say that it's important to think about how the money will come into the country, because how the money enters will determine how it is distributed and how – and the relationship that this will have to the legitimacy of the – of the political authority.

So some potential scenarios and their problems include deriving revenues from within the country. There's simply not a strong enough tax base. The resource – the reserves are depleted, or it's not possible to generate those kinds of revenues from the oil sector. So financing from within is going to be problematic.

A whole-scale (sic) liberalization of the economy that invites foreign competition into the domestic market, such as what happened to Iraq, would simply destroy Syria's productive capacities. It would emasculate the decision-making power of the post-conflict authority, and it would undermine, in my opinion, all efforts at long-term humanitarian reconstruction. There are also the possibilities of aid, expatriate capital, et cetera. All this is to say that the sources of financing can be multiple.

I'd like to conclude with the question of sort of what is the map here for reconstruction. The first point I'd like to make is that for reconstruction policies to be effective, they have to be grounded in a – in a nuanced and sophisticated reading of the Syrian economy that considers the relationship between the war economy, between sanctions and between the pre-existing landscape. Quite simply, Syria is not a blank slate. It is a country that has its own capital. It has its own capacities. And all of these things should be taken into account in the post-conflict period.

[00:48:18]

The second point – that the thrust of the policies should be both bottom-up and top-down – again, to use simple language – that is, it should focus on both the macro and the micro economy.

The third point is that there should be a centralization of the rehabilitation of those sectors that Syrians most depend on both for employment, for their food, such as agriculture.

And finally – and this is a point that I actually just wrote down when Omar was talking, so I haven't given it too much thought – there has to be a consideration of what the balance between the public sector and the private sector is in post-conflict Syria. This is – and if anybody is intimately familiar with what happened in Iraq, you should know that many of these thoughts are based on the Iraqi experience and the kind of decimation of the public sector after 2003.

And with that, I will end. Thank you.

MR. SAYIGH: Many thanks for that, Samer.

And certainly your closing question is an interesting one, since key elements of the Syrian opposition, the Syrian National Council, the Muslim Brotherhood, in some of their key documents earlier this year emphasize their commitment to free-market economics, to neoliberal economics. And I mean, I suspect that a fair part of that is geared for outside ears. I wonder how that will translate in Syrian reality on the ground in terms of specific balances and what a free-market economy in Syria actually looks like.

And since the – our speakers have been exceedingly disciplined in sticking to their time. I'm going to abuse my position for a moment to raise a few things that I hope will come up in the discussion or in the – some of the responses from our panelists, all three of whom I think a great deal for their presentations.

[00:50:15]

One question is, maybe if you could possibly throw in there somewhere some sense of the war economy that's emerged. I mean, how much of that will start to shape what comes next? Because as people adapt and survive, whether on the government side or on the other side, you know, all our experience of long – of extended armed conflict shows that war economies emerge that have their own dynamic. So I'd be interested to – I think we should hear a little bit about that, if possible.

This ties into a second issue of the legacy factor, which Arma (ph) among other alluded to, the idea that people on the one hand are fighting the state but also want the state to give them jobs, and so past patterns will tend to replicate themselves. We've seen that in Libya, for instance. I mean, since 1951 under the monarchy and then under Gadhafi for 40 years and now again something like 80 percent of the population is dependent on the state, directly or indirectly, for its livelihood, i.e., on oil revenue. And now that (Muhammad ?) Gadhafi is gone and we've got a new system emerging, which is a wonderful thing, and yet that same pattern is replicating itself in how many of the armed brigades, you know, and in the sort of demands they present.

[00:51:25]

And lastly, I wonder if we could hear at some point a little bit about the official budget that the Syrian government recently published. I expect that a fair amount of it is make-believe, but what should we take away from what was announced? What should we understand in terms of the – how the regime is surviving, how it's still paying salaries and what these numbers actually mean. But having said that, I now want to come to the audience for their own questions, and then I'll come back to the panelists.

So please, may I – Sarah (sp) and then the gentleman.

(Off-mic conversation.)

Q: So in fact, I'm glad we waited, because this question is for Jihad. We heard about elite capture, and the – you know, the fact that economic issues were at the basis of this revolution, but relatively little discussion yet about a notion of economic justice and the – and the structure, perhaps, of that elite capture. And so I'd love if – Jihad, if you could give us a little bit of your sense of the Assad sort of corruption – the structure of the network, which I presume it – you know, it is a network. How was it structured, and what sectors in particular did it – did it capture? Second piece, does any aspect of the structure of that network help explain the resiliency to date of the rump government? And finally, is there any possibility – we had a transitional justice question in the last session. In Tunisia, some transitional justice advocates are talking about systematic economic crime being considered a gross violation in the context of a transitional justice process. Now, you know, it's quite different because you don't need to look very far to find gross violations in Syria, but I just wonder whether that might be an angle also. Thank you.

MR. : Thanks.

The gentleman in the fourth row.

Q: I think the previous questions were part of what I was going to talk about and ask. I have, first of all, a comment from – I'm originally from Syria. So I have noted – and maybe I go a little beyond the ('83 ?) that was talked about and say that, during the past 40 years since Baath Party started, there was extreme economic restriction on the private sector. And there was a lot of restriction of the activities of the people that are in Syria. And over these 40 years, since '63 actually, the middle class have – has been decimated, with the majority of the middle class being in the poor part of the economy and the society, with a few that are being able to survive and become in the rich part of the society.

[00:55:06]

And I have two questions, actually. One is, Syria was the fourth exporter in wheat – for wheat in the whole world, a few years ago. They – Syria cotton is well known in the world to be of the best quality. The agriculture in Syria has been really a very important part of society and economy, and that all has been decimated over time. How can we revive that? That's one question.

And the other question is to what Jihad talk about, those – (inaudible) – part of the state of Syria where their own manufacturing is there. Where does the oil income go to? From my understanding, it doesn't go to the GDP, and it's not part of the GDP; it goes directly to the ruling family. So what are the mechanisms that we can use that in reviving the growth of the people and reflecting the wealth of them, rather than the ruling family?

[00:56:13]

And the last thing is, during the past 15 years totalitarian regimes, usually – (inaudible) – politics, and that was being done over the past 30 or 40 years. But during the past 10 to 15 years, now economic partnership has been done where the ruling family being part of every and each and every project being done in Syria. How can we stop that and bring back the people to have their own freedom in doing what they want to do?

Syria is a small country of 18 million people, produce more doctors than Britain, who is a hundred million people, almost, and produce – and the merchants of Syria are well known throughout the whole world being very active and very productive. But I think the totalitarian regime has restricted that, and we need to look for methods of reviving that. Thank you very much.

MR. : Thank you – (inaudible).

The lady in the front row.

Q: Thank you, Dr. Saeed. Actually, I don't have a question, but I have a very – announcement – good news, actually. I try to be brief, but I want to tell my friends here, Omar, Samer, Jihad and the audience here that actually these question that you – very legitimate questions and very concerning for every Syrian citizens that have been discussed since January of last year, a group of Syrian economists, Syrian business people inside Syria, and also from the Syrian – (inaudible) – what we call it, a Syrian Marshall Plan. And this Syria Marshall Plan was recognized and it was adopted in May of 2012 in Abu Dhabi. And they formed what we called the Working Group on Economic Recovery and Development in Syria – this co-chaired by the government of United Arab Emirate and by Germany, since Germany had this experience in rebuilding and the reconstruction of Germany after the war.

[00:58:31]

So what we tried to do, we are a group of Syrians called Syrian Economic Task Force. What we're trying to do is to introduce a Syrian national plan for Syria away from the struggle of politics. This initiative is not politicized, and I disagree with some of your points of view about, you know, trying – I know that economy and politics are coins with two difference faces. However, we try to make this plan available and under the command of any Syrian national government that will be elected by the Syrian people. However, planning and designing and working on a Syrian Marshall Plan should be completely independent from the political struggle, away from ideology and away from these political struggle. We want the regime to fall, but we don't want the Syrian state to fall. We want it to stand still.

And this group, we launched so many workshop in Berlin and Abu Dhabi, and it was divided into four main working pillars, one of them called the Syrian – sorry – it's called (immediate measurements ?), just to talk about the day first of the fall of the regime to six months. We want to make sure that the critical infrastructure, water, electricity, all of them are functioning. Already there has been lot of work inside Syria with the local coordination, with the Free Syrian Army and other group to send us a close estimate about the destruction, of how much is the destruction.

And the second one, it comes back to your very important question: Who's going to pay the bill and why and how? And we want to make sure that the Syrian expats and the Syrian people will come back and be there for the future of Syria.

[01:00:10]

So some of the topics – actually every (basket ?), I want to say – I can't detail it here, but it's all chaired by certain group of the Friends of Syria because this is an international national Syrian plan. One of the them is to use the assets of – the frozen assets of the Syrian regime, some of the them to have a Syrian national front, to bring all expats to invest in the reconstruction of Syria. I'm working on a project called Syrian National Human Resources Bank to bring all expertise like this young beautiful Syrian economist and Syrian business community to come and invest according to their own sector, health, education, gas and oil and so on, also to call for an immediate donor conference. The GCC already committed to help the future of Syria. Also the third pillar is the economic – writing an economic plan of Syria. And the fourth pillar, which will be launched in Abu Dhabi, actually, in November of this month, 21st, but we're going to call the business people, bringing all Syrian business people outside Syria to come and meet and plan this national funding for this Syrian Marshall Plan. We don't want to – you know, Syria to be like a cake and all these countries will come and look at it like dividing the cake. This is Syria as my friend here – (inaudible) – said should be built for all Syrians, away from any political or ideological or sectarian differences. And you can check it out on syriamarshall.org or syrianeconomy.org.

MR. SAYIGH: Thanks.

Q: And I'm here to work with any Syrians who's willing to help. Thank you.

[01:01:51]

MR. SAYIGH: OK. I mean, I – it's certainly useful to know about that, and I'm sure this can be taken on board by the panelists.

I suggest we come back to the – to the panel for responses to either the questions or the comments that you've heard so far. Jihad, I'll give you the first chance since I know you – you know, you've – otherwise it's going to be impossible for you to jump in. If you have anything you'd like to say, go ahead.

MR. YAZIGI: Yes. I – one of the things I think is interesting to address is the question that is often asked about the resilience of the – the current resilience of the economy. I think we should be – and the budget issue, Yezid, you raised yourself. If you want, we – I can say a few words about that too.

First of all, that number – I mean, when we see resiliency, so it's a very (furtive ?) thing. I mean, the currency has lost more than 50 percent of its value. The official inflation rate is at 40 percent, probably much more. So, I mean, the impact of the economy is already very significant.

[01:02:47]

Now, what we need to know is that traditionally, before – I mean, up to 2010, half of the Syrian budget went to investment expenditure, and half went to current expenditures. And what happened is that very quickly after the beginning of the uprising, the government almost, I mean, very quickly stopped spending on investment. So if you want, it saved very quickly a very significant chunk of its – of its budget. A second important thing is that the – and then it decided to reduce significantly also its overhead, its current expenses.

Another important factor is the fact that the foreign currency reserves have declined. With the – with the decline of the value of the Syrian currency – were worth a bit more, if you want, in terms of Syrian pounds, and that helped them to spend. And then you have lot of errors, and (usually ?) the government is not spending anymore. And then you may have potentially maybe help from foreign donor – I mean, foreign allies of the government; I'm not really sure of this.

With regards to the – yeah, the budget, if you want to. Now, the budget nominally has increased by 4 percent for next year. In (real ?) terms, it has declined, it – a significant deficit. But you need to know something. I mean, the government comes up every year with, you know, figures for the – its subsidies bill, which is for next year (rough ?) 383 billion Syrian pound. Now, the subsidies bill in Syria, which represent a very big chunk of the deficit, is a – is an accounting deficit, in that sense that for instance, at least half of the deficit is (for ?) the subsidization of the electricity sector. Basically the government buys 250 billion of fuel to feed the power plants, and it generates from electricity bill 50 billion, so the deficit is 200 billion, which is \$3 billion. OK, I'm not going to enter too much to details, but what I want to say is that the fuel, actually, is owned by the government. It's in (the fields ?) of the government. So it's not paying cash this amount. So this experience, why for instance, in practice, the actual cash – the lack of cash, if you want, is not as – is well below the figure that is given by the government, (in terms of ?) the fact that, as I said, the investment budget is lower and anyway is not spent at all.

With regards to the corruption networks, you know, there are – I mean, the – you have large chunks of the economy where it was almost impossible to do business without having an ally of the – you know, somewhat close to the regime. This concerns in particular projects of big sizes and sectors that generated significant amounts of money. You can talk of oil, for instance, of real estate, of the (news ?) – of course of the telecom sector. So this – for many people, actually, it was – doing business in Syria was a very complicated affair. And that's why the country managed to attract only a limited amount of FDI compared to many countries – to many regional countries. How much this is helping the regime, it is difficult to say.

[01:05:46]

The business community – what also we should know is that the business community doesn't exist as – if you want, as a single collective negotiator with the regime. We can't talk of a single business community, huh? The business community in Damascus and in Aleppo have different interests than those of – in Homs and Hama. The business community in Homs and

Hama, for instance, very early on, participated in the – I mean, Hama, we’re mentioning – was mentioning a bit earlier the demonstrations that took place. You had strikes then. Well, the business community, the business chamber of commerce of Hama participated in the strike. The chamber of commerce and industry of Deir ez-Zor, for instance, in July 2011 – not this year, last year, four month after the beginning of the uprising issued a statement condemning the behavior of the security services and ending its statement, long live Syria, long live our martyrs. So – and in Damascus, you have people with the regime, people against the regime, people paying, helping both sides. You don’t have today a single, if you want, answer or single position from the business community that can have any significant way on the politics of the country.

[01:06:53]

MR. SAYIGH: Thank you, Jihad.

MR. DAHI: Lots of interesting questions. I – the war economy issue is going to be difficult in many ways, some of the ways that my colleagues have alluded to, some that are, I agree with Samer, unique to Syria, but some that aren’t necessarily completely unique to Syria – for example, the reintegration of former fighters who are not directly affiliated with the Army. And I think there have been – you know, in every situation where there is a sort of post-conflict situation, you have the need to reintegrate those fighters. And there are tensions. There are tensions with these.

And I go back to sort of the – my initial comments about the need to build a state capacity as well as lasting peace. Sometimes there is tensions between these two equally important goals because the instinct sometimes can be to throw money at the problem and keep the stability and peace. However, that can also lead to the development of patronage networks, which mean that this system will be stable only if you continue throwing money at the problem. So again, this is – I don’t want to overemphasize or de-emphasize these issues, but to say that they’re real issues that have been dealt with in other places, and we need to sort of cater them to the Syrian issue.

[01:08:19]

I think we need to balance the decentralization, which we’re going to have to have, to some extent, with the – going too far in decentralization that you don’t have a sort of strong central state able to really do its job. And sometimes it’s called decentralization versus deconcentration. So decentralization is giving the periphery more power; deconcentration means that the state agencies themselves also go to the periphery and that the arm of the state is there to do the services that the people want and need and respond to the people’s demands, but they’re still affiliated with the central government. So that’s often referred to as deconcentration.

In terms of elite capture, I agree with the comments. I was at a lecture in the summer when someone – I’m not going to say who, but who was in the know, said that over the past decade 50 percent of all government contracts went to five people. You can guess who. So – yeah, nobody in this room. So I think that’s very real, and I think it’s beyond simply – it infiltrates, in a way, the ministries to some extent in a very complex way, which is – you know, may be beyond this session. But it’s there, and it’s going to be a problem, and we’re going to have to sort of see how we have people sort of trust government institutions and buy into that.

I think in terms of, you know, the restrictions on the private sector, I think that I agree in large part with that critique. There is a lot to be said. But I think that in looking at the successful models that we have, it's the countries that have balanced the private versus the public sector, rather than simply the market decides everything – unfettered markets.

[01:10:14]

We need to be taming the market or using the market in a way that can basically deliver. And that's what's called the developmentalist state – developmental state. The state has a central role in providing infrastructure, public investment and so forth. And all that is going to be sorely needed. So they're not mutually exclusive in the way that they're sort of painted. I'll leave it there.

MR. SAYIGH: Just before – just before I come to Samer, just to explain that we're extending till 12:30. And that's when we'll stop for lunch. So we're taking a little bit of extra time. Samer.

MR. ABOUD: Thank you. Sorry. So I'm trying to find a hole here where Jihad and Omar didn't cover. But thank you for referring us to the Syrian Marshall Plan. I actually was on the website a few days ago and I'm not sure if any of the ideas crept into here, but I'm certainly familiar with it but was not familiar with kind of extensive nature of the work.

Perhaps to speak a bit about the kind of stunting of the private sector, which has been a very deliberate strategy for multiple – for multiple reasons. The overwhelming majority of what we refer to as the private sector in Syria are more or less family enterprises. I mean, very small family enterprises. Not only family enterprises, of course, but we're talking, you know, anywhere between 10 to 15 employees, have low-level production. Those enterprises have been completely on the periphery of any benefit to economic – derived from economic policy – forget about the last 10 years, perhaps the last generation or two.

So clearly, there has to be a way to include them in this kind of reconstruction process in some – in some meaningful way. One of the things that sort of occurred to me as you were saying this is that over the last 10 years in Syria, with the introduction of all these market mechanisms, it was mostly the consumers that were the victims and beneficiaries, if you will, of the market and not the producers because the means of accumulation was largely through the distribution of government contracts. And there was nothing kind of fair and transparent about this process, it was, rather, directed in particular ways.

[01:02:51]

So the private sector at large was not a beneficiary from that process and did not participate in a domestic market in the way that we would understand it in terms of competition and all these things. The competitive aspects of the market were pushed to the consumers slowly and over time, so.

MR. SAYIGH: Thanks, Samer. Any further questions or comments? I wonder if I may come again and pose something to all of you, which is the issue of water and specifically – I mean, there's a certain assumption that Syria, with the right policies and the right help and peace and security, can rebuild itself – and that certainly is my hope.

But I wonder whether, say, in certain respects, and I'm thinking here of water in particular, there's been a level of damage going – starting from well before the actual uprising and the conflict that may be difficult to reverse. I mean, Jihad mentioned the drought earlier on. Drought, of course, has been a perennial problem in Syrian agriculture. But also, my understand is that because, in part, of the privatization policies and the opening up of the market for people to – in rural areas to, you know, develop, there's been a lot of depletion of water aquifers in these. So it's not just drought but it's this double effect.

[01:14:21]

Now, in neighboring Iraq, that sort of dynamic has created a long-term structural deficit that now has become extremely difficult to reverse. With the conflict in Iraq, there's been destruction of topsoil, the movement of armor, et cetera, which is now resulting in massive dust storms hitting neighboring countries on an unprecedented scale.

Syria's not in quite the same position, but nonetheless I'm just wondering – and this goes back to something Samer said earlier – whether it will – it isn't just a matter of ending war and sort of bringing back some investment and restarting agriculture and industry, but that this particular aspect might be – as I said, maybe it's been damaged to a degree that's going to be very hard to reverse.

And that may transform the proportion of agriculture to GDP but also the number of people who are based in rural areas, that sort of communal house and household cohesion that you referred to, will that ever be restored? Or maybe we're going to look at a fundamentally different type of social and economic configuration in Syria. I don't know if anyone has a thought on that.

Q: As far as rebuilding Syria, is there any question about the countries involved directly in the – with the regime in – (inaudible) – Syria for reparations and supporting with money the reconstruction of Syria?

[01:15:52]

MR. SAYIGH: We'll get that. Sorry, Jihad. Whether the countries that are currently supporting the regime might be involved or should be involved at a later stage in reparation or contribution – contributing to reconstruction and compensation.

MR. YAZIGI: I – yeah, you – (inaudible). I just wanted to say one thing with regards to water – just to give a few numbers. I'm not a total specialist of this sector, but my understanding from discussions with people in this field was that Syria has actually – if it is – I mean, the issue of water in Syria is not the scarcity but the management of the – of the – of the water. Currently 85 percent of the water that is used in Syria goes to – that is according to government statistics – 85 percent goes to agriculture, even 90 percent I think, goes to agriculture.

And 20 or 22 percent of the land is irrigated. And the irrigation is done in a very traditional manner which is – which consumes enormously water. So there are ways, if you introduce modern irrigation technique and, you know, that sort of thing, that should be – it is not, I think – what I understand is it's not as acute a problem as one would think. Again, I'm not a specialist, you know,

on this. With regards to reparations, I think it's a political issue anyway. I mean, and you know, I don't know if it happened in other cases. Maybe one should, you know, look at that. I don't know.

[01:17:30]

MR. SAYIGH: Thanks, Jihad.

MR. ABOUD: I would also add to the water issue because I think mismanagement is clearly an issue that has plagued the industry. But there's also an issue with land ownership and the nature of ownership in the rural areas. Most of the farms are very small farms. The water is not consumed – I think Jihad was alluding to this kind of strategically – it's mismanaged.

And a lot of this started happening, I think, when there – when there was a kind of counter-agrarian reforms beginning, you know, I think it was in the '90s when they started denationalizing agricultural land and punting, if you will, the land ownership to farmers who were simply ill-equipped to manage the water resources on such small scales where they had been used to kind of sharing in this cooperative way.

MR. DAHI: Yeah, a couple thoughts. I mean, in addition to what's been said about the water, there are two factors, I'm not sure if they were mentioned. But Yezid mentioned the depletion of the water aquifer to building more and more wells. And you know, this is sort of an example of the institutional decay that was happening in Syria, where the monitoring of this process was either absent or sort of you could pay it off, essentially, and get away with building illegal wells. So this is – this is basically just one example of the decay of institutions.

The other was that there was land that used to be previously reserved for grazing that then the regime allowed their business partners to sort of invest in and sort of use for, you know, production. And that land used to sort of function as a way of preserving the water basin. I mean, I'm not sure what to say about the reparations. I mean, the usual case is that within zero to three months of a state that is legitimately sort of recognized by the international community there's a donor conference and pledges are made. And then sometimes there – you know, there's follow-through and sometimes there's not.

[01:19:42]

And regardless of who shows up or who's included, it's going to be the follow-up on this process. And you know, it's going to be a question of who gives the money and then who controls the money. And I think these are the key things to keep an eye on.

MR. SAYIGH: Well, I thank you once again. It's been a privilege to have Jihad Yazigi, Omar Dahi and Samer Abboud on this panel and to be able to moderate it. We're going to move to lunch right now. And, Marwan, we have half an hour. But what we're going to do is, at a certain point, ask you to come in with your lunch, or what remains of it, back to the hall where we're going to have a keynote address by Ms. Dibble from the U.S. State Department. But may I again ask you to share in thanking the panelists. (Applause.)

(END)