THE FINANCIAL VIABILITY OF THE ASSAD REGIME IN SYRIA

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EXECUTIVE SUMMARY

The Syrian civil war destroyed three-quarters of the national economy and wreaked havoc on all sectors, but the regime of Bashar al-Assad was able to weather the storm. While Iran and Russia secured his rule and turned the tide of the war in his favor, Assad managed to remain financially afloat, especially by exhausting Syria’s cash reserves. Syria’s foreign exchange reserves declined from $21 billion in 2010 to less than $1 billion by 2015. Current estimates put this number at around $1.3 billion.

The regime also abused and stole international humanitarian aid:

- The Assad regime either impedes or entirely blocks aid to opposition areas. That means the U.S. government is subsidizing the Assad regime through the UN.
- Corrupt international organizations have cut deals with Assad’s associates worth millions of dollars. In most cases, the Syrians involved are under U.S. and EU sanctions.

He relied on Iranian shipments of oil and other goods:

- Syria’s energy sector was hardest hit with oil GDP declining by 93% from 2010-16.
- Iran supplies the Assad regime through its expanding air, land, and sea routes.
- There are frequent Iranian deliveries of oil shipped by naval vessels.
- Fighters, military equipment, and other cargo reach Syria through numerous airlifts.
- Iran is further securing the land corridors that run from Iran, through Iraq, and into Syria.

Assad also benefited from Iran’s financial windfall as a result of the implementation of the JCPOA, which translated into a marked increase in Iranian defense spending and the funding of its foreign military campaigns:

- As result of the Iran deal, $30 billion of Iranian assets were released, on top of $12.6 billion after the Geneva interim agreement, and the $400 million in cash the Obama administration paid to Iranian officials in exchange for the release of American hostages.
- Iran’s military spending ballooned to $23 billion in 2017 representing 22% of government spending compared to 17% in 2014.
- Iran spends $15-$16 billion per year to maintain the Assad regime and has extended a credit line of between $6.6 billion to $9 billion drawn on the state-run Export Development Bank of Iran. The regime in Tehran spends billions more financing its various regional proxies.

Since Bashar al-Assad lacks the financial means to directly pay for the support he receives from Iran and Russia, he has turned to offering them business and resource development contracts, deals on expanded basing rights, and lucrative land leasing opportunities. For Russia, these deals that help solidify its permanent presence in Syria include:

- Mineral and resource extraction agreements and deals in the hydrocarbon sector overall that benefits private Russian security firms and Russian business conglomerates tied to Putin.
- Granting lucrative terms on the expansion of Russia’s naval base at Tartous and the Khmeimim air base near Latakia.
For Iran, these agreements include contracts in the telecommunications sector, the leasing of tracts of land primed for agricultural development. More importantly, however, the quid pro quo with Assad includes his general acquiescence in the Iranian entrenchment enterprise in the form of Iran’s socio-political meddling, its economic involvement, proxy building, and the development of military capabilities on Syrian and Lebanese soil. This enterprise further involves:

- Joint basing rights agreements.
- The construction of military bases and camps exclusively for the IRGC and its proxy militias.
- The creation of arms manufacturing facilities and other permanent infrastructure.
- Iran’s repopulation schemes along its land corridors, using the families of Shi’a militia members and others loyal to Iran.

As Assad regains control of additional swaths of the country, he is banking on the understanding that those who stood by him and his regime militarily will be rewarded the most financially through reconstruction contracts worth billions of dollars that only he can guarantee.

### A Financial Picture of the Assad Regime

Three-quarters of the economy has been destroyed, touching all sectors. It includes the oil and gas fields, crops and granaries, electricity and water systems, along with the transportation networks, education and health systems – the national and economic infrastructure.¹

Syria’s energy sector has been hardest hit. Oil GDP declined by 93% from 2010-16 as compared to the non-oil economy, which contracted by 52% due to the destruction of infrastructure and reduced access to fuel and electricity. Hydrocarbon production plummeted from 383,000 barrels per day (bpd) in 2010 to 10,000/bpd in 2015 and 2016 as a result of the Islamic State gaining control over most of the oil-producing areas.² Syria’s wartime oil production of 20,000/bpd is just 5% of pre-war production, which had stood at 400,000/bpd.

Despite those loses, the average growth of Syria’s GDP in the decade prior to the conflict (2000-10) was 4.3% and driven mostly by growth in non-oil sectors. Inflation averaged 4.9%.³ However, the enormous loss in fiscal revenues from 23% to 3% of GDP from 2011 through 2015 is mainly a result in the loss of oil and tax revenues, coupled with the collapse in foreign trade that accompanied targeted sanctions. For example, in 2016 EU trade with Syria came in at $500 million, which is just 7% of the $7.2 billion pre-war trade volume in 2010.⁴ As such, Syria’s exports dropped by 92% from 2011 to 2015.

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³ Ibid. p. iv.

To make up for this gap, the regime turned to its foreign exchange reserves, which have declined from $21 billion in 2010 to less than $1 billion by 2015. From an account deficit 0.7% of GDP in 2010, it climbed to 28% of GDP in 2016. Gross public debt rose from 30% of GDP in 2010 to an unsustainable 150% of GDP in 2015.5

Contributing to the sense that Syria’s future economic picture is bleak is the fact that even before the conflict, the country had one of the lowest labor participation rates in the world at just 43.5%.6 So considering that Syria has become the largest forced human displacement crisis in the world since World War II with over half the country’s pre-war population forcibly displaced, the future prospects for a functioning Syrian national economy are quite dim.

The Assad regime’s survival seemed guaranteed when they were able to re-open the land crossing with Jordan following recent battlefield victories. As the flow of trade resumes across that border, the Assad regime will have both a seaport defended by Russia and a land trade route from which to access international markets. Compared with a year ago, Syria’s capacity to supply itself and access markets is greatly improved.

5 “The Toll of War,” p. vi.
6 Ibid. p. iv.
EXTERNAL ASSISTANCE

Support from Iran

“Without us, Bashar would not have survived,” Ali Akbar Velayati, a senior adviser to Iran’s Supreme Leader Ali Khamenei declared in November 2017. Indeed, despite Iran’s abysmal economic condition, it is devoting billions of dollars to maintain Assad’s rule. According to one estimate, Iran’s military spending ballooned to $23 billion in 2017 representing 22% of government spending compared to 17% in 2014. This increase is believed to be a result of their financial windfall that came with the easing of sanctions that accompanied the implementation of the JCPOA.

Estimates of Iran’s direct support to its strategic partner, Bashar al-Assad, are believed to be between $15 and $16 billion per year since the conflict began, making it Tehran’s most expensive foreign commitment. Other estimates have put the number between $15 - $20 billion per year. That expenditure is separate from the Islamic Republic’s official annual budget of the IRGC, which stands at $8.2 billion. However, those figures are deceiving because the IRGC has major stakes in key sectors of Iran’s economy and is believed to receive billions more in additional revenue from both legal and illicit business ventures.

Iran boosted Hezbollah’s financial backing with a threefold increase over the course of the war, even as the Lebanese group drastically cut its funding for its social services network and delayed salary payments in its various institutions in Lebanon. Current U.S. estimates put Iran’s annual contribution to Hezbollah between $700 - $800 million per year, up from $200 million before Iran’s Lebanese terrorist wing became

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9 “Israel’s UN envoy: ‘Classified info’ shows Iran has 3,000 troops in Syria,” Times of Israel (Israel), January 25, 2018.
13 See, for example: Yeganeh Torbati, Bozorgmehr Sharafedin, Bahak Dehghanpisheh, “After Iran’s nuclear pact, state firms win most foreign deals,” Reuters, January 19, 2017.
heavily involved in Syrian war. By way of contrast, the Iranian regime spends $150 million per year on the pro-Iran militias in Iraq, many of which have redeployed to Syria under the leadership of Qod’s Force commander, Qassem Soleimani. The annual budget for the Qod’s Force remains shrouded in mystery.

Since these expenditures are merely designed to secure Assad’s rule with external forces, Iran has had to make up for additional Syrian shortfalls. One element of support publicly disclosed is the extension of a line of credit to the tune of $1 billion in 2017, which is on top of the $5.6 billion it had already extended. These agreements have been reached between the Syrian Commercial Bank and the Export Development Bank of Iran, both of which are state-run financial institutions. Another estimate suggests that Iran opened an initial credit line of $3.5 billion in 2013 and added another $4.5 billion in 2015. If adding the $1 billion extension in 2017, it would bring the total dollar amount of credit extended to Syria up to $9 billion.

Iran has also had a hand in in making up for the significant losses in Syria’s energy sector. Assad has had difficulty keeping the lights on. For example, power generation declined to 16,208 gigawatt-hours (GWh) in 2015 from 43,164 GWh in 2010, representing a drop of 62.5%, even though the combined generation capacity only declined by 30%. This indicates that the main driving factor in the decrease appears to be the lack of fuel storages. Indeed, Syria’s wartime oil production of 20,000 barrels per day (bpd) is merely 5% of pre-war production, which stood at 400,000/bpd. The results are major disruptions and a regime rationing policy that also affects the delivery of other services such as water, education, and health care.

To address these energy-related shortcomings, Iran provides Assad with a considerable amount of oil that can also be used to literally fuel his ongoing military operations or can be sold to Syrian citizens or outside actors at a substantial profit. According to the website, Tanker Trackers, a single tanker – the “Sea Shark” – hauled some 4.7 million barrels of Iranian crude oil from Iran to Syria in five round trips over the past year. This oil lifeline averages out to 15,000/bpd, which is 5,000/bpd more than the Assad regime was able to produce in 2015 and 2016.

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(https://www.wsj.com/articles/irans-spending-on-foreign-proxies-raises-protesters-ire-154920398)

18 Sylvia Westall, Suleian Al-Khalidi, “Syria ratifies fresh $1 billion credit line from Iran,” Reuters, July 8, 2015.


20 @TankerTracker, “Over a period of 315 days, SEA SHARK transported 4,731,466 barrels of IRAN crude oil to SYRIA in 5 trips which we’ve backtracked. That’s 15Kbpd (~half the total imports). In each trip, crew switched off the AIS transponder while approaching the Syrian coastline. #OOTT,” Twitter, June 26, 2018. (https://twitter.com/TankerTrackers/status/10115722108771233)
The Islamic Republic has also had success combining its air, land, and sea routes to supply its proxies. The air corridor has allowed the transfer of tens of thousands of Shi’a militia fighters into Syria and represents an upgrade over its sea routes, which can more easily be monitored and disrupted by American, Israeli, and other allied assets.

Although the U.S. Treasury Department sanctioned Iran’s two largest airlines in 2011, namely Iran Air and Mahan Air, the planes continued flying. The frequency of those flights sharply increased in the summer of 2015, while the JCPOA was being finalized.\(^{21}\) The result was hundreds of more flights per year by Iranian and Syrian aircraft, the bulk of which were commercial airliners.\(^ {22}\)

For example, Iran Air recorded more than 140 flights to Damascus between January 2016 and May 2017. Mahan Air recorded more than 380 flights since January 2016. This Resistance Axis version of the Berlin Airlift also included Pouya Air, which is an airline owned by the IRGC, two Iranian 747s operated by the IRGC and the Iranian air force, along with Cham Wings, a private Syrian airline. The total number of flights reaches close to 1,500 since the summer of 2015.\(^ {23}\)

According to a study released by The Washington Institute for Near East Policy, during a two-month period in 2017, the airlift brought 21,000 passengers and 5,000 tons of supplies to Damascus.\(^ {24}\) If those figures are accurate and were maintained over a two-year period, it would mean more than 250,000 people and 60,000 tons of supplies could have been transported to Syria.

Planes from several Iranian and Syrian civilian and military operators have participated, including: Mahan Air (Airbus A300 and A310), Iran Air (Airbus A300 and A320), Iran’s national Air Force/Saha Air (Boeing 747F and C-130), the IRGC/Qeshm Fars Air/Pouya Air (Boeing 747 and Il-76), Syrian Air (Il-76), and Cham Wings (A320).\(^ {25}\)

**Support from Russia**

The main arena for Russian assistance came from its air force and private security contractors on the ground. Additional support came in the form of political backing for the Assad regime. Moscow blocked numerous UN Security Council resolutions against Syria and frequently prevented the collection of evidence from sites where chemical weapons attacks were suspected.

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\(^{22}\) Emanuele Ottolenghi, “Trump Should Block Iran’s Air Corridor to Syria,” *Foreign Policy*, March 2, 2018. (http://foreignpolicy.com/2018/03/02/trump-should-block-iran-air-corridor-to-syria/)

\(^{23}\) Ibid.


\(^{25}\) Ibid.
Putin was not looking to spend capital he didn’t have in Syria. He hoped to trade off of Assad’s misfortunes to secure and expand Russia’s military presence in the country as a springboard to a resurgent Russian political standing in the region and internationally. The Syrian war, therefore, provided Putin an opportunity to achieve for itself a vastly expanded military footprint on NATO’s southern flank, a significantly improved strategic position with which it can project power in the region, the ability to act as an arbiter for Israeli security matters, and an enhanced political position by ensuring that all roads to a post-war settlement lead to Moscow.

Putin was able to accomplish all of this using only an expeditionary air regiment at the air base south of Latakia – fighters, fighter-bombers, attack helicopters and reconnaissance aircraft – and a small number of Russian special forces and military advisors embedded with Syrian forces.26 He also doubled the number of Russia’s military personnel to 4,000.27

Russia’s military adventure was expensive relative to its economy’s size. During the first five months of its airstrikes, IHS Jane’s estimated the conflict cost Russia between $3-4 million per day. This figure had to come out of a much smaller economy than the American one, which sustained US expenses of $11.5 million per day to defeat the Islamic State as part of Operation Inherent Resolve.28 The Russian government doesn’t release its own figures and the cost could be higher if factoring in its use of cruise missiles and other support costs.29

**Manipulation of Foreign Aid and UN Corruption**

A 2016 Guardian investigation and analysis of hundreds of contracts the United Nations awarded in Syria since the operation began in 2011 revealed a staggering amount of corruption – even by UN standards. The UN awarded tens of millions of dollars to people closely associated Bashar al-Assad as part of the aid program. Moreover, in many cases these funds were paid to Syrian businessmen, government departments, and charities that are under U.S. and EU sanctions. As one expert in war studies at King’s College in London simply put it, UN agencies paid “lucrative procurement contracts to Syrian regime cronies who are known to bankroll the very repression and brutality that caused much of the country’s humanitarian needs.”30

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26 “Russian aircraft deliver almost 6,000 strikes on gunmen in Syria in 2 months,” TASS (Russia), July 24, 2017. (http://tass.com/defense/957539); Author’s conversation with Lt. Col. Rick Francona, former U.S. air attaché to U.S. Embassy in Damascus 1991-95, April 7, 2018. He refers to this as “the Afghan model.”


For example, the UN paid $13 million to the government to boost farming and agriculture and paid at least $4 million to the state-owned fuel supplier, both of which are on the sanctions list. The World Health Organization spent more than $5 million to support Syria’s blood bank, which is controlled by Assad’s forces. Those blood supplies verifiably came from donors in countries that have economic sanctions in place. Two UN agencies partnered with the Syria Trust, a charity formed and chaired by Bashar's wife, Asma Assad, who is also under U.S. and EU sanctions.

Then there is UNICEF, which paid $267,933 to the Al-Bustan Association, owned and run by Rami Makhlouf, Syria’s wealthiest man and maternal cousin to Bashar. His so-called charity has been linked to several pro-regime militia groups. He has been rightfully described in U.S. diplomatic cables as Syria’s “poster boy for corruption.” Nevertheless, the UN still paid more than $700,000 to his mobile phone network, Syriatel. Makhlouf and his businesses have been under sanctions for many years.

Even worse, analysis of the UN’s procurement documents reveal that its various agencies have conducted business with an additional 258 Syrian companies – the vast majority of which are linked to Assad – and have paid from $30,000 up to $54 million for each contract. This is aside from the $9.3 million that UN aid agencies paid to stay at the Four Seasons hotel in Damascus from 2014-15, in which the Assad regime's ministry of tourism has a one-third stake and is therefore sanctioned by the U.S. and EU.

As corrupt as the UN programs are, they do at least publish the names of their suppliers, which is something many international NGOs studiously avoid.

Stealing Aid Deliveries

In June 2016, the Syria Campaign accused the UN of allowing the Assad regime to control aid deliveries. More than 50 other humanitarian groups backed their report that highlighted how the UN gave in to demands not to help those in rebel-held areas, which as they claim, contributed to the deaths of thousands of civilians.

They are not alone. In testimony before the House Foreign Affairs Committee in February 2018, former U.S. ambassador to Syria Robert Ford suggested the U.S. cut its assistance to UN humanitarian aid programs in Syria. He further elaborated on what news reports and social media have amply demonstrated, namely, that the Assad regime either impedes or entirely blocks aid to opposition areas and that means that the U.S.

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government is subsidizing the Assad regime through the UN. This, in turn, legitimizes and enriches the apparatus that has caused the conflict and prolongs the suffering.

At the end of December 2017, the special advisor to the UN Special Envoy confessed that for months, UN aid reached only 10 or at most 20 percent of people in besieged areas and “not a single soul” for that month. According to the Under-Secretary General for Humanitarian Affairs and Emergency Relief Coordinator, the reason for the declining number of aid convoys reaching those who need it is because the regime refuses to grant the approvals necessary for the deliveries. Another recent report revealed that the regime only gave approvals for only around a quarter of requested UN convoys in 2017 and that among those that were approved, literally tons of aid, most often medical supplies, were removed. According to this research, of the 55 aid convoys allowed in 2017, only one reached its destination untouched.

This corruption and siphoning off of foreign aid is not only the province of the UN. Other examples abound. Take Formula One, for example. From 2014 until 2017, the Fédération Internationale de l’Automobile – F1’s governing body – gave close to $175,000 to the Syrian Automobile Club, a motorsport organization directly linked to the Assad regime as part of its Sports Grant Program.

THE QUID PRO QUO: SECURITY IN EXCHANGE FOR LAND AND RESOURCES

Since Bashar al-Assad lacks the financial means to directly pay for the support he receives from Iran and Russia, he has turned to offering them business and resource development contracts, deals on expanded basing rights, and lucrative land leasing opportunities. For Russia, these tended to focus on mineral and resource extraction and the overall hydrocarbon sector that would benefit private Russian security firms and Russian business conglomerates with ties to Putin. The basing rights focused on the expansion of its naval base at Tartous and the Khmeimim air base near Latakia, solidifying Russia’s permanent presence in Syria no matter the shape of subsequent Syrian political developments.

For Iran, these opportunities tended to focus more on the telecommunications sector and land primed for agricultural development, but more importantly, it included Assad’s general acquiescence in the Iranian entrenchment enterprise. This Iranian initiative includes joint basing rights, the construction of military bases and camps exclusively for the IRGC and its proxy militias, munitions manufacturing facilities, and

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other infrastructure. More enduring, however, is Assad’s approval of repopulation schemes along Iran’s land corridors using the families of Shi’a militia members, which was used to incentivize the Shi’a in Iraq, Afghanistan, Pakistan, and elsewhere to join the fight in Syria under Iran’s banner.

**Deals with Iran**

Keeping Assad in power may be a strategic priority for Iran, but Iran’s economy is in a death spiral. Aside from the enhanced control it will wield over Syria’s future political affairs, Iran is looking to recoup its losses. To do so, it has turned to the IRGC, the Islamic Republic’s ideological military force that is simultaneously a business conglomerate, a guild, a social and special interest group.

Combining military and economic ventures is a longstanding tradition employed by the IRGC. They are hoping to replicate the hegemonic model it set up in Lebanon, and transpose it to Syria, Iraq, and Yemen to cement their long-term position. Accompanying these economic and military ventures are cultural projects as well. The trio of efforts comprises the Islamic Republic’s template for exporting its revolutionary model.

On the financial side of Iran’s enterprise in Syria, Iran is fixing a wide array of economic development deals, contracts, investments, credit, loans, construction and reconstruction deals using IRGC-owned firms such as *Khatam al-Anbiya*. For example, Iran signed a number of economic memorandums of understanding with Syria in 2017, which would further expand its clout in the country.

One agreement in the telecommunications sector was a license with Mobile Telecommunication Company of Iran (MCI), which is controlled by both the IRGC and Iran’s Supreme Leader Ayatollah Ali Khamenei. MCI, in turn, happens to be a subsidiary of the Telecommunication Company of Iran (TCI), which itself is owned by the Mostazafan Foundation and the Execution of Imam Khomeini’s Order. These two entities are controlled by Khamenei and represent a shadowy $95 billion network of foundations that was under U.S. sanctions until the JCPOA went into effect. According to reports, MCI will partner with Muhammad Hamsho in Syria, a businessman under U.S. sanctions since 2011 for his close ties to Maher Assad, Bashar’s brother.

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The telecommunications sector is clearly important to Iran not only for the financial return but for eavesdropping on the population. Hezbollah’s telecommunications contracts in Lebanon have paid enormous dividends in this regard. Nevertheless, a delay in implementing the deal with MCI provided its competitor, Syriatel, a major boost, which saw its 2017 revenues post a sizable increase. However, Syriatel is also under U.S. sanctions as it is owned by Assad’s cousin, Rami Makhlouf, who is personally under sanctions as well.

The advisor to the Iranian foreign minister, Hossein Sheikholeslam, boasted that given “the long-term close relationship between Iran and the Syrian authorities, Iran was able to actively enter into the reconstruction process.” The Islamic Republic hopes to make up financial ground with the other leases it signed, namely a long-term lease to develop the Sharqiya phosphate mines in eastern Homs province (which it hopes to either pry away from Russia or share with Putin), and leases on 12,000 acres of land in Homs and Tartous provinces to construct oil and gas terminals.

Hezbollah has become a regional power as a result of its involvement in Syria and is also looking to cash in on reconstruction efforts that would benefit its own business interests, affiliates, and supporters.

**Deals with Russia**

Despite multiple official announcements that it would downgrade its operations in Syria, if anything, Russia’s military presence has become more robust. It signed a lease with Assad in December 2017 giving Moscow access to its Tartous naval base for 49 years with the option to extend it by an additional 25 years. The agreement and the facility’s expansion will allow it to receive up to 11 Russian warships simultaneously,

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51 “Moscow cements deal with Damascus to keep 49-year presence at Syrian naval and air bases,” TASS (Russia), January 20, 2017. (http://tass.com/defense/926348)
which would represent a significant upgrade.\(^{53}\) As the Russian Navy’s only overseas base, at present it can only accommodate four medium-sized vessels and only if its two floating 330 ft piers are operational. It is currently unable to host Russia’s major warships or frigates that are longer than 420 ft. Nevertheless, considering that until June 2013, the base was maintained by only four civilian contractors, Moscow clearly intends to brandish the location as Russia’s eye in the Mediterranean.\(^{53}\)

Russia also converted Syria’s Khmeimim Air Base from an insignificant location before its arrival, into a major component of its permanent military contingent stationed in Syria.\(^{54}\) By June 2017, Russia began building a third base in southern Syria in the town of Khirbet Raes al-Waer, between Damascus and the Jordanian border and like its others, only Russian personnel are allowed access under the same 49+25 year plan.\(^{55}\) These are in addition to the main Assad regime airbases where it also maintains forces and assets. In short, Moscow intends to remain in Syria for the foreseeable future. All Putin needs is a stable Syrian client able to legitimize his military’s presence and hold up the Syrian end of the contracts he is currently securing.

While Russia provided very little in terms of direct economic aid, it found a way to make a profit by securing various export deals with its arms industry.\(^{56}\) Russia’s preconditions for a future Syria appear to be that the country will guarantee its military bases and provide preferred access to Syria’s oil and gas fields.

To that end, in the economic sphere, Russia has focused on the energy sector with Syria, which is no surprise given that it has limited goods and services to trade. Here one sees that if the strength of one’s position in future negotiations will be determined by one’s physical position on the Syrian battlefield, then Putin took it a step further by utilizing market-based incentives to reward private security contractors by granting oil and mining rights for the territory it seizes from the Islamic State. Around 2,500 mercenary soldiers are believed to be employed inside Syria.\(^{57}\)

A good example of the symbiosis between private Russian security firms and corporations can be seen in the case of Wagner PMC and Evro Polis. In a petroleum deal reached in December 2016, Evro Polis (which formed earlier that summer) will receive a 25% share from oil and natural gas produced on the territory it


\(^{56}\) “Погибший в Сирии российский лётчик служил в группе Вагнера,” РБК (Russia), March 6, 2017. (https://www.rbc.ru/politics/06/03/2017/58bd3bc49a7947df4da2e17a?story=58c7ff4692794f398567f03d)
captured from the Islamic State. To acquire the territory, the company works with the Russian private security group, Wagner, which was founded by Dmitri Utkin. Both he and the company are currently under U.S. sanctions for contributing soldiers to the war in Ukraine.

Another example is the sizable presence of the Russian energy company, Stroytransgaz. Gennady Timchenko, who owns a majority stake in the company, is under U.S. sanctions. Stroytransgaz operated in the country prior to the 2011 uprising. It won the rights to the Khunayfis and Sharqiya phosphate mines, located outside of Palmyra in Homs province. It obtained the deal with the Assad regime on the condition that it secures the mining site, which was previously under the Islamic State's control. To retake those areas, the company relied on an undisclosed Russian security firm and under the agreement, the security company would guard the site.

Aside from rebuilding those mines, Stroytransgaz also is concentrating on the construction of the Northern Gas Processing Plant (GPP-2) outside of Raqqa. The company was also rewarded tenders to develop offshore gas fields in the Mediterranean.

What this all points to is Russia's plan to pocket the revenue it generates on the territory it captures rather than reconstructing Syria. It also explains why the only major infrastructure deal under discussion between Russian and Syrian officials is the construction of railroad tracks that would link the phosphate mines it holds to its port in Tartous in order to reduce the cost and facilitate the export of phosphate.

With Russia's primary financial motivation tied to capturing, securing, and exploiting Syrian resources, its private security firms employed by Russian energy companies have been eager to facilitate a withdrawal of American and U.S.-backed forces from the oil and gas fields east of the Euphrates River. To that end, on
February 7, 2018, Russian mercenaries (later identified as employees of Wagner), the IRGC, and Syrian militias, conducted a probing attack on a known U.S.-backed Syrian Defense Forces (SDF) compound near the Conoco gas fields in Deir ez-Zor. They likely hoped the SDF would panic and the U.S. would retreat. Instead, the U.S. eliminated hundreds of the pro-regime forces, reportedly taking out half the battalion-sized force, many of whom were Russian. The episode serves to demonstrate the extent to which Russia wants the U.S. out of Syria but also how even a light American military footprint can quash an advance by opposition forces utilizing military assets based inside and outside of Syria.

Aside from the Mediterranean gas fields, most of Syria’s hydrocarbons are located in the former Islamic State strongholds in the northeast. That is where the U.S. and SDF are currently located. The Kurds will probably be eager to strike a deal with Assad if the U.S. withdraws, and Russia will be eager to strike a deal with the Kurds for oil and gas. There is reason to think this could be stabilizing to Assad’s regime with regard to Turkey as well. Turkey has already struck a deal with Kurds in Iraq to receive petro flows via pipelines from the region near Kirkuk. Baghdad has been trying to stop those Kurds from selling oil down those pipelines, declaring such sales to be illegal but, so far, the Kurds in Iraq have been able to make these sales function. If Assad accepts the Kurds in Syria making the same deal as the Kurds in Iraq, Turkey will likely endorse the situation.

In spite of the close ties between Iran and Assad, Iran probably will not be able to detail such a deal. Iran hasn’t been able to convince Russia to put an end to IDF strikes on Iranian positions. Nor has Iran been able to compel action to stop Kurdish sales next door in Iraq through pipelines passing through Turkey. If the United States moves off the oil and gas fields, it will very likely lead to a new source of revenue for Assad and for Turkey.

In October 2017, it was reported that Russia would finance electricity projects in Syria, which represents the first case of direct funding in many years. However, for Russia, much of the reconstruction effort will be focused on creating a positive image to mask the abundantly documented cases where its air force targeted civilians in hospitals and schools. Much of what they invest will therefore be geared toward the creation of publicity stunts to push the narrative that they are helping to rebuild Syria.

The signing of reconstruction contracts began to take place in earnest after the fall of Aleppo to the regime in December 2016. That event allowed the pro-Assad forces to focus further east where the U.S. and its allied SDF forces were already engaged.

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CONCLUSIONS

Iran and Russia have won the civil war for Assad, but they lack the means to finance Syria’s reconstruction. Assad has to fund his own reconstruction by selling off regime assets and natural resources. Russia has been able to secure a larger share of Syrian resources because Assad recognizes that Russian President Vladimir Putin represents the proverbial adult in the room when it comes to securing international financing for reconstruction. With the return of sanctions against key individuals of the Iranian regime and large sectors of its economy, Iran’s enhanced public profile inside Syria will likely dampen international enthusiasm for funding reconstruction projects.

For now, Moscow requires stability in Syria while Tehran wants to continue the peaceful imposition of an Iranian post-war order on the country. They are both counting on the normalization of the Assad regime in the eyes of the international community and they view the withdrawal of U.S. forces as an imperative. America’s absence will help facilitate this goal.

In the meantime, there is no reason to believe that any foreign aid that touches Bashar al-Assad, or reconstruction funds that reach the regime, will do anything but improve the lot of regime loyalists, not those worst impacted by the conflict.