



## **A Political Economy of Reconciliation and Reconstruction in the MENA?**

*This MEMO summarises the key points highlighted in the roundtable debate that took place in Florence at Villa Schifanoia on 13 April 2018, organised by the Middle East Directions Programme (MEDirections) of the Robert Schuman Centre for Advanced Studies at the European University Institute. For more information on the MEDirections Roundtables please visit: <http://middleeastdirections.eu/events/medirections-roundtables/>*

### **Political determinants of reconstruction**

- Reconstruction is not merely the process of physically rebuilding infrastructure and property that has been destroyed during conflict. It is rather a complex political-economic process with redistributive implications; reconstruction can only be understood in the context of ongoing conflicts in the MENA region. The political, social and demographic realities created by conflicts on the ground will shape the reconstruction process and will influence whether the process takes the form of post-conflict arrangements or new episodes of ongoing conflicts.
- In Europe, talk of post-reconstruction has been informed by the Marshall plan model from the post-WWII experience, but this is hardly applicable to the MENA region today. In Syria for instance, the regime, Iran and Russia may not share the same logic for rebuilding the whole country. Moreover, the international community seems noncommittal towards a massive transfer of capital into the region.
- The primacy of politics reveals itself the most in post-IS Iraq. Lessons need to be drawn from the earlier, failed post-2003 reconstruction efforts, despite massive assistance from the USA and the International community, not to mention Iraq's vast oil wealth. Nevertheless, the resulting arrangement was a kleptocratic, sectarian and dysfunctional system. With an extremely corrupt political class, state agencies were reduced into party fiefdoms, and funds were devoured by politicians and their clients. Very little was delivered to the public. Such a failed setting has run its course, finally collapsing in 2014 with the advance of IS. The political class in Baghdad and Irbil is suffering a severe

legitimacy crisis. The pressing question today however is what kind of arrangement may take the place of the old.

- The political economy of reconstruction has to be tackled through the lens of the national, local and international institutions governing the production and distribution of oil resources. The very existence of the MENA countries is owed to their position in the global division of labour as producers of crude energy. Even non-oil rich countries in the MENA region have shown indirect dependence on oil riches through a myriad of channels. War, conflict, stability or the lack thereof, are hence all tied to this factor. This is all present in how national institutions managing oil wealth in Iraq and Libya will be revamped and re-instituted to make them more inclusive, allowing power and wealth-sharing between geographical regions and societal groups (e.g. the unsettled Kurdistan-Baghdad tension over oil production and exportation, and Libyan groups' competition over the control of oil fields, national oil authorities and striking agreements with multinational companies).
- In the case of Syria, in the absence of any prospect for political settlement, reconstruction will likely be a continuation of the conflict. The regime and its allies are trying to push things back to a pre-revolutionary scenario by reconfiguring the social and demographic landscape. Former opposition-held areas are being punished economically. But it is not confirmed whether the regime has a strategy to change demography. The picture is much more complex. For instance, in Aleppo and Damascus, the Sunni bourgeoisie has generally supported the regime. From a political perspective, the main division has been between rural areas and the city, not along clear-cut sectarian lines.

### **Challenges on all fronts**

- Reconstruction in the MENA region faces multiple challenges that are political but also economic in nature. In oil-rich Iraq and Libya, politics seems to be the greatest hurdle, while in Syria, a great problem on the domestic and international level comes in the lack of funding.
- It was estimated that Iraq required 88 billion dollars for reconstruction, to which the government is expected to contribute depending mainly on oil revenues. On paper, this plan is realistic and feasible, but the extent to which it will work depends on political rather than economic arrangements. Economic recovery and foreign investment need a secured environment. IS has been weakened, but the root causes, relating to excluding the Arab Sunni population, have not yet been addressed.

- Iraq's political system is deeply fragmented: NOT in the classical sense of Sunnis versus Shiites, Kurds versus Arabs. Each camp is fragmented and deeply divided, including Kurds (the newly fragmented group). Fragmentation can be a force for change or equally a force to sustain a status-quo. Upcoming elections could constitute a mile stone, but they may equally reproduce the current political and economic status-quo. There is room for cautious optimism as the current crisis may potentially help in pushing the political debate from identity-based into issue-based politics.
- Unlike in Syria and Iraq, there is not much talk about reconstruction in Libya. This is possibly because Libya is perceived as a rich country that will not require international financial assistance and it may be due to the absence of any political process.
- Syria lacks funding: the government is largely indebted. International funding is very limited: Neither Russia or Iran can contribute much to reconstruction efforts. They are rather trying to recuperate the investment they have put in the country since the war. The last estimate in 2017 put the cost of reconstruction at 350 billion dollars.
- There are further challenges: 100-150 thousand men in militias with different loyalties. Additionally, cronies and regime clients want to grab every opportunity based on their access to power.