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Transcript

The Crisis in Syria: Is There a Way Out?

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Bill Neely:

Ladies and gentlemen, good afternoon and thank you very much for coming. I'm Bill Neely and I'm the international editor of ITV News.

It's been a busy 36 hours in Syria. We've seen the formation of a new opposition coalition, with a new clerical leader; 155 people have been reported killed in the last 24 hours; Israel has carried out its second consecutive strike on Syria – the first direct military strike on Syria since 1973. The Turkish president has warned of the risk of Syria using chemical weapons and in response the NATO Secretary General has said NATO will do whatever it takes to protect Turkey.

With me to discuss Syria I have two panellists and I have one apology. To my direct right I've got David Butter, who is an Associate Fellow here at Chatham House. To his right we've got Martin Chulov, who lives in Beirut at the moment and is the Middle East Correspondent for *The Guardian*. The apology comes from – and it's a great shame – a member of the Syrian National Council (SNC), Ausama Monajed, who has emailed us to apologize profusely. His plane was cancelled. He will be in London tomorrow, for those of you who want to catch up with him, but unfortunately he will not be here to answer questions about the new opposition body and indeed what it means for his group, the SNC. So that's a shame.

We've had a chat and Martin Chulov is going to speak first.

Martin Chulov:

Good afternoon, ladies and gentlemen. As Bill said, I cover the Middle East for *The Guardian*. I've been in the region for the last seven years. Three of those years were in Jerusalem, three were between Baghdad and Beirut, and the last 18 months to two years has been exclusively covering the phenomenon we now know as the Arab Spring. Over the last 12 months I've been to Syria seven times. I have not been able to secure a regime visa, which means that it's very difficult if not impossible to go to parts of the country that are controlled by the regime. As a result of that, I've spent most of my time, if not all of my time, on the opposition side, reporting from Aleppo, Idlib, Jabal al-Zawiya, Homs and other parts of the countryside around Hama. So I have seen a lot of the country. I have seen a lot of what this revolution does represent – or, this revolution that has become civil war.

In the past year I've seen a lot of changes too. I've seen what started out as unambiguously a popular uprising in the southern town of Deraa, inspired by

the events in Tunis, Libya, Egypt and Bahrain – these people in southern Syria were looking for precisely the same sorts of things as their counterparts elsewhere in the region: self-determination, a sense of dignity, being able to shape your own destiny, to step out from underneath the boot of dictatorship. A very pervasive police state had been governing their lives for so long and they wanted the right to say, 'We want to shape our own lives.' It started like that and it largely remains like that in terms of values. However, what we have seen is this original uprising evolving first into armed insurrection, then into full-blown civil war. Now it is taking on a more global or a more regional element. So we are at a very decisive phase in what is going on in Syria at the moment. I do want to talk about that.

What we have seen in the last couple of months, in particular since the armed opposition stormed into Damascus and Aleppo, the two biggest cities in the country – the two most decisive cities in terms of the overall battle for Syria's destiny. Since the beginning of Ramadan we have seen a push by, I guess you could call them, global jihadi types who have entered, especially around Aleppo. They are entering in reasonably large numbers now. It's been particularly evident in my last two trips. My last trip, I returned from Syria just over a week ago. During that period, for the first time in covering this revolution, I can say that almost every substantial armed operation inside Aleppo is being conducted with at least some members of Al-Qaeda-aligned groups. This is a very different dynamic to what was taking place earlier in the revolution and to what continues to take place elsewhere in the country.

It is obvious that the two global jihadi groups – first, Jabhat al-Nusra, which are Syrians but many of them have spent time in Iraq, involved in the insurgency there; they brought back insurgent skills with them and are deploying them reasonably effectively. And there are also another group of foreign Arabs who come from right around the region, right around the Sunni Islamic world, called Al-Mujahideen. They are crossing from Turkey, setting up training camps in the Aleppo hinterland, and they are increasingly joining the front lines of an insurgency which has until recently been very nationalistic in terms of its goals. One element that I did learn in my last trip actually, which I wasn't aware of prior to that, is I sat down with a number of these guys – the foreign Arabs from Iraq, Tunis, Libya, Sudan and Saudi Arabia – and they said that one of the reasons they are there now is they believe that what is taking place in Syria is the fulfilment of an Islamic prophecy; that is, that a decisive battle will be fought in and around Aleppo with the Christians on their side, ahead of a final battle with the Persians, which is what they believe will be Armageddon. This was an element that I wasn't prepared for and hadn't

heard of. I've since spent a lot of time studying this *hadith* that they are referring to and it certainly underpins a lot of the reasons for why these guys are coming.

Now, what does it mean? How does it change things? Well, it very definitely plays to the Syrian regime narrative – that is, that it's been a foreign terrorist plot from the beginning, and it was always about subversion backed by Western states. I don't believe that is the case – in fact, there's very little to support that. But the fact that the insurgency is changing shape such as this no doubt supports the Assad narrative and gives the regime some sort of comfort.

What does it mean in terms of an international reaction? It's very clear that Europe, Britain and America are and have been for many months now terrified of this revolution changing into a full-blown regional insurgency that they can't contain. Syria is created along some substantial regional geopolitical fault lines: Sunni–Shia, Arab–Persian, there's even the old Soviet–America feud that still runs through Tartus and through Damascus. So there are any number of ways that this conflict could spiral out of control.

The political decision in Doha in the last week or so has been very interesting – not so much for what it represents, that is, a more inclusive body, an umbrella sort of body that effectively acts as a government-in-exile and that the Arab League and the Americans and the British are prepared to actually represent. It supplants the Syrian National Council, which as we know did not perform, did not meet expectations and lost the confidence of any potential donors or backers. So what we do have now is a group that, rightly or wrongly, Western states – especially Britain, who are front-footing this – are prepared to throw their weight behind. The British moves since the US election have been quite stunning, in the sense that David Cameron within an hour of Obama claiming victory was on Jordanian soil, not far from the Syrian border, saying that they will talk to the armed opposition. Following that we had John Wilkes, the FCO Syrian envoy, saying that he would lead the talks himself and they *could* talk about weapons. We now have Britain firmly supporting this new Syrian body and convening a donor conference in London on Friday to look to raise funds. They are not being too specific or too worried about how these funds are spent. In other words, the taboo word of 'weaponry', which has been a taboo for so long, is not anymore – unless I'm misreading that, but I don't think I am. I've had discussions in recent days and certainly diplomats aren't warning us off or saying 'don't talk about weapons'.

So there does seem to be a very significant shift in thinking post the US poll and post this decision in Doha. So we are at a decisive phase in terms of what the international community does. Are they prepared to move towards any sort of a direct intervention or not? If they were, how could they get past the roadblock at the UN, certainly at the Security Council, which has stopped things so far?

I guess just to conclude, this revolution in Syria was a bottom-up revolution. Revolutions are always messy. It was not a coup, it was not a top-down thing; it was basically an attempt to lift the lid off a pressure cooker of totalitarian control for so long. As a result, we have seen all of these disparate, fragmented groups start to rise, and they have worked against each other. The military council doesn't support the rebel units; the political council doesn't talk to any sort of alternative civil society or military group at all. It's been disastrous in terms of forming any sort of a cohesive, credible alternative to the Assad regime, which whether you like it or not is a strong governing authority in that country.

This attempt we are seeing at the moment to unite these disparate rebel groups, the civil side and the military side, I think this is pretty much do-or-die in terms of how this revolution proceeds from here. If we can't get any cohesive, coordinated chain of command, if we can't get any sort of inclusive dealings between the exiled political leaders and the military leaders inside the country who are doing the fighting, then I don't see a way forward. I think... we are 20 months into this revolution; the next two to three months will be extremely decisive and some very careful decisions have to be made, especially by those who may or may not be considering intervention at this point. The risks of missteps in this part of Arabia in particular are enormous. Syria could very easily spill over into Lebanon, Turkey, Jordan, Israel and Iraq. There is a risk, if things don't go well, of some kind of Balkanization of the Levant along ethnic/sectarian lines, and that's a nightmare scenario, as we all know. I hope it doesn't get to that point. As I say, some very careful decisions need to be made at this point. I will certainly be watching with interest from my vantage point.

Bill Neely:

Martin, thank you very much. I'd like to pick up on a few of those points later. Just to throw in one thing: the head of Britain's armed forces, General Sir David Richards, said this week that Britain's military *could* intervene in the

next few months under very limited circumstances. A very limited response, he said. But he is talking about it. Martin, thank you. David?

David Butter:

Thank you. I'm David Butter; I'm an Associate Fellow here at Chatham House in the Middle East and North Africa Programme. I first became familiar with Syria in the late 1970s when I was working as a reporter in Beirut. I think a lot of the lessons I learned then from one of Martin's distinguished predecessors, David Hirst, who used to always talk about the moral and political bankruptcy of the Arab regimes. And the sheer brutality of that regime at that period, both in Lebanon and inside Syria during the first Muslim Brotherhood insurgency, was very clear to me at that time. Since then I've worked mainly on economy and business matters, while obviously keeping a weather eye on the politics, with *Middle East Economic Digest* and recently with the Economist Intelligence Unit. In the course of that, in Syria I've become familiar with a lot of the people who are playing a very important role now and potentially in the future. I recall with great fondness Riad Seif, for example, just in a business context of being a fantastic person to have around in Damascus to give a perspective from a very small and embattled private sector and political dissident.

In light of what we've heard from Martin and Bill, it might seem a bit perverse that I've chosen to draw back a little bit and focus mainly on economic issues and social issues, but I think they are of crucial importance and they will be of absolute and even more crucial importance as and when this crisis ends. The scale of the devastation of Syrian society and economy is such that it's going to be a massive challenge to try and rebuild the country.

Going into the economic factors, here at Chatham House we have a sort of debate forming about how important the economy was to the Arab Spring. My view is that it's a very important part of the picture but not a driver. Certainly in places like Syria, it's brutality, repression and the ability of people to express themselves politically and to obtain freedom which were really the main drivers. The economy was there, of course: the long period of stifling, inefficient state domination of the economy and then more recently liberalization. There is a debate here about whether we throw the baby of some of the good things that liberalization did deliver in places like Egypt and Syria, in terms of private sector investment and jobs, and the bathwater of really corrupt, brutal crony capitalism, which probably reached its biggest and

most blatant exemplar in Syria with the behaviour of some of the oligarchs around the Assad regime.

One of the misfortunes of Syria in this, when we look at the outside world and how little the outside world has been able to achieve in helping the Syrian people, is that although Syria is important politically in the region as a spoiler, as an ally with Iran, as potentially a military counterpart to Israel – as an economic prize, Syria is not that important. It's got a limited population size and consequently market: only about 21–22 million people. GDP per head didn't really get up above anything more than about \$2,800 before the crisis. It's got a little bit of oil but not much. There was potential there – there was enough potential there for small-scale interest in Syria as a place to do business. Turkish companies, for example, saw a lot of potential there to outsource a lot of their industry. Syrian firms sprung up which were very successful in accessing the Turkish market. You started to have some Gulf money coming in and Syrian diaspora money coming in, and that potentially is still there. I think when we look into the future, the Syrian diaspora – and I guess some of the people around here would fall into that category, particularly those in the UK – have potentially a very important role in supporting the rebuilding of Syria. I know a lot of the businesspeople who were kind of on the regime's side to some extent before have now made clear they are prepared to play a constructive role in the future.

So what's been the damage to the Syrian economy from this crisis? At the Economist Intelligence Unit, where I recently was, they are looking this year at a contraction of GDP of 10 per cent. I'd say it's more. I'd say we're looking at more like 20–25 per cent contraction of GDP. That would bring the per capita income of Syrians down probably below \$2,000. The oil sanctions that were imposed by the EU didn't really start to bite until the end of last year, but this year, effectively, the main source of government foreign exchange revenue has disappeared. Of course, another source was tourism and that's also disappeared. There's inadequate production of oil going on in the country to meet demand for products. I think this winter, with the Syrian population reliant very heavily on imported diesel for fuel to keep warm, conditions could really get catastrophic. We have already got 200,000–300,000 – who knows how many – refugees outside the country and internally displaced of well over 2 million, and destruction of many houses.

We've got symptoms of distress in availability of foreign exchange. The central bank is still protesting that it has \$15 billion of foreign exchange in reserves but that of course doesn't tally with the figures it has actually published itself of the current account deficit last year, which was about \$9

billion, which without any capital inflows would have brought foreign exchange reserves into single figures. So I think they're getting very tight. The black market exchange rate lurched down below 100 at the beginning of this year, then stabilized at 70 when the central bank put some cash into the market. But really in the last few weeks it's started to slide again and we're hearing that it's now about 80 after being 70 for much of the period between March and October.

Inflation is now really starting to ravage the country. We're seeing some regional variations. This is probably the only official statistic that is regularly updated in Syria, and of course caveats as to how reliable that may be. But based on the government's own calculation, you have a year-on-year inflation of 40 per cent now. That is now 50 per cent in Aleppo. The fuel component of that index in Aleppo is now 120 per cent inflation. So you can see that people are paying – bread and flour, 70 per cent. These things are going to get worse. We're going to see hyperinflation probably, a much more difficult situation on the foreign exchange front.

The government of course maintains a kind of 'business-as-usual' fantasy, in that it does persist with starting the new school year, it has even announced a budget for 2013, which is really kind of absurd but it's part of the political and propaganda message that the government is attempting to put out. But at the same time it does indicate a level of resilience in the regime's structures, and the bureaucracy that continues to really have no option but to go along with the regime for want of any other real alternatives. That also raises a question of when the regime is dismantled – and I think in the program which has come out from the [new Syrian] National Coalition, item three, as I recall, is the dismantlement of the entire structure of the current state. Clearly in practice there is going to be a difficult negotiation to be held about which parts of the regime have to be retained and continue working if there's any viable way of rebuilding it.

So briefly, to conclude with some sketching in perhaps of what's next, I think there is a risk of financial implosion which would go along with any advances on the ground from the opposition. The turnaround politically with the opposition over the last 48 hours is clearly something that would be reflected in increased momentum on the ground in terms of the Free Syrian Army and the military opposition. This is going to increase pressure on the regime. It could run out of cash to pay state employees and troops, to buy the fuel that it needs to move its troops around the country. How much is it receiving in help from Iran and Russia, to some extent Iraq, Venezuela even? Clearly some help, and some very important help, but at some point – if we look at Russia,

for example, does it make any sense to continue betting on this particular dead horse? Isn't it perhaps possible that Russia could consider refining its own position?

When we get to the stage of regime collapse, or if we do, the structures that you would need to support the Syrian people with humanitarian aid and with any kind of economic rebuilding really aren't there. I think that's not surprising given that the political structures of the opposition have been so ramshackle. But I do think these issues need to be looked at quite closely. It's something that in time the opposition and the new coalition really ought to be starting to focus on.