

The U.S. Can Help Tackle Syrian Corruption

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Today Syria is held out as Iran's "Airstrip One" in the Arab world -- an Orwellian island Tehran uses to project its power to Israel's borders and the shores of the Mediterranean. Indeed, Iranian-Syrian relations seem closer than ever -- including a newly signed military cooperation agreement. Ties between Damascus and Tehran have deepened over the last two years in the face of US and Western isolation, turning their support for Hizbullah, Hamas and Islamic Jihad into an "axis of resistance" against Israel and the United States.

But the recent announcement of indirect talks between Israel and Syria was but the latest sign that Damascus' ties with Tehran -- like its ties with all countries -- remain ambiguous. A critical way to roll back Iranian influence in Damascus and make a possible Syria-Israel deal worth the paper it's printed on is to recalibrate American policy to address the heart of the Assad regime's economic problems: corruption.

Signs emanating from the Iranian-Syrian alliance this year have been increasingly bizarre -- especially when Western and Arab isolation of Syria intensified over Damascus' reticence to help end the presidential gridlock in Lebanon. On February 12, the senior Hizbullah operative Imad Mughniyeh was assassinated in Damascus -- a mere stone's throw away from the headquarters of Syria's security services in a country that often claims to be the Arab world's safest. Surprisingly, Damascus branded as "baseless" Tehran's announcement a few days later of a joint Iranian-Syrian investigation, despite Iranian Foreign Minister Manouchehr Mottaki's visit to Damascus the day after the murder. Then a high-profile Iranian project to replace Damascus' aging public bus fleet with Iranian vehicles was mysteriously cancelled and awarded to a Chinese company.

Today, two high-profile Iranian-Syrian joint ventures to assemble automobiles in Syria -- the first in the country's history -- are barely scraping by due to Syrian government foot dragging on promises to cut tariffs on the plants' imported components. This is particularly odd as the Syrian state owns a 35 percent stake in one of the projects. Even more ambiguous are statistics recently released by Syria's State Investment office which put direct Iranian investment in Syria at \$544 million, a mere 8 percent of Arab investment in Syria -- a far cry from Iranian reports last year (also citing Syrian government statistics) that estimated Iranian investment at 66 percent of Arab investment in the country.

What can the US do to entice Damascus to keep Tehran at arm's length? Smarten-up its Syria policy. For 40 years, US

policy in Syria has focused almost exclusively on Syria's behavior in the region and ignored the regime's looming economic problems. The Assad regime's historic lifeline -- oil production -- is rapidly running dry. Damascus announced last year it had become a net importer of oil -- four years earlier than analysts predicted. In May, the state was forced to slash oil product subsidies, which will make up the lion's share of Syria's estimated 2008 record budget deficit of \$3.77 billion.

The only way out of Damascus' looming fiscal crisis is to deepen market reforms and attract international investment. However, rampant corruption continues to hamstring the legal reforms that international businesses need to see before investing on a large scale. A sign that the regime is deeply worried about corruption as well came last February when the state-owned Al-Thawra newspaper published an unprecedented poll in which 99.6 percent of Syrians surveyed accused the state's courts, municipalities and police of corruption.

Iran, which suffers from many of the same problems as Syria, recently announced that it was increasing the value of its hitherto unknown "technical services" to Syria from \$1 billion to \$3.5 billion. Unfortunately for Syria's leadership, such assistance is a poisoned chalice that is only likely to satisfy the corruption that undermines the market reforms necessary to stave off the regime's eventual economic collapse.

Washington's recent seizure of the assets of senior Syrian officials in the US, as well as the decades-old European Union and United Nations assistance programs in Syria, have yet to entice the regime to clean up its stables. The US, which has no economic assistance programs in Syria, should prepare to step in the event of a Syria-Israel deal as an outside and experienced player to help promote the rule of law in Syria. This would help Syria attract much-needed foreign investment, integrate it into the global economy, reduce unemployment and earn the US points with the Syrian people. To lay the groundwork and compete with Iran in Syria ahead of a possible Syria-Israel deal, the US should also recalibrate trade sanctions on Syria to help its companies that shun corruption and business with Iran to more easily do business with America.

Understanding an Arab country's economic woes and their impact on policy should be old hat for Washington. A key reason why Egyptian President Anwar Sadat attacked Israel in 1973 and then sued for peace five years later was that decades of war and domestic authoritarian rule had put Egypt on its back economically. The US understood this and manipulated the situation to its advantage when it brought about a breakthrough in Middle East peacemaking at Camp David in 1979. The US and its allies should plan to do the same with Syria in the years to come.

Andrew J. Tabler is consultant editor of Syria Today magazine and a former fellow of the Washington-based Institute of Current World Affairs. He is author of the recent Stanley Foundation report *The High Road to Damascus: Engage Syria's Private Sector*. ❖

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