NEOLIBERALISM HELPED SYRIAN BANKS EVADE SANCTIONS

I've written a lot about how neoliberalism has been counterproductive for any soft war we're waging against ISIS, Russia, or China. We keep forcing allies and client states — including post Arab Spring Egypt and, especially, Ukraine — to adopt neoliberal policies. That creates more instability at precisely the time the new regime (like it or not) is trying to consolidate.

Neoliberalism doesn't offer much benefit for many of the hearts and minds we'd like to win over.

But it has helped someone.

According to this fascinating WaPo analysis (and underlying study), the reason Syrian elites and their banks have been able to withstand sanctions is because Bashar al-Assad adopted (mixed) neoliberal policies when he assumed control. It created an interconnected elite whose ties with were Assad more inextricably linked than they had previously been, such that people doing business with sanction targets have too much invested in the regime itself to stop doing business with the sanctioned entities.

> Bashar aimed to revamp the three decades of populist structure in an 'authoritarian upgrading' to pursue neoliberal economic policies, eventuallyshifting public assets to a network of crony capitalists close to the regime. The abandonment of socialist policies in a post-populist era culminated with the establishment of the Damascus Securities Exchange (DSE) in 2009. The number of firms listed on the exchange has since grown, even after 2011, and currently comprises 23 companies spanning sectors such as

transport, media, industry, agriculture, banking and insurance.

[snip]

The newly established Syrian private banking system redistributed the monopolistic market share of public banks with private lenders, while maintaining a degree of protectionism so the state-owned banks preserved their banking services monopoly. This arrangement was part of what Raymond Hinnebusch termed a 'middle way' of allowing the expansion of the private sector while ostensibly reforming state owned enterprises.

The booming private banks attracted politically connected businessmen, including many former politicians and senior security officials, natural partners for foreign institutional investors for whom a 49 percent Syrian ownership was required for an operating license until 2010.

[snip]

Thorough review of disclosures made by publicly listed private banks on the DSE indicate a similar trend, in which prominent Syrian businessmen— some of whom have been sanctioned for their support to the regime— own a substantial number of shares and even sit on the board of directors in multiple banks. As my research shows, there are at least 23 individual investors whose shareholdings exceed 1 million shares. With more than 36 million shares in aggregate, these individuals make up at least 4.5 percent of overall shares of private banks and 11 percent of total retail investors' stock ownership.

This is symptomatic of the emergence of a new generation of 'regime businessmen,' whose relationship with

> the state transformed from a de facto
> alliance since Bashar al-Assad came to
> power to the central backbone of the
> regime now. Through joint business
> ventures and inter-family marriages,
> this alliance translated into the regime
> businessmen's dominance of profitable
> sectors, including energy, banking and
> finance, construction, and tourism, and
> has in turn ensured the regime's
> economic survival.
>
> [snip]
>
> Most of these businessmen have
> substantial investments in the country
> that outweighed their overseas assets
> and commercial interests. Their
> inextricable connections with the ruling
> political elite have made them highly
> invested in the survival of the regime.

I suspect the same is true of Russia.

That's not all that surprising. With the
exception of the largest banks, our business
elite is pretty committed to the US regime,
largely as a result of the cronyist benefits
that those ties afford.

Indeed, the analysis raises more general
questions about whether neoliberalism makes
dangerous regimes more resilient.

But I also note the irony.