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Putin Faces Syria Money Crunch After U.S. Keeps Control of Oil

By Henry Meyer for Bloomberg

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The U.S. announced it was deploying forces in the vicinity of the oil-producing Deir Ezzor region to deny access to Islamic State as well as Syrian and Russian forces. **Pixabay**

Russian President Vladimir Putin is facing an unwelcome new financial challenge in Syria after the U.S. pullback enabled his ally Bashar al-Assad to reclaim the biggest chunk of territory in the country still outside his control.

The U.S. decision to keep forces in northeastern Syria to guard oil fields denies Assad access to desperately needed funds to rebuild the Middle East state after eight years of civil war. That's adding to the urgency of United Nations-led talks between the Syrian government and opposition groups in Geneva starting Wednesday, that Putin has said could be "decisive" in settling the conflict.

While agreement is far from certain, the negotiations on constitutional changes could help unlock money from U.S. allies in the Gulf and Europe, which have withheld aid because of

Assad's close ties to Iran and his refusal to loosen his grip on power by making space for opposition groups.

"If we see some political progress there could be more interest in supporting reconstruction," said Yury Barmin, a Middle East expert from the Moscow Policy Group, a consultancy. At the same time, the Syrian authorities "clearly feel they are winning," he said.

Russia's military intervention in Syria since 2015 succeeded in shoring up Assad at a time when he was at risk of being overthrown in a rebellion backed by the U.S. and its allies. The UN estimates reconstruction costs in Syria at $250 billion and the Syrian leadership can't count on either of its two main backers, Iran and Russia, for significant financing.

Saudi Arabia has softened its demand for Assad's immediate departure as the Russian role in Syria has grown increasingly dominant and the U.S. presence has reduced. That accelerated when President Donald Trump last month ordered out U.S. troops protecting Kurdish forces in northeastern Syria, leading to a Turkish offensive that forced the Kurds to turn to Damascus for protection by pledging loyalty to Assad. Russia and Turkey struck a deal last week for joint patrols of a border zone in northern Syria.

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The U.S. then announced it was deploying forces in the vicinity of the oil-producing Deir Ezzor region to deny access to Islamic State as well as Syrian and Russian forces, a move the Defense Ministry in Moscow denounced as "international state banditry." Defense Secretary Mark Esper warned Monday of an "overwhelming" response to any threat to U.S. forces there.

The American maneuver came even as Trump thanked Russia for its assistance with the U.S. raid that killed Islamic State leader Abu Bakr al-Baghdadi in the northwestern Syrian province of Idlib. House Speaker Nancy Pelosi complained that the White House had told the Kremlin about the operation in advance while keeping it secret from Congressional leaders.

Political Process

Russia, which has been preparing for an offensive to capture Idlib from jihadist control, may feel encouraged by the confirmation that Islamic State has taken root there, said Barmin of the Moscow Policy Group. But it's unlikely to risk international condemnation by unleashing massive civilian casualties just as the political process in Syria is getting under way, he said.

The work of the so-called constitutional committee, made up of 150 members from the government, opposition and civil society, is a "step in the right direction, a step along the difficult path out of this conflict," UN Special Envoy for Syria Geir Pedersen said Monday in Geneva. "It could be a door-opener to a broader political process."

Saudi Arabia will likely continue to keeps its purse-strings firmly shut until after the UN has overseen presidential elections in Syria that are due in 2021, said Abdulkhaleq Abdulla, a political expert based in the United Arab Emirates.

While Saudi leaders view Russia as the best chance of countering Iran in Syria and the Syrian

opposition is unlikely to win any real power, Riyadh still wants to see some international stamp of legitimacy before it considers contributing to the Syrian regime, according to Abdulla.

“It’s going to be a long, long process for sure,” he said by phone. “Assad has to arrange for an election supervised by the UN and the outcome will then determine at what stage and what kind of Gulf help will be provided to Syria.”

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