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The Battle for Idlib

Two years ago, it looked as if Syrian President Bashar Assad was either about to be ousted from power or doomed to control an ever-shrinking area of Syria. Islamic State, Kurds and various rebel groups controlled much of what once constituted Syria. In fact, the frontier between Syria and Iraq was mostly a fiction as neither state controlled its borders.

However, in 2015, Russian President Vladimir Putin decided to support his long-time ally and provide military support to prevent him from falling from power and assist him in retaking lost territory. With Russian and Iranian assistance, Assad has been steadily winning back territory that was held by various rebel groups. Although the U.S. could have been an obstacle to this trend, America's focus was on defeating Islamic State. Therefore, the U.S. has mostly not interfered in Assad's recovery.

After gaining back several pockets of resistance in the southwestern part of Syria, the focus now shifts to Idlib, a province in northwestern Syria that borders Turkey. Unlike the areas recently re-taken, Idlib's situation is much more complicated. There are several rebel groups in Idlib, a large number of displaced people and five nations with interests in the province. As a result, the potential is elevated that the operations designed to oust rebel groups will turn into a much broader conflict.

In this report, we will begin with a description of Idlib. The following section

will examine the goals and concerns of the major players, including rebel groups, important ethnic and religious groups and the aforementioned nation states. Using this information, we will discuss the potential interplay among these groups and their efforts to contain the battle and what could lead it to spin out of control. As always, we will conclude with potential market ramifications.

The Lay of the Land

Idlib province sits in northeastern Syria.



(Source: Wikipedia Commons)

It was mostly a rural province prior to the breakdown of order in Syria during the Arab Spring. Its normal population is about 1.5 million. However, the current population is double that number as refugees from other parts of Syria have fled to this region. When the Russians brokered ceasefires in southern rebel strongholds, they ended the fighting by providing safe passage to Idlib. The World Health Organization estimates that 1.6 million of the current residents in Idlib rely on food assistance.¹

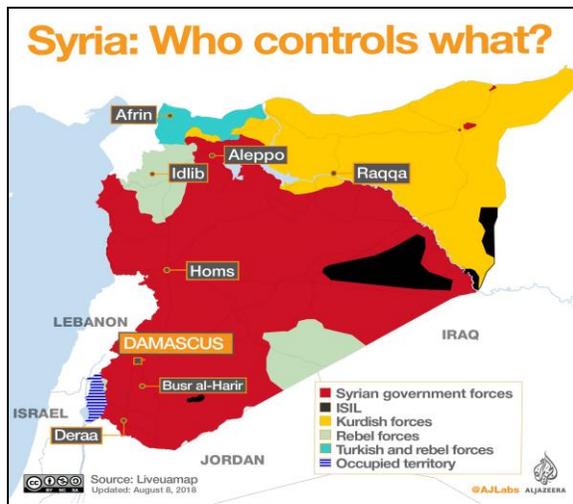
¹ <https://www.washingtonpost.com/world/a-final-syrian-showdown-looms-millions-of-lives-are-at-risk->

Mixed in with fleeing refugees are rebel fighters. Estimates vary on how many armed rebels moved to Idlib from the south, but it could have been as many as 25,000. These fighters join a plethora of other groups already in the province.

In previous operations, Russia had allowed rebels and refugees to exit to Idlib. However, Idlib is the last rebel stronghold. There is nowhere else to go unless rebels and refugees flee to government-controlled areas. Unfortunately, there is great fear among the displaced in Idlib that the government will persecute them for disloyalty. Thus, the potential for a humanitarian disaster is very high.²

The Players

Syria: After losing control of most of Syria following the Arab Spring, the Assad regime has recovered much, but not all, of the country with outside help.



(Source: Al Jazeera)

As this map shows, there are only two rebel strongholds, Idlib and parts of eastern Syria, but the latter areas are not critical. Obviously, other powers are active; Turkey directly controls Afrin and has troops in Idlib. The Kurds control much of northeastern Syria, and a contingent of Islamic State remains active, although its area is under pressure from U.S. forces.

Syria’s goal is simple—retake all the territory lost, rebuild from the terrible damage wrought by the civil conflict and punish Syrians who were disloyal. It is abundantly clear that Assad doesn’t have the forces to achieve his goals and thus he needs to convince outside powers—Russia and Iran—to support his aims. Unfortunately for Assad, these allies are not fully on board with his goals.

Russia: In some respects, Syria isn’t all that important to Russia. If Assad had fallen, any new government or emerging state would not have been a direct threat to the stability of the Russian state. For good reason, Russia would not have wanted Islamic State to maintain the caliphate it was trying to build because it could have been a base of terrorist operations in the Middle East and beyond. However, this was mostly a terrorist threat and would not have been a threat to overthrowing the Putin regime.

Instead, supporting Assad was all about status. Russia wants to return to the geopolitical glories of the U.S.S.R. when Syria was a client state of the Soviet Union. For nearly 25 years, Russia was unable to project influence into the Middle East. However, as the U.S. has tried to reduce its footprint in the region,³ Russia is moving to fill the void.

[here-are-the-stakes/2018/08/30/e9788e9c-abc3-11e8-9a7d-cd30504ff902_story.html?utm_term=.529d740c6fed](https://www.theguardian.com/world/2018/08/30/here-are-the-stakes/2018/08/30/e9788e9c-abc3-11e8-9a7d-cd30504ff902_story.html?utm_term=.529d740c6fed)
²<https://www.theguardian.com/world/2018/aug/30/we-cant-go-back-syrias-refugees-fear-for-their-future-after-war>

³ https://www.confluenceinvestment.com/wp-content/uploads/weekly_geopolitical_report_05_06_2013.pdf

Russia's problem is that it lacks the resources to become deeply involved in the region. So far, Russia has been able to support Assad's drive to win the civil conflict by providing air power for the Syrian leader's forces. However, Russia does not have the wherewithal to either (a) rebuild Syria, or (b) fight a hot war against a bigger adversary, such as a NATO-backed Turkey or the U.S. Thus, Russia wants to maintain its image of power while avoiding a broader conflict and getting other powers to pay for Syria's rebuilding.

Turkey: Initially, Turkish President Erdogan wanted to see Assad removed from power. However, the rebels aligned against Assad were not unified and Ankara had no interest in seeing Islamic State build a nation on its border. At the same time, it didn't want the Kurds to fill the void either, therefore it supported Sunni rebel groups that, by themselves, were unable to remove Assad. Consequently, Erdogan acquiesced to Assad remaining in control.

In addition, Turkey became one of the primary destinations for refugees from the Syrian conflict. Currently, there are around 11 million Syrians displaced by the war.⁴ Three and a half million are already in Turkey. Approximately 2.5 million could try to flee Idlib in a hot war which would severely constrain a Turkish economy already under great stress. Turkey would prefer to keep Afrin and Idlib as buffer zones, not only to keep refugees out of Turkey but to prevent any further expansion of Kurdish influence. In addition, if a broad war broke out, Turkey could find itself tangling with Russia, which it would prefer

⁴ https://nationalinterest.org/blog/middle-east-watch/piercing-through-assad%E2%80%99s-reconstruction-mirage-syria-29962?page=0%2C1&wpisrc=nl_todayworld&wpmm=1

to avoid. Thus, Turkey has an incentive to prevent a broader conflict from occurring.

Iran: Iran's goal is to dominate Syria as part of its "Shiite arc" running from Iran to Lebanon. Syria is a key component of that arc, so having a compliant leader in Syria is a plus. For Iran, Russia is perhaps a mixed blessing. On the one hand, it was apparent that Iran could not deliver any sort of victory for Assad, even with the support of its ally, Hezbollah. Thus, Russia saving Assad was a welcome development. On the other hand, Damascus now has another patron that may not necessarily abide by Tehran's interests. Thus, a conflict that bogs down both Assad and Putin in Idlib would not necessarily be a bad outcome from Iran's perspective.

United States: The primary reason the U.S. is involved in Syria is to prevent Islamic State from building a nation in the areas that make up Iraq and Syria. For the most part, the U.S. has accomplished that goal with support from the Kurds. President Trump has made it clear he would like to see American troops out of Syria.⁵ Although we doubt American officials are keen on Assad remaining in power and expanding his control, no workable alternative has emerged and thus Washington appears resigned to Assad maintaining power. We do note that the U.S. has opposed Syria's use of chemical weapons in the past and therefore could strike at Syrian troops if they deploy such weapons in an attack on Idlib.

Other states: The EU worries that a major battle could trigger another refugee crisis which would be a problem given the current political environment in Europe. Israel wants Russia to prevent Iran and its proxies from threatening the country. Russia will

⁵ <https://www.bloomberg.com/news/articles/2018-04-03/trump-says-he-wants-u-s-troops-to-get-out-of-syria-soon>

struggle to keep Iran away from Israel; on the other hand, we doubt Iran wants to tangle with Israel as it deals with U.S. sanctions. The Gulf States wanted Assad out of power but will acquiesce to his apparent victory. We would not expect them to contribute to Syria's rebuilding.

Kurds: The Kurds have established themselves, with U.S. support, in northeastern Syria. Turkey is not pleased with this development and Assad probably isn't too happy, either. But, Assad would probably rather have Kurds in control than Islamic State or Turkey. Thus, for the time being, the Kurdish region is probably safe. The issue of the Kurds will likely be a future flashpoint.

The rebel groups: Although there are a myriad of different groups with constantly shifting alliances, for our purposes, there are two that are important. Hayat Tahrir al-Sham (HTS) is a hardline jihadist group that has been affiliated with al Qaeda and its local arm, Jabhat al-Nusra. HTS has separated itself and mostly controls the southern part of Idlib. Aligned against HTS are two groups, the Syrian Liberation Front and a set of jihadist and nationalist rebel factions supported by Turkey. Together, the Syrian Liberation Front and these Turkish-supported groups are being called the National Liberation Front.

The Interplay

None of the parties like HTS. The state actors want them pushed out as does the National Liberation Front. Syria wants them all removed and brought under government control, but to do that will require a bloody war. Turkey would like to see all the groups not aligned with it removed but believes that all but HTS might be brought under its control. Russia also wants to see HTS ousted but would prefer a limited conflict

that would likely give Assad control of southern Idlib and Turkey control of northern Idlib. That way a refugee crisis could be avoided and a dangerous rebel group removed.

Syria is mobilizing troops for an attack on Idlib. Russia is holding naval war games in the Mediterranean,⁶ which may be a pretext for prepositioning naval assets for an assault on the province. Although this ship movement bears watching and we have noted some belligerent statements from Russian officials,⁷ we doubt that Russia wants a major war in Idlib if it can avoid it. In fact, Russia has had some success in convincing rebel groups to stop fighting and pledge loyalty to the regime.⁸ The problem is that Syria may try to drag Russia into a broader conflict. Assad would rather not give up Syrian territory to Turkey but he doesn't have the forces to take on the Turkish military without Russian support.

The other concern is that the rebel groups aligned with Turkey may eventually break away if a split develops in Idlib. As long as Turkey can control these groups, Assad might be willing to trade part of this territory to rid the region of HTS. But, this outcome may not be a long-term solution.

At this point, Russia and Turkey want to see the conflict limited. Russia doesn't have the resources to conduct a sustained major military operation and a humanitarian crisis will make it difficult for Moscow to ask for reconstruction assistance. Turkey does not

⁶ <https://www.cbsnews.com/news/russia-military-naval-presence-mediterranean-us-vladimir-putin-syria-offensive/>

⁷ <https://www.aljazeera.com/news/2018/08/russia-syria-vow-wipe-terrorists-idlib-180830153015385.html>

⁸ <https://www.wsj.com/articles/russia-offers-a-carrot-to-embattled-syrian-rebels-1535799600>

want a humanitarian disaster either because most of the potential refugees will likely flee to Turkey. The issue is that Assad has little concern for the problems of Russia and Turkey and may try to trigger a broader conflict to regain territory. Simply put, there are too many players to guarantee that a conflict can be contained.

Ramifications

For financial markets, a hot conflict in a sensitive area would likely lead to some flight to safety buying of crude oil. However, given that the region isn't a critical producing area, we believe this will be a short-term reaction. The two longer term concerns involve Turkey's financial markets and the potential impact on the Eurozone. Turkey is already suffering from a major financial crisis. Its currency has significantly depreciated and it isn't clear

that it can service its debts without outside support. A conflict in Syria that requires war spending and could trigger a refugee influx would add to an already difficult situation and likely lead to further currency weakness and higher interest rates.

A refugee crisis in Turkey would be difficult to contain. If Turkey decides it can no longer manage the situation, it may back away from an earlier agreement with the EU and allow Syrian refugees to flee to Europe. Given rising populism in Europe and growing dissent from Italy regarding the burdens of migrants, a broader conflict in Syria could be negative for the euro and southern Eurozone financial assets.

Bill O'Grady
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