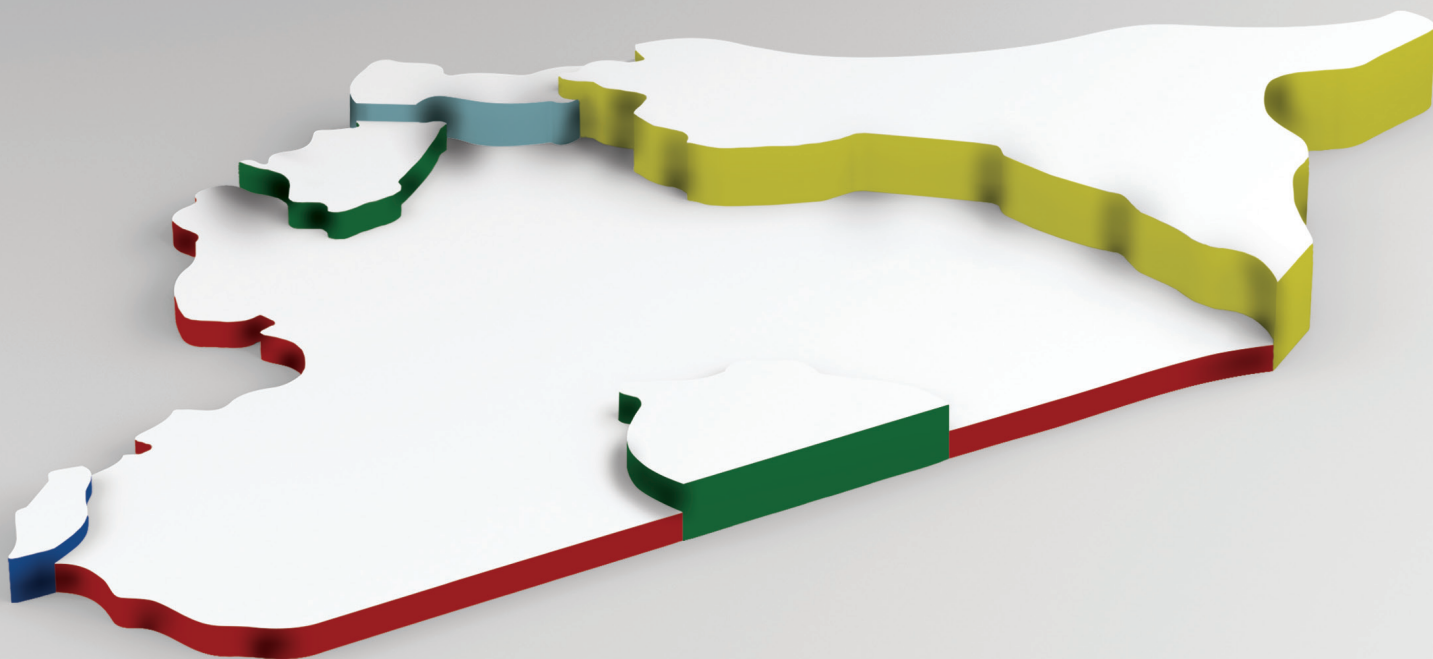


LOCAL ECONOMIES IN SYRIA

Divisions & Dependencies



Local Economies in Syria

Divisions and Dependencies

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INTRODUCTION

Salam Said¹

The debate surrounding the war in Syria has overwhelmingly focused on military developments on the ground, negotiations on a political solution, and, more recently, on post-war reconstruction. Yet, one of the main and still largely neglected issues is the impact of the war on Syrian local economies, which have undergone fundamental changes since the outbreak of the conflict in 2011.

The war and the current fragmentation of Syria has had profound and lasting implications for local communities and their socio-political relations, as well as for political economy and market. With the division of the country into a number of territories controlled by different political and military forces, local economies throughout Syria have developed in various and distinct ways with differences in their approach to trade relations, both among themselves and with neighboring countries. Alongside these developments, new patterns of economic activity have emerged and a new model of political economy has been shaped at the local level.

These new patterns of local economy will not easily disappear; neither with the end of hostilities nor with the reunification of various Syrian territories. Instead, they will continue to influence post-war economic recovery and socio-economic developments for decades. Therefore, it is important to understand the mechanisms, dynamics and major players of the local economies and examine their response to the various challenges of war, destruction and sanctions. What are the main market dynamics? Who are the key players and why are they considered so? Which economic sectors have developed to serve the local needs over the wartime period? What are the main sources of income in

1. The author would like to thank Kheder Khaddour for his invaluable contribution to this publication. Kheder's support in the concept development phase and his precise academic review of the studies were fundamental to the publication's successful completion.

these local economies? How have the political and social relations between the local communities and their dominant political powers affected the local economies? And how did the local economies in turn influence the socio-political relations between the locality and the power center?

Answering such questions related to local economies and their development in Syria poses major challenges, given the absence of reliable data collection in wartime due to ongoing insecurities, demographic changes and military operations across the country. Against this backdrop, this volume represents an important attempt to understand local economic developments that will shape the trajectory of the Syrian future economy and define the direction of its foreign relations.

This volume comprises five case studies dealing with local economies in different parts of Syria. These studies apply qualitative research methods based largely on interviews conducted with a selected sample of experts or actors involved in the markets and sectors under study. While three studies address local developments of three economic sectors (money transfers, electricity and olives) since 2011, the other two studies focus on the dynamics and the major players of local economies in wartime. Although these studies emphasize different sectors in particular geographies of Syria, they demonstrate a set of common findings, such as growing economic fragmentation, increasing dependency on regional economies and foreign sources of income, a shift from productive and self-sustaining activities (agriculture and industry) to trade and unproductive sectors, the expansion of informal economies and smuggling, as well as the changed relationship between the pre-war center (Damascus) and localities.

The following sections address in detail these common findings based on three main themes: (1) physical, institutional and social destruction; (2) fragmentation and domination; and (3) sanctions.

First: Destruction, Institutional Fragility and Socio-Economic Conditions

The Syrian economy and society remain systematically shattered due to the impacts of war. Currently, it is difficult to measure or evaluate the exact level of economic destruction or the social and human losses in Syria, but existing estimates present a very bleak outlook.² Economic and social destruction in Syria varies according to the intensity of military operations and the dominant power on the ground. In general, all regions, cities,

2. The World Bank (WB) indicates that Syria's gross domestic product (GDP) contracted by 63% during the 2010–2016 period, and its oil revenue dropped by 93%. In addition to the sharp drop in exports in 2015 (92%), the financial resources of the government in Damascus declined to less than 3% of GDP and gross public debt rose to 150%. In 2015, the Syrian pound officially depreciated by 459% of its value compared to 2010. For more on destruction, see (World Bank, 2017; SCPR, 2017).

and towns that were held by the opposition have witnessed the most physical destruction, particularly in their infrastructure sectors: health, education, water supply and sanitation.³

Physical destruction and damaged infrastructure have severely affected local economies and socio-economic conditions of the populations living in these areas. By the end of 2018, about 11.7 million people in Syria were considered in need of various forms of humanitarian assistance (OCHA, 2019: 8). Most were internally displaced and lacked access to social services and basic infrastructure. In addition, Syria has experienced a dramatic reduction in its skilled labor force due to death, arrests and migration. The impacts of physical destruction and the loss of skilled workers can be seen clearly in **the paper on the olive sector** present in this volume. As the paper's authors explain, olive-related industries—like olive oil mills and soap factories—have been either destroyed by military campaigns and looting, or are no longer in operation due to a lack of skilled labor and financial support.

Under these circumstances, it is hardly possible to create self-sufficient economic activities at a local level. As a result, Syrians have increased their dependency on foreign aid, whether from international donors or remittances from family members abroad. Based on the experiences of three Syrian families, **the study on family dispersion** in this volume confirms these war consequences. The study shows how the loss of young and economically active family members has affected the self-sufficiency of the family household, and how the families' sources of income have been reduced due to the destruction of properties and work dismissals. Consequently, there has been a shift away from locally generated income to remittances or aid, and since 2011, all three examined households have increasingly relied on money transfers from family members who have migrated. Likewise, **the study on the hawala market** proves that the expansion of this system has been caused by the growing demand for money transfers to Syria. According to The Syrian Observer, remittances (about USD 1.5 billion) exceeded the total amount of registered wages and salaries paid in Syria in 2017 (The Syrian Observer, 2018).

In addition to the destruction and deteriorating socio-economic situation in Syria, local economies throughout Syria have lacked good governance in support of their recovery and future reconstruction, as local authorities and institutions have become fragile, incompetent and lacking financial resources to varying degrees.⁴ As for the economic governance in Damascus, it follows the goal of re-consolidating the Assad regime at

3. See the physical and social destruction in ten cities and eight governorates in Syria (World Bank, 2017: 19–21; 17–46).

4. For more on local governments, see Gharibah, M. (2018): *Local elections in post-agreement Syria: opportunities and challenges for local representation*. London School of Economics, Conflict Research Programme, London, UK; Also see Alawak, A. et.al. (2018). *Centralization and Decentralization in Syria: The Concept and Practice*. Omran Center for Strategic Studies, 15.11.2018, Istanbul, Turkey.

the expense of social justice and sustainable development,⁵ while the management of economic resources in other territories primarily serves emerging local power structures and their foreign supporters. **The study on electricity in A'zaz**, for instance, shows the fragility of the local council and its inability to handle matters outside Turkish influence. This dependence on Turkey results from the inability of the local council to self-finance alongside its heavy reliance on military and logistical aid from Ankara.

Economic governance and state institutions of the Assad regime are often described as ineffective and politically compromised, as a result of authoritarianism, corruption, clientelism and inefficiency.⁶ In line with the war economy, political pressure and financial deficit, pre-war governance shortcomings have largely increased, particularly with regards to clientelist political-economic relations, which have been employed by the regime to sow division in the local opposition and regain power. **The study on the political economy of the siege** in this volume demonstrates how local leaders and reconciliation committees in the Yarmouk refugee camp (RC) and Southern Damascus were unable to work independently from the military forces of the Syrian regime during the siege. It shows also how local military and political leaders in wartime—in cooperation with the regime—have managed to maintain their economic interests and wealth during the siege, and to ensure their roles in the post-siege local economy. Consequently, local economies of recaptured districts are dominated by the pre-war pattern of political economy, characterized above all by an alliance between military forces and the economic elite, albeit with new faces. The institutional fragility and reproduction of the old order, which is unfair in nature, will increase instability and socio-economic injustice, and will leave deep traces on the local economy in the coming future.

Second: Division and Dominating Power

Syria today is divided into four territories, each controlled by a different political and military proxy power, of both domestic and foreign origin: The Assad regime supported by Iran and Russia; Turkish-backed opposition forces in the Euphrates Shield and Olive Branch areas; the Syrian Democratic Forces (SDF) in the Kurdish »Self-Administration of North and East Syria« (Self-Administration); and »Ha'yat Tahrir al-Sham« (HTS) and

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5. For more on the political economy of reconstruction in Syria, see Said, S. and Yazigi, J. (2018): The Reconstruction of Syria: Socially Just Re-integration and Peace Building or Regime Re-consolidation?, in: site of Friedrich-Ebert-Stiftung (15.1.2019); available at: <http://library.fes.de/pdf-files/iez/14939.pdf>; and Daher, J. (2018): The political economic context of Syria's reconstruction: a prospective in light of a legacy of unequal development, in: site of Cadmus Home of the European University Institute (17.12.2018); available at: <https://cadmus.eui.eu/handle/1814/60112>
 6. See e.g. the yearly reports of Transparency International on <https://www.transparency.org/cpi2018>; and also Heydemann, S. (2018): Beyond Fragility: Syria And The Challenges Of Reconstruction In Fierce States, in: site of Brookings (6.6.2018) by Foreign Policy at Brookings; available at: https://www.brookings.edu/wp-content/uploads/2018/06/FP_20180626_beyond_fragility.pdf

its civilian »Salvation Government« in Idlib governorate. While Assad's goal is to reassert control over all Syrian territories, the Kurdish Self-Administration and other opposition groups are neither willing to be subordinated to the central state in Damascus without a political settlement and system-wide changes, nor to give up control over their territories in favor of a united opposition leadership. Owing to this, the conflict is nowhere near over and the current internal borders between the control zones will continue to shift.

These political and military divisions have severely impacted the Syrian economy by cutting off trade and supply routes of goods, raw materials, intermediate products, equipment and fuel, both inside and into Syria. They have also created internal borders controlled by military forces through so-called »checkpoints« that operate inter alia as customs offices, imposing taxes on internal trade and other crossing activities according to political and military purposes rather than economic logic. As a result, not only have production costs increased,⁷ domestic production and marketing networks been disrupted and value-added chains broken down, but also the very nature of economic activities has changed for the worse. The productive sectors (agriculture and manufacturing) were replaced largely by unproductive and informal economic activities such as trade and smuggling. As **the study on the olive sector** shows, due to such divisions, the domestic value-added chain of olive oil or soap production has been damaged, as olive production cannot be transported to the locations where in pre-war times they were processed into oil or soap. As a result, the bulk of olives produced in Idlib and rural Aleppo (*Rif Halab*) has been sold informally to Turkish manufacturers and exporters at very low prices.⁸ At the same time, table olives and filled oil bottles produced in Turkey have been exported to Europe at higher prices. This shift in activities has had deep effects on local economies and the livelihoods of communities that before the war depended financially on such productive activities.

Similar developments can be observed in the textiles and garment sector—another key sector in the local economies of northern and eastern Syria, particularly in the province of Aleppo, which is currently divided between regime-controlled areas (mainly Aleppo city and south-eastern districts) and Turkish-backed opposition areas (mainly northern and north-western districts). As a result of the war and the destruction of the major industrial zones in the governorate, most Syrian factories have relocated to southern Turkey while continuing to purchase Syrian-produced cotton for as long as possible, and selling their manufactured products on the Syrian market. Consequently, Syria has lost its locational advantage and outsourced an important part of the value-added chain to Turkey. This alteration brings Syria back to a less-favored pattern of trade, in which countries export

7. For more on the challenges facing production in Syria, see Salmon, K., et al. (2018): *Surviving Firms of the Syrian Arab Republic A Rapid Assessment*, Policy Research Working Paper 8397, in: site of The World Bank (2.4.2018); available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/29610/WPS8397.pdf>

8. See Armstrong, W. and Yin Lee, T. (2019): *Turkey in a pickle over Syrian olives*, in: site of BBC (19.1.2019); available at: <https://www.bbc.com/news/blogs-news-from-elsewhere-47069403> (last accessed on 24.7.2019)

»cheap« raw materials and import expensive finished products leading to an increasing trade deficit (Said, 2019).

Additionally, this division has led to a deeper fragmentation in the Syrian economy and caused an increase in dependency on foreign economies. As the domestic transport and trade routes were destroyed or (at least formally) closed, trade became easier and less expensive with neighboring countries, e.g. Iraq and Turkey. In addition to the case of the growing »informal« olive trade with Turkey (see the study on the olive sector in this volume), trade between local economies in the Kurdish Self-Administration and Iraq, particularly with Iraqi Kurdistan, has increased as well.⁹

Economic dependency, however, is not limited to trade. It also covers investments in services and the strategic infrastructure sector. For instance, the study on the agreement between the local council of A'zaz and a private Turkish electricity company to provide power, demonstrates how the city became more dependent on, and integrated into, the Turkish economy. For it uses the Turkish lira to pay the salaries of the company's Syrian workers and to settle the payment of electricity bills. Electricity supply in this way might help the recovery of the A'zaz economy, but it disconnects the city from the domestic electricity network. Likewise, **the study on the *hawala* market** demonstrates the growing dependence of local economies on financial institutions based in neighboring countries to move cash flows. For instance, intermediate stations of *hawala* to Syria are Lebanon, Turkey and Iraqi Kurdistan.

This economic dependency perfectly reflects the military and political relations between the Syrian »localities« and »centers« of powers involved in the conflict. As the contributions in this volume show, the relationship between Damascus as a center and the studied localities has lost importance since 2011, while their dependent relationship on the foreign powers' centers has intensified, whether with Ankara or Erbil. Hence, the Syrian peripheries have now become more linked to regional centers economically and politically. In contrast, **the study on the political economy of the siege** of Southern Damascus displays how the Syrian regime, which is the dominant military and political power there, has managed to relink local economies in rural Damascus to the urban center.

The de facto division has also increased the importance of internal trade borders as a key source of revenue for military forces at checkpoints, and for intermediaries who organized »business deals« between hostile parties. In many cases, military figures or groups that controlled checkpoints have accumulated considerable wealth and built

9. See the local news on opening new crossing point between the Kurdish Self-administration in Syria and Iraqi Kurdistan: Abdul Hamid, K. (2019): The »Self-Administration« Changes Route of Trade with Iraq to Suwaydiyah Crossing for the Maintenance of Simalka Crossing, in: site of Smart News (18.1.2019); available at: <https://smartnews-agency.com> (Arabic); and Siris, J. (2017): Opening a New Trade Crossing with the Areas of »Self-Administration« in Hasakah and Iraqi Kurdistan, in: site of Smart News (8.4.2017); available at: <https://smartnews-agency.com> (Arabic)

networks with prominent economic actors in all territories.¹⁰

The income-generating activities of border-crossings range from collecting taxes on semi-legal trade and bribes, up to taking part in illicit trade, as well as trafficking weapons, drugs and money.¹¹ Even the smuggling of fighters, activists and families has become a matter of business for the checkpoints. **The study on the political economy of the siege** in this volume gives an example of how border-crossing activities and trade have been deployed to achieve both political and economic goals: isolating the besieged areas, generating revenues for the military forces, and strengthening economic actors that are politically cooperative with the regime.

The middlemen of economic transactions between opposing parties have also benefited from the internal fragmentation. For instance, the »godfathers« of the oil and wheat deals between the Syrian regime in Damascus and Daesh (Islamic State in Syria and Iraq—ISIS), then later the Kurdish military leadership, are now among the country's leading businessmen, who have monopolized local economies and dominated the reconstruction business throughout Syria.¹² **The paper on the political economy of the siege** of Southern Damascus in this volume shows the way in which middlemen, like al-Manfoush (the »dairy godfather«), benefited from the internal border during the siege and was ensured privileges in the post-siege period. Now, al-Manfoush—while not only monopolizing trade in many areas in rural Damascus, particularly in Eastern Ghouta—is a key player in

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10. Emerged wealthy businessmen in wartime, such as al-Qaterji and Qattan, have allegedly collected their wealth from controlling checkpoints and from organizing deals between Assad regime and its enemies. For more, see Said and Yazigi, (2018); and Daher, J. (2017): Militias and crony capitalism to hamper Syria reconstruction, in: site of openDemocracy (5.9.2017); available at: <https://www.opendemocracy.net/en/north-africa-west-asia/militias-and-crony-capitalism-to-hamper-syria-reconstruction/>; See also Abdulrahim, R. (2018). »They're All Thieves«: Navigating Syria's Checkpoint Shakedowns, in: site of *The Wall Street Journal* (23.12. 2018); available at <https://www.wsj.com/articles/theyre-all-thieves-navigating-syrias-checkpoint-shakedowns-11545577200>
11. See Yazigi, J. (2014): Syria's War Economy, in: site of European Council on Foreign Relations (ECFR) (7.4.2014); available at: https://www.ecfr.eu/page/-/ECFR97_SYRIA_BRIEF_AW.pdf; Ashkar, Y. (2016): Assad's Checkpoints: Pay more, pass quicker, in: site of Orient News (9.2.2016); available at: https://www.orient-news.net/en/news_show/102352/Assad-checkpoints-pay-more-pass-quicker; Turkmani, R, et al. (2015): Countering the logic of the war economy in Syria, in: site of openDemocracy (19.11.2015); available at: <https://www.opendemocracy.net/en/north-africa-west-asia/countering-logic-of-war-economy-in-syria/>; and Bojicic-Dzelilovic, V. and Turkmani, R (2018), War Economy, Governance and Security in Syria's Opposition-Controlled Areas, in: site of Stability: International Journal of Security & Development (6.4.2018); available at: <https://www.stabilityjournal.org/articles/10.5334/sta.569/>
12. See Said and Yazigi (2018); COAR (2019): Beyond Checkpoints: Local Economic Gaps and the Political Economy of Syria's Business Community, in: site of Center for Operational Analysis and Research (15.3.2019); available at: <https://coar-global.org/2019/03/15/beyond-checkpoints-local-economic-gaps-and-the-political-economy-of-syrias-business-community/> (last accessed on 29.4.2019); and also Middle East Monitor (2017): Syria, PKK/PYD share oil revenues in Al-Hasakah, in: site of Middle East Monitor (27.7.2017); available at: <https://www.middleeastmonitor.com/20170727-syria-pkkpyd-share-oil-revenues-in-al-hasakah/>

the »reconstruction business«. He is, among other things, the sole subcontractor with the Military Housing Establishment to remove debris in the towns of Eastern Ghouta (Asfar, 2017; Enabbaladi, 2019).¹³

The paper on the political economy of the siege also demonstrates that not all middlemen during the siege could maintain their privileged status after the campaign and the removal of checkpoints. The authors show how some members of *Mashayekh al-Musalaha* (also known as Reconciliation Committees) lost many of their privileges after the reconciliation. Thus, the removal of current internal borders would not be in the interest of such »checkpoint lords« or go-betweens.

Finally, despite division, existing territories do not yet have independent economic, monetary, or financial systems and are reliant on each other to obtain basic goods and services, to sell local products and to conduct trade and banking transactions, even if only to a certain degree.¹⁴ This fact emphasizes the challenge of sanctioning or supporting a territory without impacting the others (through spillover effects).

Third: Sanctions

The sanctions imposed by the United States (US), European Union (EU) and the League of Arab States (LAS) on the Syrian regime since 2011 have had a significant effect on local economies and their developments. Although the Syrian economy has experienced different degrees and types of economic sanctions since the 1970s,¹⁵ those implemented after 2011 have been stronger in terms of scope and intensity. In addition to the sanctions on political and military figures and businessmen, who were directly involved in the violence or have indirectly supported the Syrian regime, sanctions on Syrian governmental institutions, including the Central Bank of Syria, have led to a sharp reduction in foreign trade, at least at a formal level. More harmful has been the US

13. For more, see AFP (2018): Syria foes profit from trade across front lines, in: site of The Gulf News (31.7.2018); available at: <https://gulfnews.com/world/mena/syria-foes-profit-from-trade-across-front-lines-1.2259485#> (last accessed on 19.8.2019); and Al-Hal (2019): Connected Trader Secures Contract to Remove Rubble in Ghouta, in: site of The Syrian Observer (24.5.2019); available at: <https://syrianobserver.com/EN/news/50641/connected-trader-secures-contract-to-remove-rubble-in-ghouta.html> (last accessed on 19.8.2019)

14 A study published in 2016 has shown precisely how these different and hostile areas, including the area under Daesh at that time, were intertwined, see e.g. Tokmajyan, A. (2016): War Economy In Northern Syria, in: site of The Aleppo Project (4.12.2016); available at: <https://www.thealeppoproject.com/wp-content/uploads/2016/12/War-Economy-2.pdf> (last accessed on 18.5.2019)

15 In 1979, the US has put Syria on its list of State Sponsors of Terrorism and imposed a number of punitive measures on the country. In 2003, Bush administration increased sanctions on Syria through so-called Syria Accountability and Lebanese Sovereignty Restoration Act of 2003 (SAA). See Zorob, A. and Said, S. (2011): International Sanctions Against Syria: »A Declaration of Economic War«, in: site of Qantara.de (15.12.2011); available at: <https://en.qantara.de/content/international-sanctions-against-syria-a-declaration-of-economic-war> (last accessed on 18.8.2019)

Caesar Syria Civilian Protection Act of 2019, sanctioning all companies and governments that deal with the Syrian regime.¹⁶ Besides the sanctions on the regime, there have been diverse forms of isolation and sanctions imposed on Syrian territories under the control of radical Islamist groups, such as »Jabhat al-Nusra«, Daesh and, currently, HTS and its »Salvation Government« in Idlib.

As a result, foreign companies and governments have massively reduced their transactions with Syria, including its private companies, regardless of location and political loyalty. In addition, official money transfer to or from Syria, whether for trade or humanitarian and development purposes, has become a complicated issue. Local economies in Syria have faced difficulties due to the effects of this disruption. The manufacturers in regime-held territories struggled to obtain their needs of imported equipment, input materials, or access to pre-war export markets, and the surviving local farmers and producers—in the wake of military operations in opposition-held territories—have faced similar challenges, in the absence of an internationally-recognized government to facilitate export and import activities. Subsequently, this has seen the impacts of sanctions spillover into all Syrian territories and caused a set of changes and challenges within the Syrian economy.

First, the Assad regime has shifted its foreign economic relations from the EU and pre-war regional partners (Turkey, Jordan and the Gulf states) to its political and military allies, Iran and Russia, with whom it has signed a number of trade, investment and cooperation agreements.¹⁷ Simultaneously, economic relations in the areas of the Euphrates Shield and Olive Branch operations are focused on Turkey (see the contributions on the electricity, olive and hawala sectors in this volume). The Kurdish Self-Administration area has increasingly relied on economic cooperation and trade mainly with Iraqi Kurdistan and Iraq, which became re-export locations of Chinese or Iranian goods to Syria (Interviewee 1, 2019).¹⁸ This new direction of economic relations will influence Syrian economic and

16 According to this act, all actors, institutions, companies and government that deal or cooperate with the Syrian regime must expect consequences. For more, see Caesar Syria Civilian Protection Act of 2019, in: site of Congress.gov (3.6.2019); available at: <https://www.congress.gov/bill/116th-congress/house-bill/31/text>; Caesar Syria Civilian Protection Act of 2016, in: site of Congress.gov (16.11.2016); available at: <https://www.congress.gov/bill/114th-congress/house-bill/5732>; and also see the recent EU restrictive measures against Syria, Council Implementing Decision (CFSP) 2019/87 of 21 January 2019 implementing Decision 2013/255/CFSP concerning restrictive measures against Syria, in: site of EUR-Lex (21/1/2019); available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019D0087>

17 For more on Russian and Iranian economic cooperation with Assad regime, see Yazigi, J. Reconstruction or Plunder? How Russia and Iran are dividing Syrian Resources, in: *Reconstructing Syria: Risks and side effects*, pp. 20–30, in: site of adopt a revolution (April 2019); available at: https://adoptrevolution.org/wp-content/uploads/2019/01/Reconstruction_Web-EN_Final.pdf; and Hatahet, S. (2018): *Russia and Iran: Economic Influence in Syria*, Research paper, in: site of Chatham House (8.3.2019); available at: <https://www.chathamhouse.org/sites/default/files/publications/research/2019-03-08RussiaAndIranEconomicInfluenceInSyria.pdf>

18 The need of consumer goods, including those of Chinese and Iranian origin, come mainly from Iraqi Kurdistan

social developments throughout the coming decades.

Secondly, sanctions have mainly harmed productive industrial and agricultural activities, either through complicating the imports of necessary equipment, intermediate products and raw materials, or through hampering access to export markets. For instance, **the paper on the olive sector** shows how soap exports from Syrian territory have become unmanageable due to war and sanctions, while trade in raw material of this industry with Turkey has grown. One Damascus-based manufacturer explained how imports of industrial inputs needed for his factory have become expensive and time-consuming since the sanctions were imposed, »We have to import the same materials by using a detour (via a third country/partner) to avoid mentioning Syria in any export/import documents« (Interviewee 2, 2018). Another exporter mentioned that production in Syria is no longer worthwhile, as operating costs are very high and with no chance of export, »I am not a regime supporter, yet our export partner hesitates to transfer money to a Syrian bank account or to a Lebanese bank account that belongs to a Syrian resident« (Interviewee 3, 2013).

Thirdly, sanctions have not only reduced foreign trade, but have transformed it into an informal and costly practice. While formally dealing with Syria is unwelcome and punishable, informal businesses and smuggling have flourished to evade sanctions. **The paper on the *hawala* market** in this volume shows clearly that sanctions have been an important cause of the boom in the informal *hawala* market after 2011. Similarly, the displacement of many Syrian industries to neighboring countries (Lebanon, Jordan or Turkey) to survive the war and evade sanctions is linked to informal trade flows from and into Syria.

Finally, the sanctions have had negative effects on socio-economic conditions of the Syrian population, as they raise the cost of local production and restrict imports of goods and services.¹⁹ High prices and the increased cost of living have not only severely disadvantaged the livelihoods of poorer people, who today make up the majority of the Syrian population,²⁰ they have also decreased the purchasing power that could stimulate local production and markets. The recent sanctions on the delivery of oil to Syria from

(Interviewee 1, 2019); See also Kasah, M. (2018): What is the Trade Equation Between the Kurdish Self-Administration Areas and the Neighbouring Cities?, in: site of Eqtsad (9.4.2018); available at: <https://www.eqtsad.net/news/article/19619/> (last accessed on 10.8.2019) (Arabic)

19. Inflation as measured by the consumer price index has increased dramatically since the onset of the conflict, exceeding 80% in 2013 and measured at 58% in 2016, see (World Bank: 2017: 65-66). Although destruction, insecurity and high transport cost are the main driving factors behind the rising prices, sanctions under these circumstances drove the high prices up further.

20. According to SCRP (2019), poverty and deprivation rates exceeded 93% by the end of 2017 based on the household line for poverty of an average of 181,000 Syrian Pounds per month. Extreme poverty reached 59.1% in the same year, see (SCPR 2019: 50).

Iran, for example, show how vulnerable people have suffered under fuel oil and gas cuts, while wealthy businessmen and the military operations of the regime have been hardly affected. Meanwhile, Iran and Syria are working on supply alternatives by opening oil and weapons smuggling routes across Iraq.²¹ For this reason, it is questionable whether these types of sanctions can achieve their political goal of increasing the pressure on the Syrian regime, and if they can, then at what cost.

Conclusion and Outlook

The new patterns of local economy that have emerged in wartime will not disappear, and their circumstances are unlikely to change much in the coming decades. These circumstances include the division of Syria according to competing dominant powers, the dominance of military and »criminal« elites over local economic resources, and the economic sanctions. The new patterns have had effects on the nature, size and scope of economic activities by transforming them from formal, productive and large-scale activities with a long value-added chain, to informal, unproductive, small-scale economies based on the production of raw materials and low-processed goods. This alteration will influence post-war economic and social development, and might create a political economic order in which new actors, rules and relations dominate the regulation of local markets and societies.

Given the deadlock of political negotiations, which is no longer an intra-Syrian affair, the status quo of the shared domination of Syria is likely to continue in the short and medium terms. Consequently, local economies, which are now disconnected from each other and the pre-war economic centers (Damascus and Aleppo), will not re-integrate in the foreseeable future. On the contrary, the division is expected to widen as the economic and social relations between Syrian localities and the centers of the dominant foreign military powers strengthen. This situation would significantly affect the livelihoods of local communities and the future socio-political relations among them. Local communities tend to support any mechanisms helping them to survive war, destruction and sanctions, even if these would lead to further fragmentation of the Syrian economy and society.

One further outcome of current developments is the high rates of poverty and the growing dependence on foreign aid and remittances, which have reached an alarming record in all Syrian territories. Dealing with this socio-economic challenge will be a cornerstone to guaranteeing stability in the post-war order in Syria. Local communities are in an urgent need to first stimulate income-generating and productive economic activities to enhance self-sufficiency, and, secondly, to ensure »fairer« income and wealth distribution

21. See Hamid, S. (2019): Iran is Building a Crossing point at the Iraq-Syria Border to Smuggle Weapons and Oil, in: site of Alarabiya (24.5.2019); available at: <https://www.alarabiya.net/> ; and Samaha, N. (2019): The economic war on Syria: Why Europe risks losing, in: site of ECFR (11.2.2019); available at: https://www.ecfr.eu/article/commentary_the_economic_war_on_syria_why_europe_risks_losing#

to achieve stability. Poverty and the concentration of wealth and power in the hands of the few were one of the key triggers of the Syrian uprising in 2011. Reproduction of these imbalances will lead to a new wave of protests and a relapse into conflict, which means a new wave of refugees with negative spillover on regional stability. Given the socio-political tensions caused by the refugee influx in neighboring and European countries, stabilization and economic recovery in Syria must be considered a common interest for both the Syrian population and countries hosting Syrian refugees. It is therefore worth mentioning that one of the most destabilizing factors facing Syria is the continuation of the Assad regime, as it is authoritarian and brutal. It follows a political economy based on discrimination and corruption rather than on social justice and the rule of law.

Sanctions have been the most frequently used foreign policy tool by the US, EU and LAS, to increase pressure on Assad since 2011. As mentioned above, the sanctions on institutions and economic sectors have affected, above all, the broadest part of the population, both in regime-held territories and elsewhere in Syria. These measures have also increased informal trade, expanded informal money transfers and damaged productive economic activities. These structural consequences on local economic activities will be a great challenge to the post-war economic order, since the formalizing and restructuring of economic activities requires time and efficient economic governance, which today remains absent in Syria.

Finally, the current pattern of political economy at the local level in Syria is characterized by the dominance of local warlords over economic resources and market monopoly. These actors seek to ensure their economic interests in the post-war order by using illegal tools and, occasionally, criminal methods. Therefore, sanctions imposed against individuals and projects that support criminal activities, violence, discrimination and injustice are required to reduce inequality and avoid indirect support of an unjust political economy in the post-war era.

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Interviews

- Interviewee 1 (2019), a local employee of US stabilization program in Self-Administration area, interview conducted by the author in person in Zurich (February 2019).
- Interviewee 2 (2018), a manufacturer/factory owner based in Damascus, interview conducted by the author in person in Beirut (September 2018).
- Interviewee 3 (2013), a businessman/manufacturer who was based in Damascus, interview conducted by the author in person in Beirut (August 2013).

Economic Consequences of Family Dispersion in Syria

Sultan Jalaby

Introduction

In my frequent visits to the homes of friends and relatives in Syria, photos on their walls always caught my eyes, for they were those of absent household members, whose number has been increasing year after year. These photos depicted mostly smiling men and women, young and old, dating back to a time when all household members were living under the same roof. This state of remembrance and absence has evolved during the war, with some households having no one to hang photos of their disappeared ones, houses no longer having walls on which to hang photos, and families who had lost ties and hence the motives to hang photos of those absent. This is the story of forced dispersion of Syrian families as told by the walls of homes. Yet the story has as many alternative narratives as the social, economic and psychological toll it had taken on Syrian society over nine bloody years.

Forced dispersion is one of the most significant social shifts brought about by the Syrian conflict today, and one with the most impact in the long term.¹ The Syrian household has long been considered as the nucleus of the country's social order, owing not to any distinct characteristics but rather to the conditions of Syrian society in the years preceding the conflict. For decades, Syrians have suffered from an authoritarian regime that has

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1. Dispersion is the dispersal of family members across many regions or countries. It is called »forced« dispersion because it results from conflict-related causes, which distinguish it from the common sociological understanding of dispersion as resulting from social causes.

restricted economic freedoms, hindered the development of civil society, and provided only the bare minimum social role of the state. The absence of these three elements—the pillars of economic and social development—has inordinately burdened the Syrian family, granting it prominence in a context where traditional and modern social norms coexist. After the outbreak of the conflict in 2011, however, the landscape has completely changed.

In this paper, we focus on the particularities of post-dispersion household economy, attempting to understand how the economic dynamics within the household has changed. To what extent has this dispersion affected the ability of families to perform their economic functions of providing, lending and employment? How has the distribution of roles changed within the household, either among generations or among family members—those remaining in Syria and those residing abroad? From a broader perspective, how have these changes reflected on the economies of local communities most affected by dispersion, in terms of both their income sources and living standards?

Methodologically, the research examined three case studies of three Syrian households from three different Syria regions: Rural Damascus, Idlib and Qamishli. The choice of these three regions was based on the different circumstances of each, in terms of the controlling political forces, its location in the conflict map, and its socio-economic developments during the war. Conditions for each case study include:

- The family is native to the region or has long resided there.
- The household comprises three or more generations.
- One of the parents² in the family is alive and of working age.
- The household has been affected by dispersion, to one degree or another.

Household	1st gen	2nd gen	3rd gen	Total families	Total members
Idlib household	2	16	24	8	42
Rural Damascus household	2	6	4	3	12
Qamishli household	1	9	13	5	23

Table 1: Generational Distribution of Members of the Examined Households

The household case studies were examined through a series of in-depth interviews with their members, based on a case study model designed to know key research indicators: the magnitude and nature of the family dispersion, income source change, standard of living, and others.

2. The terms »father« and »mother« refer to first-generation family members.

First: The Family in Syria and Demographic Loss

The conflict in Syria has forced more than half of the country's population to relocate or change their place of residence. »Relocation« is the broadest expression of the country's large demographic loss both at the local and national levels. According to the latest updates, 6.6 million Syrians were uprooted or forcibly displaced within the country, and about 5.6 million Syrian refugees are located in neighboring countries (UNHCR, 2019a). As for the Syrian arrivals to countries of the European Union (EU), official EU data suggests that their numbers have exceeded the two million threshold—registered as either refugees or asylum seekers (European Commission, 2019). Additionally, hundreds of thousands of Syrians have relocated to Gulf States, Latin America and other regions.

Displacement within or outside Syria is the most impactful proliferation factor of family dispersion. However, the impact of other factors, such as death, detention and forced disappearance, ought not be ignored. As of March 2019, nearly 570,000 Syrians had been killed in the conflict, according to estimates by the Syrian Observatory for Human Rights (Syrian Observatory, 2019). According to lists presented by the Syrian Human Rights Network, there are at least 95,000 forcibly disappeared persons, 85.9% of them by Syrian armed forces (Syrian Network, 2018). The total number of the disappeared, along with the detainees, is estimated at more than a quarter of a million Syrians.

These figures are striking insofar as loss has not only affected a proportion of the population, but, more importantly, individuals who are members of families, sharing ties within a system of relations and roles. It is true that some Syrian families have collectively been displaced, sought refuge or migrated, but the majority have not. The main question here does not pertain to the scale of demographic loss in Syria, but rather to the impact of the loss of individuals on the social and economic status of their families. Who are the Syrians who have been lost? And how has their loss affected the demographic composition of Syrian society?

Social impacts of this kind are difficult to monitor, given the lack of reliable national data on demographic changes in the country.³ However, available international statistics on the age and gender composition of Syrians abroad can give some indication. These statistics have demonstrated that demographic loss is concentrated primarily in the category of youth—the second generation of Syrian families—whose presupposed role is the reproduction of the family system. According to data of Eurostat, the EU statistical office, the proportion of youth (aged 18–34) among Syrian migrants now exceeds 43%, while it was 28% in 2011 (Central Bureau of Statistics, 2012). The same can be said for refugees in neighboring countries, if to a lesser extent. In Turkey, which hosts more than half of all refugees from Syria, the share of youth migrants (aged 18–59) of the total

3. The World Bank evaluated the overall average of statistical capacity in Syria for 2018 at 33.3 degrees on a scale of 100, which is very low compared to neighboring countries such as Jordan, 74.4, and Turkey, 76.6 (World Bank, 2018). This makes it difficult for us to benefit from any Syrian data and statistics after 2011.

registered refugee population is more than 53% (UNHCR, 2019b), and this age group represents the bulk of the labor force.

In terms of gender, statistics show that the proportion of males among refugees and migrants exceeds that of females. Apart from gender sensitivities, this can also be considered as a substantial population loss, due to cultural and social factors that have made males more involved in their families' economic cycles, as well as their higher rates of economic activity. While the sex ratio of males and females in the age group mentioned in Turkey is respectively 29.9% and 23%, with a variance of about 7% (UNHCR, 2019b), the variance rises to about 30% in the case of the Syrian migrants (aged 18–34) residing in EU countries (European Commission, 2019).

This reality has left tens of thousands of Syrian families dispersed; including the elderly whose children are absent, wives and children who live far from the husbands or fathers, siblings residing alone in different countries, and many other cases that are equally difficult to categorize. However, in this study, we hope to further touch on the manifestations of this phenomenon through the case studies.

Second: Dispersion of Examined Families

To understand the state of dispersion for each of the families examined, we drew the family tree starting with the first generation, excluding those who have been residing away from the household before 2011. As the simplest method of measuring dispersion, the number of absent members was divided by the total number of household members, producing a numerical value that expresses the dispersion level of each family, a decimal value ranging from zero to one. However, before presenting the findings, it ought to be noted that some of the families examined have undergone several displacements and returns and changed their residency several times due to the conflict. Cases where the change of residence has not led to family dispersion have been excluded.

1. The Idlib Household

This family hails from a town to the south of the city of Idlib, and had resided in Damascus long before 2011. At the beginning of the conflict, the family returned to its hometown, leaving behind two married daughters in the capital. However, they did not stay in Idlib for long, as the town was repeatedly exposed to military operations, causing them to be displaced within the same region several times over the following years. Even during our interview with these household members, they were collectively displaced to a nearby town due to the ongoing military campaign of the Syrian regime and its allies at that time (May 2019). During these multiple displacements, members of this household gradually dispersed, as four members of the second generation fled to Turkey and the fifth died. One of its members was also arrested and detained, with the household knowing nothing about them since 2013. Therefore, the family dispersion rate stands at 69%.

Generation	Members	Members living in the household	IDPs	Refugees	Migrants	Deceased	Forcibly disappeared / detained
1st	2	2	0	0	0	0	0
2nd	16	5	3	6	0	1	1
3rd	24	6	10	8	0	0	0
Total	42	13	13	14	0	1	1

Table 2: Distribution of Members of the Idlib Household

2. The Rural Damascus Household

This family hails from a town in the Eastern Ghouta of Damascus, an area which since 2012 gradually left the Syrian regime's control. It witnessed several hostilities until it was reclaimed by the regime in 2018. In 2013, the family fled to Damascus where it resided for more than four years, eventually returning home only in 2019. However, only half of the family members returned, as the eldest brother was arrested, the second migrated to Germany to escape military conscription, while the wife of the detained son left the household with her children, and opted to reside with her parents. Therefore, the family dispersion rate stands at 41.6%.

Generation	Members	Members living in the household	IDPs	Refugees	Migrants	Deceased	Forcibly disappeared / detained
1st	2	2	0	0	0	0	0
2nd	6	3	1	0	1	0	1
3rd	4	2	2	0	0	0	0
Total	12	7	3	0	1	0	1

Table 3: Distribution of Members of the Rural Damascus Household

3. The Qamishli Household

In contrast to the first two households examined, the Qamishli household did not experience displacement or shelling, but instead suffered economic stagnation under conflict conditions. Seven members of the family's second generation fled to Turkey for more than a year, and three of them returned while the rest continued their journey to Germany. Later, the younger son fled to Iraq to escape forced conscription by the Democratic Union Party (PYD) which controls their area. Therefore, the family dispersion rate stands at 56.5%.

Generation	Members	Members living in the household	IDPs	Refugees	Migrants	Deceased	Forcibly disappeared / detained
1st	1	1	0	0	0	0	0
2nd	9	4	0	1	4	0	0
3rd	13	5	0	0	8	0	0
Total	23	10	0	1	12	0	0

Table 4: Distribution of Members of the Qamishli Household

The three case studies confirm what the above statistics indicate, which is that Syrian migrants are primarily of the second generation, whether they were married and left along with their third-generation children, or unmarried and left alone. In our examined cases, whose findings can still not be generalized, the average rate of dispersion is 55.7%, with slight variances between them in terms of the factors of displacement and asylum in neighboring and faraway countries.

Third: Variations in the Household’s Sources of Income and Centers of Economic Strength

The conflict has led to a significant deterioration in the economic status of most Syrian households. Many have lost their income sources as well as property, in part or in full, and the protracted nature of the conflict has drained most savings. However, dispersion itself seems to have played a positive role in improving the living conditions of many households. Below we present the economic and livelihood situation of each household examined, focusing on economically active members providing for the family, or those who played a role in provision at an earlier time.

1. The Idlib Household

The household had previously relied on the incomes of four working members. Both the father and the first son were government employees, while the second and third sons worked in manual occupations that the family had helped securing. The household also owned agricultural lands, with investment by some relatives yielding an annual revenue for them, in addition to revenues generated from leased properties. Here, too, the household had six sources of income compared to eight dependents.

After 2011, however, the father and the first son were both dismissed from their jobs for political reasons, while the second and third sons turned towards armed activity. The second son died in the war, and his wife and two children became dependent on her parents, while the third son was injured and spent a long treatment and recovery period in Turkey—at the household’s expense. Their properties have been severely damaged, as have most buildings in their hometown, which are now completely abandoned.

After being dismissed from his job, the first son returned to work in the family-owned farmlands, while the father remained unemployed. Thus, this household's income sources have declined, and become concentrated in two sources: production from agricultural land, and small and intermittent remittances from the third son residing in Turkey. It seems that a year of hardship awaits the Idlib household, »We planted cumin and chickpeas this year. The cumin did not grow. The chickpeas we left behind right before their harvest, because our area became a military frontline« (Interviewee 2, 2019).

Income source	Status before 2011	Variation	Current status
Father	Employed	Dismissal from job	Unemployed
First Son	Employed	Dismissal from job	Works in agricultural land
Second Son	Employed	Death	Unemployed
Third Son	Employed	Sought refuge in Turkey	Employed
Land	Annual Revenue	Investment by First Son	Inaccessible
Apartments 2	Rented	Destroyed	No Income
Shops 4	Rented	Destroyed	No Income

Table 5: Status of Income Sources of the Idlib Household

It is notable that the role of provision is now the only economic function of this family, as all of its members have lost the capacity to lend, and the family's economic activities, including agriculture, have been disrupted, which means that the family can no longer employ its own members. Here, too, the circle of dependency expanded, and the provision contributions from the first generation declined.

2. The Rural Damascus Household

The father and mother were government employees. The first son worked for a private company, and his wife worked as a schoolteacher. The family also benefited from leasing two properties (a residential apartment and a commercial store). The second and third sons were students, and received support from the father and the eldest brother. In other words, the family had six sources of income for two dependents of the second generation and two children of the third generation.

During the conflict, the first son was detained, and the father and mother went into retirement, resulting in the family's income declining by more than half. The family-owned apartment and the commercial store were also destroyed, and revenue from them was thus disrupted. The family was then forced to relocate to the city of Damascus, where they continued to reside for years, while the wife of the detained son moved, along with her children, to live with her parents.

After the remaining family members returned to their hometown in the Eastern

Ghouta, their only means of livelihood became the parents' retirement pensions, which were inadequate and severely eroded by inflation, in addition to remittances from the second son who migrated to Germany. This son said that the family's standard of living has declined by more than half: »Here, I deprive myself and live at the bare minimum level to save a hundred euros from my welfare salary, or my infrequent work, and send it to my family every month« (Interviewee 1, 2019).

Income Source	Status before 2011	Variation	Current status
Father	Employed	Retirement	Unemployed
Mother	Employed	Retirement	Unemployed
First Son	Employed	Detention / Forced Disappearance	Unemployed
First Son's Wife	Employed	Moved to live with parents	Employed
Second Son	Unemployed	Student then migrant	Works in exile
Apartment	Rented	Destroyed	No Income
Shop	Rented	Destroyed	No Income

Table 6: Status of Income Sources of the Rural Damascus Household

The Rural Damascus household had not previously employed its sons, as it did not have businesses, nor had it had lending transactions between its members. However, provision was the most prominent economic function of this family, which further expanded after the conflict with centers of economic strength shifting from the first generation to the second.

3. The Qamishli Household

The first and second sons of this household worked in the private sector, whereby their salaries constituted the primary source of the household's income, along with revenue from a small agricultural land inherited from their father. Thus, this household had three sources of income for five dependents. When the conflict started, the second son was separated from the family, traveling to a Gulf State where he got married, had two children, and severed contact with the family entirely. The third son left the country to the Kurdistan Region of Iraq to escape forced conscription. There, he was employed and began to assist periodically in provision for the family, especially in light of the unstable income of the eldest son providing for his family and mother, as well as the diminishing revenue from their small land. After the bakery he worked in closed down, the first son was forced to do various jobs to earn an income, and resorted to borrowing while searching for work, before he found a stable job with the PYD's Self-Administration. Perhaps what finally saved the family was assistance from the first and third daughters, who had left for Germany with their families in 2015.

Thus, we find that shifts in the economic conditions of this household worked out for

the better, as the number of sources of higher income increased from two to four, while the number of dependents in the family decreased.

Income Source	Status before 2011	Variation	Current status
Mother	Revenues of agricultural land	Agricultural work faltered	Very small amounts
First Son	Employed	Changed profession after stagnation	Employed with PYD's Self-Administration
Second Son	Employed	Separated from family	Unknown
Third Son	Unemployed	Fled to Iraqi Kurdistan	Employed and providing
First Daughter	Husband's job	Asylum in Germany	Remittances
Third Daughter	Husband's job	Asylum in Germany	Remittances

Table 7: Status of Income Sources of the Qamishli Household

What is remarkable about the Qamishli household is that the provision role is played by second-generation females. According to social norms in Syria, women often emerge out from their parents' economic cycle after their marriage. During the years of conflict, however, it is noted that more and more well-off married women began contributing to provision for their families than in the past.

Fourth: Brief Conclusions

1. The Last Guardians of the Family Institution

Previously, first-generation parents occupied the centers of economic strengths in the family, as they had more stable employment status due to their seniority, contrary to the second generation, who are relatively new to the job market. The first generation also controlled family assets and properties, and revenues therein, making them more able to play familial economic roles (provision, employment and lending). This continued to be the case during the first years of the conflict, but then the center of economic strength moved to the second generation, who were better equipped to adapt to the turbulent changes in the Syrian labor market. As the study demonstrates, many members of the second generation were forced to change careers after 2011, unlike the older generation of parents who were less flexible in this regard. Furthermore, in many Syrian regions that were subject to military operations, land-owning families have lost an important source of income, due to demolition, damage or abandonment of property and land.

Nevertheless, first-generation parents retained their social role as connections between family members resident at home and those dispersed abroad. We noted that they promote the values of cooperation and solidarity among family members. The initial research

phase also demonstrated that families whose first-generation members had died often exhibited less solidarity, which led us to consider the presence of those as a condition for choosing the family for case study. Accordingly, one may argue that these represent the last guardians of the Syrian family institution.

2. Economic Roles of Expatriates

Through the case studies, we noted that individuals who relocated abroad—both as refugees or migrants, often from the second generation—played an important role in saving their families from destitution through small and periodic remittances. Indeed, there seems to be a very large number of small remittances reaching Syria every month, often sent by refugees who face economic hardships themselves. An owner of an exchange and *hawala* (informal money transfer) office based in Qamishli said, »My office receives around € 200,000 per month, at an average rate of 20 transfers per day, the larger amounts of which barely reach € 500. My office is considered small, and there are larger offices with more correspondents abroad, and their hawalas amount to € 500,000 per month« (Interviewee 3, 2019). There are 22 hawala offices operating in the city of Qamishli, out of 120 operating in the governorate of al-Hasakah and licensed by the PYD's Self-Administration, none of which existed before 2011. The small-business owner added that a large number of people are involved in this work without having licenses from the Self-Administration (Interviewee 3, 2019).

This type of financial transaction can be found in other Syrian governorates. Opposition-held areas in the Syrian north also include large numbers of hawala and money exchange offices. Even in government-held areas, where this type of work is strictly prohibited outside officially licensed enterprises, remittances find their way to households through a complex network of official and quasi-official offices, as well as private individuals.

There are no official figures on the volume of remittances from Syrians abroad. In fact, it is virtually impossible to measure the volume of these funds because a significant proportion of them are sent through informal channels. However, some Syrian estimates place the figure at around USD 5 million daily (DCRS, 2017), with the real figures being potentially much higher.

3. Temporary Economic Cohesion and Subsequent Social Disintegration

»Who will help whom?« wondered a member of the Idlib household, as he described the state of destitution most members of his household have reached (Interviewee 2, 2019). This is a general situation resulting from the inordinate burdens suffered by families as their resources diminished, which has also adversely impacted social relations between household members. During our interviews, much discussion ensued about lukewarm or waning social relations, lack of communication among household members,

a gradual decline in the supremacy of family values in favor of individualism and egoistic behavior. »When I went to visit them, they all looked at my hands [meaning waiting for his financial assistance] and no one tried to look me into my eyes,« said a young Syrian refugee in France who assisted his family throughout the years of conflict (Interviewee 4, 2019). This shift is relative, of course, and it does not mean that Syrian society had not witnessed similar phenomena even before the conflict. However, there is a new variable entering the equation which should be thoughtfully considered. Previously, families lived within a single social context. Family values were perpetuated by the strength of functional integration in the family institution on the socio-economic, psychological and other levels. Currently, the dispersion of individuals and having small households, which are found within different social contexts, have disrupted the functional integration in the family. It is now replaced by functional links that may not reproduce the family system in the same manner as before. We ought to consider, for example, what family will mean for a new generation of Syrians growing up outside of their country and their local social contexts? Even for the Syrians who have remained in the country, will the war ever end and allow the households to reunite and recover their fleeing youth?

Conclusion

Early in our study, our emphasis has been on three basic familial economic functions: provision, lending and employment. Across the three case studies, it has appeared that the lending and employment functions have receded in favor of the expansion of the provision role. As for income sources, we generally note that the three households have lost most of them, becoming more dependent on remittances from their expatriated members, who are mostly members of the second generation. Thus, they have become the foremost economic actors in the household after the first generation turned from provision to dependency.

The initial inquiries of this study were concluded with more puzzling answers. A methodical investigation of the issue of family dispersion has revealed that the landscape is too complex to be encompassed in a brief research paper. A broader research and different methodological tools are required for a more comprehensive mapping of the different forms of family dispersion and their various ramifications. On the other hand, the case studies revealed other dimensions surrounding the multi-level impacts of family dispersion. It suffices that this paper has explored one dimension of this phenomenon, in hope that it has paved the way for subsequent research.

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Interviews

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- Interviewee 2 (2019), a member of the Idlib household (now in Rural Idlib), via phone conducted by the author (28.5.2019).
- Interviewee 3 (2019), the owner of a hawala and money exchange office and a member of the Jazira Money Exchangers Union (now in Qamishli), via phone conducted by the author (1.6.2019).
- Interviewee 4 (2019), a Syrian refugee (now in France), via phone conducted by the author (13.5.2019).

The Political Economy of the Siege of Southern Damascus

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Introduction

During the Syrian war, the Assad regime used the siege »as a weapon of war« (IICI Syria, 2018) to re-seize control over many opposition-held areas, especially in Damascus and its suburbs. In 2015, more than one million Syrians were suffering under siege (Siege Watch, 2016). Therefore, it is considered a tool of »collective punishment« carried out in a »deliberate, coordinated and systematic manner«, against areas outside state-control (IICI Syria, 2018: 3-4). Since 2013 Assad's forces have encircled many areas throughout Syria and prevented civilians from entering and leaving them. They impeded access of food, water and other supplies, and cut off electricity, phone networks, and internet services (Ibid). Through discriminate and indiscriminate bombing, the movement of civilians under the siege is impaired, and essential civilian infrastructure like hospitals are destroyed, attempting to render life unbearable. Hereby the emerging opposition's governance structures, like local councils are doomed to fail. Assad's regime has used sieges not only to realize military goals, but also political and economic ones. Siege has restricted the expansion of opposition-held areas and has been a coping mechanism of the regime to deal efficiently with its limited resources and manpower (Todman, 2016). During the siege period, local economic activities and actors go through fundamental changes. Not only new economic and political actors emerge by playing the broker-role between the besieged areas and the regime, but the resulting economic entanglements also lead to the surrender of opposition forces and the return of the Syrian regime.

Research on the Syrian economy have addressed the economics of the siege focusing on »its most simplistic manifestation« (COAR, 2019: 3), while there is hardly any

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1. This study is authored by two activists from Yarmouk, having lived in Southern Damascus until their forced displacement to Northern Syria in May 2018. Both authors were involved in grassroots civil society work. The study is also co-authored by a political scientist who had observed the developments closely.

examination of the dynamics of the local economy and political economy during the siege, whose actors are on the community level.² To fill this research gap, this paper aims, on the one hand, at understanding how the regime managed the siege, economically, politically and militarily in its favour, based on the case study of Southern Damascus. On the other hand, it attempts to analyze how the siege shaped the local economic activities in the observed area and affected its post-siege developments. To achieve this aim, we applied mixed research methods based on primary and secondary literature. To overcome the lack of primary economic data of besieged areas, we chose a modified approach of auto-ethnography³ in combination with political economy. Besides secondary literature, we drew upon (local) alternative Syrian media and six semi-structured interviews with different key informants: a money exchanger, an opposition military leader, an activist in agriculture during the siege and three media activists from Southern Damascus.

The siege of the Southern Damascus districts lasted from July 2013 until May 2018. In this paper, we distinguish between four stages: pre-siege, starvation, ceasefire, and the government's encroachment on the economy. In the first part of the paper, we describe the first and second stages and analyze their socioeconomic impacts, while using the Yarmouk refugee camp (RC) as a case study. In the second part, we address the third and fourth stages, showing how the Syrian regime managed the siege and transformed the local economy from being independent during the first stages into a completely regime-dependent one during the ceasefire. After a short explanation of the so-called reconciliation agreements and committees, and their role in shaping economic and political developments in the studied areas, we finally address the situation after the return of the Syrian state to these areas. The paper focuses on four main economic activities during the siege: money transfer, agriculture for survival, trade, as well as milk production.

First: The Pre-Siege/ Pre-2011 Situation

Southern Damascus has a mixed geography; rural and urban areas. The Yarmouk RC belongs administratively to the city of Damascus, while the towns of Yalda, Babilla and Beit Sahem belong to Rif Damascus governorate. The Yarmouk RC, founded in 1957 as a camp for Palestinian refugees, has rather turned into a »city-camp«⁴ of 2.1 km² with three-to-five-story houses. Its population counts 650,000, out of which 150,000 are Palestinian refugees (Gamibian, 2018: 151). During the siege, they formed the new political geography of southern Damascus. As for the three towns of Yalda, Babilla and Beit Sahem, they are

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2. On the economy of the siege in Eastern Ghouta, especially the inner dynamics, see (COAR, 2019; Lund, 2016).
 3. Autoethnographies are »highly personalized accounts that draw upon the self-experience of the author for the purposes of extending sociological understanding« (Sparkes, 2000: 21).
 4. Defined as »resembling more closely a permanent city quarter than a refugee camp« (Hakim, 2009: 5).

rural areas and home to a pre-war population of 70,000 (see the Map below).

The Yarmouk RC had several important markets, being equally attractive to the city of Damascus and countryside dwellers; such as the car-market in Tishreen Street, the ceramics market selling bath and hygiene supplies or the clothing markets in the Loubiya and Safad street. The rural communities adjacent to Yarmouk RC were highly entangled with it: in the area of Taqaddum, for instance, the huge vegetable market that offers local vegetables for cheap prices attracted many city people. The areas between Yalda and Yarmouk RC also hosted several factories producing construction material. The three towns (Yalda, Babilla and Beit Sahem) were distinguished for their agriculture and livestock production, in addition to handicrafts such as sewing and carpentry.

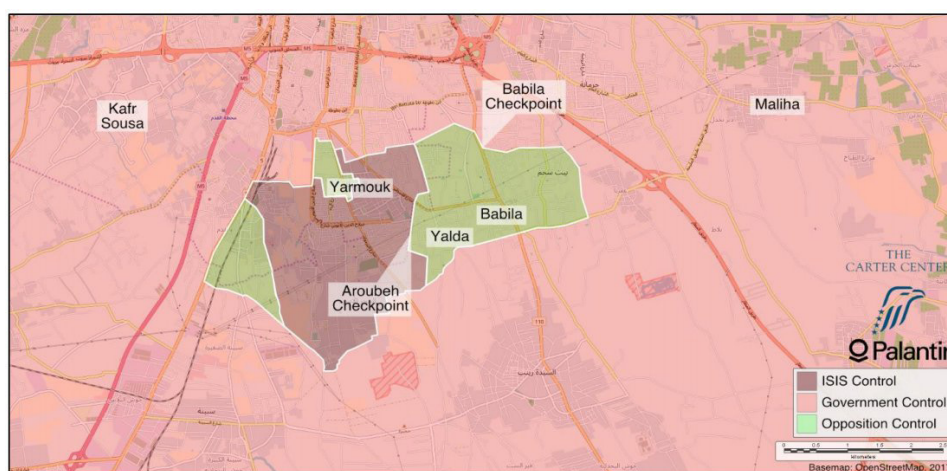


Figure 1: Situation around Yarmouk Camp by November 15

Source: (Carter Center and Palantir, 2017:4)

Second: The Starvation

1. Creating the Siege (December 2012 – July 2013): Yarmouk RC as a Case Study

To grasp the nature of a siege, one has to bring to mind that a siege is not a sudden event, but a calculated generation of scarcity. The siege of Yarmouk RC was gradually tightened, starting on 16.12.2012, when the MiG-jets of the Syrian regime bombed the area (VDC, 2013), targeting places of refuge of Internal Displaced People (IDPs). The entry of the Free Syrian Army (FSA) to Yarmouk RC, later on, led to the internal »exodus« (Hardan, 2016) of around 400,000 people (VDC, 2013).

By the end of 2012, the »Popular Committees«, headed by pro-regime leader Ahmad Jibril, established a checkpoint at the Batikha Square, at the entrance of Yarmouk RC in addition to the two already existing checkpoints in the areas of Husseiniyah and Sbeineh

RCs in the South (personal communication, 2013). People who fled were allowed to enter the area and take out their belongings, including food provisions (*mouneh*).⁵ The entry of goods became restricted, but still not taxed by checkpoints. Every remaining family was allowed to bring in only one bag of bread and not more than half a kilo of vegetables (VDC, 2013). Not enough to feed a family, so people started to use up their provisions.

With the checkpoints being closed from time to time, and then suddenly reopened for just few hours, Yarmouk's remaining 18,000 residents (UNRWA, n.d.) did not immediately realize that in July 2013 (VDC, 2013), a complete siege was finally imposed on them. At that point, they had almost finished the stored resources. In parallel, the regime started a military campaign against the surrounding rural areas of Buwayda, Sbeineh and Aqraba, and managed to cut off peasants from their fields and their equipment and hence their sources of production. Electricity was cut off from Yarmouk RC in April 2013 (Gordts, 2017).

This was the point when the prices inflated and the actual siege started. Some months into the siege, a single radish was sold for USD 1.5 and one kilogram of rice for USD 100 (Ciezdlo, 2015). At that point, non-food items had lost their value, a washing machine or an iron were sold for prices nine times lower than those in Damascus under regime-control (Maqdisi, 2014). Also people, having left provisions at their houses, started trading with each other or selling them to small merchants, who would re-sell them for high prices. In this new market, one could also find goods either stolen from the shops of the previously so vibrant markets, or from the houses whose owners fled the RC. The market prices were not only high due to scarcity, but also due to the monopoly of traders.

2. Sustaining and Resisting the Siege (July 2013 – February 2014)

The closed checkpoints made it impossible to bring food into the RC, even with bribery. People resorted to eating whatever grasses and herbs they found, whether on the roadside or in other small green areas—most of which were not suitable for human consumption in large amounts, such as *Rijl Asfoura* and alfalfa. Between July 2013 and February 2014, the recorded deaths were 194 people, who died due to lack of food and medical care (Amnesty International, 2015). Many »survived for months from boiling weeds, spices, and water into a kind of broth, drinking just one cup a day« (Todman, 2017: 15).

To ease the situation, around five different local civil society organizations started to create spaces for gardening projects in the RC's urban area. The former vegetable market with its tarred underground was removed, plots on the ground and on roofs outside the view of snipers were filled with soil (personal communication, 2014). Around three hectare/30 dunams (personal communication, December, 2014) were cultivated

5. *Mouneh* or food provisions are the household's traditionally stored food, usually in large quantities such as rice, bourghol, sugar or pickled vegetables.

in Yarmouk RC itself. These projects were cost-intensive, as all basics like soil, seeds, water and even the machines to plough the ground were not available or had partly to be brought from the neighbouring areas. The projects were funded by external donations or from farmers' associations abroad. The Bassmeh organization, for example, started with the cultivation around April 2014, having the first crops in September 2014 with a daily harvest of sometimes 200 kilogram of vegetables (Interviewee 1, 2019). The harvest of all projects was distributed for free to everyone residing in Yarmouk RC, be it locals or IDPs, according to constantly updated lists created by the local »Humanitarian Office«. ⁶ The cost of a one-year Bassmeh project was around €10,000 (Interviewee 1, 2019), which may sound very high. However, when one considers its production and the high prices of food at that time (one kilogram of rice cost USD 67 in April 2014), ⁷ one will realize the importance of such projects, for they were the only local food production midst the war and siege. At the time when €10,000 could buy about 170 kilogram of rice that would feed 170 families only for one to two days, the Bassmeh project alone supported more than 3,000 people, once or more than once, during the period April 2014–April 2015 (Interviewee 1, 2019).

On 1.4.2015, *Daesh* (Islamic State – IS) entered the Yarmouk RC and consequently 13,000 people (personal communication, 2015), including the people that had conducted the agricultural projects, had to flee to the neighbouring areas Yalda, Babilla and Beit Sahem. From that point on, the development of Yarmouk's siege depended on the evolving events in surrounding areas. For a new checkpoint in Beirut-⁴Uruba street was established by the »Military Council« ⁸ of Yalda, located between the Yarmouk RC and Yalda. This checkpoint became the only supply line for some 3,000–5,000 people (personal communication, 2015), who stayed in the RC and were allowed to bring all their needs of food, free of crossing charge.

Third: The Ceasefire

1. Reaching a Ceasefire (February 2014 – End of 2015)

In February 2014, a ceasefire agreement, a so-called *hudna*, was forged between the opposition, who controlled the three towns, and the regime, halting all military operations.

6. The »Humanitarian Office« was a loose coalition of all groups and local organizations involved in humanitarian work in Yarmouk RC. It was a coordination office to make sure that all the needy there are reached (Interviewee 1, 2019).

7. This is a fortyfold price increase compared to the pre-siege price of USD 1.68, see (Todman, 2017: 16).

8. This council consists of the locals from all armed opposition factions, namely Jaish al-Islam, Sham al-Rasul, and Jaish al-Ababeel.

The »concessions« of the regime entailed allowing aid deliveries, providing electricity, allowing the entry of public school teachers and permitting the movement »of some families« (Akhbar Alaan, 2014). However, the Yarmouk RC, being occupied by *Daesh* at this point, did not undergo similar bargain. The ceasefire led to the establishment of a new checkpoint in the Sidi Miqdad district of Babilla in February 2014 (Akhbar Alaan, 2014). It was controlled by the Military Intelligence Patrols Branch.

The regime used to rather call these ceasefire agreements »reconciliation agreements«. In each town, a so-called reconciliation committee of six to seven members was formed. It included local notables, the elders of the largest families in town, and religious scholars, while local civil society members and political grassroots activists were excluded. The negotiations were conducted between these committees and the regime, which demanded to conduct bilateral talks with each town committee alone, undermining the advantage of negotiating collectively. In addition, the regime perfectly benefited from the fragmentation of the opposition. Local military factions refused to enter the negotiations (Saidawi, 2018), perceiving them as betrayal (Ismail, 2019; Agha, 2019). Three religious scholars became known as the *Mashayekh al-Musalaha*, »the *Sheikhs* of reconciliation« (also known as Reconciliation Committees). Notably, all of them had politically and financially supported the uprising in their area in 2011, and the founding of opposition military factions later on (Saidawi, 2019: 3).

Mashayekh al-Musalaha seem to have had economic interest in sustaining a ceasefire with the regime. All of them took advantage of their representative positions in the committees and their connection with the regimes' officers to run business and collect wealth at the expense of the rest of the population in their areas. In exchange, they tried to contain the civil opposition movement in the area, and even intimidated human rights activists to stop their activities (Interviewee 2, 2019).

For instance, Anas al-Taweel, who represented Babilla, is from an influential family with a long historic religious background. Saleh al-Khatib, who negotiated for Yalda, is from a well-known family and one of the founders of the state-backed Fatah Islamic Institute in Damascus (Saidawi, 2018; Rifai, 2018). During the *hudna*, al-Khatib brought diesel into the towns through his siblings, selling it at high prices and hereby accumulating wealth (Ismail, 2019). Muhammad Nouredin al-Hindi (called Abu Aboudu al-Hindi), representing Beit Sahem and also a rich salesman in the wood sector, managed to continue this work during the time of the ceasefire. His son made a so-called *taswiyet awda* (regularization of status) with the regime and therefore could move freely between Southern Damascus and Damascus city. He runs the business of his father, who has owned since before the uprising a huge wood workshop specialized in ornamentation, and has worked in the housing sector, constructing and selling houses (Interviewee 2, 2019).

Money transfers were also facilitated by *Mashayekh al-Musalaha* as they had the

ability to access and move money.⁹ Anas al-Taweel was the one most involved in this business through one of his relatives, who brought the money through the checkpoint. Around five money exchangers in these areas relied on this person as »no one else could guarantee to bring in such large sums of money« (Interviewee 3, 2019). Most of the money (in USD) came from Turkey to a transfer office in Damascus, and then was sent to Southern Damascus. Everyone received money this way: the armed opposition, the local humanitarian and civil organizations and the individuals. Some armed opposition factions had a daily need of USD 50,000; workers of local NGOs also received their monthly salary in the same way (Interviewee 4, 2019). From Turkey to Syria, less than 1% of transfer fee was charged, then the checkpoint in Babilla would charge additional 1–1.5%, and the local money exchanger would charge 3.5–4%. Hence, the final receiver would have to pay the total cumulative costs of 6% (Interviewee 3, 2019). By doing so, not only *Mashayekh al-Musalaha* benefited from this situation, but also the regime, which was controlling all cash in- and outflows of this area and had access to a huge amount of foreign currency.

Also, humanitarian aid and food items accessed this area through *Mashayekh al-Musalaha*, albeit irregularly.¹⁰ Items that were not included in the food baskets, like eggs, were usually bought by the *Mashayekh al-Musalaha* from Damascus. The regime strictly limited the amounts, and tried to prevent other neighbouring areas—like the Yarmouk RC that had not reached a ceasefire with the regime—from reaping any benefit. The reconciliation committee had to pay a »tax« to the Military Intelligence Patrols Branch at the Sidi Miqdad checkpoint each time they brought in food products (personal communication, 2016).

Fourth: The Government's Encroachment on the Economy

1. The Government's Encroachment on the Economy (End of 2015 – May 2018)

The end of 2015 was marked by the government's encroachment on the economy, upon the behavior of all stakeholders in the area. This has led to two notable economic developments on the ground: First, Southern Damascus started to trade with regime-held areas and has become an important source of milk production and dairy products to the regime, which needed to counter the rising prices of these products in its own

9. The largest two exchange companies, Al-Haram and Western Union had ceased to work in opposition-held areas as a »part of the Syrian regime's policy to punish those communities and exclude them from the financial banking sector« (Shamali, 2016).

10. The World Food Programme (WFP) reports that it could not deliver aid in between 2015–2017 (WFP, 2017).

areas. Second, in the three towns, the merchants who had good relations with the regime became allowed to bring large quantities of products into the besieged areas, but had to pay a tax, a »percentage of the branch« amounting to 10–30% of the value of the purchase price (Enabbaladi, 2016). The regime frequently used the checkpoint as a tool to »correct« the behavior of the stakeholders in Southern Damascus. It either closed the checkpoint regularly or increased the entry tax to reach its political goals in the area (personal communication, 2016).

As the food products became more accessible in the area, many people stopped pursuing the coping mechanism of the first phases of the siege (e.g. gardening projects) and became more dependent on Damascus and the regime's checkpoint policy to cover their needs. Once the checkpoint closes, prices rise at once and people buy large quantities of food, fearing a new period of starvation (Eqtsad, 2018a).

2. Siege Areas as Suppliers of Goods: The Case of Milk and Dairy Production

The fact that most of Damascus countryside was outside the regime's control, led to the rise in milk prices and dairy products in Damascus city, as this area was the main supplier of milk products before 2011 (Eqtsad, 2013). Since most of the animals did not survive the time of the fierce siege, bringing in livestock was encouraged during the ceasefire, especially cows (personal communication, 2016). The produced milk was collected daily from the farmers through the so-called »economic committee«, which is a part of the Reconciliation Committee of each town, and then sent to the regime-held areas. The daily over-production of milk in Southern Damascus amounted to ten tonnes in 2018. The local price paid to farmers was SYP 210/liter (USD 0.45). When the checkpoint closed, the over-production caused a price-fall to SYP 150/liter (USD 0.35) (Eqtsad, 2018b), and consequently the whole local dairy production was affected. The price for cream and cheese would fall immediately, as there was no proper storage due to electricity shortages (7al, 2018). Under these circumstances, the trade with Damascus was a survival tool for the farmers, who would sell their production at appropriate prices. However, it created market dependency, which was used by the regime as part of »punishment measures« against the opposition-held areas (7al, 2018). The *Mashayekh al-Musalaha*, who were often not able to completely meet the regime's demands,¹¹ benefited from the regime's punishment policies to increase the pressure on the local population and reinforce their control. This discloses the common interest of the *Mashayekh al-Musalaha* and the regime.

»We didn't have one Manfoush in Southern Damascus, but many Manfoushs«, explains the local journalist Walid al-Agha (Agha, 2019), alluding to Muhieddine Manfoush, the

11. These demands ranged from raising the flag of the Syrian regime, taking down the flag of the revolution or even insisting that the armed opposition has to withdraw to other certain areas.

»dairy godfather« (The Economist, 2017) who raised a fortune during the siege of Eastern Ghouta. First he provided the capital with dairy products from the besieged areas, and later solely moved goods in and out of Eastern Ghouta. With people like Manfoush or the »*Mashayekh*«, a new economic class developed in the besieged areas as their »new-found wealth is directly bound to the regime's preferred tactic of siege warfare« (The Economist, 2017).

Post-Siege Situation: The Displacement and Current Development

On 29.4.2018, the final reconciliation negotiation took place between the Syrian regime and a negotiation committee, representing the local armed opposition factions¹² under supervision of the »Russian Reconciliation Centre«. The agreement was vaguely formulated. Besides the complete return of all state institutions, it offered—amongst others—a safe exit to Northern Syria to all fighters and civilians, who refused the »national reconciliation«. As for those who chose to stay, they had to hand over their weapons to the Russian military police and to regularize their own status (Maknna, 2018). The Russian military police would enter the area to guarantee the implementation of the agreement (Halabi, 2018).

Only 8,632 people chose to leave the area (Enabbaladi, 2018), most of them were armed fighters, civil activists and IDPs especially from the Yarmouk RC, Dar'a and Homs. With only 300 local residents amongst them, al-Saidawi sees that this proves the success of the approach of the »*Mashayekh*« and the regime (Saidawi, 2018: 4).¹³ 100,000 people stayed in the area, 30,000 more than the pre-revolution population. With the state returning to the area, the alternative infrastructure of the opposition ceased to exist (Interviewee 2, 2019).

On the humanitarian level, the inhabitants of Southern Damascus still struggle. Before the opposition's displacement, many services were covered through opposition local governance, while since the regime's return, the area has been lacking these services. For example, in July 2018, there was still only one bakery in the area that was completely overrun. Therefore, people had to go to Damascus to get their daily bread (Dhahab, 2018). For small merchants and milk farmers, the situation has largely improved, as they do not rely anymore on a middle person bringing their products to Damascus. On the contrary, *Mashayekh al-Musalaha* have lost many of their economic and political privileges (Ismail, 2018a and Mohammad, 2019). The Military Intelligence Patrols Branch has changed the source of income (the entry taxes), thus trade cost decreased and money transfer and exchange are not under the monopoly of »*Mashayekh*« anymore. However, the income of the Military Intelligence Patrols Branch today comes from bribes from people fleeing the prosecution of the Syrian regime to opposition-held areas in Northern

12. Jaish al-Ababeel, Jaish al-Islam, Liwa' Sham al-Rasul and Harakat Ahrar al-Sham al-Islamiyyah.

13. Similarly in (Ismail, 2018b), the assessment was that the »patriarchal role« of the »*Mashayekh*« and their call to young men to stay in the area, was a decisive factor.

Syria, paying at least one million Syrian Pound (USD 1,800) per person (Nassar, A. et al., 2019; Interviewee 2, 2019). The status of *Mashayekh al-Musalaha* is now like that of any other local merchant »just with some more connections to the regime« (Interviewee 2, 2019), and these are necessary to do any business at all. Abu Aboudu al-Hindi for example, the sheikh representing Beit Sahem, continues his wood and real estate business as if nothing had happened (Interviewee 2, 2019).

Conclusion

Today, there are no more besieged areas in Syria, proving the efficiency of the regime's siege warfare. Looking at the local economy at the time of siege, and how local economic activities throughout the different stages of the siege were shaped, proves the significance of economic factors in paving the way for the surrender of the opposition.

While the self-sustaining activities as survival mechanisms to cope with the siege marked the first stages of the siege, the ceasefire agreement led to the expansion of local production and trade activities through the checkpoint. The latter has increased the economic dependency of the besieged areas on the market of regime-held areas and on the regime's checkpoint policy. Therefore, it can be said that the Syrian regime had successfully managed the siege politically and economically in its favour, through granting economic privileges to certain local actors, who shared increasingly economic and thus political interests with the regime. This has paved the way to the political surrender of opposition forces. The new class of business elite that emerged during the siege has proven adaptability and survivability. *Mashayekh al-Musalaha*, who were at first actively supporting the revolution, turned into brokers of the ceasefire agreement and indispensable political and economic local actors for the regime. Although they lost many of their economic and political privileges after the »reconciliation« and the reducing the restrictions on movements of goods and persons at the checkpoints, they still enjoy clientelistic relations with the regime that favours their businesses over others and absolves them from accountability for their initial »betrayal« in 2011.

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The Hawala Market in Syria

Mechanisms and Impacts on the Economy

Mohammad al-jsem and Omar al-Obaid

Introduction

Throughout different parts of the world, financial transfers and remittances are considered, economically and security-wise, sensitive and important issues. Governments have consistently strived to regulate and monitor cash transfers, setting up mechanisms to control them, and collect data about the direction of money flow, especially as informal transfers, known as *hawala*, expanded. The inability to control the source and destination of these transfers leads to a difficulty in identifying their role in the economies of receiving and sending states, as well as their role in financing illegal activities, criminal networks and terrorist organizations. With the proliferation of conflicts, chaos, poverty and terrorism around the world, especially in the Middle East, money transfer—often done informally through the hawala system—has gained more sensitivity.

After the Syrian conflict began, the country's informal hawala market gained importance due to several factors, including the disruption of the banking system as a result of the absence and incapacity of state institutions—especially in areas beyond the control of the government. This sector became more prominent as economic sanctions tightened, the conflict severely impacted the Syrian economy and society, and millions of refugees were driven from Syria. Hawala also became coveted due to its low financial, administrative, legal and time costs.

This study seeks to examine the hawala market in Syria; identifying its features,

expansion factors, dynamics, direction and cost of money flow and its impact on domestic economic activity. To achieve this, interviews were conducted—via Skype between May and June of 2019—with two groups of individuals. The first group included six individuals employed or investing in the hawala market within or outside Syria; in Turkey (Gaziantep, Istanbul, Hatay, Mersin), Germany and Syria (Rural Aleppo). These interviews encountered substantial difficulty due to apprehension by those working in this sector. The second group included five experts and economists in the fields of banking, fiscal and monetary policy, and macroeconomics.

First: The Hawala Market in Syria and Its Expansion Factors

Hawala is defined as »[a]n informal remittance system that does not require transferors' identity verification, or detecting and reporting suspicious transactions. The transfer of money is carried out through unregulated networks with no physical or electronic movement of money. The settlement takes place between two hawaladars [hawala dealers], one is the sender and the other is the receiver of the money« (MENAFATF, 2005).

The hawala market in Syria cannot be viewed as contingent on the state of war in the country, as it predates the breakout of conflict and has for decades been associated with commercial activity. In the 1990s, it became one of the most important mediums for brokering business deals, due to the weak structure of the Syrian banking system and its financial institutions, and the lack of trust in them (Interviewee 1, 2019).

In early 2000s, the Syrian government attempted to regulate and control the informal hawala market, through the promulgation of Law No. 24 of 2006, which sought to regulate the work of banks, currency exchange agencies and hawala offices. It included measures to mitigate discrepancies between the official exchange rate and the market price for foreign currency. Despite this law, however, reliance on the hawala market persisted (Interviewee 2, 2019).

Generally, recourse to hawala was a manifestation of the inadequacy of official banking services in Syria, and their high costs and sluggish pace. Conversely, hawala was characterized by rapid pace and relatively low costs, but had adopted informal currency exchange rates that were higher than official ones (MENAFATF, 2005:3–4). The significant expansion of the hawala market in Syria after 2011 can be attributed to additional factors, including:

1. International sanctions: The most significant of which were handed down by the United States, and targeted Syrian personalities and government entities including public financial institutions and the Central Bank of Syria, in addition to private companies and businessmen accused of supporting and financing the Syrian government. As per these sanctions, the assets of targeted entities were frozen, and financial and commercial transactions with them were barred. As for the European Union, its sanctions included the prohibition of financial and trade transactions with those covered by the sanctions, as well

as freezing their financial assets. Switzerland has likewise prohibited financial transaction with the Syrian government, and Turkey has suspended dealing with the Central Bank of Syria as well as financial credit transactions. Similarly, the League of Arab States suspended all business with the Central Bank of Syria and financial transactions with the government (Nusuh, 2017).

2. Asylum and emigration: The number of Syrian refugees in neighboring countries is estimated at 5.4 million, in addition to more than a million in Europe and other countries (UNHCR, 2019). An exodus of this massive scale has thus led to the revitalization of the Syrian hawala market, as more Syrian refugees and migrants transferred financial assistance to support their families at home, who have been suffering poverty and deprivation due to the conflict. The poverty and deprivation rates in 2017 stood at 93.7%, based on the household poverty line (equal to an average of SYP 181,000 per month) (Syrian Center for Policy Research, 2019: 50).

3. High demand for hawala, which can be attributed to their low fees, their speed and geographical spread relative to official channels of money transfers. Demand also grew due to legal circumstances, as »[m]ost refugees in Europe live on government assistance, and therefore any financial transfers may expose the refugee to accountability« (Interviewee 3, 2019).

4. Decline in competition from legitimate local and international cash transfer agencies, whereby the feasibility of direct money transfers to Syria receded due to sanctions. For example, Western Union deals with its representatives in Lebanon, who in turn transfer money to a licensed hawala office in government-held areas of Syria. As for disbursement, it is conducted in Syrian currency at an official exchange rate, which is less than real market prices. Moreover, official money transfers consume a longer time and are subject to scrutiny by the local authorities (Interviewee 4, 2019).

The hawala market is also attractive to investors and job seekers. For middle- and small-cap investors, hawala is an unavoidable path due to the infeasibility of investment in other sectors within Syria and the difficulty of establishing small-capital projects in countries hosting Syrian refugees. The hawala market is also regarded as a promising and profitable one due to the large and growing demand for cash transfers and its low cost as a result of non-taxation. »The average monthly profit of a hawala office in Turkey is around USD 2,500–3,000, at a rate of 500 transfers per month« (Interviewee 5, 2019). Investors in other sectors consider hawala a means of facilitating their businesses and industries in light of the restrictions and sanctions imposed on Syria, as well as an instrument for tax evasion.

Employees in hawala sector consider their work to be of an easy and uncomplicated nature, and well-paying compared to employment in other sectors. It also, by virtue of its informal nature, circumvents legal restrictions on the employment of Syrians in countries such as Lebanon, Jordan and Turkey, where workers in other sectors suffer from low salaries and exploitative working conditions (Interviewee 6, 2019).

Second: Mechanisms and Risks of the Hawala Market

The mechanisms of the hawala market are based on three interrelated elements: the capital, a broad network of contacts, and a credible reputation of reliability (MENAFATF, 2005: 3). Seed capital is the basis of cash transfer coverage, and must be a minimum of USD 5,000–10,000 to enter the hawala market, while an optimal investment ranges around USD 500,000 (Interviewee 7, 2019). The broad network of contacts provides access to a wide geographical range, and provides flexibility and speed to the flow of customer cash. This network can only be expanded through credibility, as this market operates without legal safeguards. Operations are founded on trust, and begin with a great deal of caution and with small transfer amounts, developing over time. Thus, it is noted that branches of hawala offices in Turkey are often located in Syrian areas from which the owners hail, or areas from which they were displaced before coming to Turkey (Interviewee 8, 2019).

As time passes and transactions accumulate, relations are built, thus resembling trust-based business partnerships founded on mutual interest. Expansion has compelled some companies to set up electronic programs (applications), used by various hawala offices, but on condition of paying a fixed payment (as collateral) to the company owning the program. Through such applications, subscribers to the service can make transfers of less than USD 5,000, with the sponsor company receiving fees of two to three US dollars per transfer, hence the subscribers would charge their customers with additional fees to maintain their margins. Each subscriber has a fund to exchange money with other subscribers, and among such approved programs are: Al-Alamiya, al-Suksouk, al-Barakat, and al-Wifaq (Interviewee 5, 2019).

As for the transfer of hawala between offices, it is done in several methods, including the physical transfer of cash between the sending and reception locations, even if the movement of individuals sometimes takes place in geographical areas with a low level of security and legal issues. Otherwise, it is conducted by payment at the office located at the sender's location, and then disbursement by the office at the recipient's location, in the agreed-upon currency and at an exchange rate determined by the hawala office. This method is often used by traders and industrialists to transfer large sums of money, which provides liquidity for hawala offices without the need for physical transfer of funds (Interviewee 9, 2019).

As such, the transfer of money in the hawala market is based on the principle of indebtedness. Funds are created in two different geographic locations—within or outside the country. Then, the money is transferred (sent and received) on the principle of indebtedness between the two funds, which are subject to settlement processes at each time interval according to investor agreement—often annually, with audits and reviews conducted on a monthly or weekly basis. Those working within the market indicated that the end-of-year settlement of debt, or in the case of the closure of an office, is done either by sending the amount owed through a broker office with a commission less than the transfer commission charged by the hawala office, or by transferring the cash by hand via

an intermediary moving between different Syrian regions or across various countries in which the hawala market operates (Interviewee 10, 2019).

A distinction can be made between »hawala offices which open branches in different locations and belong to a single central fund with mobile capital between their branches, and multiple offices between which transactions are made« (Interviewee 7, 2019).

The hawala market in Syria (inside or outside Syrian territory) is a hybrid market, with the features of both formal and informal businesses. As for hawala offices located outside Syria, in Turkey or Europe for example, they operate under other business fronts, such as smartphone retailers or gold and jewelry shops. In the areas of the »Self-Administration of North and East Syria« (Self-Administration) controlled by the Syrian Democratic Forces (SDF) and the Democratic Union Party (PYD), money exchange agencies are charged USD 50,000 guarantee fund to operate, while hawala offices pay USD 5,000 as a condition for obtaining licenses (SMART, 2016). However, these attempts by the Self-Administration to license and regulate the hawala market could not prevent it from being an informal market, because the Self-Administration is a de facto authority that does not have legal authority, or the necessary financial institutions, to provide the possibility of official integration with financial institutions in other countries.

In government-held areas, there is an informal hawala market that is parallel to official businesses and financial services, and is handled through personal networks. As for the regions of Idlib and Rural Hama, controlled by opposition factions, the hawala market is entirely informal. To a certain extent, the same applies to areas under Turkish control (Euphrates Shield and Olive Branch), where the Turkish government has opened branches of its bank *Posta ve Telgraf Teşkilatı* (PTT) (Turk Press, 2018), and has obliged all civil and international organizations, licensed in Turkey and working in Syria, to use PTT services when transferring funds to Syria (Interviewee 11, 2019). This experience is important so as to find an alternative regulator to the informal flow of finance.

As such, the system of hawala inside Syria is not very different from the part operating abroad, as both use in operations a mixture of formal and informal methods. Those working with remittances from abroad towards Syria adopt two main areas as transfer points: al-Hasakah, northeast of Syria (controlled by the Self-Administration), and rural Hama, northwest of Syria (controlled by the opposition). In the case of transfers to government-held areas, they are often conducted through official money transfer companies, for amounts less than one million SYP, and where the hawala company staff send money through the official company to the recipient but in a name other than that of the sender (Interviewee 12, 2019). For instance, transfers are conducted from an office in Gaziantep to an office in al-Hasakah, which in turn relays the transfer to a company that is licensed by the Syrian government, and whose branch in Damascus handles delivery to the recipient. In these cases, the transfer notice would bear a name other than the sender's real name, because the hawala then would be subject to the government's control system. After converting the money from foreign currency to Syrian pound—at the market

exchange rate—the hawala office delivers the cash to the receiver (Interviewee 7, 2019).

In general, Turkey, Lebanon and the Kurdistan Region of Iraq are the most flexible markets for transferring funds informally to and from Syria. Conversely, legal restrictions and controls limit the informal market of remittances in Europe and, to an even greater extent, in the Gulf States (Interviewee 13, 2019).

1. Cash Transfer Fees

The hawala fees vary according to the fund movement and activity, which depend on trade between different Syrian regions and neighboring countries. They are also dependent on the availability of liquidity, supply and demand, security conditions, and the source and destination of the transfer. Fees also vary according to the amount transferred. Often, the transfer of amounts less than USD 3,000 is subject to lump-sum fees, while larger fees are a percentage of the transfer amount. Generally, the percentage of fees drops as the amount transferred increases (Interviewee 13, 2019).

In addition to transfer fees, hawala offices generate additional revenue using the currency exchange rate if the transfer is delivered in currency other than that sent. The exchange rate adopted at hawala offices is usually higher than the official currency exchange rate, but still lower than the market price. This price difference between the hawala and the market price ensures a profit margin for hawala offices (Interviewee 14, 2019).

Transfer fees from Turkey to Syria according to the transfer amount are as follows:

- USD 100–500: Fees of USD 3–5
- USD 501–\$1,000: Fees of USD 5–7
- USD 1,001–3,000: Fees of USD 10–15
- More than USD 5,000: Fees of USD 1–2 per USD 1,000

In case of reverse hawalas, from Syria to Turkey, fees are slightly higher, often for those less than USD 5,000, since the entry of US dollars to Turkey is easy. »It suffices to have a commercial register in Turkey, so that the trader can enter as much money in US dollars as he wishes, while it is difficult to get US dollars out of Turkey« (Interviewee 9, 2019). In order to preserve the value of the Turkish lira and avoid further currency depreciation, Turkey seeks to prevent money outflows in foreign currency. In cases of large amounts transferred—exceeding USD 30,000, a deal is brokered between the parties. For example, fees for a typical case of a USD 100,000 transfer could be as little as USD 50 (Interviewee 15, 2019), and fees increase thereafter as the risk increases.

The majority of hawalas from Europe to Syria are personal remittances, with the purpose of supporting the provision for households rather than trade (Interviewee 9, 2019). They range from USD 50 to USD 1,000, and their fees vary from one country to another. Hawala fees from Germany to Syria are estimated at 4%, which is low due to the

active movement of funds resulting from the large number of Syrians there, while transfer fees from Norway to Syria are at 9% as only few Syrians reside there. Reverse hawalas in this context are virtually non-existent. As for hawalas from Gulf countries, the currency exchange differences while transferring Gulf currencies into the US dollar or the Syrian pound often suffices, and is referred to in the market as the »clearing« (Interviewee 16, 2019).

As for transfer fees within Syria, they vary according to commercial activity between different areas of control (government, opposition, Self-Administration), as fees are lower in areas that see active commercial transit. The fees for exchanging US dollars into Syrian pounds, or vice versa, are often compounded on the transfer fees, especially when sending hawalas to government-held areas. However, the profits generated from differences in the currency exchange rate often suffice, while, in cases when the transfer and delivery are both in Syrian pounds, the fees are calculated at a rate of 1%.

According to all respondents working in the hawala market, the fees are shared equally between the two offices (sending and receiving). In Europe, however, the fees are either equally shared, or, in other instances, the receiving office in Syria determines its fee rate, leaving the dispatching office to determine its own fee rate in agreement with the client. This method is also adopted by e-transfer programs, where the office overseeing the platform determines its fees, and leaves subscribers to determine the extra fees they charge the senders and/or receivers (Interviewee 5, 2019).

2. Degree of Risk

Despite the profitability of work and investment in the hawala market, it remains characterized by high risk of legal liability due to its unlicensed activity, as well as exposure to theft and robbery, potential involvement in money laundering schemes and smuggling of cash, not to mention its role in financing terrorist networks and illegal acts, such as human trafficking, arms and drug trade.

In some cases, hawala offices are subject to robbery and theft while sending or receiving large sums of money. In early 2019, a hawala office in Gaziantep was subject to assault and robbery, as its owner was robbed of all cash-on-hand without the ability to report the incident to the police, due to the illegality of his business (Interviewee 11, 2019).

As for legal liability and possible involvement in criminal and money laundering networks, these risks are very prevalent. For instance, Turkish security recently arrested a hawala employee on the charge of transferring 800 Turkish liras to a wanted individual in Istanbul (Interviewee 17, 2019). The case is similar in Syrian government-held areas, where the head of the Anti-Money Laundering and Financing Terrorism Unit of the Criminal Security Department announced the arrest of an individual on charge of »practicing money transfer without a license, working with hidden partners with funds originating from countries hostile to the state, in addition to stealing public funds

through hawalas, foreign currency trading on the black market, and weakening the national economy« (Economy2Day, 2019). There are also risks associated with access to counterfeit currency. An office in Istanbul pointed out that well-crafted counterfeit currency, referred to as »Hizbullah Dollars«, has been circulating and is only detectable by the best counterfeit money detectors (Interviewee, 18, 2019). This was also reported by the press, as US federal authorities informed central banks in countries neighboring Syria about the presence of large amounts of counterfeit US dollars originating from Iranian parties, which cannot be detected by the usual counterfeit money detectors (Raialyoum, 2014).

All these risks have led some victims to illegally reclaim their money, including through intimidation and armed violence. For example, a hawala worker in Europe evaded payment of his financial debt to an investor on the pretext that he was robbed, which led the investor to lure him to a remote mountainous area in Cyprus, and threatened to kill him if the money was not handed over, for lack of credibility of his robbery narrative (Interviewee 3, 2019).

Third: Impact of the Hawala Market on the Syrian Economy

According to the economists interviewed, no accurate data exists on the volume and trends of hawalas, making it very difficult to analyze their impact on the Syrian economy. However, based on initial monitoring of the hawalas' flow, an economist says, »Their impact on the trade balance is negative, because financial outflow for commercial purposes is higher than inflow, while their impact is considered positive in terms of purchasing power, consumer spending and exchange rate, as the presence of foreign currency to be exchanged on the market—even if it is in the hands of private individuals—devalues foreign currency versus domestic currency and drives demand« (Interviewee 11, 2019). At the same time, others argue that it »contributes to furthering turmoil in the exchange rate due to the uncontrolled movement of funds and lack of information on the amounts of foreign currency inflows and outflows« (Interviewee 19, 2019).

However, the most important negative impact of the hawala market on the Syrian economy could be seen in its contribution to facilitating the smuggling of funds for illicit transactions and purposes, such as arms purchases and smuggling of antiquities and oil. These transactions have often been used in financing the fighting parties, including terror organizations, and thus prolonged the conflict (Interviewee 20, 2019).

Moreover, informal hawalas are used to broker deals and facilitate transactions to and from Syria by the warlords, the Syrian government and its supporters of businessmen—many of whom are on international sanctions lists. With the accumulation of illegal funds by warlords, and the limited transfer of funds to the Syrian government and those economically sanctioned, hawala networks have become one of the most important means

of capital flight, as well as money smuggling and laundering.¹

Economically, the expansion of the hawala market is detrimental to production-based business activities, as it encourages non-productive commercial and financial services, produces a network of powerful intermediaries yielding substantial revenues through smuggling cash abroad, and diverts investments away from productive sectors.

As for its positive effects, the hawala system facilitates the delivery of financial assistance to the families in Syria. Thereby it contributes to the revitalization of the economic cycle in various Syrian regions, especially those outside the control of the government, in which no formal financial institutions are available. It also supports trade and the availability of goods on the market, creating jobs for Syrians at home and abroad.

Conclusion

The expansion of the hawala market in Syria, after the outbreak of the conflict, can be attributed to the almost total absence of formal financial transactions, and their relatively high costs when available, as large swathes of Syria have gotten out of government control and economic sanctions are imposed on government-controlled institutions. In addition, displacement, migration, and the deteriorating economic conditions in Syria have increased the demand for hawala, whose market relies on a complex network of formal and informal representatives and is thus considered a quasi-formal market.

Although most hawalas to Syria are for the purpose of personal household assistance or funding humanitarian work, a significant portion of them goes directly to supporting armed groups, or indirectly strengthens their authority, be they in areas controlled by the Syrian armed forces, armed opposition forces or the Syrian Democratic Forces. At the same time, since the beginning of the conflict, money outflow from Syria has been linked to the domestic capital flight, to invest and save abroad. As the conflict continues and the illegal wealth of warlords and businessmen on sanctions lists accumulates, hawala networks have become a means of smuggling and laundering this money abroad.

The impact of this market on the domestic Syrian economy cannot be predicted, given the lack of figures on the outflow and movement of finances, but in the near term its utility lies in supporting domestic purchasing power and reviving the domestic market.

Finally, the current division of Syria into regions with divergent access to banking services, the on-going armed conflict, and the absence of any prospect for a political resolution, make the hawala market one of the financial arteries maintaining Syria's domestic economy.

1. The commander of Jaysh al-Islam [Army of Islam] presented himself to the Antalya provincial directorate, Turkey, as a businessman willing to invest USD 30 million in a land and build a huge mall at a cost of around USD 70 million (Youn7, 2018).

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- Interviewee 2 (2019), a monetary expert and a financial analyst, via Skype conducted by the two researchers (3.6.2019).
- Interviewee 3 (2019), a hawala worker in Europe, conducted by the two researchers (20.5.2019).
- Interviewee 4 (2019), two employees in Western Union accredited offices in Turkey and Syria, conducted by the two researchers (24.6.2019).
- Interviewee 5 (2019), a hawala office in Hatay, via Skype conducted by the two researchers (21.5.2019).
- Interviewee 6 (2019), two hawala offices in Istanbul and Hatay, conducted by the two researchers (12–20.5.2019).
- Interviewee 7 (2019), three hawala offices within Syria and Turkey, conducted by the two researchers (20–30.5.2019).
- Interviewee 8 (2019), a hawala office in Turkey, conducted by the two researchers (20.5.2019).
- Interviewee 9 (2019), a hawala office in rural Aleppo, conducted by the two researchers (22.5.2019).
- Interviewee 10 (2019), a hawala office in Mersin, conducted by the two researchers (20.5.2019).
- Interviewee 11 (2019), an economist working for a valuation company in Turkey, via Skype conducted by the two researchers (3.6.2019).
- Interviewee 12 (2019), two hawala offices in Turkey, conducted by the two researchers (18–30.5.2019).
- Interviewee 13 (2019), a hawala office in Gaziantep, conducted by the two researchers (19.5.2019).

Interviewee 14 (2019), three hawala offices in Syria and Turkey, conducted by the two researchers (18–30.5.2019).

Interviewee 15 (2019), three hawala offices in Turkey, via Skype conducted by the two researchers (18–30.5.2019).

Interviewee 16 (2019), three hawala offices in Turkey and Europe, conducted by the two researchers (18–30.5.2019).

Interviewee 17 (2019), a hawala office in Gaziantep, conducted by the two researchers (18.5.2019).

Interviewee 18 (2019), a hawala office in Istanbul, conducted by the two researchers (18.5.2019).

Interviewee 19 (2019), a financial analyst in France, conducted by the two researchers (31.5.2019).

Interviewee 20 (2019), an academic specializing in banking and finance, via Skype conducted by the two researchers (2.6.2019).

Olive Sector in Syria

Significance, Losses and Wartime Trajectories

Med-Chain Mediterranean Governance & Public Policy Institute

Introduction

In a country ravaged by war for eight years, with a poverty rate of 93%,¹ it is pressing to seek development opportunities that would support local communities, enhance the population's resilience in the face of war, and contribute to laying the foundations for sustainable peace. The factors and reasons outlined in this research indicate the olive sector can be one such opportunity worthy of examination.

The olive sector has been a prominent economic one in Syria, with a significant contribution to the Syrian Gross Domestic Product (GDP) ranging between 1.5 and 3.5% before the war, and it has provided employment for nearly 337,000 households in 2003. Moreover, olive oil accounted for 3% of Syria's total non-fuel exports, with the country becoming one of the world's leading countries in the export and production of olive oil, ranking fifth in production in 2005 (Said, 2010: 42).

Despite eight years of war, this sector still contributes 3.5% of GDP and 12% of Gross Agricultural Production (GAP). Annual production of olives is estimated at one million tons, producing an average of 180,000 tons of olive oil (CBS, 2019). Moreover, nearly 500,000 Syrian households are involved in the olive sector at various stages today (growing olives and oil extraction) according to data by the Planning Directorate of the Ministry of Agriculture and Agrarian Reform (MAAR) (MAAR, 2019).

The olive-planted areas are estimated at 693,000 hectares, 85% of which are in five governorates: Aleppo, Latakia, Idlib, Homs and Tartus. The latest statistics estimate the number of olive trees in Syria at around 104 million. Over eight years of war, Syria has

1. According to a recent report of SCPR, the poverty rate in Syria reached 93.7% in 2017, while the extreme poverty rate is 59.1% (SCPR, 2019: 8).

lost four million trees, either due to uprooting or burning, and also lost the chance of planting 28 million new trees that had been set to be planted since 2011 had the war not occurred (Olive Bureau, 2019).²

Despite the large-scale war destruction sustained by all Syrian productive structures and economic sectors, the olive sector has survived relatively well, maintaining a large proportion of its infrastructure and long-accumulated stock. The agricultural damage of this sector has remained relatively low, making it one of those most worthy of attention. This sector has the potential for early recovery, and for the revitalization of industrial and commercial sectors associated with it. Additionally, olive production can also employ a considerable labor force, especially in rural areas already experiencing high unemployment rates, which makes it an important avenue for post-war development.

This research aims to shed light on the significance of this sector in Syria's economy, both before and after the war, highlighting the most relevant developments during the war period, and outlining the paths through which its recovery can be accelerated.

To that end, the research team of the Mediterranean Governance and Public Policy Institute (Med-Chain), in cooperation with researchers in Syria, have collected preliminary data related to all agricultural, industrial and commercial activities associated with the olive sector, so as to fill the gap in the data and statistics of secondary sources, such as research studies prepared by international and local organizations. The data collection was based on field visits to official and private institutions in Syria to obtain the latest statistics, most of which are unpublished, as well as personal and telephone interviews with experts, exporters, farmers and industrialists directly involved in the olive sector and its related industries.

This research adopts the year 1970 as its base year for measuring changes. It was the first year when accurate statistics on the Syrian agricultural sector became available, as well as the year from which half a century of developments in the sector can be monitored.

First: The Unique Characteristics of Syrian Olive

Syria hosts ten olive cultivars, all of which belong to the *Olea europaea* family, and the largest of which are oil-rich Sorani and Zaity (25–33%). Most of them are also drought-resistant, as rainfed olive trees³ constitute 90% of the total olive trees. Other non-drought-resistant strains are less common but highly productive, such as Jlot and M-hazam Abou Satel, with a yield of up to 100 kg per tree. One of the most important characteristics of the olive sector in Syria is that its trees are young, with 90% of them under 50 years of

2. 36 million new trees were set to be planted at an annual rate of 5.4 million trees. Only eight million trees were planted during the war, mostly in 2011 and 2012 when the war had not yet spread to all regions, and in 2018 when the war began to recede from some areas (Olive Bureau, 2019).

3. Rainfed olive orchards depend on rainfall in areas with a precipitation rate of between 350 and 600 mm per year.

age and 50% under 25 years. It is known that an olive tree begins production at the age of ten years, and that its yield decreases after reaching 75 years, although it can continue to live for hundreds of years (GCSAR, 2019).

In the season of 2011–2012, Syria produced about 198,000 tons of olive oil, with the total world production being 2.7 million. This production fell to 100,000 tons in the 2017 season. The International Olive Council ranked Syria seventh in the world after Spain, Greece, Italy, Portugal, Tunisia and Morocco in 2018 (IOC, 2018). In addition, Syria ranked third globally in terms of hectare productivity (160–320 kg per hectare) in the years 2010–2012 (Jackson et al., 2018: 31 and 43).

Some 500,000 households, or about 10% of the population, are either partially or wholly dependent upon the olive sector, including olive growing, harvesting, production and sale (Muhammad, 2017a; MAAR, 2019).

Second: Agriculture

Between 1970 and 2013, the olive sector grew at an annual rate of 4.5% in terms of number of trees, and 5.7% in terms of production. The areas cultivated with this crop grew from 124,000 hectares in 1970 to 697,000 hectares in 2013, before they slightly declined to 693,000 hectares in 2018 following the war, with an annual negative growth rate of 0.1% (MAAR, 2019) (see Figure 1).

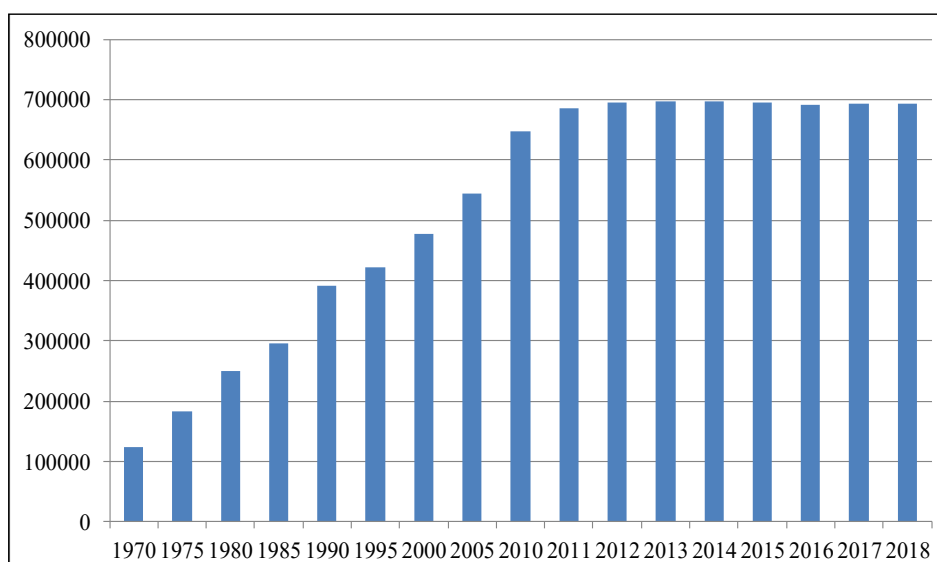


Figure 1: Areas cultivated with olive trees 1970–2018 (in hectares)

Source: Researchers, based on MAAR statistics, 2019

The number of olive trees increased from 16 million trees in 1970 to 106 million trees in 2013, then fell to 102 million in 2016 and 104 million by the end of 2018. Recent statistics are based on the estimates of the Syrian government’s Olive Bureau (previously based in Idlib and currently operating in Hama), whose field

surveys did not include the governorates of Idlib and parts of Aleppo (MAAR, 2019) (see Figure 2 and the table of land area and annual production in the appendix).

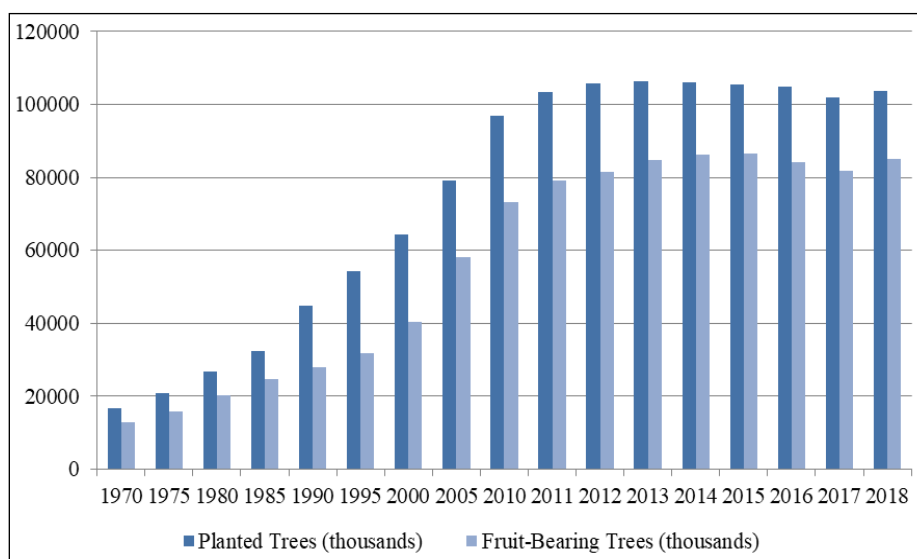


Figure 2: Number of planted and fruit-bearing trees 1970–2018

Source: Researchers, based on statistics collected from MAAR 2019

As a natural outcome of the increase in the number of trees and areas cultivated, olive production surpassed the threshold of one million tons in 2011 and 2012, but then declined during the war until it reached—despite a slight improvement—850,000 tons in 2017. War is one of the main reasons for the decline in production, as hostilities have made it difficult to obtain production inputs, hindered farmers’ access to the fields, and turned agricultural areas into military confrontation zones. Other factors related to the nature of the olive tree include the phenomenon of biennial bearing (*mu’awamah*) or alternate bearing⁴ and poor harvest (Olive Bureau, 2019; Muhammad, 2017a).

Production rates are also affected by various environmental factors, such as rainfall rates and the spread of diseases and epidemics. In 2014, for example, Syria’s olive production fell to its lowest level since the 1980s (392,000 tons). Although that year was the peak of the Syrian war, it became evident that the war was not solely responsible for the decline. The entire Mediterranean basin was witnessing a sharp decline in olive production due to the spread of a new disease, which remained uncontained and affected the entire region.

4. *Mu’awamah* is a Syrian term meaning biennial or alternate bearing. It is considered a natural characteristic of the olive tree, meaning that it yields well every two years. Some experts say the phenomenon is also linked to the harvesting method, which is based on striking the tree with a long stick in a certain way called »*nabr*« (tapping), which leads to the destruction of new buds and prevents germination in the following season. This explanation is confirmed by the fact that non-alternate bearing is based in areas that rely on manual harvest (such as Rural Damascus and Dar’a). Accordingly, the introduction of modern machinery and advanced technologies in olive picking process would contribute to the development of production and maintain its stability.

For instance, Tunisia achieved only 30% of its annual production rate, while Italy, Greece and Spain lost 40–50% of their production (Interviewee 1, 2019).

1. Geographical Distribution

The governorate of Aleppo has nearly one third of all olive trees in Syria, with about 32.24 million trees, followed by the coastal governorate of Latakia with nearly 20 million, Idlib with 16.6 million, Homs with 11.4 million, and Tartus with 8.3 million. Remaining trees are distributed across the following governorates: Dar‘a six million, Hama four million, and Rural Damascus three million. Then, there are scattered figures totaling two million trees in the governorates of Deir al-Zor, Raqqa, al-Hasakah, Quneitra and Suwaida (see Figure 3).

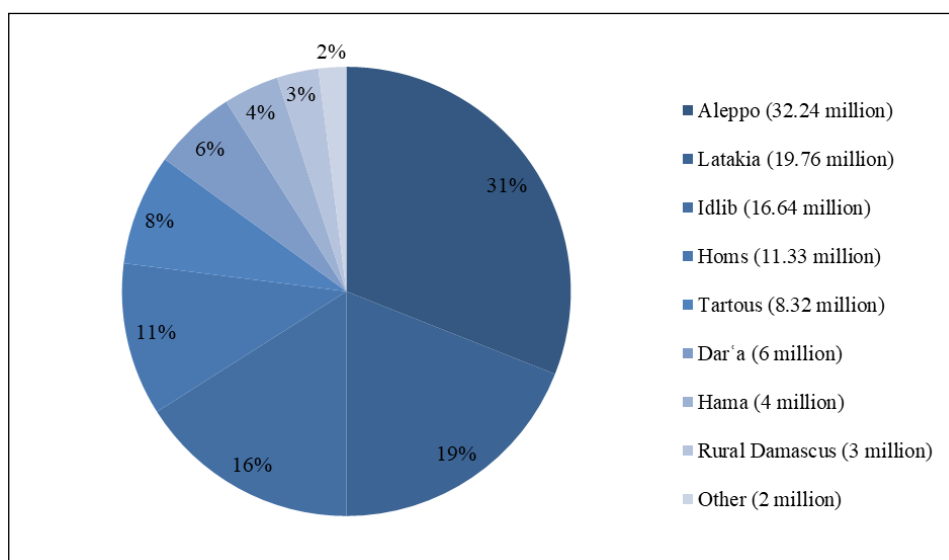


Figure 3: Number and distribution of olive trees by Syrian governorates 2019 (Mio–%)

Source: Researchers, based on statistics collected from the Olive Bureau and the MAAR 2019

The period between the mid-nineties and the beginning of the war witnessed a significant growth in olive-planted areas adjacent to the Syrian Desert (aka Badiya) in the governorates of Homs and Hama. This was due to the olive varieties suitable to the dry climates that characterize these areas, the saturation of traditional olive-growing areas (the north and the coastal strip), and the lack of new expansive areas for cultivation. Other reasons for this growth were the increase in domestic and international demand, as well as the agricultural policy that encouraged this crop through the provision of subsidized seedlings and other production inputs in the form of agricultural soft loans. Moreover, olive cultivation is a suitable option for rural populations living in urban areas, whereby they can invest their agricultural land while working in other occupations such as government jobs, as olive trees do not require constant attention, but only intermittent care throughout the year, which is mainly concentrated at the harvest and extraction stages.

As Figure 3 shows, 47% of the trees are located in the rural areas of Aleppo and Idlib, which have been the locus of intense military operations since 2013 until the date of this writing. Both regions have seen devastation and disruption of agricultural activities, and their trees have been cut down to make use of their wood for heating, given the lack or scarcity of access to electricity and other energy sources.

2. Agricultural Growth

Syria has a single governmental institution that produces and distributes 99% of the country’s olive seedlings,⁵ and in effect monopolizes the market entirely, for it sells the seedlings at a subsidized price to farmers. Therefore, the growth of this institution’s production reflects almost accurately the growth of the olive sector, and its production indicates the number of trees planted across all governorates. This institution produced an average of three million seedlings before the war. During the war, however, the total production over the 2012–2018 period amounted to about ten million, half of which were in the first two years, and exclusively in the areas controlled by the Assad authorities (see Figure 4).

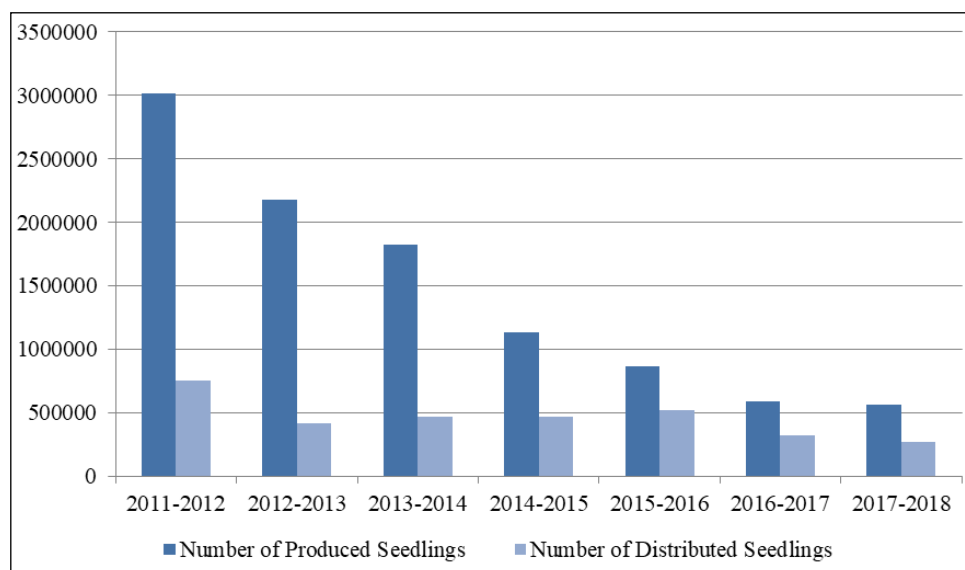


Figure 4: Production of olive seedlings during the years of war

Source: Researchers, based on statistics collected from the Olive Bureau 2019

As the war began affecting the cultivation of olives, the rate of growth and expansion of new areas has stopped, and some of the cultivated areas have been destroyed as a result of the cutting down and burning often associated with military operations. In 2013, 160,000 olive trees were uprooted and burned, a reportedly tragic and horrifying figure at that

5. The remaining 1% being produced by farmers from their trees.

time. The damage only worsened in the years that followed: 620,000 trees were uprooted in 2014, 720,000 in 2015, and the largest numbers were in 2016 and 2017, with 2.7 million trees uprooted and burned in the northern and southern regions of Syria (Aleppo and Dar‘a) (SANA, 2018; Olive Bureau, 2019). According to a farmer from Dar‘a, most of the olive trees adjacent to the international highway have been uprooted, and areas in which damage was most apparent were Khirbet Ghazaleh, al-Hrak, Buser al Harir, al-Jiza and areas adjacent to the borders. During the battles, field commanders ordered the uprooting of trees to prevent sneaking through them, and consequently resulting in the governorate of Dar‘a losing one third of its olive trees.

Despite the aforementioned developments, the sector could succeed in recovering its productivity in the coming years, restoring its growth rates, and compensating for the chance missed due to the war—if security and subsidization policies are available.

Third: Industry

The olive sector in Syria is associated with various local industries, notably the extraction, refining and packaging of olive oil, the manufacture of olive pomace briquettes (also known in Syria as *Fahm al-Pyrene*), and the manufacture of laurel soap (Aleppo soap).

1. Olive Oil

The precise number of olive mills in Syria is unknown. The number circulated in the media and in research centers is 1,086 mills (ESCWA-NAFS, 2018: 4). This is an estimation that combines both modern, mechanized mills and primitive ones. A study by the National Agricultural Policy Center (NAPC) estimated for the first time the number of these primitive mills, and found that they constitute one third of all olive oil mills in Syria. Some of these mills are very small in scale and can be considered domestic mills, as was the case of some villages producing olive oil for relatives and close friends. The most accurate figures are provided by the Ministry of Industry, referring to 880 mills in 2011 and 501 in 2019. Out of the latter, 413 are located in the coastal area, indicating that 379 mills have gone out of service in the remaining governorates (Ministry of Industry, 2019).

According to the Director of Agriculture and Agrarian Reform in Aleppo, there are currently about 300 mills in Aleppo governorate, but due to war, destruction and looting of industrial establishments, only eight are functional (Majesty News, 2018). Other sources indicate that 250 of these mills are located in the Afrin area, which has been seized by the Operation Olive Branch as of 20.1.2018, hence has seen a change in the military forces controlling the area—from the Kurdish Democratic Union Party (PYD) to Turkey-backed opposition factions. Since then, farmers and owners of modern mills have suffered from insecurity, represented in the kidnapping of olive landowners and farmers for ransom. Later, taxes were levied by the Local Council in return for the protection of farmers, the

olive harvest and olive oil at the rate of 10–20% of the crop. This has led to an increase in the cost of production without a significant improvement in the security situation. Some factions continue to carry out looting of olive crops and oil, which have become the most important source of revenue for the dominant factions in Afrin (Hummus, 2018; al-Boz, 2019; and Syrian Observatory for Human Rights, 2019).

In the southern region (Dar‘a and Rural Damascus), most olive mills have been dismantled, sabotaged, destroyed and looted, including the few modern high-yielding mills in Dar‘a (Interviewee 3, 2019). According to one Dar‘a-based farmer, only a single mill was operational this season (Interviewee 2, 2019).

There was a significant decline in olive oil production since a large number of mills went out of service. However, this decline was also caused by diminishing production of raw materials, i.e. olives, the lack of fertilizers and agricultural medicines, the spread of disease, and the fleeing of farmers from their fields and regions due to military operations—while those remaining lost access to their lands, production inputs, and markets.

Usually, 80% of Syrian olives (or currently 80% of non-exported Syrian olives) are used for the extraction of olive oil. The rest is either consumed as table olives by the local market or exported. The latter typically include the varieties of olive with an oil content of less than 12%, such as Jlot, Mossabi and Mahati (Olive Bureau, 2019). The olive oil refining and packaging industry employs today 34 private companies of varying sizes distributed across many governorates. These companies process and market 40% of the oil production of the areas controlled by the Assad authorities, and they operate under an umbrella—currently being established—attempting to represent the interests of olive oil producers and to help them market their products in foreign markets. As for the remaining 60%, the larger proportion of local olive oil, it is produced in traditional methods and marketed domestically, with Syrian families habitually buying a year’s supply of olive oil directly from the mill in metal or plastic containers of 16–20 kg. As such, Syrians consume 110,000 tons of virgin—or untreated—olive oil (Olive Bureau, face-to-face interview, 2019). Table 1 shows the average annual growth rates of olive and olive oil production in the period 1970–2013 and its decline after the war.

	Olive Production	Olive Oil Production
1970–2013	+ 5.60%	+ 5.70%
2013–2018	- 4.60%	- 5.80%

Table 1: Average annual growth rates of olive and olive oil production 1970–2013 (%)

Source: Researchers, based on the figures of the Planning Directorate – MAAR 2019

2. Aleppo Soap and Olive Pomace Briquettes

The Aleppo soap industry is considered one of the most important and oldest industries

associated with the production of olive oil in Syria.⁶ There had been 100 facilities (factories and workshops) that used to manufacture Aleppo soap in Syria before the war, most of them in the Aleppo governorate and some in Damascus and Hama. These used to produce 20,000 tons of soap, where olive oil, laurel oil and saponification materials are part of their industrial inputs. One of the advantages of this industry is that the olive oil used as an input is olive pomace oil, that is, the oil produced by the second press, as its high acidity gives it natural medical properties that nourish the skin. The prominence of this industry manifests in its use of oil unsuitable for food consumption, thus contributing to the environmental and economic sustainability of olive production.

This industry completely ceased after the war, its facilities were damaged, its supply and marketing lines were cut, and most of its craftsmen and skilled workers emigrated. In late 2016, after the recession of military operations in some Syrian areas, some facilities have returned to operation, with six factories currently working at full capacity, four in Aleppo and two in Damascus (Interviewee 4, 2019).

Some facilities have relocated entirely to the south of Turkey, which encouraged and supported the transfer of this industry to its territory (Dudin, 2017) and provided facilitations for its workers, thereby creating employment opportunities for them and supporting the host country's economy. At the same time, this has constituted a loss both for the authenticity of the product and its natural environment on the one hand, and for the local Syrian economy on the other, as export revenues from Aleppo soap now contribute to the Turkish rather than the Syrian domestic economy.

As for pyrene, olive pulp, or olive pomace (the solid residue of olive pressing), it is the basis for the manufacture of olive pomace briquettes, which are used to heat poultry farms and protect agricultural crops (e.g. in greenhouses), as well as to manufacture hookah coal (Olive Bureau and MAAR, 2019). The workshops and factories producing these olive pomace briquettes are distributed across olive-producing areas of Aleppo, with 18 factories producing it in the Afrin area alone (al-Boz, 2019). Syria produces about 25 tons of charcoal annually from olive residues (Yusuf, 2014).

The recovery of olive-related industries is closely related to the recovery of the industrial sector as a whole. It needs longer time and different objective conditions that are not currently available, given the instability and continued conflict in olive-producing areas. The damage sustained by olive oil mills and olive pomace briquettes manufacturing facilities has been substantial, and thus their restoration requires: investment, securing transport routes from the olive production location to production centers and markets, and

6. Aleppo laurel soap producer Nabil Andoura said in an interview that there are ancient clay tablets dating back to 2100 BC containing a recipe for the manufacture of olive oil soap in northern Syria, which makes this soap one of the oldest human industries in the field of hygiene and personal care products. This is the reason this soap is internationally associated with the name of the city of Aleppo, known for its production and promotion through the ages (Interviewee 5, 2019).

an improved infrastructure in general.

Fourth: Trade

As the volume of production was relatively small, local marketing was done in simple traditional ways. The agricultural holdings of olive production in Syria are small or medium-sized, and no large companies own wide agricultural areas. Olive farmers in Syria are used to move their crop to the nearest mill to obtain olive oil and then they pack it into plastic or tin containers (16 or 20 kg). The farmers pay the pressing cost in cash or in kind—as part of the crop—and sell the containers to social acquaintances. Only the surplus will be sold to wholesale distributors and merchants, who developed their businesses to become packaging companies and began operating in 2000 under various brands, exporting to overseas markets (Interviewee 2, 2019). The export and import of olive oil had been prohibited in Syria until 1997 due to government protectionist trade policies aimed at encouraging local industry and agriculture, controlling the prices of food commodities, in addition to self-sufficiency goals (Said, 2010: 48).

Up until 2001, Arab countries had been the most important export market for Syrian olive oil, especially the Arab Gulf countries, Iraq, Lebanon and Egypt. After 2003, the export of olive oil shifted to the European Union, especially Italy, which is the world's largest olive oil exporter. Italy imported Syrian olive oil as raw material, and then repackaged and reexported it as an Italian or European product (Said, 2010). The year 2007 was considered the golden year of Syrian olive oil export, as exports reached 90,000 tons, up by 400% from the previous year and by 200% from the following year (CBS, 2019).

The export destination has changed after the war due to economic sanctions and war-related difficulties. Arab countries returned to being the most important importers of Syrian olive oil, in addition to China (see Figure 5). The numbers included in this figure may reflect only official or registered trade. Reports indicate that olive oil produced outside the areas controlled by the Assad authorities is exported informally, either to Turkey in Olive Branch and Euphrates Shield areas, or to Iraq in the areas of the »Self-Administration of North and East Syria« (Self-Administration) controlled by the Syrian Democratic Forces (SDF) and the PYD (al-Boz, 2019; Syrian Observatory for Human Rights, 2019).

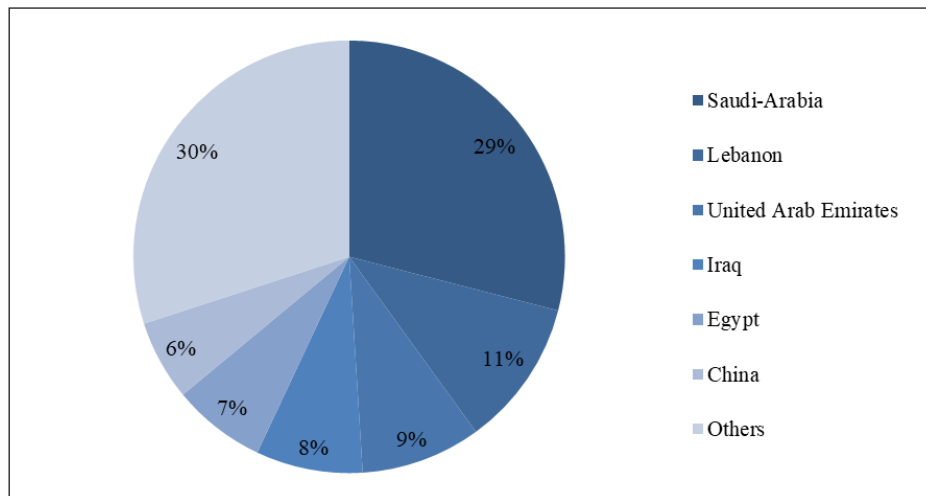


Figure 5: Export destinations of Syrian olive oil 2016–2018 (%)

Source: Researchers, based on data from the Syrian Exporters Federation 2016, and ESCWA 2018 (convergent figures)

During the war, Syrian olive-producing areas fell under the control of various military forces, which led to a significant shift in the trends of internal and external trade in this sector. At least officially, domestic trade has almost completely ceased between territories under different control, and the export and sale of the olive crop and olive oil ranged in accordance with the political relations with neighboring countries. It became no longer possible to market or sell those produced in opposition-controlled areas (the northern and northwestern parts of rural Aleppo, as well as Idlib)—which constitute the bulk of production—in the areas of Self-Administration or those controlled by the Assad authorities. In late 2018, for example, Syrian government authorities seized nearly 80 tons of oil produced in Idlib entering its areas, resulting in lower olive oil prices and damage to olive farmers and oil producers in Idlib. Although the transfer of production in Idlib to traditional markets (in the central and southern regions) was sometimes done despite »internal borders« the duties paid to military checkpoints have raised production costs and reduced farmers’ revenues. All of this led to the search for new marketing routes into Turkey through Euphrates Shield areas (Hummus, 2018), or directly from the governorate of Idlib via the Bab al-Hawa border crossing. As such, producers are placed at a disadvantage, having to sell their outputs at prices that sometimes do not even cover the costs of production. After the Operation Olive Branch, Turkish-backed factions purchased olive and olive oil produced in their areas at low prices (below the market price) and sold them to Turkey (al-Boz, 2019; Syrian Observatory for Human Rights, 2019). As a result, most of the olives produced in the northern region are smuggled to Turkey at cheap prices, then processed and re-exported as Turkish oil. Notably, in February 2019, the Spanish Senate asked the European Commission to investigate the existence of 10,000 tons of olive oil, which entered Spain with a Turkish certificate of origin, while there was

information that it was stolen or smuggled from Syria (Shawqi, 2019).

Consequently, the decline in the official export of olive oil to less than 20,000 tons during the war years is hardly surprising (CBS, 2019). The figures recovered to 32,000 and 30,000 tons (about 30% of exports in 2007) in the seasons 2016–2017 and 2017–2018 respectively (RT, 2019). In addition to the decline of production in the areas controlled by the Assad authorities, there are other important factors contributing to the decline of exports, including the closure of export routes of Syrian goods due to economic sanctions (making it more difficult for producers to transfer money, open bank accounts or obtain visas), the obstruction of supply routes, the lack of raw and packaging materials, and the disruption of work in the mills and refineries. As Shawqi Muhammad notes, there are significant legal and economic obstacles obstructing Syrian exports, in addition to the difficulty of paying for exports by means of formal cash transfers, and the high shipping costs (Muhammad, 2017a).

It is noteworthy to mention that the domestic market has not been able to absorb the surplus production due to the decline in exports. Given the sharp decline in the purchasing power, Syrian citizens have limited consumption capacity, which declined from six kg per capita per year before the war to less than four kg in 2018 (CBS, 2019).

The current situation indicates that the internal trade routes of the olive sector will remain closely linked to the military and political map of control, and will change as a result of any shifts therein. Each territory's olive production will subsequently be sold according to the affiliations of the faction in control. As for foreign trade, it is contingent upon three factors: the political relations of territories with the countries that support their dominant local forces; lifting economic sanctions; and a resolution to the problem of certificates of origin and the ability to export to areas beyond the control of the Assad forces.

Conclusion

This research demonstrated that the olive sector, especially its agricultural aspect, has not been affected by the war, as other sectors have, and that its cumulative capital, represented by olive trees, is still not lost. As such, this sector has a special capacity for early recovery and can play an important role in providing both an important food item to the population, on the one hand, and a means of generating income on the other, in a country where 93% of the population is below the poverty line (SCPR, 2019:8). The sector can also serve as an engine for the economy, whether by creating jobs for a significant part of the labor force, or through its interrelations with other industrial sectors such as olive oil, soap and olive pomace briquettes industries. Finally, this sector can provide an export opportunity for an economy suffering from the depreciation of the Syrian pound against the dollar, which has resulted in price hikes of scales exceeding 1000% (Muhammad, 2017b).

Aside from the remarkable symbolic status and esteem enjoyed by the olive tree in the Syrian conscience, we have not found an explanation for the limited harm sustained by olive trees (even compared to other types of trees). This point, in both its symbolic and statistical meanings, inspires hope to this sector and encourages its consideration as a possible development opportunity for Syrians in the future. This sector may therefore contribute to strengthening the population's resilience in the face of the war, should the objective conditions be conducive to its recovery.

Appendix

Year	Area (hectare)	Trees (thousand)	Fruit-bearing (thousand)	Production (ton)	Oil production (ton)
1970	124,453	16,757	12,666	85,402	15,495
1975	183,126	20,894	15,646	156,865	33,244
1980	249,328	26,643	20,202	392,015	83,385
1985	295,693	32,205	24,576	184,999	35,346
1990	391,236	44,623	27,742	460,463	85,893
1995	421,583	54,214	31,800	423,358	84,852
2000	477,993	64,343	40,306	866,052	165,354
2005	544,653	78,968	58,100	612,223	123,143
2010	647,458	96,881	73,196	960,403	194,995
2011	684,490	103,536	79,031	1,095,043	208,329
2012	695,711	105,669	81,532	1,049,761	193,829
2013	697,442	106,310	84,727	842,098	159,259
2014	697,028	106,149	86,104	392,214	65,414
2015	694,931	105,525	86,480	913,299	164,529
2016	691,769	104,754	84,153	668,441	116,735
2017	692,417	102,039	81,922	849,919	164,339
2018	693,064	103,719	85,072	664,643	118,281

Table 2: Land area and annual production 1970–2018

Source: The researchers, based on data and figures from the Directorate of Planning in MAAR, Olive Bureau, IOC, and FAO reports.

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Re-Supply of Electricity by a Foreign Company in Aʿzaz

Impacts on the Local Economy and Living Standards

Munaff Koman

Introduction

The contract between the Local Council of Aʿzaz and the Turkish company AK Energy to supply electricity from Turkey was an important turning point for the city, which, like other cities controlled by the Syrian opposition, has seen the public electricity network go out of service, and has since relied primarily on private generators. Aʿzaz is considered the first city to contract with a private Turkish company to eliminate the costly metered electricity system, to provide electricity to the city at prices commensurate with their living conditions on the one hand, and jump-start the local economy on the other hand. For electricity is the most vital component of the economy and is essential to all industrial, agricultural and commercial activities.

Despite the city being supplied with electricity since early 2019, the electricity prices have been problematic, since they should be appropriate for people's standard of living and promoting productive sectors. However, the agreed prices by the Local Council and the private company failed to achieve this goal, which incepted the idea of this study examining these developments in the local electricity sector, and their effects on the standards of living of the local population and on local economic activities. It poses the following questions: How do the population and business-owners view the price-quality ratio of the service provided? How much bargaining power does the Local Council have that would allow it to object, modify or terminate certain terms in the contract with

the company? How satisfied are A‘zaz residents with the electricity service given their standard of living? What is the impact of providing electricity at the current prices on local industrial and commercial activities, and in particular on starting up new businesses and creating job opportunities?

To answer these questions, the researcher adopted a descriptive analytical approach based on secondary sources, as well as a qualitative field research methodology based on interviews and questionnaires that were conducted between 15.5.2019 and 15.6.2019.¹ The questionnaire targeted a random sample of 102 citizens of A‘zaz, focusing on the employment status of the head of each household, the average monthly income, and the monthly electricity fees. It also included questions about the respondent’s satisfaction with the price-quality ratio of this service on one hand, and whether the electricity prices are commensurate with the income, on the other. Questions also were about the proposed solutions to overcome different challenges and improve the service. Ten interviews were conducted with factory and commercial store owners, in addition to officials in the energy sector such as the former director and the current director of the energy sector in A‘zaz.

The first section of this paper describes the reality of the energy sector in A‘zaz before signing the contract with the Turkish electricity company. It is based on preliminary data collected by the researcher, as well as published monitoring reports. The second section analyzes the fieldwork findings, with a focus on assessing the quality of the electricity service. It also discusses electricity prices, their suitability to the incomes of the A‘zaz citizens, and their impact on improving the living conditions of citizens and stimulating the local economy. The study concludes by summarizing the main findings of the field research.

First: Private Electricity Networks in A‘zaz

The A‘zaz district lies about 50 km north of Aleppo and includes several large cities, including A‘zaz, Akhtarín, Nubl, Tell Rifaat, Suran and Mare‘, as well as numerous other towns and villages. According to the 2012 census, the population of A‘zaz reached about 75,000, rising in 2017—due to displacement and forced migration from other Syrian governorates—to 168,000, 69% of whom are displaced (UNHCR, CCC Cluster, REACH Initiative, 2018: 2).

On 19.7.2012, Free Syrian Army factions took control of A‘zaz city, to become the first city in northern rural Aleppo free from Syrian government control (Khashram, 2012). This imposed early responsibilities on its nascent Local Council in terms of managing vital facilities and promoting the opposition as a valid alternative to the government capable

1. The researcher would like to thank research assistant Mahmud Hassano in A‘zaz for helping in collecting the questionnaires, conducting interviews and answering the questions of the researcher.

of governing the city and securing livelihoods for its residents. The Local Council, in this context, had to cope with and address the turbulent security situation in the area. Soon emerged the threat of Daesh (Islamic State in Syria and Iraq—ISIS) and its expanding influence in northern rural Aleppo, taking over the city of Suran 10 km away from A‘zaz in May 2015. The Syrian Democratic Forces (SDF) then rose to prominence in northern Syria, prompting the Turkish army, in cooperation with the Free Syrian Army factions, to launch Operation Euphrates Shield on 24.8.2016.² This introduced a new, relatively stable period in the region, as the increased number of forcibly displaced people led to the opening of industrial and commercial businesses. Furthermore, there were Turkish interests through the Kilis Province, and the Turkish official and unofficial visits to this region also intensified, in order to contribute to the rehabilitation or construction of schools and hospitals, and encourage Syrian refugees in Turkey to return to their homes after the economy has recovered (Koparan and Temizer, 2018). As of the beginning of 2018, the city of A‘zaz witnessed notable commercial activity. The proportion of trade in foodstuffs and in grain represented 45% and 20% respectively, a total of 65% of the total commercial activity. The trade in clothes, building materials, and seeds, fertilizers and pesticides, representing 20%, 10%, and 5% respectively, also expanded (ACU, 2017:32).

The electricity infrastructure in A‘zaz and other areas in Syria suffered heavy damages during the war years, with 34 out of a total of 54 power plants in Syria going out of the public grid. The government’s loss of control over oil and gas wells and fields, east of the Euphrates, led to a decline in production from 9,000 megawatts (mW) to less than 2,000 mW, bringing the country to a state of daily blackouts that reached 83% in some cases (Muhammad, 2016). Figure 1 shows the volume of annual electricity production in Syria during 2011–2018 (Mahmud, 2018).

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2. On 29.3.2017, the battle »successfully« ended as was stated by the Turkish National Security Council headed by President Recep Tayyip Erdoğan. Operation Euphrates Shield took over Jarablus, while passing through and controlling the other areas and towns of al-Rai, Dabeq, A‘zaz and Mare‘, reaching the city of al-Bab, which was a Daesh stronghold. It is worth noting that the main reason for the operation, aside from the fight against Daesh, was Turkish fears of the arrival of the Syrian Democratic forces—of which the Kurdish People’s Protection Units (YPG) is a main component, and which Ankara considers a terrorist group—to its southern border (DW, 2017).

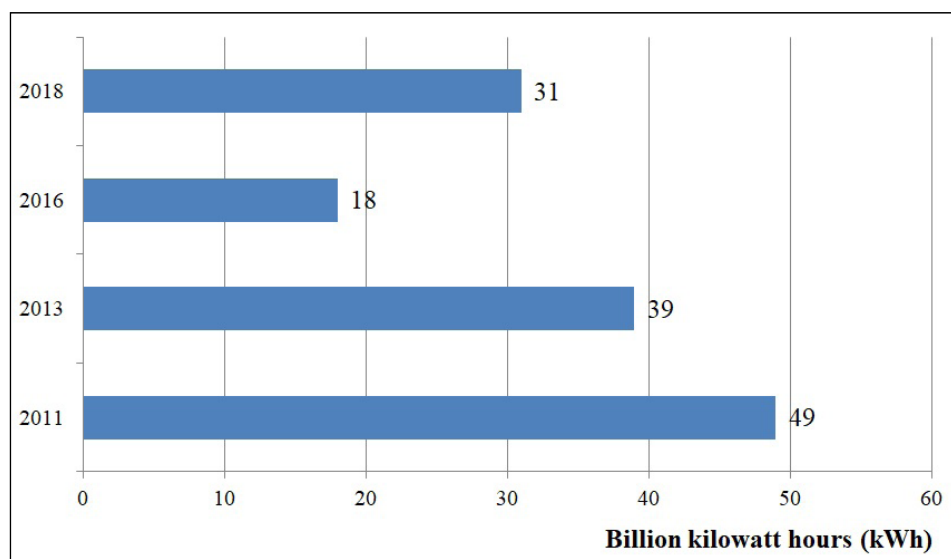


Figure 1: Annual electricity production in Syria since 2011

The Electricity Directorate³ in A‘zaz began maintenance of power lines that were damaged by bombing and battles, repairing damaged cables and main transformers, gradually replacing the switchgears and panels of the latter. One third of the grid had been damaged. The grid repair and restoration efforts by the Directorate made 90% of it investable, including transformers, to the extent that no transformers were discarded after the Turkish company commenced operations (Khairo, 2019).

The frequent power outages from the grid led to the proliferation of private diesel and gasoline generators, whose owners exploit people’s needs, selling electricity at high prices per ampere⁴ and for limited hours. In 2017, the average daily outage hours were 13 in the Euphrates Shield areas, which include: Jarablus, Ghandoura, al-Bab, A‘zaz, Mare‘, Suran, al-Rai and Akhtarín. The electricity supply to A‘zaz from these private networks reached 10 hours daily (ACU, 2017: 29). The monthly cost of electricity in A‘zaz reached about SYP 8,000 (USD 15.5) per ampere-hour (Ah), whereby each household requires at least 3 Ah at a cost of SYP 24,000 (USD 46) to power lights and run major home appliances such as refrigerators, washing machines, televisions and others (Khateb, 2018).

The above amounts are considered substantial compared to the residents’ modest household income, much of which is spent on food. Between 11.3.2019 and 18.3.2019, the median price of Survival Minimum Expenditure Basket (SMEB) food items (11 items) was SYP 44,813 (USD 84) (REACH Initiative, 2019: 3).⁵ However, the most commonly reported household monthly income range in northwest Syria is less than SYP

3. The Electricity Directorate remained under the administration of Mahmud Khairo, who managed it also during government control.

4. Ampere: The power current equal to 0.22 kW. kW: Power supply capacity.

5. USD 1 = SYP 532 (REACH Initiative, 2019: 1).

50,000 (USD 115) (REACH Initiative, 2018: 5).⁶ In A‘zaz specifically, the results of the questionnaire, conducted by the researcher in the period of 15.5.2019 and 15.6.2019, showed that 56% of the 102 respondents earn a monthly income of about SYP 100,000 (USD 171),⁷ of which 44% is spent on food, a very high percentage showing the citizens’ low standard of living. Meanwhile, 17% of the respondents reported that they earn less than SYP 50,000 (USD 85), barely managing to secure their basic food needs (see Figure 2).

The electricity bill accounts for 24% of the household monthly income of 56% of the sample who earn about SYP 100,000 (USD 171). This bill, along with the 44% spent on food, drain the household income and impose difficult livelihood burdens on families.

Many citizens who were asked about the proliferation of private electrical networks acknowledged that they faced severe difficulties due to rising costs, which affected other aspects of personal and family spending such as healthcare, education, clothing and housing. Often, some were forced to take loans or seek help from relatives or friends abroad, or even sell household belongings or small lots of land to secure the basics of livelihood. Many citizens also stated that they were indebted to generator owners for three months in order to access electricity. Despite access to the public electricity grid, many citizens continue to owe money to generator owners. While some have cut consumption to a minimum to meet rising electricity costs, others have turned to generating electricity from solar panels for domestic use.

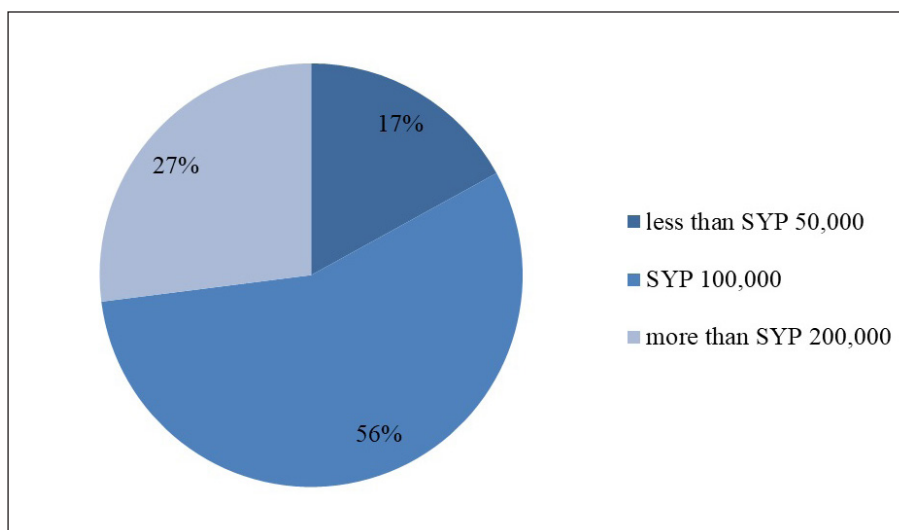


Figure 2: Monthly income of the households in A‘zaz (% of the surveyed sample)

6. USD 1 = SYP 434 (REACH Initiative, 2018: 10).

7. During the period of the study, the average exchange rate was USD 1 = SYP 583 and TL 1 = SYP 97.5.

In August 2018, several demonstrations against the Local Council were held in A‘zaz, demanding that it be dissolved due to cases of corruption, and its failure to carry out the duties entrusted to it of extending access to electricity and water and paving roads (Syria Call, 2018). The situation was exacerbated by the high cost of electricity under private networks, and its low quality and limited coverage, in addition to price manipulation with the rise and fall of the price of diesel used as fuel for generators.

All these factors pushed the Local Council in A‘zaz to seek alternatives. In 2.3.2018, a ten-year contract⁸ was signed with Turkey’s private energy company AK Energy to supply electricity from Turkey, at a total cost of USD 7 million, according to the director of the Local Council’s services office. In order to implement the project, the Council provided a land one kilometer to the east of A‘zaz for the construction and operation of the thermal power plant with a generating capacity of 30 mW. The project provided about 100 jobs, 90 of which were Syrian engineers, technicians and workers and the remaining ten were Turkish managers and technicians (Khateb, 2018). The Council also provided between USD 400,000–500,000 worth of in-kind materials such as copper, aluminum and ground cables. The Council served as an administrative partner in the project, while the company handled all other matters. In the event of any dispute between the Local Council and the company, the Kilis state shall resolve it, while the Council shall resolve any dispute between the company and the citizens, according to the terms of the agreement (Enabbaladi, 2019).

The Turkish company relied on existing transformers in the network, and as such no new electrical transformers were installed. Since the beginning of 2019, the entire city of A‘zaz has been supplied with electricity, which is generated by diesel engines and the resulting power is converted to 6.6 kV, which is then increased through two 10 mW transformers to 20 kV, and then pumped to the main grid using ground cables (Khairo, 2019).⁹

Table 1 shows the rate of household electricity consumption per month in 2018 during the time private ampere-hour generators were used, as well as consumption after electricity was provided by the Turkish company AK Energy in early 2019. It also compares the number of hours, the price per kWh, and the total monthly expenses in Syrian Pounds (SYP), Turkish Lira (TL) and US Dollar (\$).

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8. This contract was not published and is not available to the researcher. Moreover, the Local Council in A‘zaz, and the Turkish company refrained from answering the researcher’s questions related to the contract and its terms.
 9. What distinguishes this method from the previous method used during government days, is that it is a local network capacity of only 16 mW, while the previous network, which was centralized and substantial, was based on a public network qualified to fully supply the country. The capacity of the Euphrates Dam alone is 600 mW, and the wastage rate during the conversion between major transformers is slight. In the case of local networks, such as in A‘zaz, the distance between the power plant and the distribution is very close, not exceeding 2 km.

Source	kW	Hours per day	kWh price (\$)	Total monthly expenses		
				SYP	TL	\$
Private Generators	198	10	0.26	24,000	250	52
AK Energy	200	24	0.14	16,575	170	28

Table 1: Household monthly electricity consumption¹⁰

Previously, in late 2012, the number of subscribers to the electricity service in A‘zaz was about 8,500, in addition to 1,500 subscriptions for government departments, mosques and schools. Today, the number of subscribers has reached about 10,000, and as such, electricity has reached all citizens in A‘zaz after signing the contract with AK Energy and the cessation of operations by private generators in the city (Khairo, 2019).

The company recently increased the price per kWh from 85 piasters to TL 1 (USD 0.17) for commercial subscriptions. The service relies on prepaid cards, which are charged starting from 100 kWh, and priced in TL, through which the bill is paid. Those who are proven to siphon electricity are fined approximately TL 2,000 (USD 336) the first time, and the second time their subscription is terminated. The company also takes a subscription fee of about USD 40 per hour to cover the cost of the meter and cable (Khairo, 2019).

The payment of electricity bills in the Turkish Lira in A‘zaz in particular, and in Euphrates Shield areas in general, could increase the circulation of the Turkish Lira at the expense of the Syrian currency or other currencies, increasing the region’s dependence on Turkey.

Second: Procurement of Electricity from Turkey

Despite the 46% drop in the price of electricity after signing the electricity contract, most citizens in A‘zaz are still dissatisfied with the price per kWh. The questionnaire indicated that 99% of the individuals asked about the price per kWh answered that it was expensive and did not fit their standard of living as promised by the Local Council when contracting the company. Spending 17% of household income on electricity and about 44% on food does not leave enough income to meet the other needs such as healthcare, education and clothing, which adversely impacts the purchasing power and the local economy in need of recovery. Households below the poverty line or low-income families, which is the case for 73% of the sample surveyed, are among the most affected by high electricity prices.

The rise in the price per kWh has led to economizing the consumption of electricity by refraining from operating high-consumption electrical appliances such as air conditioners. This is one of the impacts that have been observed in the sample, who

10. Data collected and calculated by the researcher.

expressed dissatisfaction with this matter, especially during the warm summer season and the need to use air conditioning. »The operation of a one and a half-tonne air conditioner (18,000 British thermal units—BTU) costs an average of TL 1.5 per hour, with a rate of consumption of about 2 kW. This would incur large sums every month, if I relied on an air conditioner for cooling« (Interviewee 1, 2019). High prices have also limited business in the air-conditioning market and the job opportunities dependent on it. The findings of interviews with citizens and owners of industrial and commercial businesses indicate that they are dissatisfied with the general reluctance to purchase electrical appliances due to high electricity costs and low purchasing power (Interviewee 2, 2019).

About 48% of the sample of 102 people suggested introducing another electricity company to A'zaz, to promote competition that could lead to cheaper prices per kWh, or to break the monopoly imposed by the company in the market. 44% of them said that solving the problem lies in improving the service and reducing the price per kWh set by the current company (see Figure 3).

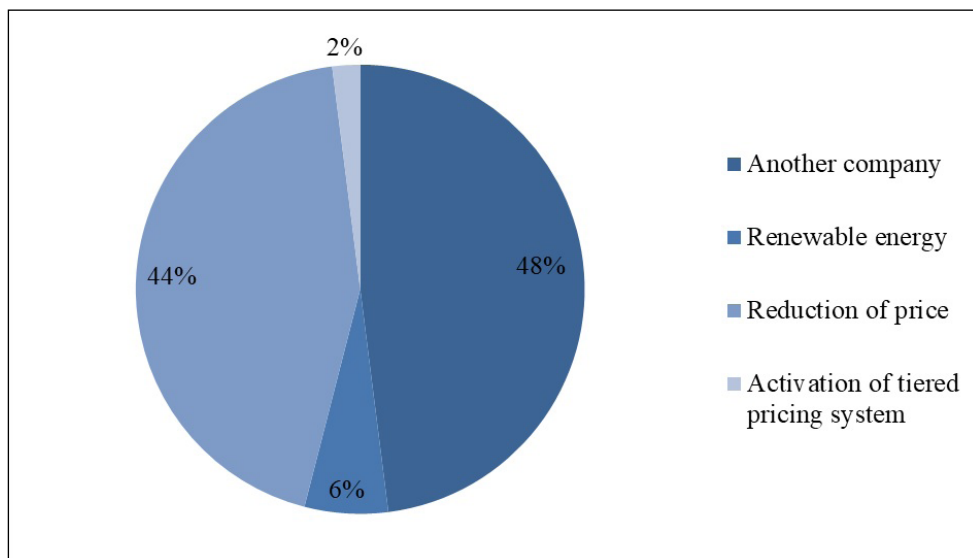


Figure 3: Solutions to high electricity prices suggested by respondents (% of the surveyed sample)

The survey also found that 79% of the monthly electricity bills—for the sample—are estimated at SYP 10,000–20,000 (USD 17–34) (see Figure 4). Also, 80% of the same sample believes that the price per kWh should range between 22–55 Turkish piasters (3–9 US cents) at most (see Figure 5). Consumers consider this price to be fair, as more electrical appliances could then be used. As for business owners, they have shown that this price of electricity could serve as a magnet to national capital from the Gulf and other countries.

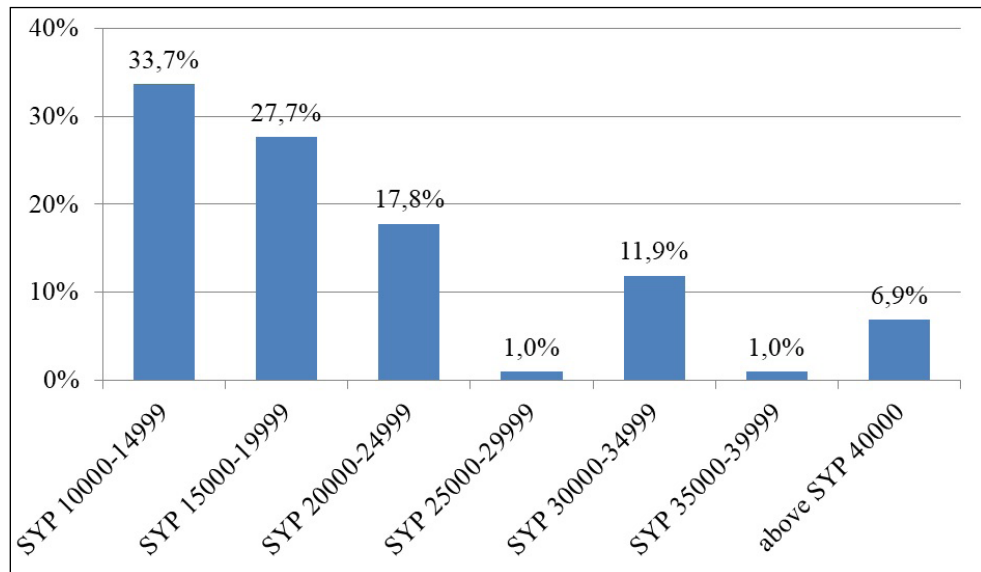


Figure 4: Monthly electricity bill amounts of respondents (% of the surveyed sample)

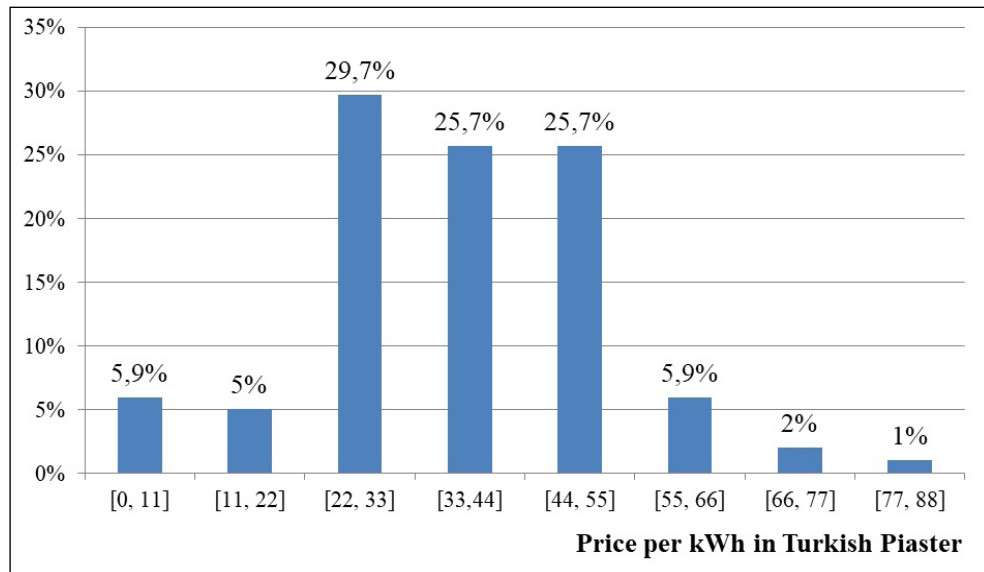


Figure 5: Electricity price range adjustments suggested by respondents (% of the surveyed sample)

The comparison between pricing per kWh by the Turkish electricity company at A‘zaz and that in government-controlled areas and in Turkey shows significant disparities (see Figure 6). Ironically, the price per kWh in A‘zaz is closer to that of Hong Kong and the United States, according to electricity prices as of March 2019 (Global Petrol Prices, 2019).

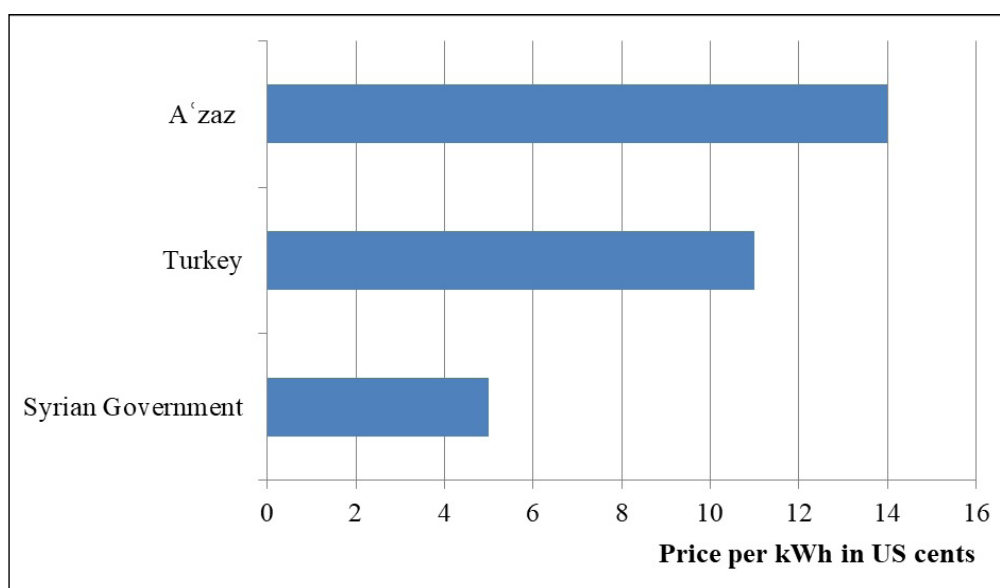


Figure 6: Electricity prices per kWh in A'zaz, Turkey and Areas of the Syrian government

The problem lies not only in the »unfair« price level, but also in the pricing policy, which does not take into consideration rates of consumption, low-income social classes, or the need to stimulate the local economy. In Turkey, for example, prices are set through a recharge system, where the price per kWh for households ranges from 45 piasters during the day, and 70 piasters during peak hours, and then drops in the evening to 28 piasters post-tax (see Table 2).

Type of place	Day 6:00 - 17:00	Evening 17:00 - 22:00	Night 22:00 - 6:00
Residential	0.4592	0.7035	0.2853
Commercial	0.4621	0.7065	0.2883

Table 2: Prices per kWh in Turkey in 2018 (TL) (Enerji Enstitüsü, 2018)

The recharge system is also implemented in government-controlled areas, but by the rate of consumption, as follows (PEEG, 2016):

- 1– 600 kW: SYP 1 /kWh
- 601 – 1000 kW: SYP 3 /kWh
- 1001– 1500 kW: SYP 6 /kWh
- 1501 – 2500 kW: SYP 10 /kWh
- 2501 and above: SYP 29 /kWh

In addition to the high price per kWh and the USD 40 subscription price for the installation of the electricity meter and cable, the electricity supplier in A'zaz charges an additional TL 600 (USD 101) for private housing subscriptions, without taking into

account income levels, and about TL 1,000 (USD 168) for commercial subscriptions. The amount is deposited in the Turkish Postal Office (*Posta ve Telgraf Teşkilatı*—PTT) account in the city. Those who wish to suspend the service are entitled to retrieve the deposit after one year from the date of subscription (Interviewee 3, 2019). Due to the high cost of the deposit and subscription, some families were forced to sell their belongings, such as gold, furniture or livestock, or to borrow money to pay for electricity. In this context, there are two important remarks: The first relates to the lack of insight of the company and the Local Council on the poor living conditions in A'zaz, and that most residents cannot afford to pay this much for electricity. As such, there were no programs for the exemption of those in need from subscription fees. The other point is the Local Council's inability to put pressure on the company in the interest of citizens, so as to make insurance and subscription fees nominal, or at least to mitigate them. The amount paid for insurance is one of the reasons behind many of the citizens' grievances against the company, who criticize it for seeking a very large margin of profit due to the absence of competitors and its monopoly over the market, with an inelastic and increasing demand for electricity.

Furthermore, the company made religious considerations at the expense of social and humanitarian ones, by granting 100 free kW per month to mosques, while not extending the same courtesy to schools and hospitals. These two are only exempted from subscription fees, while knowing that they are a social and humanitarian priority, especially in a region that suffered years of war.

With regard to the impact of the regular access of electricity on the local economy and jump-starting it, as illustrated in Figures 7 and 8, half of business owners, commercial and industrial, (Interviewee 4, 2019)¹¹ reported that it had a positive impact on the volume of production which increased significantly. Some attributed this to the increase in the hours of access to electricity, from 8 to 24 hours, and the lower cost of electricity in the current grid compared to private generators. In the same regard, a bakery owner noted that this access is the main factor determining the volume of production, »which provided us with more time to work« (Interviewee 5, 2019). Half of the respondents also believe that the total cost of production has only declined modestly, which is an indicator that producers believe that electricity prices remain discouraging, and the cost of market entry in this state is still not encouraging and unable to compete with neighboring markets.

11. The main interview question was whether the volume of production increased in light of the availability of electricity on a regular basis and at lower prices than before, and about their satisfaction with the price.

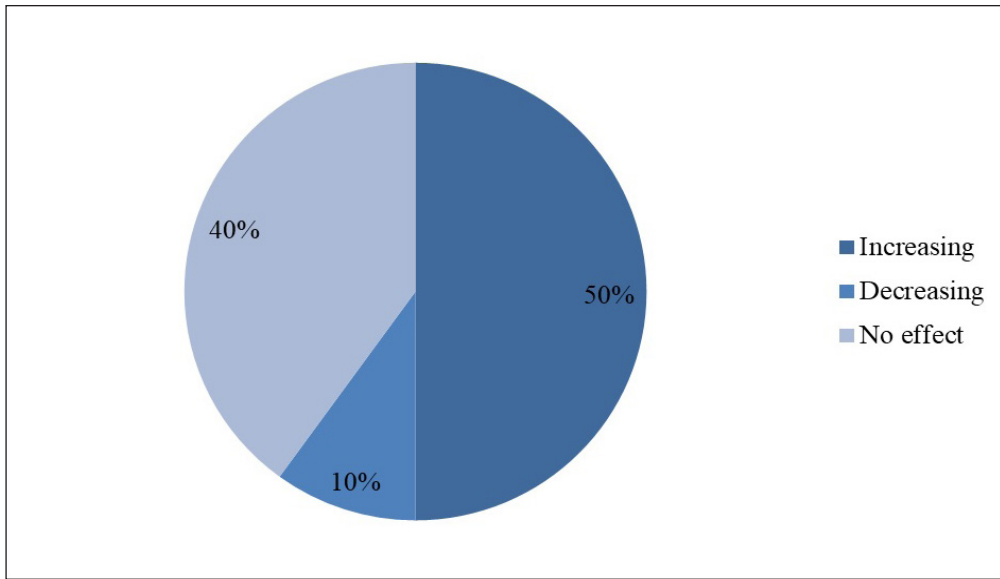


Figure 7: Comparison of production volume now and at the time of private generators (% of the surveyed sample)

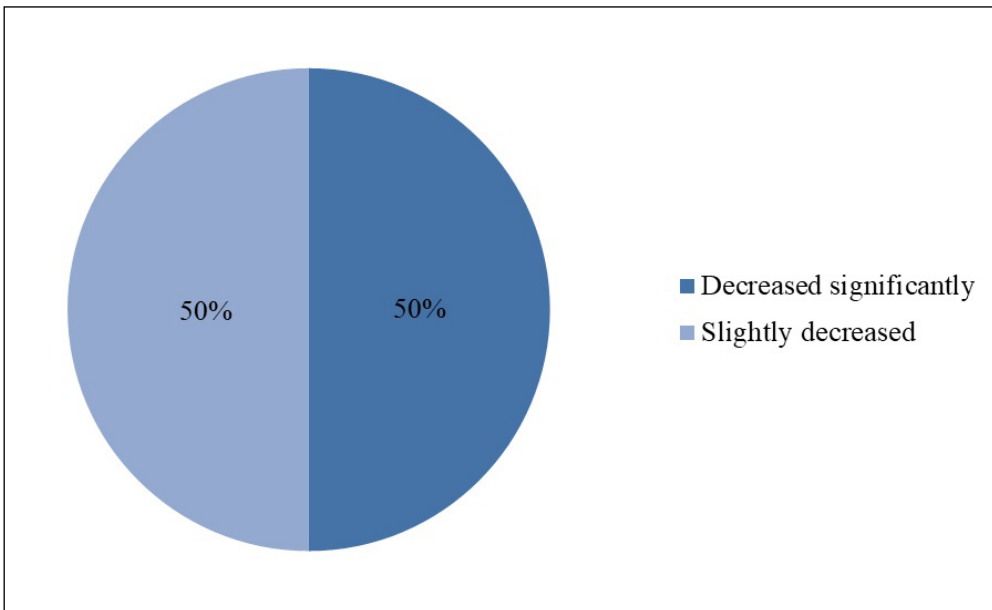


Figure 8: Impact of electricity on production costs (% of the surveyed sample)

Moreover, the current availability of electricity has neither led to a significant expansion in business and industry nor increased employment of new labor. Of the businesses interviewed, only three out of ten (30% of the sample) said that the new electricity situation has contributed to business expansion and employment of new workers. In terms of trade, six out of ten merchants (60% of the sample) indicated that the availability of electricity and the improvement in quality were not reflected in sales. As for their satisfaction with the price per kWh, the ten agreed that it is expensive and that fair pricing that could make a difference in their trade and industry is between TL 20–50 per kWh. Everyone

expressed a desire that the Local Council contracts with another electricity company to stimulate competition and reduce the price per kWh.

Finally, in terms of negotiation between the Local Council and AK Energy Company, all information seems to be vague.¹² Despite the author's rigorous attempts to view the contract or to conduct interviews with the responsible persons during the research work, it was not possible to obtain relevant information on the ability of the Local Council to amend terms, break the contract, introduce another electricity company to the market, or even change the terms of the current contract and when it is due for renewal.

Conclusion

The main objective of the study was to examine whether the electricity contract between the Local Council in A'zaz and AK Energy achieved its objectives of providing electricity at prices that suit the standard of living of citizens and jump-start the local economy. Based on fieldwork, a survey and interviews with the local owners of commercial stores and factories, the study found that the prices for electricity currently produced by the Turkish company are still exceedingly high, albeit lower than those of private generators. This is not only the case when compared to prices in Turkey and government-controlled areas, but also relative to the low standard of living of citizens in A'zaz. The increase in spending on electricity reduces the purchasing power of citizens, which negatively impacts the local economy. The payment of bills in Turkish currency also has a long-term negative impact on the economy, represented in the growing dependence on the Turkish currency and economy at the expense of the local currency and economy.

The study also revealed that the Local Council has no leverage in negotiations, it is unable to influence the company's pricing policy or even the terms of the contract, which reflects negatively on its social and political role. As a local institution, it must seek, on the one hand, to provide basic services at fair prices and adopt a social exemption system, and, on the other, stimulate local economic activities. Current prices have not yet been conducive to the business environment so as it would expand production and sales or create jobs. Consequently, this may harm the efforts to attract foreign investments.

Finally, the study recommends to break the market monopoly by AK Energy Company, through contracting competing electricity suppliers, or to renegotiate the contract to reduce monopolistic prices. Alternatively, the Local Council can also seek to produce electricity by using clean energy sources, such as solar panels.

12. The Local Council refused to answer questions relating to the contract and its terms, the Council's position within the contract and its relationship with the Turkish company. In a phone interview, the President of the Council responded that he was unable to answer questions for »legal reasons«, and the company also did not reply to our email. All attempts to get the contract and to know its terms failed.

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Interviews

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- Interviewee 1 (2019), a resident of A'zaz, via phone (1.7.2019).
- Interviewee 2 (2019), many citizens and business owners from A'zaz (18–26.6.2019).
- Interviewee 3 (2019), a citizen in A'zaz, in which he explained the mechanism of subscription to electricity through the

company, via phone (2.7.2019).

Interviewee 4 (2019), 10 owners of the following businesses: clothing store, nuts and coffee store, bread bakery (2), building machinery for factories, tissue factory, biscuit factory and an ice factory (26.5.2019 and 13–14.6.2019).

Interviewee 5 (2019), an owner of a bakery in A'zaz (26.5.2019).

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