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Cultivating a Crisis: The Political Decline of Agriculture in Syria

Nazier Madi

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Cultivating a Crisis: The Political Decline of Agriculture in Syria

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Executive Summary

In the decade prior to 2011, the al-Assad regime attempted to attain political dominance through an economic reform programme. This programme, which was branded a ‘social market economy,’ reduced government intervention and public spending while preserving the state’s social security role. The technocrats and the political class driving the reform were at odds with traditional protectionists, who had deep vested interests in the conventional Baathist approach to a state-subsidised agrarian economy. In 2005, the tenth five-year plan ended the Baathists’ protectionist concept of self-sufficiency through local production and proposed to achieve food security through imports and trade, especially with regard to wheat. The speed with which the reforms were introduced created confusion and led to a conspicuous decline in the agriculture sector. Cereal production was particularly affected and it led to a national crisis when combined with the drought between 2007 and 2009.

Despite the stunning effect of the conflict since 2011, the government appears to have continued the policies it envisioned for agriculture. The role of public spending has changed from supporting production by subsidising inputs to using price-support schemes to shape both production and the market. The government has compensated for shortages in local production with imports, while giving greater importance to the competitive role of the public sector in the market competing against non-state actors to buy wheat and assert its domination over the market. This has supported the government’s claim of legitimacy, while it has also contributed to a war economy benefiting certain loyalist businessmen.

The rural communities most affected by the reforms witnessed increased poverty and unemployment as agriculture production declined. Violence reduced access to markets and food. It also affected the labour market by attracting – or forcing – men to join armed militias and by pushing large numbers of people out of the country as refugees. This was especially the case in dry regions, such as the Salamiyah district in the southeast of Hama governorate, where a combination of corruption in the public sector and a growing dominance of powerful warlords caused a broad collapse of the local market and in the purchasing power of the population, again driving more people out or into the war economy.

Armed businessmen made large profits and started investing in legitimate businesses and lending money to war-drained agricultural producers. These warlords own large processing and supply-chain businesses, which control local producers’ access to the market. Despite not being involved in the production process per se, they have become major players in the agriculture sector.

This has created a bleak situation for agricultural producers, who are sandwiched between the withdrawal of the state, the damage caused by the conflict and the domination of local militia-linked businessmen over debt, inputs, market access and security. The future looks unpromising, and agriculture is likely to continue to decline and force even more people into poverty and exile, even after the end of the fighting.

Introduction

Agricultural activity has been at the centre of political life in Syria, and a cause of both stability and conflict in the modern history of the country. Local agricultural production used to be an essential contributor to Syria's food consumption. Until 2011, it was also the third-largest contributor to gross domestic product (GDP). As with other economic activities, and indeed every aspect of Syrian life, the current conflict has caused widespread damage to the sector, its assets and most importantly to the producing communities.¹ In addition to its central role for the Syrian people, agriculture has always reflected the power hierarchy and conflict between the elements of the political class in Syria. In the past two decades, it has been shaped by developments now acknowledged to have been among the political and economic origins of the Syrian conflict.²

It is therefore of paramount importance to distinguish between the damage to agricultural production inflicted by violence after March 2011 and the decline in the role of agriculture in the national economy that preceded the conflict and arguably generated some of the grievances which led to its outbreak. This distinction is important in order to produce an accurate assessment of the sector's current status and avoid further damage by actors wishing to intervene for the benefit of the population but oblivious to the political dynamics that continue to have a negative influence on food security. Any attempt to make such an assessment must consider the changing political scene, the role of traditional political actors, the emergence of new ones and the interactions among these players in the sector.

This paper first details the political order which attempted to engineer a new economic and social drive in the decade preceding the 2011 uprising, highlighting the key policies, agencies and actors and how they evolved throughout the current conflict. It then explores the impact of the conflict and current policies on rural Syria, and how the emergence of new actors has influenced the rural agricultural economy.

The paper is based on both structured and unstructured interviews with twenty-three people, among them fourteen producers living in Syria, seven state employees (five of whom are ex-employees residing outside the country) and one economic expert. With one exception, all the interviews were conducted via WhatsApp between December 2018 and July 2019. Although all the interviewees are from Hama and Homs, their testimonies should not be considered representative of a certain area or group. The paper also draws on a review of relevant reports by international and local agencies.

¹ Ramia Ismail et al., "Food Security and Conflict in Syria" (in Arabic), Syrian Center for Policy Research, 14 May 2019, <https://bit.ly/2DkU3HZ>

² Rabie Nasser, Zaki Mehchy and Khalid Abu Ismail, "Socioeconomic Roots and the Impact of the Syrian Crisis" (in Arabic), Syrian Center for Policy Research, 30 January 2013, <https://bit.ly/37JxOcl>

1. The Decline of Syrian Agriculture in the Decade before the Conflict

1.1. The Agricultural Sector in the ‘Social Market Economy’

After the Baath Party seized power in 1963, it adopted pro-agrarian policies of land reform and support for rural producers and for their political representation in the state. These policies reflected the party’s rural origins.³ During Hafez al-Assad’s reign (1970-2000), the political system in rural Syria was built around these policies, which aimed to protect rural producers in exchange for loyalty. First, the government promoted food self-sufficiency based on local production of selected ‘strategic’ crops, among which wheat was of high political and economic value. Second, other strategic crops such as cotton and tobacco were earmarked for export with the aim of stimulating foreign exchange. In order to promote and export these strategic crops, the government designated areas for agricultural holdings⁴ for the production of these crops, subsidised their inputs, and held monopolies over their markets. Third, the government bureaucracy allocated large sums as subsidies for agricultural production in a manner that reflected the regime’s power structure and thus favoured strongmen and politically connected persons rather than production needs. Finally, the heavily subsidised sector was able to provide low-paid employment for a large number of seasonal and low-skilled workers in the poorest regions of Syria, serving as a form of social safety net and a means for government representatives to offer patronage to their local constituencies. When Bashar al-Assad inherited power in 2000, he pledged to bring in a new political order centred around economic reforms. These reforms were led first by Issam al-Zaim, the head of the State Planning Commission (2000-2003), and then by his successor, Abdallah al-Dardari,⁵ who promoted a ‘social market economy’ model.

This model was formally adopted in 2005 in the form of the tenth five-year plan (FYP) for the period 2006-2010.⁶ Its objectives were to achieve high growth rates by increasing private and foreign investment in profitable sectors (telecommunications, real estate, banking, tourism, external trade and high-value-added manufacture) and to reduce government expenditure by cutting subsidies and public investment. High growth rates were expected to mitigate the social costs of liberalisation and privatisation and provide a political justification for the changes they brought.⁷

Market economy advocates considered agriculture subsidies to be a burden on public spending (they were said to cost around 4% of GDP). They believed that subsidies represented excessive state intervention, undermining competitiveness. The summary of the tenth FYP associated agriculture with negative factors in the Syrian economy: low growth, unpredictable output levels and a heavy consumption of energy and other unsustainable natural resources such as water.

Syrian and international experts concurred in this critique of the old subsidy-based agrarian policies. In a policy note issued in 2008,⁸ the World Bank argued that protectionism and self-sufficiency were unsustainable and that the significant degree of employment in agriculture was mainly due to a lack

³ Hanna Batatu, *Syria’s Peasantry: The Descendants of its Lesser Rural Notables, and their Politics*, (New Jersey: Princeton University Press, 1999).

⁴ An agricultural holding, or simply a holding, is a unit of managed agricultural land, or a number of fruit trees or livestock. The holder or farmer is the person with management control of the holding, <https://bit.ly/2qTNHNh>

⁵ Abdallah al-Dardari was head of the State Planning Commission (2003-2005) and then Deputy Prime Minister for Economic Affairs (2006-2011).

⁶ The Syrian Parliament Library, “Summary of the Tenth Five-year Plan” (in Arabic), (2004-2005), <https://bit.ly/2KYrUuq>

⁷ Syrian Days, “Al-Dardari: Syrian Economy Growth Rates are Increasingly Positive” (in Arabic), 18 May 2009, <http://bit.ly/2EbxA0J>

⁸ World Bank, “Agriculture in Syria: Towards the Social Market,” Policy Note (Washington D.C.: World Bank, 2008), <http://bit.ly/354qbMo>, License: CC BY 3.0 IGO. This note was made at the request of the Syrian government and based on a country visit in 2007. It was made available publicly in October 2013.

of opportunities in other sectors. It proposed that food security could be achieved without local production of cereals if growth rates were high enough to allow for the import of cereal to meet consumption needs. This would reduce the need to subsidise food production, especially of wheat and cereals. Higher growth would also generate revenue that could be allocated to job creation and social protection programmes. However, the World Bank policy note acknowledged the high political risk associated with a sudden change and argued for gradualism. The steps it advocated included reducing water-dependent crops and therefore reducing fuel subsidies, protecting market prices for producers instead of subsidising production inputs and costs, privatising finance, loans and credits, encouraging high-value production for trade (fruit and vegetables) and promoting the necessary supply chain, easing tariffs and entering trade agreements to enable trade and encouraging investment and job creation in rural areas for young people in sectors other than agriculture.

The market economy advocates found natural allies in a new class of urban businessmen, some of whom were relatives of Assad and many represented the second generation of his father's circle of cronies, such as Rami Makhlouf and Firas Tlass.⁹ These businessmen saw opportunities in the market economy to expand their wealth and power through trade and services and by acting as middlemen for international businesses to open up in Syria in exchange for privileged shares. They were thus rooted in regional and international markets and also at the centre of decision-making in Damascus.¹⁰ This group showed little interest in agricultural production, which requires large capital investments and is characterised by unreliable profits and a slow production cycle. Their interests clashed with the old guard at the policy level and with the traditional protectionists, who were uninterested in the new markets and opportunities because they had invested in the status quo, including the old agricultural policies. The clash manifested itself at the tenth Baath National Assembly in 2005, during which Assad ousted the old Baathist leadership and clearly stated that economic reforms were his priority.¹¹ This political shift at the top of the Baath Party further distanced the leadership from its 'rural roots' and weakened the political representation of the agrarian population at the decision-making level.

In 2006, the agriculture sector began declining (Figure 1) with its growth rate falling to an average of 1.3% (2005-2009). By comparison, the hospitality industry grew by 14% on average, including an annual 12% rise in the number of tourists, while manufacturing grew by an annual average of 12.4%.¹² In 2008, of 178 new businesses set up by foreign investors, only five were in the agriculture sector (two in Damascus and three in Daraa), compared with 28 in the trade sector, for example.¹³

The most striking indicator of agricultural decline was the reduction in its workforce. Government officials stated that 600,000 workers – 44% of the agricultural workforce – moved from agriculture to other sectors between 2005 and 2008. The officials did not clarify which sectors these workers migrated to or whether those sectors were more productive than agriculture.¹⁴ In some cases, the workers may have simply become unemployed.

⁹ Rami Makhlouf is a first cousin of Bashar al-Assad and by 2011 had become Syria's richest man. Firas Tlass is a son of Colonel General Mustafa Tlass, who was Minister of Defence for 32 years and one of Hafez al-Assad's closest aides.

¹⁰ Muhammad Jamal Barout, *Syria in the Last Decade: The Dialectic of Stagnation and Reform*, (Beirut: Arab Center for Research and Policy Studies, March 2012), 92-95.

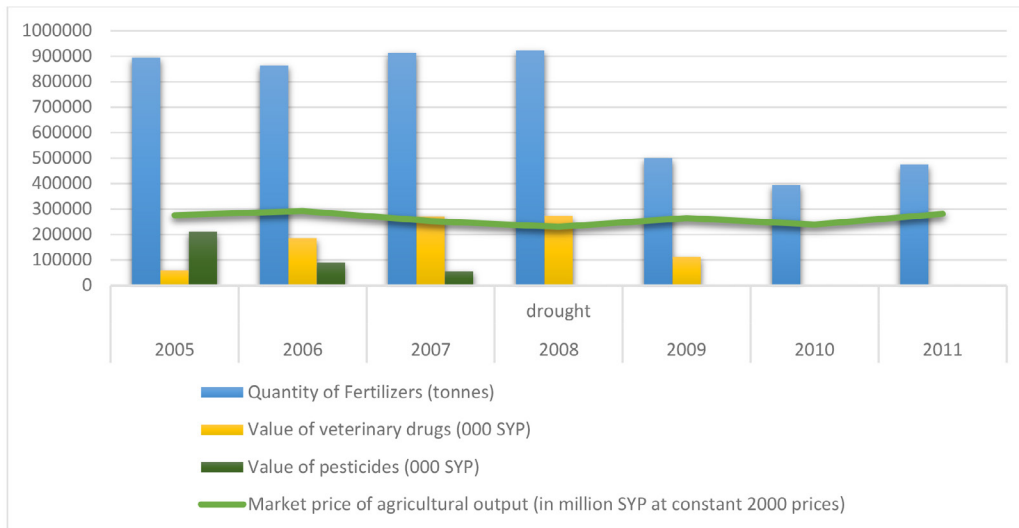
¹¹ Saad Mehio, "Strong Assad Weak Syria?" (in Arabic), *Swiss Info*, 10 June 2005, <https://bit.ly/2DkGokf>; Al-Jazeera, "Al Baath Expels Old Guards and Recommends Reforms" (in Arabic), 10 June 2005, <https://bit.ly/2KZBehK>

¹² Ghassan Ibrahim, "The Sociological Dimension of the Rentier Economy in Syria" (in Arabic), *Syrian Parliament Library*, 2010, <https://bit.ly/2pWaUhn>

¹³ Central Bureau of Statistics, "Distribution of Establishments by Main Economic Activity," <https://bit.ly/2sfjf0f>

¹⁴ Barout, *Syria in the Last Decade*, 92-95.

Figure 1. The Effect of Reducing Subsidies on Agricultural Production

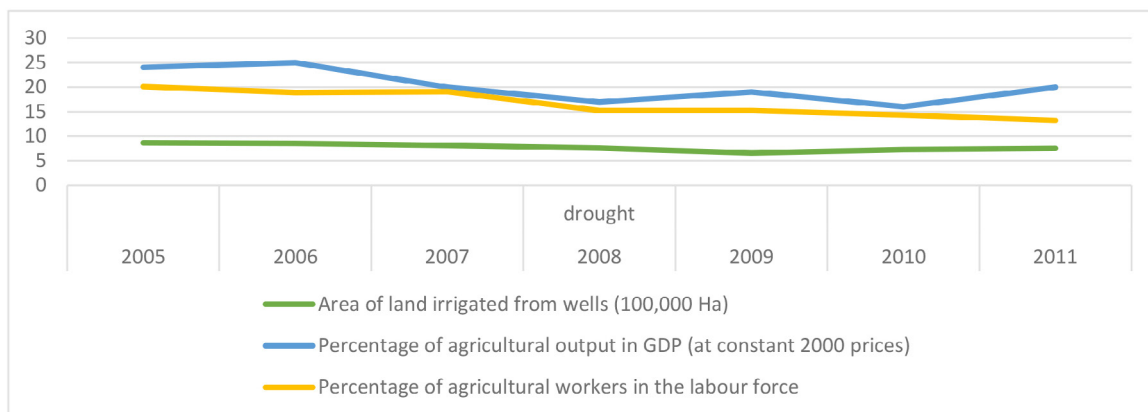


Source: The author, compilation of statistical abstracts from the Central Bureau of Statistics (CBS)¹⁵

Figure 1 shows that the government’s reduction of subsidised inputs began to take effect in 2008, the third year of the tenth FYP period. The same year, support for diesel was also cut, which shocked the Syrian market as a whole. Pesticide support declined from 2005 and stopped completely in 2010. At the same time, domestic agricultural output fell in all of the tenth FYP years except 2009 but bounced back in 2011. While the variations may be slight, they demonstrate the level of control the government exercised over the sector. Despite a drought in the country from 2007 to 2009, policymakers did not amend the strategy of reducing subsidies.

Figure 2 further demonstrates the detrimental effect of the tenth FYP on agriculture, the lack of growth in the sector and the decrease in the amount of land irrigated by underground water (i.e. land requiring diesel to fuel water pumps), which was affected by the depletion of water resources.

Figure 2. Impact of the Tenth FYP on Agriculture’s Share of GDP and the Labour Market



Source: The author, compilation of statistical abstracts from the CBS¹⁶

Decision-makers appeared determined to persist with their vision, accepting that it would affect agricultural production. At the same time, they seemed unable to respond to changes on the ground, such as the drought, which should have encouraged relief efforts and an increase in spending. President

¹⁵ Central Bureau of Statistics, Statistical Abstracts of Relevant Year(s) and Sector(s), <https://bit.ly/2QV8Z7N>. The years 2005 and 2011 are added to show the direct impact of policy during the tenth FYP period (2006-2010) as result of measures taken by the government.

¹⁶ CBS, Statistical Abstracts.

Assad later retrospectively blamed the drought for hindering the economic reforms, but at the time its impact was evidently made worse by inflexible austerity measures.

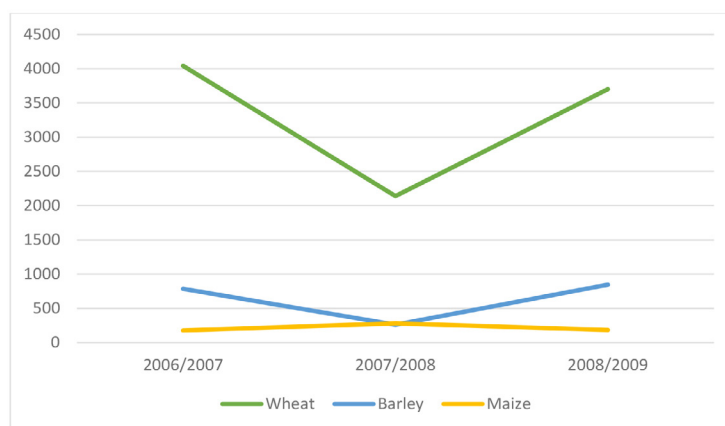
1.2. The Cereal Crisis of 2008 as a Demonstration of the Government's New Agricultural Policies

For decades, cereals – especially wheat for bread and barley for fodder – were at the centre of the government's self-sufficiency planning strategy. Producers received generous support in subsidies, but this made them vulnerable to austerity measures. The government's departure from self-sufficiency meant an end to its commitment to purchase harvests in their entirety.

During the years 2007-2009, a series of droughts and government subsidy cuts worked to the disadvantage of private farmers and consumers. The outbreak of the conflict in 2011 has been partially attributed to the government's inadequate response to the crisis in 2009 and 2010. While descriptions of the 2008 drought and its impact on the country vary substantially,¹⁷ there is no doubt that cereal crops were significantly affected by the lack of rainfall in spring 2008 at a time of year crucial for seeds to germinate. At the same time, the government's decision to lift subsidies on diesel created shortages, increased costs and hindered the pre-harvest irrigation of land.

In 2007, the wheat harvest was ample, with a production of over 4 million metric tonnes in total (Figure 3). However, through its General Establishment for Cereal Processing and Trade (GECPT), the government bought only a third of the harvest, according to *al-Thawra* newspaper.¹⁸ The official reason for this decision was substandard quality as a result of infestation.¹⁹ The process of determining quality, and therefore whether or not to buy from any given farmer, was reportedly ad hoc and random. Farmers complained of a lack of checks and standards apart from direct human observation of sampled bags.²⁰

Figure 3. Production of Cereals During the Drought Period in 1,000s of tonnes



Source: The author, compilation of statistical abstracts from the CBS

¹⁷ Jan Selby et al., “Climate Change and the Syrian Civil War Revisited,” *Political Geography*, Volume 60, 2017, 232-244, <http://bit.ly/340eiWf>

¹⁸ Muhamad Mustafa, “Repercussions of the Infected Wheat: the GECPT Rejected it, but Only to the Benefit of Black Market Traders” (in Arabic), *al-Thawra*, February 2008, <http://bit.ly/2sUMBRT>. *Al-Thawra* newspaper is one of the many government-owned newspapers in Syria and has represented the Baathist state's views since 1963. It has strong links to agriculture and covers issues related to it and rural regions. In this article published retrospectively, the author lamented the “lost opportunity” in 2007 to offset the impact of drought and called for “action” to follow the report commissioned by the cabinet.

¹⁹ The story unfolded in Hama in June 2007 and GECPT issued a directive to control a fungal infestation. Muhamad Mustafa, “Grain Disaster in Hama is a Blessing to its Merchants, GECPT Rejects Infested Wheat” (in Arabic), *al-Thawra*, June 2007, <https://bit.ly/2DkJB3t>

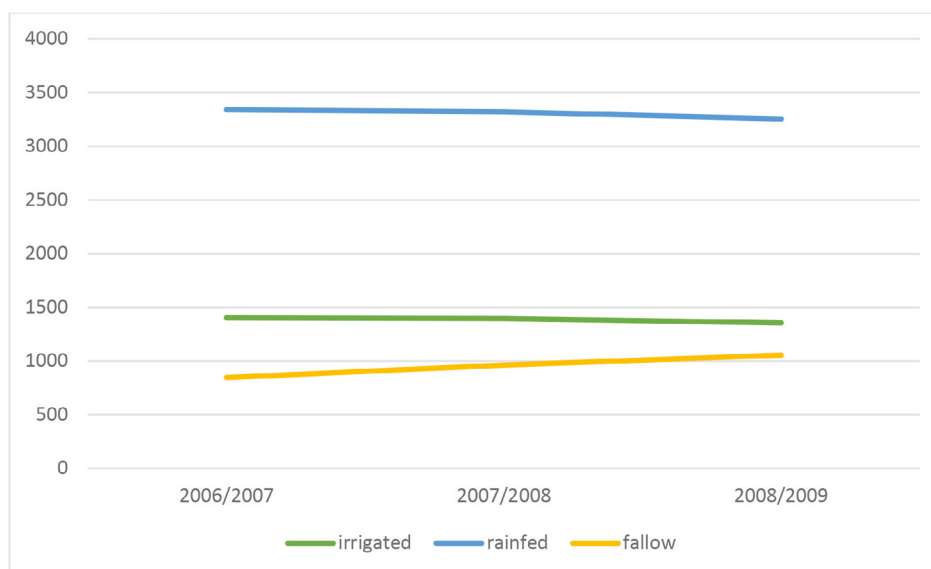
²⁰ Marwan Darraj, “Grain Harvest Between the Hammer of Market and the Anvil of the GECPT: The Need for New Procurement Procedures” (in Arabic), *al-Thawra*, February 2006, <https://bit.ly/33lv5TD>

According to one supervisor working at the Ministry of Agriculture and Agrarian Reform (MAAR) at the time,²¹ the GECPT had full stocks of wheat, which exceeded its capacity to properly handle it, and fungal infestation was affecting the strategically stored wheat.²² The reported infestation of wheat crops in 2006 and 2007 corresponded with the government’s reduced distribution of subsidised pesticides and fertilizers (Figure 1), both of which are vital for crops to be resistant to infestation. The GECPT was slow, and arguably unable, to influence a decision to export surplus wheat or else increase storage capacity and technical support and this had a negative impact on producers and worsened the impact of the drought.²³

This created a bottleneck, as no private market was readily available to absorb such quantities, and exports were not permitted. The result was an expansion of black-market trade in wheat, where prices slumped to record lows of 8-10 Syrian Pounds per kilogram (SYP/kg), mainly for use as fodder and possibly for smuggling. The government later offered to buy the crop at the even lower price of 5 SYP/kg (compared to 12.30 and 11.30 SYP/kg for hard and soft wheat respectively in 2006). This only further encouraged farmers to sell to black market buyers. The official government narrative placed the blame partly on farmers, with the MAAR accusing them of choosing to sell to the black market for higher prices.²⁴

Figure 4 shows a decline in agricultural use of land after the 2006/2007 season, with a corresponding increase in unused (fallow) land. In effect, farmers skipped seasons and declined to grow crops. Water sources did not appear to be a decisive factor in this decision, as the use of both rainfed and irrigated land declined. The amount of uncultivated land increased slightly. The farmers’ decision to skip a season after the favourable yields of 2006/2007 was rooted in the government’s refusal to buy the cereal crop that year, which effectively meant the government declining to protect local cereal production and reducing subsidy support for the agricultural sector.

Figure 4. Use of Land during the Drought Period (1000 Ha)



Source: The author, compilation of statistical abstracts from the CBS for the relevant years

²¹ Interviews with a MAAR employee in Homs, February 2019.

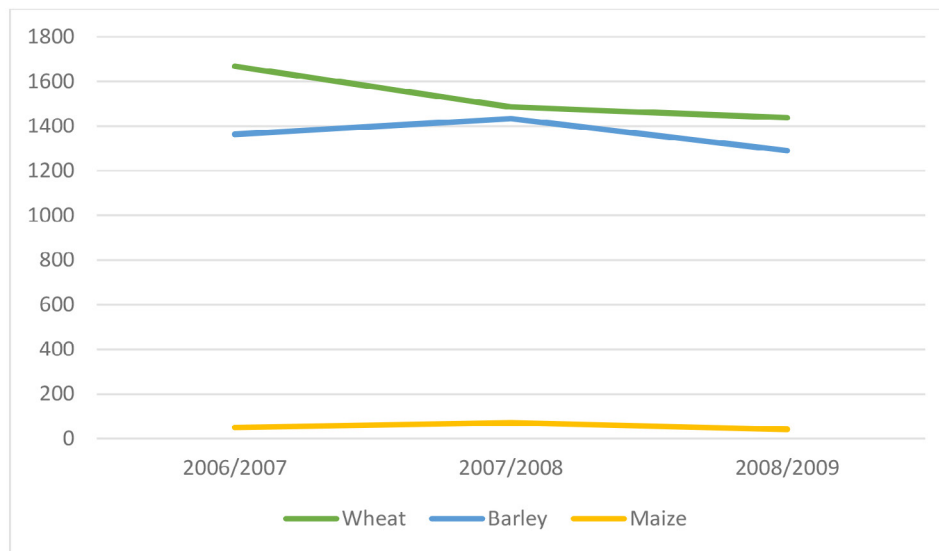
²² Usually two years’ needs or 4 million tonnes of wheat for bread. There are no regular announcements of the volume of this strategic storage, or how it is managed. Much of the wheat is stored in bad conditions in trenches under the elements and in ill-maintained silos

²³ The cabinet announced its willingness to investigate possible mismanagement or misconduct by public agencies, but if such an inquiry was made and if any results came out of it, to our knowledge they were not made public.

²⁴ Noor al-Din al-Ather, “Interview with the Syrian Minister of Agriculture: the Decline in the Share of Grain in Local Production” (in Arabic), *al-Hayat*, August 2007, <https://bit.ly/2ON3Rjy>

Figure 5 also shows that the area cultivated with wheat dropped by 180,800 hectares between 2007 and 2008, while the combined area of fallow land and land cultivated with barley and maize increased by 208,900 hectares in the same period. Based on the 2008 yield of 1.4 tonnes per hectare, the decrease in the size of the cultivated area generated a reduction in the harvest of around a quarter of a million tonnes, representing some 11% of that year's total harvest. The decision by producers to switch to barley and maize was probably because the two commodities had a direct local market, unlike wheat, which was typically a government monopoly.

Figure 5: Area of Land by Crop during the Drought Period (1000 Ha)



Source: The author, compilation of statistical abstracts from the CBS for the relevant years

When it became clear in 2008 that the wheat harvest was severely low, there were chaotic scenes at the annual grain conference in Daraa,²⁵ with various government bodies denying any responsibility for the failure to store sufficient wheat in 2007. Notably, the general manager of the GECPT repeated the allegation about farmers selling to the black market as the pretext for low government procurement in 2007.²⁶ The final recommendations of the conference, however, included three key measures to respond to the crisis: the purchase of all the crop, regardless of quality; the automation of harvest sampling; and the adoption of prices corresponding to the real cost of production taking into account recent rises in fuel prices. All three of these recommendations were reversals of government procedures the previous year.

The manner in which the cereal crisis unfolded revealed a strict and dogmatic implementation of austerity measures and a lack of preparedness on the part of the government. It also showed the increased marginalisation of rural economies in the minds of policymakers. Finally, it highlighted the lack of public discussion around the new policies and the elitist nature of decision-making.

²⁵ Younes Khalaf, “Two Million Tonnes is the Grain Harvest This Year, GECPT to Buy All Regardless of Quality” (in Arabic), *al-Thawra*, June 2008, <https://bit.ly/2pRI9Ci>

²⁶ Ibid.

2. Reforms in a State of War

In his first speech after the outbreak of demonstrations in March 2011,²⁷ President Bashar al-Assad revisited the drought episode. He blamed “four years of drought” for the delay in economic reforms, which echoed the government’s evasions of responsibility following the cereal crisis and was possibly based on ignorance about how the ‘reforms’ had actually aggravated the crisis. In the same speech, al-Assad also denounced the continuing international pressure on Syria. When the protests became a national uprising, academics and journalists – mostly from outside the country – often stressed the social market policy, the government’s handling of the drought²⁸ and the rise of a new class of cronies in the neo-liberal economy²⁹ in their efforts to explain the uprising and its roots. This revisionist reading of Syria’s reforms was, understandably, almost always critical of the regime and moreover came from institutions outside Syria that had no meaningful leverage over Syrian government agencies or over the regime itself.

Inside the country, the Syrian regime barricaded itself and defied calls for change. The government acted in a business-as-usual manner. Regime officials declined to acknowledge the ‘state of war’ until June 2012,³⁰ and even then they made no changes to the main elements of the government’s pre-conflict policy, including agricultural policy. During the conflict, the government continued to reduce subsidies of production inputs, shifting towards supporting prices and output.³¹ This policy may be analysed by looking at two main government agencies: the Agricultural Cooperative Bank (ACB) and the Fund to Support Agricultural Production (FSAP).³²

2.1. The Agricultural Cooperative Bank (ACB)

The ACB, established in 1888, is Syria’s oldest operational bank. It is the government’s main instrument for implementing the Annual Agricultural Production Plan (AAPP). It is also responsible for all transactions between the government and both public and private producers, whether they be sales, purchases or credit grants. For example, non-subsidised inputs (such as animal fodder and veterinary drugs) are still imported and distributed via the ACB. When farmers are not able to pay in cash, the bank ‘loans’ them the item(s), which they may repay from their production if and when the government buys from them, again through the ACB. In other words, the ACB is much more than a standard financial institution. Among other assets, it owns warehouses where it stores the inputs that will be distributed to farmers. Another example is MAAR’s importing of cattle:³³ farmers can apply for a cattle quota from the ACB, which is distributed as a loan from the bank. The bank demands collateral in agricultural property – land or poultry farmhouses, for instance – in addition to a personal guarantor who is usually a state employee. Should the farmers fail to repay the instalments or the entire loans, they lose the right to use the underlying assets. Furthermore, producers in debt to the ACB lose access to the public sector, both for selling produce and receiving benefits and subsidies.

²⁷ Voltaire Network, “Bashar Al Assad’s Speech in Parliament” (in Arabic), March 2011, <https://bit.ly/2DiomPJ>

²⁸ Nodira Akhmedkhodjaeva, “Drought in Syria,” Report (The Aleppo Project, July 2015), <https://bit.ly/37IlfhX>

²⁹ Aron Lund, “Drought, Corruption, and War: Syria’s Agricultural Crisis,” *Carnegie Middle East Center*, April 2014, <https://bit.ly/2qOxRTW>

³⁰ Hammud al-Mahmoud, “The War Economy in the Syrian Conflict: The Government’s Hands-Off Tactics,” *Carnegie Middle East Center*, 15 December 2015, <https://bit.ly/33oLzdu>

³¹ Price support or subsidy is the government practice of paying higher than the free-market price to purchase specific crops (wheat, cotton, barely etc) to compensate producers for extra production costs (a higher price of diesel) and environmental pressure (drought and/or diseases).

³² ORTAS, “Establishment of Fund to Mitigate the Impact of Drought on Agricultural Production” (in Arabic), October 2011, <https://bit.ly/2DkLqNR>

³³ Adnan Abdel Razzaq, “Syria Imports 8000 Cows from Germany” (in Arabic), *The New Arab*, 13 August 2017, <https://bit.ly/34r7WjY>

In 2011, loans to farmers and other private sector businesses represented 23% of the total loans granted by the ACB (Figure 6). In 2014 and 2016, this fell to 2% and 0.002% respectively, indicating that the bank had largely stopped lending to producers. In fact, the bank had halted medium and large loans for private producers since 2013. In 2017, it re-started medium-sized loans for greenhouses only in the coastal region.³⁴ Figure 6 shows this sharp decline in government lending and subsidies to private producers, with the exception of the cattle and poultry industries. Instead of lending or subsidising, the bank funds public establishments that buy harvests (grains, cotton and sugar) as part of a policy of shifting support from inputs to the price of outputs. Loans to the public sector go primarily to three establishments: the General Establishment for Cereal Processing and Trade (GECPT); the General Establishment for Cotton Ginning (GECG); and the General Establishment for Supplying Agricultural Production Requirements (GESAPR).³⁵

Figure 6. ACB Loans by Sector (in million SYP), including all Subsidised Inputs and Other Items Supplied Through ACB Branches.



Source: The author, compiled from CBS statistical abstracts.

There is a high proportion of non-performing loans, suggesting that the government is still shifting away from support towards subsidies for production losses. These subsidies, combined with the decline in production and markets, the difficulty in physical accessibility due to the conflict and the increase in costs due to the rise of the war economy and scarcity, mean that private producers' access to cash and inputs is diminished, especially in areas vulnerable to natural crises or conflict.

In 2016, the volume of loans to the private sector was almost 0.1% of the volume in 2010, and the number of people unable to pay peaked at 600,000 in 2014, almost the same as the number of agricultural holders in 2004.³⁶ In 2018, the fines represented almost 60% of the total unpaid loans, due to fines having accumulated over years of unpaid instalments. In December 2018, President Assad issued Decree No. 46/2018, which rescheduled the debts on loans from the ACB for individual farmers.³⁷ At this time, the size of the unpaid loans was 59.5 billion SYP (118.5 million USD).³⁸ The fines amounted to 36.7 billion SYP (73 million USD) and affected half a million producers. The 2004 census indicated there were 660,371 agricultural holders,³⁹ which suggests that more than 75% of them were in debt in 2018.

³⁴ ESCWA, "Analytical Study of the Gap in Agriculture Policy" (in Arabic), Report (Beirut: NAFS Programme, 2018), <https://bit.ly/2DmN80Z>

³⁵ The clarification came from CBS: <http://bit.ly/2DW2lqe>

³⁶ The number of agricultural holders provided by the CBS was last published for the year 2004, see the Yearbook of 2016, <https://bit.ly/2soXPhz>

³⁷ SANA, "President Assad Issues a Decree to Pardon Creditors of Cooperative Agricultural Bank," 26 December 2018, <https://bit.ly/35E0VMH>

³⁸ On 16 December 2018 the exchange rate was 502 SYP for 1 USD, <https://bit.ly/35F8qTC>

³⁹ Central Bureau of Statistics, the Yearbook Number of Agricultural Holders, 2012, <https://bit.ly/2pUVidU>

2.2. The Fund to Support Agricultural Production (FSAP)

The Fund to Support Agricultural Production (FSAP) was established in 2008 as part of the tenth FYP.⁴⁰ Its original mandate was to facilitate all support for agricultural production and to adopt a targeted support system that would replace the old doctrine of strategic crops. The fund was to designate, support and purchase crops based on market supply and demand, to serve as the government's tool to regulate the market⁴¹ and to identify and answer the needs of producers.

Starting in 2009, the Fund's main area of support was subsidising prices for the crops purchased by the government. To calculate the purchase price, the Fund would take into account the real market cost of fuel and prices in neighbouring and international markets. However, after 2010 the Fund's budget appears to have been reduced and fixed at 10 billion SYP, then equivalent to USD 200 million. By 2018, and as a result of inflation, it was worth less than a tenth of its initial size when measured in dollars: around 20 million dollars. The Fund focused mainly on supporting the price of improved seeds sold to producers.⁴²

The concept of the FSAP has gained little traction for several reasons. These include decreasing the government's areas of control and operations at the peak of the conflict; the shrinking economy as a whole and an overlap with other older and better-established public agencies such as the GECPT, the GECG and the GESAPR. The latter are better positioned to determine prices and conduct purchases. The ACB has also carried out all transactions related to the public sector for decades, with branches and networks in every corner of the country.

2.3. Wheat Wars during the Conflict

Between 2011 and 2017, domestic production of wheat is estimated to have halved (Figure 7).⁴³ In the same year, the GECPT purchased only 325,000 tonnes of wheat out of an estimated production of 1,850,000 tonnes, or 17% of the total, compared to 64% in 2011. These numbers reflect the fact that the government no longer had a monopoly on the wheat market, as informal border crossings and emerging local markets competed with public establishments to buy from producers.

Imports simultaneously increased, perhaps not to the extent claimed in the media, but they exceeded 50% of the GECPT's total purchases starting from 2013 and were around 40% in 2017. In November 2018, the Minister of Transport announced an initial agreement with his Russian counterpart to establish a distribution centre for Russian wheat in Syria,⁴⁴ with plans to expand the storage and transportation capacity of Syrian ports as part of the Tartous seaport agreement. A Russian company took over the management of the port. In 2019, the Syrian government announced that it was ready to buy up to two million tonnes of local wheat.⁴⁵ At the same time, the Minister of Internal Trade confirmed that the government would continue to import up to 600,000 tonnes of Russian wheat to ensure strategic storage,⁴⁶ and it rejected calls to postpone imports until after the domestic crops were fully purchased.

⁴⁰ Syrian Parliament Archive, "Decree no. 29 for the Year 2008" (in Arabic), 5 May 2008, <https://bit.ly/2OqXpQj>

⁴¹ Fawzi al-Malwof, "Fund to Support Agricultural Production to Start Next Year" (in Arabic), *al-Thawra*, 7 August 2008, <https://bit.ly/2DiA2C5>

⁴² ESCWA, "Analytical Study of the Gap in Agriculture Policy."

⁴³ Numbers estimated during the conflict are difficult to verify because of restricted access, insecurity and constant population movements.

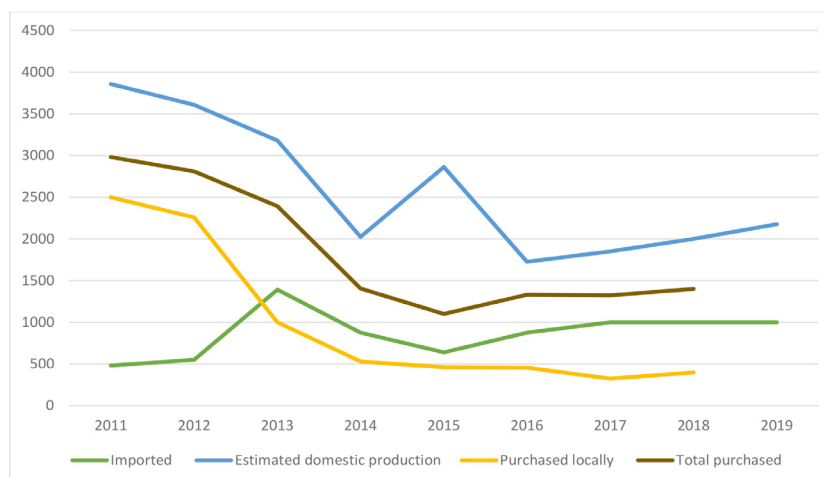
⁴⁴ Sputnik, "Agreement Between Moscow and Damascus to Turn Syria into Russian Wheat Export Hub" (in Arabic), 1 November 2018, <https://bit.ly/34saQ7U>

⁴⁵ Al-Watan, "Interview with Minister of Agriculture" (in Arabic), 15 May 2019, <https://bit.ly/2DiqN4P>

⁴⁶ Al-Alam, "Confrontation in the Syrian Parliament" (in Arabic), 28 May 2019, <https://bit.ly/33ol73P>

The government’s bid to purchase two million tonnes may appear highly optimistic in the light of the numbers for the past five years (Figure 7), but it is based on three considerations. First, the government has regained control of large parts of the country. Second, it has raised the purchase price for wheat to USD 422 a tonne,⁴⁷ which is more than double the international price of USD 207⁴⁸ and so should persuade farmers to sell to market traders. Third, the 2019 rainy season promised an ample harvest, in contrast to previous years. In September 2019, the projected wheat production was estimated at some 2.2 million tonnes.⁴⁹

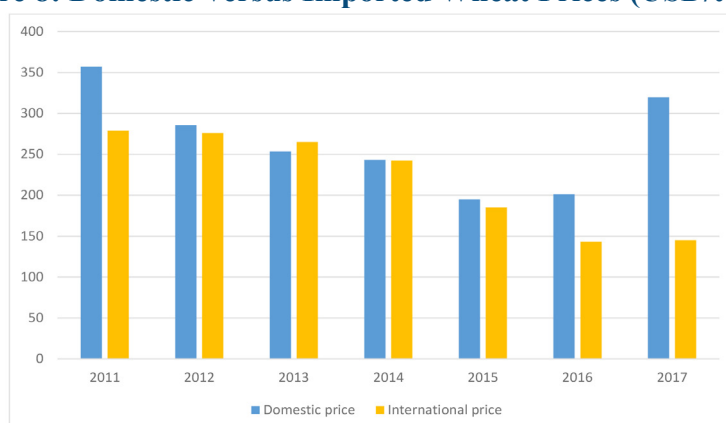
Figure 7. Estimated Quantities of Wheat (in 1000 Tonnes) Produced Locally, Purchased Locally and Imported by the Government’s GECPT



Source: The author, compiled from CBS statistical abstracts, media statements by GECPT officials and the FAO/WFP⁵⁰

As Figure 8 shows, the GECPT pays farmers prices well above international market rates. However, its efforts to buy wheat have had mixed results. For instance, it was successful in buying an important volume in Daraa, where it benefited from various factors including a lack of milling capacity in opposition areas. In the northeast, however, the Kurdish-led Autonomous Administration matched the government prices (SYP 142,000 per tonne in 2017 and SYP 175,000 in 2018) and also exerted pressure on farmers, including by harassing them. The fact that farmers were in debt to the ACB also discouraged them from selling to the government.

Figure 8: Domestic Versus Imported Wheat Prices (USD/tonne)



Source: The author, compiled from CBS statistical abstracts and media statements by GECPT officials⁵¹

⁴⁷ Using the Central Bank of Syria’s inflated exchange rate, <http://bit.ly/2LQWqHt>

⁴⁸ As of April 2019, USDA market news, <http://bit.ly/2YFse7n>

⁴⁹ FAO/WFP, “Crop and Food Security Assessment. Mission to the Syrian Arab Republic,” Special Report (FAO/WFP, 5 September 2019), <https://bit.ly/34wDDbK>

⁵⁰ CBS, Yearbook of 2012, <https://bit.ly/2pVjhcV>. Al-Thawra, “Quantities of Procured Wheat” (in Arabic), 15 July 2011, <https://bit.ly/2QSIj7H>. FAO/WFP, “Crop and Food Security Assessment.”

⁵¹ CBS, Yearbook of 2012, <https://bit.ly/2pVjhcV>. Al-Thawra, “Quantities of Procured Wheat.”

However, cereal, and especially wheat, is also subject to attacks. In 2019, fires consumed swathes of cereal fields across the country. Reports of arson were widespread.⁵² The Assad regime was accused of using incendiary munitions to start fires in cereal fields in Idlib, IS claimed to have started large fires itself in northeast Syria, and individual incidents were reported in almost every wheat-producing region under government control.⁵³

Competition over Syrian wheat takes place through prices and control of land, roads and border-crossings. Present circumstances make it practically impossible for Syrian farmers to operate without the patronage of *de facto* rulers, and to market their products at competitive prices in ‘neutral’ free markets. This makes wheat production and marketing highly vulnerable to conflict dynamics.

Despite heavy subsidies and increased imports from its Russian ally, the Syrian government appears to be struggling to develop a viable supply chain in both the domestic and international markets. At the local level, it has lost its monopoly over the market, its sovereignty is diminished, and its ability to influence producers through pressure or incentives is impaired. At the international level, sanctions and counter-terrorism regulations are restricting its ability to make deals as many of its commercial frontmen and their companies are on sanction lists.

In general, agricultural production is down by half. Despite a relatively favourable harvest in 2019, wheat production is still 30% lower than it was in 2010.⁵⁴ Barley production has fallen by 50%. As for livestock, production of both cattle and sheep fell by 40% between 2010 and 2018. It is estimated that 90% of poultry producers had left the sector by 2018. Stuck between pre-conflict market reforms and post-conflict losses with shortages and roadblocks, rural agricultural producers have seen their output and profits plummet. Farmers in rural areas have become increasingly indebted, and the circulation of money has decreased, further aggravating these problems and affecting other sectors dependent on agriculture, such as manufacturing and transport.

3. How the Dynamics of the Conflict Transformed Rural Syria. A Case Study of Eastern Hama Governorate

The conflict has had a disruptive impact on rural communities and on agricultural production, which is the primary economic activity in rural areas. In 2010, 46% of the country’s population lived in rural areas, of whom 80% were sustained by income from agricultural work.⁵⁵ This rural population represented 62% of Syria’s poor and comprised small holders (farmers and herders), hired labour, unemployed youths, women and women-led families.⁵⁶ The rural population has been widely exposed to violence during the past nine years.⁵⁷ The remoteness of smaller population centres increased their exposure to violence and prevented exchanges of goods, which are vital to sustain life in smaller towns. Meanwhile, public services such as healthcare, electricity and drinking water sharply declined in quality.⁵⁸ In a survey by the CBS, participation in agricultural activities was estimated to have fallen by a third between the onset of the conflict and 2014.⁵⁹

⁵² Ahmad Jamal, “Crop Fires as a Weapon” (in Arabic), *Enab Baladi*, 2 June 2019, <https://bit.ly/34qFGhn>

⁵³ Synaps, “Reaping Fire: Syria’s Fateful Harvest,” 10 June 2019, <https://bit.ly/35wLPbY>

⁵⁴ FAO/WFP, “Crop and Food Security Assessment.”

⁵⁵ Ibid

⁵⁶ FAO, “National Programme for Food Security in the Syrian Arab Republic,” Report (Damascus: FAO, August 2010), <https://bit.ly/2XRhe6h>

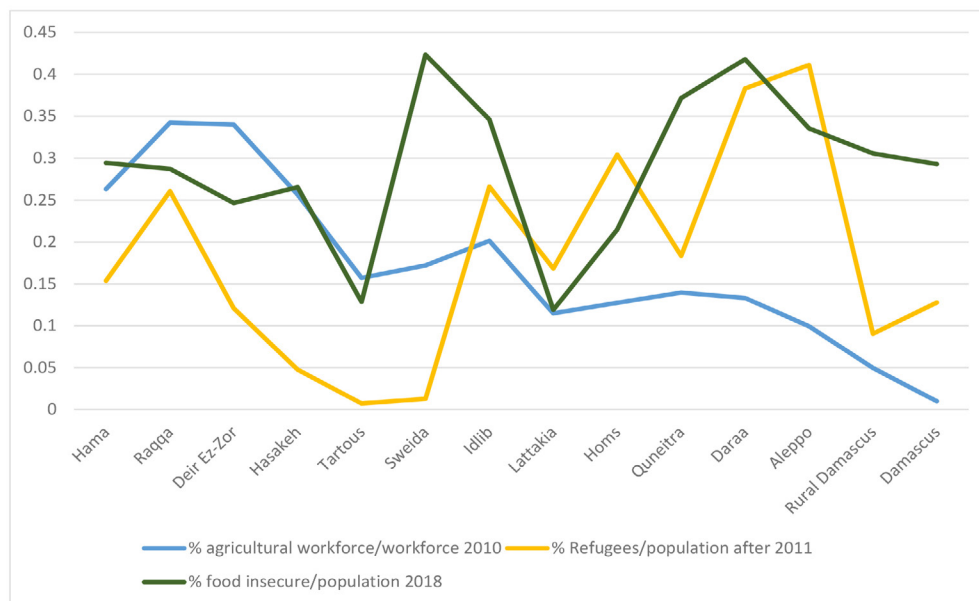
⁵⁷ Joseph Daher, “Syria: The Social Origins of the Uprising,” *Rosa Luxemburg Stiftung*, July 2018, <https://bit.ly/2KYzXHE>

⁵⁸ World Bank, “The Toll of War: The Economic and Social Consequences of the Conflict in Syria,” July 2017, <https://bit.ly/2XVZbvU>

⁵⁹ CBS, “Census Estimate of 2014”, 2014, annex 10, <https://bit.ly/35FuUnI>

In 2017, food insecurity was constant among both the rural and urban populations,⁶⁰ but food vulnerability was greater in rural areas due to the concentration of internally displaced persons (IDPs), difficult access to markets and lower purchasing power. While it might be expected that the rural population's direct access to food through its own agricultural activities would make it more secure, the agricultural crisis and related spike in debt and illiquidity appear to have countered the benefits of direct access. In consequence, the governorates which had higher percentages of their workforce involved in agriculture in 2010 produced more refugees during the conflict and were more food-insecure in 2017 (Figure 9). This corresponded with 2009 poverty statistics showing agricultural labourers were the second poorest group of workers in Syria, with 58% in extreme poverty and up to 72% when the upper poverty level was taken into consideration.

Figure 9. Correlation between the Agricultural Workforce, Food Security and Refugees



Source: The author, compiled from CBS, FAO/WFP, UNHCR and The Quarterly Review of Economics and Finance statistics⁶¹

Hama governorate offers an interesting case study to analyse how the conflict's dynamics and violence have reshaped rural communities and agricultural production. Despite the fact that the governorate saw less physical destruction and intense fighting than other areas,⁶² it nonetheless has a high percentage of refugees, as Figure 9 shows. 63% of the governorate's population live in rural communities,⁶³ and before the conflict it had the highest proportion of agricultural workers in its population. Due to its location as a border governorate between western and eastern Syria and between wet and dry regions, it has become a centre for war-driven economic activities.

The governorate is home to at least four agroecological zones, which provide it with diverse crops. Between 2005 and 2010, it produced between 7% and 12% of the country's total wheat and between 6% and 28% of its barley, with fluctuations in the quantities depending largely on rainfall. In the same period, the governorate also produced around 15% of the country's sheep and 5.5% of its poultry. In addition to subsidies, it benefited from funding for dry regions. The governorate also had

⁶⁰ FAO/WFP, "Crop and Food Security Assessment."

⁶¹ Central Bureau of Statistics, "Agricultural Workforce Numbers for 2010 by Governorate" (in Arabic), <https://bit.ly/37Kqz4b>, Food Insecurity Estimates (2018); FAO/WFP, "Crop and Food Security Assessment"; UNHCR, "Refugees in Lebanon: Lebanon: Place of Origin of Syrian Refugees," <https://bit.ly/2DI2VNN>; UNHCR, "Jordan: Syrian Refugees by Origin" <https://bit.ly/2XOAgdA>; Mehmet Balcilar and Jeffrey B. Nugent, "The Migration of Fear: An Analysis of Migration Choices of Syrian Refugees," *The Quarterly Review of Economics and Finance*, December 2016, <https://bit.ly/34AIZml>

⁶² World Bank, "The Toll of War."

⁶³ CBS: <http://bit.ly/2LCuuXx>

68,032 agricultural holders in 2004, the third-largest number, and the average size of single holdings was 65.7 dunams in 1994, a figure below the national average.⁶⁴ Only 37% of the agricultural land was irrigated and dependent on energy to pump water from wells.⁶⁵

The Salamiyah district, which constitutes Hama's eastern dry region, has been chosen here as a case study to examine the ways in which the subsidy system functioned after 2011, the rise of powerful militia-linked businessmen and the introduction of a 'private' war economy sector. The district has mixed sectarian demographics, with residents taking varying positions on the conflict itself. While its largest towns remained under regime control, with government institutions theoretically functioning at all times, it also witnessed a rise of local loyalist militias that controlled the roads and became *de facto* rulers of almost all aspects of life.

3.1. The Public Sector as Informal Market

The problem of bureaucratic abuse of power for personal gain was rife in Syria's public sector long before 2011. It was part and parcel of the Syrian government's operations⁶⁶ and caused deep resentment among the population.⁶⁷ It was especially rooted in functions that governed aspects of economic activity, such as imports, exports and the government subsidy system.

For the agriculture sector, this meant that everything pertaining to the subsidy system (fuel for irrigation systems, fodder, improved seeds and more) would have to pass through a bottleneck of personal relations, favouritism and straightforward bribery. In five interviews with former state employees, each of whom were university graduates, all reported that the problem dominated work at the ministry and local levels. They all felt pressure to take bribes or grant favours, or at least cover for others who did. Two suffered lasting damage to their careers and had to flee the country after they denounced these practices and faced confrontation with the system.

State-subsidised diesel in government areas is strictly rationed and distributed under the supervision and control of local strongmen, such as governors and district governors.⁶⁸ The government allocates rations based on the size of property and the availability of fuel. This has been the case since before the current conflict, but back then availability was not an issue and private farmers would opt for the informal market where prices were marginally higher⁶⁹ to bypass the bureaucratic bottleneck and obtain the quantities of fuel they required.

During the conflict and especially after 2012, tight state control meant scarcity and high prices in the free market. In addition, the bureaucratic process became centralised at the governorate and district levels due to lack of security on the roads and repeated kidnappings and attacks on government employees. As a result, all citizens seeking bureaucratic approval for their rations – which typically required multiple signatures from various government departments – had to travel to the administrative centres.

Fuel rations are decided at the governorate level by the Baath Party leadership for Hama and by the governorate's executive bureau, the members of which approve the shares and priorities.⁷⁰ At

⁶⁴ CBS, Yearbook, 2012, <https://bit.ly/35HXTHA>

⁶⁵ CBS, Yearbook, 2012, <https://bit.ly/2pZYm8I>

⁶⁶ Nick Gersh, "The Role of Corruption in the Syrian Civil War," *The Global Anticorruption Blog*, 6 February 2017, <https://bit.ly/2Op71uy>

⁶⁷ Freedom House, Syria Country Profile, Report (Freedom in the World, 2010), <https://bit.ly/2OO6KR8>

⁶⁸ The district governor is appointed by the Minister of the Interior and represents the governor in the executive branch.

⁶⁹ Interview with a state employee conducted outside Syria, 10 May 2019.

⁷⁰ ORTAS, "Discussion About Distribution of Fuel and Gas in Hama" (in Arabic), 1 December 2017, <https://bit.ly/2KZDshg>

the district level, the district governor allocates the ration for each individual distributor (usually petrol stations) and his office has to approve each monthly ration for individual economic activities. The rations first have to be approved by the local agricultural extension unit⁷¹ and then the district agricultural department. Intended beneficiary farmers must obtain the approval of key employees in various departments, either by means of direct bribes or by exchanging favours, substantial gifts or even produce.

The district governor plays a pivotal role in this profiteering network. He collects payments on behalf of the governorate's executive bureau officials in exchange for allocating rations for individual businesses, and he produces the supporting documentation needed to sustain the cover-up. It then falls to the individual distributor to charge an additional amount of up to 25% of the price of fuel. Most importantly, private producers must sign a document declaring amounts greater than they truly receive. For example, a 1,000-litre delivery will be recorded as 1,500 litres on paper. This allows the embezzlement of subsidised fuel and is a key component of the smuggling network in collaboration with armed businessmen and militiamen that reaches areas held by non-government actors (including the opposition and, until 2017, IS) and neighbouring countries.

This process respects the local hierarchy of authority. Politicians, military and security officers and local militiamen each take their own cut from this lucrative business. In some cases, they partner with private producers, who pay for their ability to move the bureaucratic process along and guarantee the availability and profitability of supplies in exchange for a share of their profits.

A similar process governs ACB loans.⁷² Producers must be able to afford to bribe bank managers and officials. However, continual losses of capital mean that loans have to be paid with further loans. As the capital of private producers diminishes, bank officials ask for more bribes to approve new loans. Some producers arrange to pay interest on old loans from new loans signed simultaneously, all facilitated by ACB bank officials. This process favours large producers and further exposes smaller businesses to shortages and extra costs.

3.2. Armed Businessmen of Rural Roads and Areas

When Hafez al-Assad's power was challenged in the 1970s and 1980s by the Muslim Brotherhood in several of Syria's largest cities,⁷³ he authorised the establishment of armed battalions of peasants to defend his regime against the rebellious cities of Aleppo and Hama.⁷⁴ By contrast, the 2011 rebellion swept through the rural parts of the country while Bashar al-Assad was largely entrenched in the urban centres. Rural pro-Baathist grassroots organisations such as the Peasant Association failed to mobilise in significant numbers, which was a result of its political marginalisation in the preceding decade.

After March 2011, loyalist militias were formed and financed by businessmen, who were mostly urbanites who benefited from the rentier economy and a decade of economic liberalisation such as Rami Makhoul and Muhammad Hamsho. The conflict soon produced others playing similar roles in rural areas. People like the Qaterji brothers became local power-masters.⁷⁵ These new strongmen assembled local militias to fight, and also to accompany trucks, secure roads for trade and loot and kidnap for ransom.

⁷¹ An agricultural extension unit is an extension of the Ministry of Agriculture at the local level (subdistrict and village). It is responsible for collecting and submitting the agricultural and demographic data of each administrative locality and keeping a record.

⁷² Interview with a private producer conducted outside Syria, 10 May 2019.

⁷³ Hanna Batatu, *Syria's Peasantry*, 281.

⁷⁴ Hanna Batatu, *Syria's Peasantry*, 275.

⁷⁵ U.S. Department of the Treasury, "U.S. Treasury Imposes Sanctions," 6 September 2018, <https://bit.ly/2OpxrfX>

During the conflict, the countryside east of Hama became a crossing point between the north and the south, and also to the east of the country. In 2015, it bordered the opposition-held areas of northern Hama governorate, the eastern steppe held mainly by IS and the north of Homs governorate, which was controlled by the opposition. It was therefore a key smuggling route in all directions for fuel, fodder, fertiliser, people and anything else worth trading. At least four internal roads linked the territories to its north, east and south (Map 1). The Ithriyah/Khanaser road was the only way to western Aleppo during the height of the battle there. The road east to Tall al-Tut led to IS-controlled areas between 2015 and 2017. The road northeast to Tall Ada led to regions held by the opposition and Hayat Tahrir al-Sham in northern Hama and Idlib, while the al-Mukharram/Tall Jadid road linked Alawite villages to the east and south of Homs and Hama.

Map 1. Main Routes to and from the Town of Salamiyah



Source: The author. Designer: Laura Pigneri

During the course of the conflict, around a dozen groups amassed staggering wealth from various illicit activities. These included security convoys, levies on travellers and cargos, smuggling, kidnapping for ransom, looting, human trafficking and trading in black market goods and looted items. They also included loans with extravagant interest rates of up to 30% a month or in exchange for lucrative property (e.g. factories, cars, mills or real estate).⁷⁶

Some of these militias operated under official banners, such as the National Defence Forces under the command of Fadel Wardeh, who is a member of parliament⁷⁷ and the son of a prominent Syrian official. Wardeh heads the Ismaili Supreme Council and is considered to represent the Ismaili component of the local militia. Others act more like bandits, such as Moseeb Salameh, who used his brother's influence⁷⁸ to create a substantial criminal empire that terrorised eastern Hama and Homs governorates and made substantial profits. Salameh (an Alawite) presents himself as a champion of sectarian violence although his victims also include Alawites. He is accused of committing war crimes.

⁷⁶ Zaman al-Wasl, "Four Episode Series about Militias in Salamiyah" (in Arabic), 12 April 2014, <https://bit.ly/2Or2gB1>

⁷⁷ Syrian Parliament Members Directory: <https://bit.ly/2KTWFkr>

⁷⁸ His brother Adib Salameh is an influential general in Air Force Intelligence. See his profile at Pro Justice: <https://bit.ly/35DkEvX>

All are tolerated by the regime with their illicit activities being permitted and so far unpunished.⁷⁹ The heads of these militias share similar backgrounds. They come not from the traditional rural agricultural elite but rather from the state bureaucracy, or else they are close to regime figures. In all of this, traditional leaders and local notables – be they Baath Party officials or members of the Farmers Union – appeared unable to influence matters of security and were therefore marginalised.

Before the conflict, the local market was organised around daily localised commercial exchanges, which were at the heart of the rural economy and were the main source of income. Rural roads were a vital component of daily life. State employees usually came from urban centres and went to serve in local branches of government institutions in villages, such as in health facilities or agricultural extension units. For their part, villagers and nomads came from smaller eastern villages and camps to towns to sell their produce, buy processed goods and seek public services.

During the conflict, these commercial activities became prey for local militias. Their checkpoints taxed cargo and people alike. They kidnapped tribesmen for ransom and justified it by claiming the eastern and rural provinces were ‘hotbeds’ of IS and HTS jihadists, playing on an old stereotype of the Bedouins and tribesmen as ‘wealthy savages.’ Historically, this prejudice produced episodes of violence and mutual mistrust. The result of the kidnapping and retaliatory counter-kidnapping was a total halt of daily movement for normal people.

Between 2012 and 2019, the local militiamen also facilitated the smuggling of subsidised fuel to areas under the control of rebel factions and IS for substantial profits. In areas outside government control, there was demand for the superior quality and relative affordability of real fuel, as compared to the crudely-refined red fuel commonly known as ‘IS diesel.’ The same fuel entered the black market with help from corrupt officials as described above, while militiamen negotiated trade deals with foes and transported the fuel via their checkpoints. This smuggling exacerbated shortages in the government-controlled areas and thus developed a market for the low quality ‘IS diesel,’ which was produced in makeshift refineries in oil-rich areas in northeast Syria⁸⁰ and which was smuggled back using the same networks, generating a double profit from the same market.

Through all these activities, the armed businessmen accumulated significant funds and inevitably began investing them. One investment they favoured was loans to medium-sized and large businesses, including agricultural producers. They offered farmers large loans of millions of Syrian pounds, mainly to pay for losses of capital and to cover the high cost and shortage of inputs such as diesel and transportation. They lent this money at very high interest rates of up to 30%, while also demanding collateral in the form of property such as warehouses, mills, factories and farms, which were often worth many times the value of the loan.

As the farmers became indebted to the ACB and unable to get new loans, they would seek loans from local militiamen despite the risks, always hoping for a bountiful crop that would allow them to pay their debts back. All but one of the producers interviewed by the author failed to pay the interest or repay the principal of their loans.

Using their considerable power, these armed businessmen have been able to obtain vast assets, even if on paper they still belong to their original owners. These practices allow them to launder ill-gotten money into legitimate businesses through which they can continue to profit if and when the time comes to lay down their arms. So far, they have shown no interest in agricultural land but prefer processing and storage facilities, fodder factories and other related businesses that are profitable and involve little or no investment or risk.

⁷⁹ Adnan Ali, “Salamiyah: The City Ruled by Militias” (in Arabic), *The New Arab*, 14 June 2016, <https://bit.ly/2QZg5rR>

⁸⁰ Martin Bader, “Life Inside Syria’s Makeshift Oil Refineries,” *Middle East Eye*, 10 December 2014, <https://bit.ly/33qrJyC>

Smuggling profits have enabled militia commanders to install themselves at the centre of wealth and political power in rural regions. This is reminiscent of the Hafez al-Assad loyalists and clan members⁸¹ who helped him establish himself and crush his opponents in the 1980s and 1990s in return for a free hand in establishing profitable private enterprises based on racketeering, corruption, and smuggling. These shared interests between the state and the private sector were a key facet of the Hafez era. As we have seen, the second generation of these powerful groups jumped at the opportunity represented by the economic reforms of the late 1990s and 2000s and were probably a major cause of the dissatisfaction among the population that led to the 2011 uprising.

Moseeb Salameh⁸² reportedly described events in present-day Syria as “a transfer of wealth from Sunnis to Alawites,” adding that “the crisis will continue until this transfer is complete.” Beyond their sectarian dimension, the words reflect a redistribution of wealth between classes, property holders and non-holders, and a certain generational conflict, where a younger generation that previously owned no capital is taking by force what it sees as its due.

3.3. The Impact of the Transformation of the Political Economy on Agricultural Production

The transformation of the political economy of rural Hama is detrimental to agriculture production. Fourteen farmers interviewed for this study in structured interviews⁸³ reported losing part or all of their capital investments to pay debts, living costs, or – in one case – a ransom for a kidnapped cousin. Only one interviewee, a poultry meat producer, was positive about working in the sector, and he enjoyed the full package of government support: diesel, fodder and drugs, but mainly loans from the ACB and credit lines from merchants providing inputs. All those who reported a better situation were able to obtain subsidies through connections with local strongmen and representatives and by sharing their subsidies with them.

All the interviewees pointed to 2012-2013 as the year when things started to decline very quickly. Security and a lack of resources were the main challenges, alongside the loss of access to energy and therefore water, a loss of access to state subsidies and a loss of contact with agricultural extension units.

Half the farmers had land in which they planted barley, so they depended on the availability of water. They either harvested the grain and leased the remaining fields for grazing for profit or, if water was scarce, they could lease them as pastoral land to sheep herders or use it for their own herds. After 2012, almost all irrigated land had to rely on rain, partly because of a lack of diesel to operate pumps and also because groundwater had been dwindling since 2008. The increased cost of improved seeds and fertiliser on the private and black markets rendered irrigated barley fields unprofitable. On the other hand, poor quality seeds and shortages of seeds and fertiliser meant the crops were lower in both quantity and quality, adding further incentives for farmers to use rainfed barley fields as pastoral land.

Farmers also reported losses of mature fruit trees – such as olive, almond and walnut trees – which were cultivated in regions near the front lines. They suspect that the trees were chopped down for

⁸¹ Yassin al-Haj Salih, “The Syrian Shabiha and their State – Statehood & Participation,” *Heinrich Böll Stiftung*, 3 March 2014, <https://bit.ly/2R2tgbo>

⁸² Although this quote is difficult to verify independently, it has been repeated about him and it reflects the local perception of Salameh activities. See Pro Justice, Moseeb Salameh Profile (in Arabic); and Zaman al-Wasl, “Moseeb Salameh in His Own Words” (in Arabic), 25 April 2014, <https://bit.ly/2OrbkFZ>

⁸³ These interviewees were all owners of small and medium-sized holdings. Among the total of 30 holdings in the entire sample, 14 were land, 9 were irrigated and 5 were rainfed before 2012. Their activities involved barley, sheep husbandry, poultry farm housing, beekeeping and olive and other fruit-bearing trees. The average age of the interviewees was 53 (the youngest was 37 and the oldest 82).

firewood, either for use by the local population or armed groups or for profit. This is perceived as an irreplaceable loss. Farmers also reported repeated looting of valuable irrigation equipment, including pumps and drip-irrigation systems. Other assets such as buildings and facilities were vandalised or destroyed. Some of the most expensive equipment could not be replaced, not only because of the high cost but also because they no longer felt secure despite the absence of active conflict.

Another challenge is the loss of a workforce, both family members and experienced farmworkers, for reasons related to the conflict, military conscription and a lack of opportunities. The younger people of rural Hama have fled the country to go to the Gulf states, Europe and Lebanon.

Sheep lost 30-50% of their local market value between 2010 and 2018. In the same period, the collective herd was reduced to almost 20% of its size. The bazaar in Hama is the local herders' main selling place for livestock. From there, the livestock can go to slaughter, to other cities for consumption or be traded to rebels or in the past even IS-held areas. Smuggling livestock to Idlib, and then possibly on to Turkey, is a regular business and is facilitated across checkpoints and frontlines by a network of collaborators on both sides. The trade is done in both directions, depending on fluctuations in the prices of goods in different markets.

This war-driven trade creates unstable supplies and prices. For farmers that are dependent on fuel for generators, heating and water pumping, this irregularity increases the risk in production. Those who wish to have regular supplies have to compromise on cost, paying black-market traders or local strongmen or both at the same time, thus minimising their profits. Most of the time they end up losing money in order to finish the production cycle and avoid a total collapse of their crops, but for the people we spoke to this has already drained their resources.

The type of smallholdings with low profits that are dominant in eastern Hama seem to attract no real interest for the future among government agencies and for now do not benefit from price subsidies focused on wheat production. Although there is interest in preserving communities, there seem to be no efforts to consolidate the two ideas.

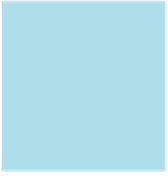
Conclusion

The decline of agriculture in Syria has taken place in parallel with the rise and success of the current ruling class in Damascus. The end of the armed conflict does not mean that recovery is only a matter of time and availability of resources, but rather it is a matter of the political relevance of rural producers in post-conflict Syria.

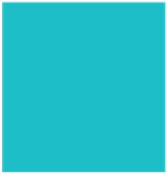
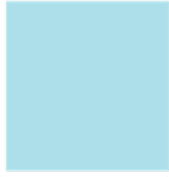
The state-supported production system that allowed a flourishing agricultural economy in eastern and dry regions of the country is in decline, following the fate of the Baathist agrarian policies which dominated for almost half a century. This decline will have a major impact on small but numerous rural communities that sustained themselves even through the conflict. Restoring vibrant local markets will require political inclusion processes, restoring security on remote roads and in remote towns, and most importantly installing mechanisms for communal healing. A restoration of the subsidy system, fully or partially, might solve the immediate shortage of inputs for farmers, but will not translate automatically into a fair access to markets, because facilitating such access, is in conflict with the interests of the dominant political class, and therefore requires a political solution.

In rural Syria a new political order has emerged from the conflict in which the traditional rural representatives who had entrenched interests in agriculture protection policies have been marginalised and a new rural elite of war profiteers has risen to dominate political and economic life. The latter show no interest in agricultural production itself, but instead are interested in trading agricultural inputs, importing and exporting, transport, storage and loans and credits to producers. This will reshape the rural regions and their representation as much as the agricultural production itself.

The rural communities are in recession. The same question that faced policymakers in 2005 regarding how to create employment to absorb the workforce outside agriculture remains highly pertinent. The difference is that now there are additional issues to address, such as how to discourage people from violent economic activities, how to save them from displacement to cities, and how to guarantee the return of refugees and indeed stop a further exodus from the country.



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