



 REPORT ARAB POLITICS BEYOND THE UPRISINGS

The Economics of War and Peace in Syria

Stratification and Factionalization in the Business Community

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Much is made of the sectarian and ethnic factions in Syria's civil war, but far less attention has been paid to its economic dynamics, which are essential for understanding the roots of the conflict. This study goes beyond the usual extent of such analyses to argue that the economic context is also crucial for understanding the war's persistence, and the shape of an eventual peace and reconstruction. The contraction of the Syrian economy and the emergence of a war economy have profoundly affected the stratification and composition of the Syrian business community, and the elite in particular. The conflict has created a new class of elites who are actually to some degree dependent on the war for their fortunes, and implicated in violence even when they do not directly perpetrate it. As a result, business interests have become at least as important as other factors in determining political allegiances.

The Syrian conflict has produced one of the worst humanitarian catastrophes in recent memory. In this context, popular and scholarly analysis has focused extensively on the armed groups' capacity to commit violence, various forms of international military interventions, and the dramatic rise of groups such as the Islamic State and Fateh al-Sham (formerly known as the Nusra Front). Often lost in these stories is the role that economic actors, such as the business community in general and the elite in particular, play in the perpetuation of war. These omissions are consequential. Despite the invisibility of Syrian business figures in much of the analysis around the conflict, they play a fundamental role in perpetuating it. For this reason, they need to be taken seriously as major stakeholders in Syria's postconflict reconstruction process. Ignoring the role of business actors today can have implications for how we think of the postconflict reconstruction process.

The contraction of the Syrian economy and the emergence of a war economy have had a profound impact on the stratification and composition of the Syrian business community, and the elite in particular. In the short and long term, sanctions, sustained capital flight, the reduction of enterprise assets, and the dramatic reduction of production and exchange throughout the country have adversely affected the established prewar business elite. They have seen their fortunes shrink and many have even left Syria for neighboring countries.

Simultaneously, however, the new war economy has fostered the rise of a new conflict elite whose wealth is directly tethered to the continuation of violence. While these actors do not carry arms or directly perpetrate violence, they are, undeniably, beneficiaries of the strife. Many are important players in ensuring the flow of goods between different parts of Syria¹ and transactions between regime-held areas and the outside world, including borderlands between Syria, Turkey, and Iraq. Some have gained spectacular wealth and influence in a very short time. This new conflict elite will have profound impacts on Syria's future.

In this report, I ask how the Syrian conflict and the attendant economic dynamics have contributed to new patterns of stratification and the factionalization of the Syrian business elite. I examine the relationship between conflict and social transformation in Syria and argue that economic contraction, international sanctions, and capital flight have generated the broader contexts in which this transformation has occurred. These transformations are important to the study of conflict and peace in Syria because they provide insight into who the main actors implicated in violence are, who potential agents of peaceful change are, and how Syrian businesspeople can advocate for and pursue reconstruction projects in the postconflict stage. In focusing on these kinds of transformations, this report highlights the different forms of business elites' agency (such as the rise of a conflict elite) that have emerged during the war and the emergent stratification of the business elites along political (pro-/anti-regime; neutral) and economic lines. One of the more salient features of this transformation is how it occurs alongside the regime's attempts to stave off collapse during the conflict, including by finding alternative sources of revenue and looking to regional military powers for support on the battlefield² during which the Syrian regime has been forced to reconfigure its social, economic, and security bases in order to survive. I conclude the report with a reflection on the implications of the stratification and factionalization of the elite on Syria's reconstruction after the conflict, and the role that business elites can play in this process.

Business Stratification during the Ba'athist Period

The Ba'ath Party's takeover of power in 1963 fundamentally reshaped state-society relations in Syria. The increasing dominance of the public sector as the leading economic actor in Syria during the 1970s corresponded to political and economic suppression of bourgeois and landed elite interests that had hitherto dominated Syria's political arena. Despite the measures taken by the Ba'ath to break up the propertied and commercial interests (in many cases monopolies) of the business elite, the Syrian private sector as a whole persisted as a social force but one whose political agency was neutralized and subservient to Ba'athist interests.³ As a result, access to wealth and accumulation opportunities was shaped by the dependence of private-sector entities on the regime. Accumulation could not occur without regime sanction.

By the 1980s the stratification of the business community under the Ba'ath party had begun to take root. Joseph Bahout identifies four distinct strata of the business community:⁴ (1) remnants of the old bourgeoisie that had dominated economic and political life in Syria during the late Ottoman and Mandate periods and who were negatively affected by Ba'athist policies; (2) medium-sized enterprises that had exchanged limited economic benefits for political quietism; (3) a rentier class whose members were the direct beneficiaries of the 1970s and 1980s oil booms and who were deeply connected to the military, political, and bureaucratic tentacles of the state; and, (4) finally, the state bourgeoisie that controlled the issuing and distribution of government contracts. This stratification more or less persisted throughout the

1980s and 1990s, even in the face of economic stagnation and fiscal crisis. It was not until 2000, however, after the assumption of power by Bashar al-Assad, that this stratification would be significantly reshaped by an attempt by the regime to restructure the economy and the role that the private sector played in it.

In the early years of the new century a process of marketization was set in motion and captured in the framework of the “social market economy,” an economic strategy that was supposed to achieve social gains through the increasing privatization of economic activity.⁵ Space considerations restrict a more thorough analysis of the policies associated with the social market economy. Suffice to say, the political goal of these policies was to preserve authoritarian rule while expanding the basis of accumulation and wealth creation. The state was to assume a more interventionist role to ensure that marketization would not induce negative social effects and that the state could protect vulnerable groups from the ills of the market. This was, of course, wishful thinking: all major Syrian social indicators stagnated or declined during the period of marketization.⁶

In addition to the disastrous social impacts of marketization, the period after Bashar al-Assad came to power brought about major changes in the business community’s stratification. These changes were largely tethered to and produced by processes of privatization that shifted economic responsibility from the state to the private sector. Rather than undertaking large-scale privatization of state assets, as occurred during the breakup of the Soviet Union, the state delegated policy to the private sector through the procurement system, thus ensuring the continued dependence of the private sector elites on the state bourgeoisie.⁷ The Syrian economy was liberalized to allow for limited foreign investment, with laws ensuring that Syrians would hold any projects jointly, such as banks, insurance companies, and large-scale infrastructural projects. These privatization policies opened up new opportunities for the elites to accumulate wealth while increasing their dependence on the state.

The marketization period thus significantly strengthened the economic power of the elites while expanding their social base and composition. Other economic actors similarly benefitted from, or were transformed by, this period. For example, the “religio-merchant complex,”⁸ a network of wealthy merchants and urban ulama’ (religious scholars) who ran charitable organizations, emerged in the context of marketization. Other, perhaps less economically powerful actors also emerged, who represented a new entrepreneurial class. These entities benefitted from direct and indirect access to the political and security arms of the regime and were loosely described as “awlad al-sultah” (children of the authority)⁹ or the “new neoliberal elite.”¹⁰ Mostly urban and liberal in their political outlook, this stratum began to reap some economic benefits during marketization but lacked the access or wealth of the traditional economic elite. Finally, the largest stratum of the Syrian business community comprised the small and medium-sized enterprises that made up more than 99 percent of all businesses in Syria. This stratum was mostly negatively affected by marketization.

The transformations in the stratification of the Syrian business community that occurred in the decade preceding the uprising were brought about by changing patterns of authoritarian rule and attendant shifts in the regime's modes of economic governance. In the context of authoritarian restructuring, the market and private actors were given increased agency in the production and distribution of goods and services within the economy. At the same time, the state's retreat from a robust socially distributive role subjected millions of Syrians to the dictates of market fluctuations without any corresponding increase in salaries and wages. Thus, while the first decade of the twenty-first century was in part defined by the increased accumulation of wealth by new (and old) economic actors, it was also defined by the negative social impacts wrought by a decade of marketization, such as decreased living standards, increased unemployment and labor precarity, stagnating wages, and the like.

These negative patterns were the outcome of policies pursued during this period under the framework of the social market economy. At the same time, the government's budgetary pressures forced it to roll back spending in key areas (such as subsidies) and services (such as education and health care), thus increasing citizen exposure to price fluctuations. Public sector employment shrank and private sector employment was stagnant, thus accelerating the social problems produced by a growing, educated population. Despite these societal pressures, many indicators suggested that the economy was growing. This was deceiving, however, as the growth occurred in a very unequal way, without a redistribution of wealth. Instead, many different business actors connected to the regime in various ways were the main beneficiaries of this period.

One of the consistent features of state-business relations was mutual dependence. Businesspeople needed access to the regime to reap the benefits of these new economic policies and the regime needed businesses to generate economic growth and development. In contrast, most Syrian businesses were small and had very few opportunities in the new economic framework. They did not have the capital, political access, or collective potential to reap benefits of liberalized economic policies. These lower strata were thus economically significant insofar as they represented the largest stratum of business enterprises, but politically insignificant because they could not organize to make demands against the regime or reap the benefits of economic policies. Thus, on the eve of the Syrian uprising, the business community was not only stratified along economic lines but along political ones as well, with many in the upper echelons of the community enjoying close access to the regime while the majority of smaller enterprises remained on the peripheries of economic gains and political power.

Economic Transformation during the Conflict

Economic contraction, international sanctions, and capital flight: these are the three broad economic transformations that have contributed to new patterns of stratification and the factionalization of the Syrian business community. Pressures created by these transformations have induced new patterns of elite recruitment and elite agency, produced new entrepreneurs whose wealth and power is tethered to the conflict, contributed to the displacement of businesspeople, and led to the dramatic loss of billions of dollars in Syrian capital. Over the long-term, these transformations will fundamentally reshape the social and political composition of the business community.

Economic Contraction

The most salient and largest-scale impact of the conflict has been in overall levels of economic contraction experienced during the war. Every single economic sector in Syria has contracted since 2011. The Syrian Center for Political Research (SCPR) has provided rough estimates of cumulative annual real gross domestic product (GDP) loss by sector from 2010 to 2014 as a percentage of 2010 GDP for each sector.¹¹ These figures indicate severe, rapid decline in every sector, with total economic activity contracting more than 60 percent from its level before the conflict. In addition to the contraction of all productive sectors of the economy, there has been a depletion of household income and assets, hyperinflation, rampant unemployment, and an increasing reliance on armed groups and economies of violence for both employment and the procurement of basic goods. The SCPR has estimated that Syria's Human Development Index rating decreased by some 33 percent from 2010 to 2015, plunging the country from 113 in the world to 173 (out of 187 countries).¹² Poverty has increased exponentially throughout the country, especially in the areas experiencing the worst violence. There, armed groups have maintained control of local goods, driving up prices and challenging the resiliency of the Syrian population.

Fueling such dramatic levels of contraction is the de facto division of the country into four distinct geographic areas.¹³ This division of the country has severely disrupted internal and external trade patterns, isolated areas and communities from one another, and reduced the mobility of people and goods, as well as produced conditions of scarcity that is often extreme. The first section of the country is what is generally referred to as the "regime-held" areas in Syria, and roughly corresponds to the western parts of the country stretching from the Damascus-Aleppo highway, covering the southern and western parts of Aleppo to the Mediterranean coast. The second region corresponds to territories held by the Islamic State in the eastern parts of the country along the Euphrates, with the major population centers of Raqqa and Deir al-Zour. The third area roughly corresponds to the Rojava areas under the control of the Syrian Kurdish authorities, which are dominated by the Kurdistan Workers' Party (the PKK). This area is not contiguous and also includes the parts of Aleppo and its northern peripheries that are under the control of the Kurdish groups. Finally, the noncontiguous areas under the control of various armed groups constitute a fourth distinct region, despite the fluidity of territorial control and the fragmentation into competing areas of control.

The geography of the Syrian conflict is both a cause and consequence of the economic contraction experienced throughout the course of the last five years. Capital flight (discussed below) from areas outside of regime control has meant that there is little capital for productive activity. The remaining Syrian capital has mostly concentrated in the coastal areas where businesspeople have found relative stability and opportunities. The borderlands of neighboring countries, especially Turkey, have also played an important role in the Syrian war economy. Many Syrian enterprises relocated to southern Turkey and continue to conduct business inside of Syria. Armed groups' control of major trade routes has meant that many of these businesspeople are implicated directly in the economies of violence that have emerged in the country. Nevertheless, the relocation of thousands of Syrian businesspeople and hundreds of millions or billions of dollars of Syrian capital is one of the primary features of economic contraction.

International Sanctions

Syria's economic contraction is not at all divorced from the catastrophic humanitarian and economic impacts of sanctions against the country. In addition to the negative impacts of sanctions, many of the new conflict elites have found opportunities in trying to circumvent sanctions. This pattern is not altogether different from what occurred in Iraq during the sanctions regime (1990–2003). In that country, many businesspeople connected to Saddam Hussein's regime engaged in very profitable sanctions busting. Since 2011, Syria has been subjected to the most comprehensive sanctions imposed outside of the United Nations framework. The initial sanctions imposed by Turkey, the European Union, and the Arab states of the Gulf were comprehensive ones and were considered very broad, focusing on certain products or national economies as a whole. As the conflict dragged on, the sanctions became more focused on individuals and state entities.¹⁴

Since 2011, Syria has been subjected to the most comprehensive sanctions imposed outside of the United Nations framework.

The European Union's sanctions on Syria initially targeted key regime individuals and state institutions. Since 2011, the European Union has placed sanctions on more than two hundred Syrians and close to seventy state and private institutions. Targeted sanctions paralleled increasingly deep and far-reaching comprehensive sanctions, including a total arms embargo, restrictions on all imports of Syrian oil, bans on all forms of public and private financial support to Syria, bans of telecommunications equipment exports to Syria, prohibitions of financial transactions with Syrian financial institutions, and the control of exports to Syria of any goods or material that might be used for internal repression. These sanctions more or less paralleled those taken by other countries against Syria. From the outset, sanctions were intended

to induce high-level defections and place pressure on the regime to end the violence and engage in a political transition process. To date, the sanctions have failed in both regards, as anyone who has observed the impact of sanctions on Iraq and Iran could have predicted. Where they have been effectual is in contributing to the humanitarian crisis, depleting the government's sources of budgetary revenue, and circumscribing the inner circles of the regime.¹⁵

More importantly, however, is the fact that sanctions have set in motion a series of shifts within the regime and wider business community that are contributing to new patterns of stratification and factionalization. As many people fled the country, the regime was forced to rely on a select number of loyalist businesspeople that could be counted on to secure the delivery of goods to regime-held areas.¹⁶ Here, the regime has been forced to cultivate a new stratum of the business community that is politically loyal and economically capable of addressing many of the economic needs of the conflict, especially as capital flight (discussed below) has been so rampant. This new stratum has been empowered by the conflict and has acquired wealth in direct relation to the regime's economic needs that grew out of both the sanctions and capital flight. Paradoxically, then, the sanctions incentivized some businesspeople to become more integrated with the regime as economic opportunities arose during the conflict. Some businesspeople were driven out by economic contraction and sanctions, and some were cultivated to support the regime's economic needs.

There is considerable evidence from inside Syria of such patterns of elite recruitment and turnover occurring. Many of the elites who left the country have been relieved of their responsibilities on the boards of various chambers and executive boards of enterprises or holding companies. This has been especially pronounced at the Damascus Chambers of Commerce and the Damascus Chamber of Industry, which now have boards that consist of businesspeople who exercised very little economic weight prior to the conflict. Many of the individuals who had dominated these boards for years are now gone, having been removed for technicalities such as not being present for votes. The elite turnover at places such as the chambers, in executive board positions, and on the boards of holding companies such as Cham and Souria portends a substantial shift in the composition of the economic elite, since these positions reflect a proximity to political power and an ability to secure access to the government procurement system.

Much of this turnover is being driven by the regime's need to circumvent sanctions. As such, the new elites that have emerged during the conflict have acted largely as intermediaries. They are not involved in substantial productive activity per se (although some are), but have taken on greater roles in facilitating trade and payments. For example, in 2013, the public sector company Mahrukat, which stores and distributes petroleum products, was under sanction and thus unable to import goods from Europe. Syrian laws were quickly changed to allow for private-sector imports and distribution of goods and a number of Syrian businesspeople not under sanctions quickly began importing materials. These individuals were simply fronts for Mahrukat, which remained responsible for the infrastructure of the imports and their transportation within Syria. Similarly, new barter deals have been signed between Syrian and largely Russian and some

Latin American companies, especially in oil products and their derivatives. These deals are almost exclusively facilitated by companies operated by these new intermediaries, as most Syrian elites and private companies affiliated with the regime are under sanction. The reliance of the regime on these sorts of barter deals, facilitated by hitherto nonexistent or economically insignificant private-sector enterprises, is a direct consequence of the restrictions imposed by the sanctions.

Capital Flight

Quantifying capital flight from Syria is an impossible task given that so much of Syrian capital existed outside of the formal banking system even before the war began. Moreover, sanctions have discouraged many banks, especially those in Lebanon, from taking Syrian deposits, forcing many businesspeople to embed or move their assets in novel ways. This is nothing new in Syria. Capital flight had been a consistent feature of the country's political economy for decades as the threat of seizure by the government, a weak property rights regime, and the lack of investment opportunities contributed to the sheltering of Syrian capital in neighboring countries. In addition to the movement of Syrian capital outside of the country during the conflict, billions of dollars of assets, such as factories, machinery, vehicles, and supplies, have been destroyed during the fighting.

Despite the presence of hundreds of thousands of Syrians in Lebanon, there are very few noticeable trends in foreign currency deposits, since many Lebanese banks are rejecting all Syrian accounts, even those from individuals who are not businesspeople. Syrians have thus been forced to deposit money in joint accounts with Lebanese family, friends, or business partners, or simply invest immediately in order to shelter their capital. In contrast, figures from Turkey suggest that Syrian businesspeople have been extremely active with foreign currency deposits, especially in banks along the Syrian-Turkish border, reporting yearly increases from 2011 through 2016. In addition to increasing deposits, Syrian investors are the primary source of new registered enterprises in Turkey. In 2014, more than 26 percent of all new foreign companies in Turkey were established by Syrian investors.¹⁷

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The movement of Syrian capital and the establishment of businesses in Turkey is not surprising given the extensive economic relations between the two countries prior to the war. It is also unsurprising given that Turkey was an ideal location from which Syrian enterprises could be re-established and trade with the Syrian market. Although many Syrian enterprises have been established in Istanbul, the majority of enterprises are in the geographic borderlands of Gaziantep, Mersin, and Kilis.

The mass movement of Syrian capital to Turkey and the wider region will have dramatic impacts on the business community and elite stratification. First, many Syrian businesspeople have foregone their relationships with the regime and have thus sacrificed their proximity to political power. Second, the embedding of Syrian capital outside of the country reduces its mobility, and the ability of Syrian businesspeople to repatriate assets and capital and to participate in the reconstruction of the country. Finally, the productivity of Syrian capital is increasingly untethered from the Syrian market, leaving a productive gap that the remaining business community is unable to fill during the conflict. It will be even more unable to fill this gap after the conflict is resolved, as the demands of reconstruction will significantly outweigh domestic capacities.

Elite Factionalization

The majority of research into elite factionalization during violent conflict suggests that it occurs in the context of competing political allegiances in which various business actors choose political sides to support in a conflict. Such factionalization is understood as both a cause and consequence of conflict¹⁸ and as a driver of violence in conflicts. But that type of factionalization does not explain much in the Syrian conflict, in which the rupture of elite cohesion, loyalty, and consensus did not occur prior to the uprising. As a result, when we speak of elite factionalization in Syria we should understand this as a process produced not solely by political alignment and the formal or informal pledging of allegiance to one faction or another, but as one produced by the underlying economic strategies of business actors who lack any natural political party or preexisting common social or economic institutions from which to articulate and advance elite interests during the conflict. Thus, political alignment and economic strategy, both driven by the economic transformations of the war, shape factionalization. I identify four categories of elites who have been differentially affected by the conflict: the integrated elite, the expatriate elite, the dependent elite, and the conflict elite.

The *integrated elites* are inseparable from the regime. They are loyalists and have not divested of their assets or moved much of their wealth outside of the country. In fact, they have been major contributors to the regime's economic efforts to stabilize the economy. Prior to the uprising, these formed the top stratum active in all major sectors of the economy, and they were the first to reap the benefits of marketization in the first decade of this century. Today, many of these elites are subject to Western and Arab sanctions because of their deep connections to the regime, and as such have interests that are indistinguishable from those of the political and security arms of the regime.

In obvious contrast to the integrated elite is the *expatriate elite*. While the expatriate elites are not beholden to the regime, they are not automatically supportive of the opposition. They nevertheless have a political and economic stake in the conflict's trajectory. Elites of this stratum had accumulated and held much of their wealth in nearby countries, mainly in the Gulf, and are thus not entwined in interdependent relationships with the regime, as the integrated elites are. As a result, they have been able to freely engage in political activity aligned with the opposition without fearing any economic reprisals in the short or long term. The most obvious example of the institutionalized role of this elite is in the Syrian Business Forum, a group of wealthy Syrian businesspeople openly aligned with the opposition. To date, they have supported efforts on relief and humanitarian aid while playing a political role within larger opposition politics.

The third category is the *dependent elite*. This group comprises elites who were not linked to the regime through social or familial ties and who have remained mobile throughout the conflict. In most cases, they represent the core of Syrian capital that fled the country during the course of the conflict. While many of them had strong business ties to the regime and the security apparatus, and were thus able to secure access to wealth prior to 2011, these ties did not bind them to the continuity of the regime as such. Moreover, during the period of marketization in the first decade of this century, this stratum grew and became composed of people from mixed social and political backgrounds, including traders and industrialists, urban merchants, and the nouveau riche and neoliberal elite. Despite their growing economic strength this stratum never functioned coherently or cohesively and thus never exerted collective pressure on the regime.

The precarious relationship between this stratum and the regime meant that they, along with the majority of the smaller private enterprises, were wont to move their wealth outside of the country. In doing so, many analysts assumed that these elites were natural allies of the political opposition. However, the current relationship between the business elite and the political opposition is tenuous at best. Some have openly worked with opposition figures, while others in exile remain publically committed to supporting the regime. Most have adopted a politically neutral position.¹⁹ Their neutrality is strategic, since they would like to secure access to the Syrian market once the conflict ends. By playing both sides, so to speak, this stratum has tried to ensure that any political solution will not lead to its economic marginalization in Syria. As such, these elites are the most likely to be courted by any transitional and future Syrian governments.

The final stratum is an entirely new group of elites who had very little presence before the conflict. These *conflict elites* saw their privilege and wealth grow during the course of the war. Generally speaking, these are elites who operate in regime areas and who have been central to the regime's shifting modes of economic governance during the conflict, especially concerning attempts to evade sanctions. These elites are not linked to the regime through familial or social linkages but instead through a system of mutual benefit and interdependency in which the regime has been forced to rely on them to stimulate economic activity. They have taken up leadership positions in various chambers (such as the Damascus Chambers of Commerce and the Damascus Chamber of Industry) and other bodies. Unlike the dependent

elites who are primarily involved in production and trade, the conflict elites function as intermediaries and facilitators to ensure that goods can be brought to regime areas. (Though in some cases, they also have some involvement in production.) This role is a function both of the conflict elites' lack of investment capital and of the specific opportunities afforded them during the conflict. And while they may lack the wealth and investment capacity of other elites, their presence in the country and their access to the political and security apparatus will make them important players in any reconstruction program.

It is worth reflecting more on the conflict elites and the potential role that they may play in shaping the trajectory of the Syrian war. They are generally of varied social and economic backgrounds and have not displayed any tendencies toward collective representation. In other words, they remain fragmented and lack the cohesion to act in a unified way.

Generally speaking, they tend to have emerged from two different situations: first, those who owned small or medium-sized enterprises prior to the conflict and chose not to divest of their assets and leave the country, and second, private- or public-sector managers who established enterprises during the conflict. One of the key factors driving their formation is their relationship with regime officials, especially from within the security apparatus, and to bureaucrats. Their central role is one of intermediation. As examples from other countries' cases such as Bosnia's demonstrate, such classes have the ability to endure and maintain an economic and political foothold even after peace.

In this sense, the best way to describe the conflict elite is as a group shaped by its ability to provide conflict services. These elites' activities are dependent on the continuation of strife and the specific context of sustained economic contraction. They are implicated in all types of activity: smuggling, weapons trafficking, service provision, and human movement. One of the central roles that these conflict elites play is in facilitating transactions to ensure the supply of goods and material from outside so-called regime-held areas. The case of George Haswani, an apparent "middleman" between the regime and the Islamic State, is an excellent example of this intermediary role that many conflict elites have begun to play. Prior to the conflict, Haswani operated a very small engineering firm inside of Syria. When his business collapsed after the war began, he was brought into the regime fold as an intermediary to facilitate oil trade with the Islamic State and financial transactions with other groups. While he is now under sanctions for his role, this trajectory is exemplary of that of others within the conflict elite.²⁰ Other examples abound, including cases where conflict elites cooperated with public sector enterprises under sanctions to ensure imports²¹ or when Syrian nationals were implicated in the Russian bank Tempbank's efforts to intermediate financial transactions for the Syrian regime. Although evidence is difficult to trace, we can also conclude with confidence that the conflict elites are contributing to the movement of weapons into Syria.

This brief categorization of the different factions of the economic elites should put to rest any assumptions about the continuity of the social composition of the elite or its homogeneity. This categorization should also encourage us to think about factionalization as a phenomenon driven as much by the individual economic interests of the elites as it is by any political allegiances. In recent research on the political loyalties and collective capacities of Syrian businesspeople during the conflict, Ching-an Chang²² confirms some of the earlier findings²³ that Syrian business actors have failed to coalesce into any strong, representative bodies. Chang argues that in the Turkish borderland areas where so many Syrian businesspeople have reestablished themselves, competition and mistrust continue to define relations among businesspeople.²⁴ In many cases, Syrians will only conduct business with other Syrians who share their political allegiances—whether neutral, pro- or anti-regime—purposely avoiding and boycotting others. In earlier periods, regime repression fragmented the business community. The specific geography of the conflict and the political polarization of Syrians have ensured that this fragmentation will only continue, albeit along some new lines.

Business Elites and Conflict

The Syrian business community is implicated in the process of political and social transformation engulfing Syria today. Business actors, like other social groups, exercise distinct forms of agency during the conflict. For example, the conflict elites ensure the possibility of transactions and payments that maintain some flow of goods and materials into regime areas, while businesspeople in the Turkish borderlands secure the flow of goods to rebel groups. In many ways, business elites, while not directly controlling militias or armed groups, are deeply implicated in the violence in Syria. The movement of goods between and within areas of Syria can only occur through the guarantee of armed groups who ensure the successful delivery of products. In this way, business elites are deeply implicated in the ongoing violence in the country and need to be considered as agents who fuel Syria's violence.

Taking seriously the role of business actors in the Syrian conflict requires rejecting liberal assumptions about how to end conflicts. The liberal peace model is largely premised on the idea that factions engage in violence in order to capture the state. As such, peace agreements focus almost exclusively on the distribution of political power in the form of ministerial appointments, institutional representation quotas, and so on. Such formulas for peace motivated postconflict arrangements in countries such as Lebanon and Iraq. What these formulas completely ignored is the political economy of conflict and how different conflict drivers exist.

For many years, the dominant paradigm in which academics and international agencies understood the political economy of conflict was through the “greed versus grievance” debates: Was it political grievance or economic greed that motivated actors during conflicts?²⁵ While these debates have been heavily criticized as too narrow,²⁶ they nevertheless

encouraged scholars to think of the political economy of conflict. More recent innovations in the study of the political economy of conflict suggest that various “stakeholders” exist, whose interests exist at different levels of the conflict: political, social, economic, or cultural. These stakeholders represent varied identities and agencies within any conflict. While it may be tempting to see business elites in Syria as constituting a stakeholder, this is also somewhat limiting because it suggests independence and autonomy from other agentive actors.

As should be clear from the discussion above regarding factionalization, all segments of the elite remain heavily dependent on other actors for their wealth. In this way, it may be more useful to think of business elites as embedded and implicated in wider networks of violence.²⁷ Thinking of conflicts as occurring between wider networks allows us to overcome the greed-versus-grievance dichotomy and to see how different forms of agency interact in a given conflict. As I have argued elsewhere, one of the main drivers shaping the trajectory of the Syrian conflict is the specific political economy that has taken root, in which the interactions of various entities—business elites, armed groups, consumers—create and constitute various networks.²⁸

From a postconflict perspective, then, it may be more useful to think of business elites as actors caught up in wider networks that shape the conflict and postconflict possibilities for Syria. Business elites do not exercise enough power to bring about political change on their own. The assumptions in the early stages of the conflict that economic collapse brought about by widespread business defection would collapse the regime proved false. The regime has adjusted its modes of economic governance to meet the needs of war. Factionalization has further ensured that business elites will not act collectively during the conflict.

Increasingly, peace-building organizations such as Swiss Peace have come to recognize the differential roles, identities, and interests of business actors. While not adopting a networked analysis of conflict per se, Swiss Peace nevertheless recognizes that fragmentation among business actors produces different “logics.”²⁹ For them, “old” business actors (such as the integrated, expatriate, or dependent elites) may have a greater interest in returning to antebellum-political-order peace in order to maintain or return to their previous levels of wealth and economic influence. On the other hand, “new” actors (such as the conflict elites) have developed economic interests in direct relation to conflict and the war economy and may not be interested in a return to peace, lest it threaten their economic opportunities.

While this analysis yields a useful dichotomy, we should also consider how conflicts reproduce new elites as they endure. For example, people we may consider to be old elites, such as those formerly associated with the various chambers or with holding companies such as Cham or Souria, may in fact become beneficiaries of the conflict economy, thus blurring the distinction between new and old.

What role, then, do Syria’s business elites play in the conflict? Labels such as “spoilers” or “stakeholders,” “new” or “old”

do not sufficiently capture either the factionalization of the business elites or how embedded they are in wider networks of violence. They are not purveyors of violence but are deeply implicated in it. They also lack the political weight to bring about political change, but are central to any political efforts to end the conflict. Perhaps, however, the most important area of business elites' involvement in Syria will occur once the conflict ends during the reconstruction phase. Here, business elites will be thrust into a situation in which their capital and expertise will be called upon by local and international authorities to support Syria's reconstruction. It is perhaps for this reason that so many business elites have lurked in the political shadows, hedging their bets at the outcome of Syria's conflict and hoping to capture some of the long-term economic benefits that will come with reconstruction.

Business Elites and Postwar Reconstruction

On all sides of the conflict there are now constituencies that are newly rich and powerful—from checkpoint theft, smuggling, and the illicit petrochemical trade—and who rightly believe their heyday will quickly expire when and if the conflict ends and the state, or state-like authorities, reassert control. So despite their nominal role propping up the regime, the rebels, Fateh al-Sham, or the Islamic State, they have little material interest in the conflict ending. This might be all the more true on the regime side, where the opportunities afforded by the flight of much of the old elite opened the door for a new elite, which might be dumped the instant the state no longer needs them.

The factionalization of the Syrian business community will have profound impacts on the direction of the conflict and, when it finally ends, on Syria's reconstruction. In this sense, businesspeople have a role to play in either perpetuating or ending the war, since they are contributing to some of the main economic drivers of the conflict. The key question is how to transform their interests from those of war to those of peace. Under the current circumstances, it is unlikely that a cessation of violence will occur in the short term. In the coming years the stratification and factionalization of the business community will continue to be subject to the structural impacts of the conflict on the Syrian economy and the wider social transformations it has induced. In this section, I identify different ways in which business elites and the business community at large may participate in Syria's reconstruction given the ongoing transformations described above.

One of the central challenges of reconstruction is in generating capital for reconstruction projects. Postconflict spaces typically have a very reduced revenue base, rampant tax evasion and weak tax administration, endemic capital flight, and instability, all of which discourage investment. The first way in which business elites will exercise power in postwar Syria will be in funneling capital and resources toward reconstruction projects. Syria will be in desperate need for capital, regardless of what the ultimate political outcome of the conflict is. The most obvious source will be international lenders.

However, Syrian business elites will likely want to reap the opportunities of reconstruction, regardless of their political affiliations (or neutralities) during the conflict. The postconflict political authorities are likely to actively court Syrian capital as well.

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Egypt provides a useful example for comparison. In that country, many businessmen tied to the Mubarak regime were brought to trial for various reasons after the January 25, 2011 revolution. These businessmen were charged with everything from corruption to theft of public resources. Indeed, one of the hallmarks of the period following the revolution was the large number of cases against businessmen associated with the regime. However, by the time that the Muslim Brotherhood's Mohamed Morsi became president in 2012, the government began to dismiss the cases against the businesspeople—despite the Brotherhood's historic animosity toward many of them and the Mubarak regime. The reason was quite simple: the government needed some way of stimulating the moribund Egyptian economy. The Egyptian case is an instructive one, although fundamentally different from Syria, where the level of violence has been profound. Nevertheless, this suggests possible futures for state-business relations in times of political instability. While some business elites are very much indistinguishable from either the regime or the opposition, many across the political spectrum are likely to be courted by any postconflict authority to help support reconstruction efforts.

The central problem facing planners in Syria will be incentivizing capital repatriation. Prior to the war, most Syrian capital existed outside of the banking system. Efforts had been made by the regime to court and repatriate capital to support marketization policies, but this produced minimal investment. Most businesspeople inside and outside of Syria rightly pointed to the lack of property rights and the constant threat of asset seizure as obstacles to investment. It is unlikely that the postconflict situation will provide any serious property rights or satisfy the security needs of businesspeople. Regardless, this is not the only obstacle to capital repatriation. As the conflict drags on, most Syrian businesspeople have established enterprises outside of the country in which their capital is becoming increasingly embedded and, hence, immobile. In Lebanon and Turkey, for example, many Syrian businesspeople are entering into business partnerships with local capital interests. This embeds Syrian capital into regional economies and creates obstacles for repatriation, as local partners are likely to be reluctant to shift investments to Syria after the war.

There may also be a political role for Syrian business elites to play in reconstruction. In recent years, some have proposed the idea of a technocratic transition government for Syria with parallel suggestions that a Syrian businessperson could return, as a neutral figure, and lead a postconflict government. Many of these suggestions are

based on the Lebanese model in which Rafik Hariri emerged as that country's consensus postconflict prime minister and as the major figure and ideologue behind Lebanon's reconstruction. Such a scenario would certainly politically strengthen the business elite and provide incentive for greater capital repatriation.

One of the common features of postconflict situations, such as those in Bosnia and Herzegovina, Afghanistan, Iraq, and others, is the continued legacy of war economies even after "peace" has been declared. In some cases, such a legacy has accomplished the cementing of the conflict elite. In Bosnia and Herzegovina, for example, the war economy successfully transformed, after the country's conflict resolved in 1995, into an underground or shadow economy in which many of the conflict elites continued to participate. The geographic fragmentation of the country into competing centers of power had created rival elites who controlled specific activities in loosely defined parts of the country. A similar situation occurred in Afghanistan, where different warlords fought over control of territory and the related economic benefits during the course of the post-Soviet conflict period. The peace process that led to the 1995 Dayton Agreement that ended the Bosnian War had a singular focus on achieving an end to hostilities, which meant that the rise of pockets of criminality and illegality throughout the country were totally ignored after the conflict. This allowed for the continuity of criminal and illegal practices that were driven by and benefitted the conflict elites. During the war, most middle and upper classes left the country, leaving a new class directly tethered to conflict and violence.³⁰

Certainly, Syria is different than Bosnia and Herzegovina, Iraq, Lebanon, and other contemporary conflicts. They all have their unique and distinguishable features, especially in regards to how conflict elites emerge, what economic activities their wealth is tethered to, and what their political allegiances look like after peace—or an end to hostilities—has been achieved. In Afghanistan, for example, the war economy was such that the production and distribution of opium created some semblance of stability and a steady flow of money into the coffers of the conflict elites. This contrasts with many of the features of Syria's war economy, where predatory and intermediary activities, rather than production, define the roles of the conflict elites, warlords, and armed groups during the conflict.

The larger point here is that Syria's business elites will be differentially affected by the persistence of conflict and whether or not the process that ends the violence contains opportunities and possibilities for their participation in Syria's reconstruction. The liberal peace model's insistence on ending violence first at the expense of other arrangements, such as provisions about social policy, has negative long-term consequences on a state's reconstruction after war. In the Syrian case, given the level of destruction and humanitarian misery that has occurred, it is imperative that the country's economic future be a part of any conversation around peace efforts. As such, even though Syria's business elites remain factionalized and largely ineffectual in shaping political and military patterns on the ground, all four categories will be important players in the reconstruction period.

Conclusion

The Syrian conflict has set in motion transformations that will radically reshape social stratification in the country. The Syrian business community has undergone substantial re-patterning of its stratification in light of severe economic contraction, international sanctions, and capital flight. This has contributed to a factionalization of the business elites along various lines. While it may at first be convenient to consider these elites as either pro- or anti-regime, or pro- or anti-opposition, the political allegiances are much more complicated. Many of Syria's business actors have accrued wealth and power in the context of the conflict while others have suffered tremendous economic loss. Political allegiances are fluid and often take a backseat to pursuit of profit or loyalty to patronage (or other) networks. Economic opportunities will likely trump political affiliations. Many Syrian businesspeople are thus ultimately amenable to different outcomes that preserve their economic opportunities, rather than being inflexibly interested in any specific, ideal outcome. These networks are major drivers of the conflict and must be understood in their own right in order to properly chart Syria's war, much less plan for its resolution.

Factionalization of Syria's business elites will have profound impacts on the reconstruction period. In popular and scholarly accounts of the conflict, we tend to ignore the potential role that business elites can—and must—play in peace processes. It is unlikely that any resolution will bring about immediate peace in Syria. The conflict is likely to persist in different forms and in specific areas of the country that will remain outside of government control. Nevertheless, reconstruction will begin. Here, Syria's business elites and the wider business community will be called upon to contribute.

Many of Syria's business elites are aware that they can profit during reconstruction and are trying to position themselves outside of the regime or opposition camps in order to reap the benefits. What kind of postconflict regime emerges is anyone's guess, as well as how friendly or amenable this regime will be to business interests. If there is any international involvement in the reconstruction, there is sure to be a major push toward economic liberalization as an engine of reconstruction. Regardless of the precise form reconstruction takes, any postconflict authority will need to implement policies aimed at capital repatriation. As the conflict persists and Syrian capital becomes more embedded outside of the country, the possibilities for large-scale repatriation decrease.

More than five years on, the war in Syria has become tangled in an ever-more complex web of interests, which are not dominated by a singular force. Political ideology and political power, economics, historical grievances, sect, ethnicity, and humanitarian concerns will all factor into the ultimate resolution of the war, whatever shape that may take. Of these dimensions, however, the economic one is consistently neglected by analysts and diplomats—particularly the economics of the conflict itself and the new elites who have grown rich from it, or whose precarious fortunes are dependent on one

outcome or another. The violence in Syria is staggering, but we must acknowledge that there are those who have economic incentives to keep it from ending quickly. Without addressing those incentives, peacemakers and those who are eventually charged with heading the country's reconstruction will have little success.

About This Project

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Notes

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5. See Samer Abboud, “Economic Transformation and Diffusion of Authoritarian Power in Syria,” in *Democratic Transition in the Middle East: Unpacking Power*, eds. Larbi Sadiki, Heiko Wimmen, and Layla Al-Zubaidi (London: Routledge, 2012): 159–77; and Samer Abboud, “Locating the ‘Social’ in the Social Market Economy,” in *Syria: From Reform to Revolt*, eds. Raymond Hinnebusch and Tina Zintl (Syracuse: Syracuse University Press, 2015), 45–65.
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8. See Salwa Ismail, “Changing Social Structure, Shifting Alliances and Authoritarianism in Syria,” in *Demistifying Syria*, ed. Fred. Lawson (London: Saqi, 2009), 13–28; and Thomas Pierret and Kjetil Selvik, “Limits of ‘Authoritarian Upgrading’ in Syria: Private Welfare, Islamic Charities, and the Rise of the Zayd Movement,” *International Journal of Middle East Studies* 41, no. 4 (2009): 595–614.

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Samer Abboud, Contributor

Samer Abboud is an associate professor of historical and political studies at Arcadia University. His most recent book, *Syria* (Hoboken, N.J.: John Wiley & Sons, 2015), analyzes the country's descent into civil war.
