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The balance-sheet of conflict: criminal revenues and warlords in Syria

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Executive summary

The conflict in Syria is forging new forms of territorial control, and a political economy that is not unlike the patronage system that was previously fostered by the ruling Ba'ath party. As a result of the extended war efforts and the need for revenues to fund them, the national economy is now deeply affected by illicit activities such as trade in antiquities, oil and drugs, as well as smuggling, kidnapping, looting and extrajudicial land expropriations.

Warlords and armed groups such as the Islamic State of Iraq and al-Sham (ISIS) and Jabhat al-Nusra (or the al-Nusra Front) must fund their military campaigns. However, at the same time, they have to balance the extraction of local revenues with the loyalty of the civilian populations they control. At stake are their reputations and their abilities to raise money from foreign donors and to perpetuate their coercive governance. This paper proposes a rough estimate of the size of the funding streams used by loyalist and rebel militias. The paper also argues that the creeds and beliefs that initiated the conflict are no longer the sole motors of violence; indeed, greed is increasingly shaping the nature of hostilities and the strategies adopted by armed groups.

As a result, the framework proposed in the Geneva Communiqué for achieving peace in Syria is not likely to succeed alone in solving the conflict. Recent experiences in other countries suggest that transitional political arrangements for the transfer of power are failing to dislodge war profiteering. Additional approaches to enable a progressive recovery of livelihoods and the provision of local services should be considered a key part of the peacebuilding process. It is also vital to consider other factors sustaining the war economy, including international sanctions and external funding.

Introduction

The conflict in Syria has undergone many transformations since its eruption in March 2011. The violence raging in the country owes itself to deep structural problems that evolved through the years of Ba'ath party rule. But the dynamics of the conflict, and the unfolding of different patterns of violence, are shaped by highly localised conditions, as well as broader regional and geostrategic interests. Today's armed conflict in Syria has evolved into a civil war, with local, national and international stakeholders positioning themselves to maximise their opportunities in any eventual outcome. Moreover, as is often the case in such conflicts, non-conventional armed violence – meaning violence driven by motives and strategies that are not clearly political and may instead derive from criminal or greed-based interests – co-exists with creed- and need-based types of violence.

This paper is an attempt to explore how different belligerents manage the complex tasks of financing their warfare, maintaining their public reputations and providing basic services, while positioning themselves to secure access to

1 The author would like to acknowledge the substantive support he received from various informants who prepared summary reports on the themes outlined in this paper. Many have preferred to remain anonymous for security reasons. The author was solely responsible for synthesising all of the field reports into the main thesis of this paper, and any mistakes in interpretation are his alone.

external funding and extract local resources. The approach adopted in this paper is to track different trends, as they have evolved over the course of the war, within the Syrian economy. The objective is to provide an overview and an estimate of scale to help understand these dynamics,[2] and how the situation needs to be addressed in a realistic approach to peacebuilding.

With every month of continued intense fighting, the war destroyed, in the space of a year, what Syria had built. The equivalent of well over 30 years of economic growth and development is now wasted. Deep structural changes to the economy are occurring and, alongside these changes, a major transformation is taking place of the moral and legal instruments used to maximise control over dwindling local resources. Gradually, warlords and profiteers are consolidating their power either by capitalising on their ability to engage in criminal activities or by undertaking quasi-legal activities. Opposition and pro-government groups employ different techniques and have varying degrees of guilt. However, in the long run, these practices are becoming the norm on all sides. This has already established a new political economy that may undermine the political process proposed in the Geneva Communiqué. The process of peacebuilding must seriously take this issue into consideration, as well as new entry points for recovering livelihoods and for re-establishing basic services to offset the impacts of the war economy as part of the international efforts to mitigate the conflict.

You want freedom? The break-up of Syria's fragile social contract

In a video dating from early in the conflict, showing a pro-government militiaman questioning tied-up protesters as he was beating them, the officer shouts: "You want freedom?" The question became a running joke in Syria. However, the statement is indicative not only of a government that ridicules demands for freedom, but also of a state surprised that the social contract it has learned to master over the years could no longer be a normative force.[3]

Formal manifestations of the social contract in Syria, such as the Constitution or laws, have only partly reflected the real mechanisms of control. In the 10 years of Bashar al-Assad's presidency before the conflict began, the government embarked on a major structural transformation of the economy. A few studies have focused on the various inequalities that were generated as a result of the economic liberalisation policies adopted (Briscoe et al., 2012; George, 2003; Sa'aifan, 2009). Most of these studies present compelling narratives of a centralised state economy reaching its end once its extractive powers were exhausted by corruption and cronyism.

Despite some limited economic growth in the last years before 2011, the gap between the rich and the poor widened. Agriculture was abandoned as the backbone of the economy, although no alternatives to absorb redundant labour were provided. Indeed, both opposition and loyalist literature tend to portray the uprising as driven by the erosion of social safety nets, declines in state subsidies and a pattern of growth without development (Barout, 2013; Hemesh, 2014).

At the conflict's core, however, stands the Ba'ath party's organisation of society. National resources were controlled through different patronage networks, in which the interests of government, party and security cadres were intertwined, and joined with those of business leaders (Haddad, 2012). In addition, a wide spectrum of social groups also formed part of the system, either voluntarily or unwittingly. This logic of patronage is demonstrated by the way state enterprises were run (Marzouq, 2013), municipalities managed land development (Hallaj, 2003), non-governmental organisations (NGOs) were funded (Ruiz de Elvira, 2014), subsidised oil derivatives were smuggled into neighbouring countries and commodities were smuggled in the reverse direction into Syria (Sa'aifan, 2013). State monopolies over parts of the formal economy became a privilege for people who engaged in these patronage networks. But access to privilege was not entirely restricted to insiders: the Ba'ath system spread loyalties vertically and horizontally, thereby covering well over one-third of the Syrian population.

As a result, the economic conditions of Syria in the run-up to the war were somewhat more nuanced than is commonly presented. Growth picked up in sectors of the economy that did not create great demand for employment. Middle-class economic fortunes improved, but often in areas not socially recognised as middle-class occupations or in the informal sector (UN-ESCWA, 2014a). Informality brought with it daily subjugation to corrupt regulators. Paying bribes was part of the cost of doing business. Furthermore, regime patronage fostered a wide spectrum of clients; some were hit by reform more severely than others. Not willing to let go of privileges, many opted to dig deeper into the extractive instruments to hand: corruption increased steadily during the 10 years prior to 2011.[4] In short, economic liberalisation policies did not succeed in transforming the patron–client relationships fostered by the Ba'ath party; indeed, quite the opposite took place.

Another important issue was the predicament of Syria's young people. The country's baby boom in the 1980s resulted in a generation entering the job market for the first time two decades later. However, markets that had been recently liberalised failed to create jobs fast enough to absorb these

2 The figures proposed in this paper are estimates that take into account the baseline data available from before 2011 and reflect possible transformations, and they are corroborated by qualitative indicators and accounts from the ground. Conducting reliable quantitative economic surveys is not currently possible in Syria.

3 For a comprehensive review of deep instruments of soft power in Syria, see Wedeen (1999), Trombetta (2014) and Perthes (1995).

4 The State Control over Corruption Index in Syria went up in the first two years of President Bashar al-Assad's first term in the presidency, and dropped to an unprecedented level just before the eruption of public demonstrations in 2011, moving from –0.24 in 2002 to less than –1 in 2010. The index ranges from –2.5 to +2.5, with –2.5 being the worst and +2.5 being the best. (Source: World Bank, govindicators.org)

new entrants (Za'afaran et al., 2011). Moreover, the jobs that were created were not applicable to the studies young people had undertaken. Latent unemployment had become a critical issue in Syria and, in the view of certain economists, was a cause of the uprising (Marzouq, 2013; Nasser et al., 2013; Sa'aifan, 2013). However, the discontent of young people was not only targeted at the state. Economic data also suggest that the structure of households disenfranchised young people by keeping them dependent on their parents well into their mid-20s.

Where the social contract did maintain its power was in the enforcement of law and order. In general, Syrians found the hand of the state acceptable as long as it could guarantee a basic level of security from crime. As a result, the government periodically made law and order campaigns, rounded up petty criminals and asserted the state's monopoly of force.[5] At the first signs of crisis, however, the government relaxed its control over crime and released thousands of criminals from custody. The police stopped responding to citizen's distraught calls for help, with the underlying message: "You *still* want freedom?"[6]

Public discontent first arose in parts of the country that had generally seen relatively greater improvements in education, health and other services; these were the areas with the strongest membership of the Ba'ath party.[7] It was only later that zones of extreme poverty would join the uprising. As a result, it is a mistake to look at the uprising in Syria through simplistic narratives only. In every local case, a different dynamic was at play.[8] Furthermore, the inability of the opposition and its international supporters to dislodge President Assad from power after more than four years of intense pressure and fighting is a more than valid explanation for Iranian and Russian support of the "regime". The current political order is supported by an intricate web of localised interests and processes, working not only from the top down but also from the bottom up. Many of the previous patronage networks transformed themselves following the onset of the conflict; without central state control, they re-established themselves through the informal war economy.

Funding a popular insurgency

Initial state-led military operations in Syria were minimal in size. However, the level of violence exercised by the security forces grew steadily more lethal and arbitrarily imposed. On the side of the opposition, the move to arms was, at first, shy and hesitant. Most of the arms used in the early days were hunting gear and personal hand guns (Burgat & Paoli, 2013).

This paper is not primarily concerned with precisely how the violence started, but assesses the ways militarisation affected and reshaped economic life. In this respect, it should be noted that large expenses associated with fighting emerged in only the second half of 2011. Despite claims by the government of foreign involvement in the opposition movement from its inception, most activity was, at first, self-financed locally. However, as the war progressed, it was not the cost of buying weapons but the cost of buying ammunition that mattered most, owing to severe shortages.[9] The charisma of leaders was one of the key dimensions of the recruitment of fighters to the different brigades. But, as the war progressed, brigades managed to grow only if they were able to provide fighters with resources. The attention of local commanders was drawn increasingly in the direction of external funders, who were already visibly supporting the more radical groups ('Itani, 2015).

To attract donors, rebels often use social media as a way of advertising their achievements. This has given the outside world an insight into how militias are organised. In principle, the main building block of the insurgent forces – the brigade – could include a few dozen to a few hundred fighters. These brigades are often called platoons, armies or other names, without clear reference to standard military units.

However, it is not difficult to count the number of these brigades, as most advertise their operations online.[10] By mid-2012, excluding the main dominant al-Qaeda affiliate at the time, Jabhat al-Nusra, one can estimate that there were over 100,000 fighters in these brigades.[11] Considering how many rounds of bullets were consumed in various engagements, as well as the frequency of violence, the cost of bullets for small arms alone would stand at over $1 billion for the first year of insurgency.[12] To put this into context, this figure is on a par with the yearly production of wheat, Syria's main agricultural product (Central Bureau of Statistics, 2011), which made up almost 2% of Syrian gross domestic product (GDP) that year.

5 See, for instance, Zaman al-Wasl (2010b) "souriah: al-qabd 'ala 500 matloub lil 'adalah". <https://www.zamanalwsl.net/news/16976.html> October, 26th.
6 Incidents were narrated to the author directly by countless affected persons.
7 The Dara'a, Deir Zor and Latakiyah branches of the party refused to disband during the unification with Egypt in 1958 and worked underground for three years. Their organisational structures were at the forefront of restoring the Ba'ath presence as a national party after cessation from the union. They were duly rewarded with privileges afterwards and their levels of memberships are among the highest in the country. See, for instance, Rey (2013) and Batatu (1999).
8 For a well-rounded review of the factors affecting the various forces at play, see Burgat & Paoli (2013).
9 This was reported by Western journalists entering Syria secretly to document the war. See, for instance, Da Prata (2012) and Filiu (2013). However, a fuller account is provided by Lebanese journalist Fida' 'Itani; he describes how the trade was carried out and how ammunition was divided by brigades and then sold on the market to others. 'Itani has also remarked that radical groups formed outside of the main local brigades had no problem obtaining weapons and ammunition. However, in the early stages of war, their methods for obtaining weapons did not form part of the main dynamics of the evolving conflict ('Itani, 2015).
10 Several monitors started to imitate the famous blog "Brown Moses", as the author of this blog searched the net regularly for evidence of the different arms used in the Syrian conflict. See http://brown-moses.blogspot.com/
11 This initial estimate of fighting forces on the opposition side is heavily contested; however, as an estimate, it is not unlikely. One of the most complete and regularly updated mapping exercises is provided by the Carter Center. For the latest update, see Carter Center (2014).
12 The proposed figure of $1 billion is an estimated market value of the ammunition that could have been traded among rebels in the first year after fighting began in earnest in late 2011. However, not all of the trade in bullets was on a cash basis; some traded bullets for favours. The figure was calculated on the basis of average prices that varied between $1 and $4 per bullet, depending on availability. In addition, the intensity of the fighting was not uniform on all fronts. The regular army and the rebels shifted positions regularly. It is thus estimated that only 25% of the fronts were active at any given time. On those fronts, a minimum of one round of ammunition per day per fighter was not out of the ordinary. Other fronts saw reduced consumption.

Archaeological artefacts

Various local sources were at hand to secure funding. One was the sale of archaeological artefacts extracted from sites across the country. Small artefacts fetched high prices and were easy to smuggle out. However, as early as May 2012, there was compelling evidence of large-scale looting at archaeological sites (Cunliffe, 2012). The Directorate of Antiquities insisted that museums were well protected, but it was unable to keep track of more than 5,000 sites strewn across the country ('Abdulkarim, 2013). By 2013, looting was systemic. International organisations started to take formal action and red-list potentially stolen artefacts (ICOM, 2013), while activist websites drew attention to evidence of theft (Barnard, 2014; Conflict Antiquities, 2013).

Small artefacts were selling for a few hundred U.S. dollars; slightly larger pieces, such as manuscripts and larger statues, went for thousands of dollars, and some for five-digit figures. As the war progressed, this lucrative trade became organised through the involvement of professional networks that could market stolen pieces beyond the amateurish antique dealers of Lebanon, Jordan and Turkey. Secure routes to transport the larger pieces were created, although certain tithes had to be paid to local brigades to assure safe passage (Baker, 2014). A ballpark figure has been suggested for the volume of revenues of local rebel groups of between $300 to $500 million in the past two years.[13] While these figures are substantial, it should be remembered that the share of any single brigade is likely to be minimal. Moreover, the largest sites are now mainly in the hands of the al-Nusra Front or the Islamic State of Iraq and al-Sham (ISIS). Both have proved extremely hostile towards archaeological material in the past, and have widely publicised their destruction of large-scale statues and icons. Nevertheless, the fact of the matter is that these artefacts were too precious not to use on ideological grounds,[14] especially when large revenues were to be made.[15]

Anecdotal evidence also points to pro-government militias engaging in looting and trade in antiquities, but state control has been nominally more vigilant in curbing such activities. A few widely publicised cases, in which looted material has been captured, have been circulated in the pro-regime media (Tahta al-mijhar, 2012). However, Syria was plagued by antiquity smuggling before 2011 (Hebditch & Smallman, 2005). There is no reason to believe that smugglers working with the complicity of some corrupt officials in Syria and neighbouring countries did not take advantage of the opportunity to expand their trade after the start of the war. Authorities in Damascus have certainly evacuated most museum pieces in haste and moved them to safe areas (Brusasco, 2012). However, in the event of further disintegration of central state control, the largest archaeological treasure trove in history will probably fuel internal conflict between pro-government militias.

Kidnapping

Another quick source of cash for opposition and loyalist militias alike is hostage taking. The phenomenon began as a means to exchange hostages or prisoners seized by the regime. However, cash soon became the main motive. No systemic evidence is readily available on the subject,[16] although it appears to have touched all communities. Security forces, for their part, have also randomly arrested civilians with the aim of demanding the surrender of wanted individuals, or simply to extract a ransom (BBC, 2013). Ransoms, meanwhile, were negotiated through the intermediation of a chain of contacts. Local peace committees, both formal ones set up by the state and informal ones, became the prevalent mechanism for these negotiations. There is also a growing body of evidence suggesting that some local peace committees have started acting as middlemen by charging high commissions (al-Khatib, 2015).

Ransoms have varied from a few thousand dollars to six- and seven-digit figures.[17] In the initial phases of the conflict, this activity was very lucrative, and may have created a substantial income for militants and emerging local warlords ('Itani, 2015). As no accurate figures are available on this phenomenon, it is hard to assess how significant it is in terms of cash generation. A rough figure of $200 million per year in 2012 and 2013 has be suggested, but this figure is perhaps much lower now as demarcation lines have stabilised between different communities.[18] Following the advance of ISIS over large parts of eastern Syria and western Iraq, the group has reputedly "bought" Western hostages from other groups (Knefel, 2014). It also achieves the highest prices for its hostages (Lederer, 2014).

Looting

Based on estimates, it is thought that stipends paid to pro-regime and rebel militia recruits were, at first, set at unrealistically high rates. With the prolongation of war, external donors failed to keep their promises to fund the militias. Instead, militants were encouraged to loot areas they had conquered. This phenomenon was particularly prevalent among pro-government groups (American Bar

13 Media that were sympathetic to the Syrian government's version of events put the figure in the billions, but this is perhaps exaggerated. See, for instance, Xinhua (2012).
14 No solid evidence is currently available suggesting that the al-Nusra Front and ISIS are directly implicated in this trade. Claims for such engagement are still uncorroborated. See, for instance, Al Arabia News (2014).
15 See, for instance, Shafaq News (2014).
16 For the best account of how the issue evolved among some of the rebel brigades, see 'Itani (2015).
17 Some foreign governments are reputed to have paid larger than normal ransoms for some of the higher profile foreign and religious figures, while others have refused to pay. The United Nations, human rights organisations and other monitoring organisations started tracking such transactions and are now labelling them as "tacit indirect funding to terrorist groups" (Manna, 2015).
18 A total of 50 people from different parts of Syria, making up a random sample, were asked who they knew in their personal networks that had been kidnapped. This information and average ransoms paid allowed for a very rough estimate of the order of magnitude of the phenomenon.

Association, 2013). Whole markets emerged in various neighbourhoods selling the spoils of war. Looting private residences was not systemic among rebel groups, but they engaged enthusiastically in looting factories and department stores. For example, over half of the 700 modern factories in the industrial zone of Sheikh Najjar, near Aleppo, were looted. Those spared often had to pay protection money to rebels.[19] Many factory owners opted to do this to keep their businesses alive, but gave up when monthly fees became exorbitant compared with dwindling revenues. In some cases, factory owners agreed to help militias dismantle and ship entire factories to Turkey. Looting was perhaps the main source of cash in the first two years of the conflict, fetching about $1 billion for loyalists and rebel militias alike.[20] However, as the geography of hostilities has not changed drastically, no new territories have been subject to further exploitation in this fashion.

Smuggling

Monopolies over the import of basic goods and access to humanitarian supplies constituted another lucrative source of cash. Inflation rates rose to the upper two digits after 2012,[21] mainly as a result of the devaluation of the Syrian pound. Another factor affecting inflation rates was the need to circumvent the hazards of war when moving goods within the country. Fuel, basic food stipends, medicines and even water became scarce across the country, and the supply of these commodities was particularly dire in besieged areas (by both loyalist and opposition forces). At any time in Syria, about 4–5 million people either are under siege or have hazardous access to basic goods. Profits went to those who managed to exploit the risk of bringing the goods into the besieged areas, whether this was wholesalers, smugglers, army officers charging a tithe for allowing the goods to bypass the siege, rebels controlling the roads or shipping contractors. Based on what we know from the purchasing power of households,[22] the total value of this income stream can be estimated to be about $2–3 billion per year. However, the value chains for such rents are often distributed among a very large body of recipients. As such, this money is unlikely to have generated a transformative funding stream for any individual group.

Drugs

Another source of cash for the insurgency is the expansion of the drug trade. Syria was not a major producer of drugs, although has often been perceived as a crossroads for the trade (UNODC, 2013). This was notably the case for the trafficking of processed methamphetamine, known by the commercial name “Captagon pills”, from production sources in neighbouring countries, mainly Lebanon, to consumer countries, particularly in the Gulf (Strum, 2011). Pressure on Syria in the past led to limited levels of compliance,[23] because the civil war in Lebanon had forged networks between Lebanese and Syrian officials suspected of involvement in the trade (Gambill, 2005; Picard, 2005). Internally, the Syrian government was vehement in denying that drug consumption was a problem, often announcing high-profile operations against drug-distributing networks inside the country (Al-Watan, 2010; D. P. News, 2014; Zaman al-wasl, 2010a).

Ironically, at the first signs of trouble in Syria, the pro-government media began to promote claims that most of the opposition demonstrators and rebels were drug addicts, and that Captagon pills were part of the package of incentives provided by external provocateurs to encourage people to show up at demonstrations (Ibrahim, 2014). On the other side, pro-opposition media often insinuated that the loyalist militiamen were drug addicts or small-time dealers released from jail, and were paid in petty cash and drugs to incite them to commit violence against demonstrators (Al-sharq al-awsat, 2012). The accusations of drug consumption on both sides are perhaps not entirely inaccurate (Freeman, 2014), although they have certainly been exaggerated.

In terms of local consumption, there is anecdotal evidence of increased drug use in Syria as a result of the war. However, the bigger business is to be found in trafficking, as suggested by increasing arrests and confiscations of drugs destined for other countries (Baker, 2013). There are suspicions that loose governance in certain areas has enticed local farmers to produce various narcotics, mainly cannabis, something that was previously very limited in Syria (Strum, 2011). If some of these reports are true, the nature of the war economy is undergoing a major shift. Syria has plenty of land suitable for cultivation, as well as scores of experts that are now unemployed after the failure of its pharmaceutical industry to become a prominent world manufacturer. The conditions are thus suitable for the manufacture of methamphetamine, and there are signs that production is indeed shifting from Lebanon to Syria (Henley, 2014).

Oil

Oil remains the largest, but least understood, source of funding for military operations. Syria’s pre-war oil produc-

19 Discussions with various industrialists, who prefer to remain anonymous, reveal that a high level of bargaining occurred between factory owners and rebels.

20 The number of housing units damaged in the conflict is estimated to be close to 1.6 million units (UN-ESCWA, 2014b). Many were damaged, with their entire contents destroyed, and many were evacuated by their owners, who took their belongings with them. However, a rough estimate of the amount of stock looted by pro-government militias is about 500,000 units, and approximately 200,000 units were looted by the rebels. The value of the looted factories is likely to be a much higher figure, based on the number of factories in the main industrial compounds subjected to heavy fighting (same report). However, most factories were sold at sub-prime rates on the black market, and were often sold as scrap metal. It is therefore not likely that they have constituted very high incomes for the militant brigades engaged in such activities.

21 See the official Syrian Statistical Bureau website (http://www.cbssyr.sy) and also Syrian Center for Policy Research (2014).

22 Various economic models have been proposed for Syria. See, for instance, Syrian Center for Policy Research (2014) and UN-ESCWA (2014b).

23 The U.S. Government always considered Syria to be weak in its compliance, and demanded more serious efforts from Syrian authorities (Bureau of International Narcotics and Law Enforcement Affairs, 2010).

tion was primarily concentrated in over a dozen sites in the Deir ez-Zor region, where about two-thirds of the 300,000 barrels produced per day in the country were extracted. The region was abandoned by the Syrian army early on, and extraction of oil almost came to a standstill. However, local brigades and tribes have resumed operations in many of the wells by relying on local state employees, albeit working at a much reduced capacity. Some local informants reported to the author that, just before the 2014 takeover of the oil fields by ISIS, it was still possible to extract anywhere between 30,000 and 50,000 barrels per day from several wells that were still operative in the Deir ez-Zor area. On the other hand, allegations of central government purchases of oil from rebels could not be substantiated, as the pipelines to state-run areas are not operative and were seriously damaged by early sabotage attacks on the lines.[24] Purchases of oil derivatives to cover the needs of government-controlled areas is perhaps happening indirectly through the informal networks established to ship oil from the east to the north-west, and from there to Turkey (ʿItani, 2015).

A very complex value chain has been established, in which local tribal chiefs engage their tribesmen in extracting oil from small fields, yielding 300–1,000 barrels each per day. Local militias and rebel brigades seemingly take a cut, either in cash or in kind, directly from the well operators. Refining oil takes place at haphazard and environmentally toxic crude refineries (Augé-Napoli, 2014; Middle East Eye, 2014), which requires armed protection, and those employed in these roles are allocated a small amount of the total value of the final goods. Operations are often small in scale, and individuals are paid in kind in small cistern loads of 10–20 barrels each. Wholesalers then consolidate outputs and send the barrels in larger trucks to a market place near the city of Menbij (under the control of ISIS), to be procured by smugglers who reportedly ship them to Turkey to be sold at almost half the official price there. Traders allegedly also procure fuel in these places, and take it back to government-controlled areas.

A rough estimate of the whole operation suggests an industry worth about $2–3 million per day, of which tribal leaders earn approximately one-quarter and distribute it among their followers, while various militant groups earn another quarter for their protection of production sites and shipping routes. The bulk of the income, however, is made by the wholesalers and traders involved in smuggling the oil to Turkey and back to government-controlled areas. After ISIS made its recent advance on the eastern parts of the country and pushed all the smaller operatives out of the trade, it consolidated for itself a net income stream that is estimated to be worth about $1 million per day.[25] The military strength and cruelty of ISIS have allowed it to renegotiate the division of revenues with local tribal leaders to keep a larger cut of the total value chain for itself. Previously, the al-Nusra Front controlled some of the largest oil fields; however, they had to keep the local tribes content by allowing them to retain a major share of the oil's final price (Ballout, 2014). Other brigades had access to oil revenue as well, preventing any single faction from claiming a competitive edge through the control of the wells. However, the entry of ISIS into the oil business has provided it with a monopoly that will enable it to assume considerable advantages over any other brigade in terms of funding.

Border control

Crude diesel was crossing the borders in one direction, but border crossings of all varieties were the source of another income stream. All the humanitarian aid destined for the north of the country passed through these crossings, along with basic shipments of goods from Turkey into Syria: merchants imported goods from Turkey to compensate for the lack of access to goods from government-controlled areas. As a result, rebels in control of the border crossings stood to make major profits. They set official fees for vehicles and individuals crossing back and forth,[26] fees that were generally less than those imposed previously by the official Syrian Customs. On the surface, the process was made easier, and lower fees encouraged merchants to bring shipments to be traded in opposition-controlled areas, and even to be smuggled to government-controlled areas. Unofficially, however, the rebel-assigned border controllers also charged "special fees" to allow for particular luxury items to go through. Formal fee schedules set up by the various makeshift management committees for these border crossings suggest low levels of income of about $10,000 per day, which would hardly make the investment of fighting power and armed struggle to defend these sites worth it. However, the informal fees cited by some informants suggest income streams several times larger in size. Border crossings became an obvious source of income for the brigades controlling them.

Competition to control border crossings is reputed to have caused clashes between different brigades. The mediation of reputable rebel leaders and religious authorities was then needed to arrange deals for distributing revenue.[27] However, brigades that could not force themselves into these deals often set up check points on roads not far from the border in order to extract smaller tithes. Whatever the precise configuration was of armed groups competing for control of crossings, the revenues remained minuscule

24 Most information provided here is based on triangulating reports provided by various informants from different parts of the country.

25 Estimates of ISIS's income from oil vary considerably, ranging from $1 to $3 million per day. In many cases, the reports are reflective of the full value at sale points, but do not take into consideration how the value chain is actually comprised. As a result, it is better to use the lower estimates. See, for instance, Seman (2014), Corcoran and Robinson (2014) and Leigh (2014).

26 The author was able to retrieve formal notices and fee schedules announced by various groups controlling the border crossings and posted on different rebel pages and religious courts on the internet.

27 Anecdotal evidence on border crossing management was collected from various informants and triangulated to get some level of credibility. The information provided here is still sketchy, but can be corroborated by the accounts of journalists who made the crossing at different intervals (ʿItani, 2015).

compared with those from oil. Securing borders, on the other hand, provides a semblance of control and hegemony over territories that these groups service. This is demonstrated by the fact that, when the al-Nusra Front was pushed out of the oil-rich east by ISIS, it moved immediately to secure the border crossing in Idleb, in the western part of the country.[28] This move did not provide a secure income to compensate for their oil losses, but it did allow them to re-establish territorial control and demonstrate to external donors that they were still viable recipients of funding.

Meanwhile, although the frontlines between rebel and government areas are by no means formal borders, they have also become sites of smuggling. Subsidised goods are carried from government-controlled areas into opposition areas and from there into Turkey, as are copies of public records (such as civil status, land registry records, etc.) and forged public documents. These types of operations remain much smaller in scale; however, on a local level, they have allowed for the emergence of new types of war profiteering.

Warlords and the political economy of conflict

The transformation of small-time criminal or illicit activities into major operations was gradual, and often justified on the grounds that it was necessary to fund the weapons required to defend communities ('Itani, 2015). However, these initial illicit ventures often led to lucrative secondary activities, which in turn became objectives in their own right. For some groups, local resources are crucial generators of income and are all they have had at their disposal; for others, local resources are not sought with the same zeal, as external donors provide the funds for the majority of their operations. Even so, for this latter category of armed group, control over local resources is still vital to assert symbolic territorial dominion.

Failed governance is not a haphazard outcome of war, and is in many cases an important strategy used by warring factions to negotiate the path between legitimacy and illegitimacy (Menkhaus, 2010). Both the government and the rebels played this game of destabilising state institutions. In doing so, they also effectively absolved themselves of the unnecessary burden of providing local services. Outsourcing basic services and humanitarian operations to local civil society groups as well as to the United Nations (UN) and international organisations has allowed belligerents to concentrate their resources on the war effort. The volume of funding needed to feed people living below the threshold of hunger is now around $2.5 billion annually for food alone.[29] Further provisions for sustaining the lives of and services for over 12 million people in need of assistance[30] also require several billion dollars per year. When reflecting on all the streams of income discussed above, it is apparent that belligerents have limited options. A critical balance between the costs of providing local services and those of continuing the fight is possible only if external donors cover the gap. However, external funding was mainly used to sustain the fighting.

External funding is one of the most contentious issues in the Syrian civil war, as different parties have made accusations that their opponents are surviving only because of foreign support. Very little research has been conducted on the role foreign donors are playing in fuelling the warring parties (Burgat & Paoli, 2013). Both state and non-state actors are engaged, but little concrete evidence is available on the links between the two. The strategic positioning adopted by external stakeholders in the Syrian conflict falls outside the scope of this paper. However, it is worthwhile, for the purpose of further understanding non-conventional armed violence, to analyse how the local belligerents position themselves to receive aid.

Providing for communities: a question of balance

Funding local services is carried out as a means of building confidence within communities living under the protection of various belligerents. However, in doing so, armed groups are primarily serving their own interests, as the ability to exhibit one's territorial domination via such services is key to receiving further external funds. Water is an essential service needed, and the provision of reasonably priced flour and fuel to bakeries is a high priority of any group controlling a residential area. Once it became clear that the fighting would be prolonged, more sophisticated services were in demand: health, law and order, and education.

Public services are being provided at far lower standards than before 2011, although there are fewer regulations and fees are considerably lower than before. In other words, services are often highly subsidised, under the pretext that people are poor and cannot pay the full costs.[31] For local warlords to capitalise on a good reputation as providers for their communities, and thereby attract further funds from external donors, they must ensure law and order. A semblance of good governance is likewise critical to building credibility,[32] while extraction from local communities has to be kept to a minimum. Many of the non-conventional sources of funding listed above have enabled local warlords to provide some of these services, albeit at a very rudimentary level.

28 Many activists and reporters from the region have highlighted the rapid advance by al-Nusra into the area, to the detriment of local warlords such as Marouf Jammal.

29 Based on average costs of food baskets that are distributed by the various humanitarian operations multiplied by over 4 million people now declared by the Food and Agriculture Organization as living at risk of serious malnutrition (FAO, 2014).

30 Ban Ki-moon, the UN Secretary General, proposed the figure of 10.8 million people early in 2014, but the pace of the war caused the UN to change its estimate to over 12 million by the end of the year.

31 Based on informal conversations with various international operatives providing aid to local councils and on meetings with local activists.

32 The case of the brigade known as Shouhada' Bader in Aleppo is a well-known example of this, mentioned by many informants. The once powerful brigade was believed, by local communities, to be engaging in local robberies and the extraction of protection money. Their reputation brought them animosity from other brigades, and the latter gained popularity by ridding the community of this group.

The critical balance between the reputation of rebel leaders as good providers for their communities and their reputations as effective warlords leading successful battles has been essential to attracting more external funds. Many brigade leaders rose up, only to fall when they could no longer preserve this balance ('Itani, 2015). In some cases, certain warlords have unscrupulously used illicit activities for the initial start-up phase of their work, and then transformed their approach when they discovered they could earn more money by becoming reputable.[33] Although many brigade leaders are often recognised for their fierceness in battle, real power on the ground has, for the most part, been consolidated by leaders who are more successful at managing the balance between and prioritising the three essential components of local leadership: a good reputation in providing services (including law and order), the capacity to extract local resources and the ability to attract external donors.

However, maintaining this balance is fraught with uncertainties. External aid has not been regular and depends on international circumstances. Extraction from local economies is volatile: resources that seem reliable at first eventually dry up, while local communities' priorities change (Khalaf et al., 2014). In recent months, intensive hostilities in the north have put a strain on the ability of rebels to maintain their support of basic services. Hundreds of thousands of residents have, as a result, either moved to government-controlled areas or sought refuge in neighbouring countries. Initial gains by the rebels in 2012 and 2013 enabled them to control areas containing as much as 40% of the population. However, failures to govern their territories and provide services have harmed civilian livelihoods in these areas.[34] A number of accounts indicate that some people have opted to live under ISIS control, despite its harsh religious codes.[35] This radical group is regarded as providing more solid services and protection to residents, who now constitute close to 20% of the total Syrian population.

ISIS has indeed managed to usurp local revenue and extraction to an unprecedented scale, controlling oil production, tithes and imposing local taxes.[36] Through a mixture of curbs on crime, provision of basic food stipends and avoidance of direct fighting with the central government in urban areas, ISIS clearly poses a major challenge to other rebel groups in retaining the loyalties of their soldiers.

However, even with all of the local resources at its disposal in Syria, ISIS is not able to entirely sustain its local services and governance. All indications from ISIS-controlled areas suggest that levels of public service provision are congruent with the levels provided under the previous regime in some sectors (although not all). In general, rural areas have seen some improvement in services under ISIS, while cities have regressed. Using, as a baseline, the Syrian state budget of 2010, the level of funding required to maintain basic services for the population now under ISIS control is around half a billion dollars per year.[37] In essence, if all the types of extraction highlighted above were exclusively at the disposal of ISIS, their revenue streams would not be sufficient to cover basic service provision while maintaining the war effort.[38] At the moment, the deficit is probably in the order of about $100 million per month (on the Syrian side of the border alone). The opening of the borders between Iraq and Syria is allowing ISIS to bring external resources into Syria from Iraq. However, funds acquired in Iraq will probably sustain ISIS for only a short while longer; external donor money is probably still flowing to ISIS to cover the deficit (Cockburn, 2015; Mannaa', 2015). It is thus likely that ISIS will eventually have to defend their presence by force once communities start complaining about their performance. Some evidence is already emerging to that effect.[39] The arbitrary application of radical ordinances and the intrusion of ISIS into the private lives of people have started to undermine the group's reputation. In contrast, Jabhat al-Nusra has maintained a slightly less intrusive approach as regards private lives, and as such is now re-gaining territories and reputation in many areas in the north-west.[40]

A policy of alliances: rebels and religion

The more successful warlords have been able to maintain a network of allied brigades without always having to be responsible for all of them. In essence, they maintain their good reputation by being able to aggregate the work of all their allies ('Itani, 2015), allowing them to maintain access to their external donors. Their allies are satisfied with small allocations of this external funding and a more substantial share of local resources, while knowing that external funds far outweigh local ones.

33 The information provided is based on monitoring of the reputations of individual rebel leaders by civil society activists and local informants, as well as these rebels' alliances with other units. The process is not entirely scientific, but similar patterns have been documented among various rebel units ('Itani, 2015). For instance, one informant told the story of how his brother was kidnapped for ransom and killed when the family could not pay it; he then found out, after seeking refuge in Turkey, that the brigade that seized his brother had become a very reputable brigade and no one would believe that they had engaged in kidnappings.

34 For a periodic mapping of territorial control, refer to the following website: http://www.polgeonow.com/2014/08/syria-civil-war-map-august-2014-13.html

35 Until the launch of attacks on ISIS by the U.S. and its allies, areas under ISIS control were generally seen as safe and well serviced. This sentiment has been greatly emphasised by ISIS's propaganda, and many people continue to flock to ISIS-controlled areas out of desperation regarding the desolate state of services in their areas (al-Arabi, 2014; Lebanon 24, 2014). ISIS propaganda has also reached Turkey, where many are now sympathetic to its stance on law and order. See Simsek and Satter (2014).

36 Informants have indicated various taxes and fees levied by ISIS in the larger cities (and to a lesser extent in the countryside). These fees constitute a relatively low level of taxation, and are meant mainly to assert sovereignty rather than to collect real revenues.

37 The breakdown of the last government budget proposal before the beginning of the crisis provides an approximation of government spending on local government in the governorates now controlled by ISIS. Information was documented in an unpublished internal memo of the Ministry of Local Administration explaining how the budget was distributed.

38 A stratified salary scale for fighters coming from different backgrounds has been reported by different sources, with foreign fighters earning considerably more than the Syrian ones. However, the Syrians working with ISIS are earning considerably more than those enlisted in other brigades (Karouny, 2014; Mannaa', 2015).

39 Some platforms on the internet used by Salafi groups already mention injustices committed by ISIS against its own people. ISIS's crimes against foreigners are barely criticised in these circles, but withholding resources from hungry communities is severely condemned. See Al-Aaren (2014).

40 Based on discussions with humanitarian activists in those areas.

A new funding dynamic has thus emerged. It is based on the need to diversify local resource bases, meaning that alliances operate across many geographical areas to ensure access to different revenue streams. The territory of northern Aleppo is a perfect example of this chequered territoriality, where different brigades share governance of border crossings, manage successive check points on the main highways leading to major cities and have competing governance bodies in each city.[41] Some brigades, such as al-Tawhid, managed to maintain reasonably good relations with other brigades, while others, such as Suqour al-Sham and eventually ISIS, were notorious for operating mainly alone. However, the map of control continued to shift regularly as the fate and fortunes of different brigades ebbed and flowed.

Meanwhile, myriad religious authorities have been set up in opposition-held areas. These have often been established with the objective of providing some guidance to the rebels on conduct that would not be approved by reference to Islamic jurisprudence. The main practical concern of these authorities, however, has been to mitigate conflicts between rebel groups and to provide a forum for dividing revenues between them. These religious authorities have thus become a sort of amalgam of public institutions.[42] Occasionally, the religious authorities collaborate with one another, but their collaboration remains limited to the networks linking allied rebel groups. To a certain extent, the religious authorities are merely localised governance platforms of cross-territorial rebel alliances. In many locations, these authorities have ejected locally established civil initiatives (Darwish, 2014). The religious courts have introduced new paradigms for defining justice, administering a swift and often spontaneous disbursement of sentences. To that extent, they play into the reputational ambitions of the rebels.

In a few cases, as discussed earlier, certain rebel groups engaged in illicit activities including theft, kidnappings for ransom, robbery and extraction of exorbitant protection fees from local communities. Although some warlords were successful in building small fortunes and spreading fear around them, their fortunes was often short lived. Extravaganzas such as these were stopped by other rebel leaders keen on not destroying the reputation of the rebellion at large. Often the verdict of a religious court was secured, and the renegade group was reprimanded or, in some cases, fought into surrender. The dynamic of the war has, thus far, enabled major warlords to emerge slowly; however, when they fail, they do so quickly. The case of Ammar Dadikhi in northern Aleppo is a perfect example. The once notorious warlord operated his own prison system, where he often kidnapped soldiers from other brigades on petty charges and demanded ransom for their release. He also charged high tithes at crossing points and imposed his personal will at random on local communities, administering justice randomly but swiftly. Eventually, his operation was perceived by other brigade leaders as disruptive to their operations and objectives. After some attempts at negotiating with him failed, several groups joined together to dismantle his operation.

Loyalist militias

On the other side of the conflict, loyalist militias have engaged in a very different strategy. In government-controlled areas, the state still provides basic salaries for public servants and allocates maintenance budgets and minimal running costs for most municipalities. Government finance falls outside the scope of this paper, as the issues must be studied within the larger parameters of maintaining the stability of the formal economy and saving the Syrian pound from further deterioration. What is of concern here is the dynamic via which local pro-government militias have emerged, and how local warlords have established their power and fortunes. Although some recent rumours mention targeted funding to Shabiha units by Iran,[43] this would still seem to depend upon the regime's approval and fall under the formal territorial strategy of the central government.[44] In essence, the central government has outsourced protection of loyalist communities to militias comprised of local young people and often led by charismatic local leaders (Carter Center, 2013).

In government-controlled areas, pro-regime leaders make their reputation through their bravado in protecting their communities from rebel attacks. Funding loyalist militias involves a critical balance, similar to that faced by rebels, between community reputation, on the one hand, and the ability to collect local extractions and tithes to pay for their members, on the other. However, in regime-controlled areas, the bulk of the money collected is kept for the fighters themselves, as the state still provides basic services. To that effect, extraction is often poorly justified in the eyes of the community (Williams, 2014). The more successful warlords tend to choose their battles very carefully so that they lead their fighters into situations where they could secure substantial loot, without having to sacrifice too many fighters and without attracting the wrath of their families. Criminality is tolerated as long as it is addressed towards other communities, mainly opposition

41 Information is drawn mainly from the websites of the various groups and from the websites associated with the religious authorities established by the rebel groups to mitigate differences among them. Triangulation was made possible through key informants on the ground. However, a caveat must be pointed out: mapping from above rarely matches realities on the ground. To that extent, this paper can only suggest general trends and cannot give specifics. For some textured narratives, see Darwish (2014).

42 In a review of a wide range of websites representing over 45 of these authorities, it was found that only a few have managed to maintain a wide range of activities (justice, local services, local fees and taxes, etc.). The bulk remain concerned only with administering basic justice.

43 The interference of Iran in curbing local loyalist militias and securing the March 2014 truce in Homs was often explained by local activists as the impact of Iranian funding and training of these militias (Al-Quds al-Arabi, 2014). Such rumours, however, cannot be independently corroborated.

44 Research by Kheder Khaddour of the Carnegie Institute has focused on territoriality in Syria and the use by the state of regional patronage and identity politics for local governance was documented in Khaddour and Mazur, 2013. More recent research, to be published in 2015, focuses more directly on the territorial priorities of the regime.

areas, but the loss of loved ones has aggravated loyalist communities, and many have come to question the validity of continued mobilisation.[45]

The funding dynamics of loyalist militias is poorly documented. Accusations by the opposition of external support notwithstanding, there is evidence of private local donors providing funds as well. Through concessions, entitlements and even direct contracts with the state, many top business leaders have actually seen their firms flourish in the war.[46] Increased demand for particular goods and services has provided them with new monopolies. In return, they are supposed to fund pro-regime militias at increased levels (Hussein, 2014).

One emerging business opportunity involves law number 66, issued in 2012. It provides the state with extraordinary powers of "eminent domain" to expropriate particular areas known to have been theatres of hostility, and to establish public–private partnerships to re-develop these areas. Local residents would be compensated by small shares equivalent to the value of their land. Squatters of course will not be given any compensation, as they have abandoned the old Ba'ath social contract of the last 50 years: relaxed state controls on informality in return for total loyalty by the population. Many informal settlements were thus scheduled for clearance to make way for premium real-estate developments (Human Rights Watch, 2014).

Conclusions

In the final analysis, there is a strong correlation between the emergence of a new class of war profiteers and the promulgation of violence. As this paper has argued, maintaining the critical balance between local extraction of revenues and external funding will allow these new power brokers to maintain a certain level of hostility for years to come. The Syrian GDP has already lost more than 50% of its value since 2010; theoretically, the Syrian pound must have dropped to much lower levels than it has already done. The emergence of a new war economy is compensating for some of the loss, making up perhaps as much as 30% of the remaining GDP. Experience from other civil wars clearly shows similar results (Cockayne, 2010; Picard, 2005).

The point at which creed-based violence turns into pure greed-based violence is still difficult to identify in Syria; the two will probably remain interlinked for years to come. At the macro-level, the civilian population will be squeezed for its savings and remittances received from relatives living abroad. Syria has witnessed annual remittances of around $1.4 billion in previous years (Barout, 2013), and these funds are expected to grow to meet the increased needs of impoverished relatives still living inside the country. Along with humanitarian aid, these resources will be usurped, directly or indirectly, by belligerents seeking to sustain the war, particularly when external funds dry up.

Naturally, the war economy is already imposing itself as a major hindrance to the peace process. Spoilers, be they intentional or reluctant, have already undermined many entry points to building peace in Syria. At this stage, the return that can be expected from peace is considerably inferior to the marginal cost of continuing violence for many stakeholders. The war economy hinges on increased commercial risks, and makes its profit primarily from overpricing goods and services to compensate for the high risks associated with their provision. As the war is prolonged, protagonists learn to negotiate the risk and share the profit across the political divide; they do this either intentionally or tacitly. Warlords maintain violence at calculated levels to sustain an aura of high risk and to justify their profits.

A realistic approach for peace in Syria cannot ignore this issue any more. In that respect, another factor in reducing the risk of doing business locally is the impact of international sanctions, which play a counterproductive role by increasing the value of goods and services, and increasing the risks of bypassing controls, hence directly playing into the hands of the belligerents on all sides.

Entry points for peacebuilding must thus consider re-establishing viable local governance to break the critical relationship between local extraction and the personal positioning of warlords. Re-establishing local governance, however, will involve manoeuvring around local warlords, who will strive to mitigate the fragility of their ruling systems in order to justify the continuation of their role. To that extent, there are important examples on the ground, both positive and negative. The current legal framework allows for a great deal of flexibility, and must be explored rigorously. The delivery of humanitarian aid can also be coordinated through local governance structures and can support local-level dialogues, thereby creating a tangible counterweight to the monopolies imposed by warlords on all sides of the conflict.

With groups such as ISIS and the al-Nusra Front now emerging as the most efficient managers of non-conventional armed violence, the stakes in Syria are much higher than had been imagined by national and international stakeholders in the conflict. This could provide an important entry point for peacebuilding, not through a model of joining the regime or the opposition to fight against them, but by using a model that would enable local communities

45 For instance, the religious leaders of the Druze community in the Damascus suburbs have warned militiamen that if they fight in other neighbourhoods, they would be considered infidels. Should they die in such operations, the religious leaders would not perform the ritual death prayers for them.

46 Conversations with at least three major business leaders, who prefer to remain anonymous, suggest that there have been improved business opportunities in certain fields and/or a shifting of business opportunities to other sectors, mainly the wholesale of foodstuffs. Imports of essentials (medicines, food, cheap clothes) have provided ample opportunities to compensate some business leaders for their loss in other sectors.

to secure peace in their own midst and retake control over local violence through inclusive peace platforms or local peace committees. Stabilising local communities is a *sine qua non* for undermining the main foundations of success of ISIS and Nusra. The regime has proposed a crude mechanism for such a process, under the banner of local truces and reconciliation efforts. However, these truces are viewed by many in the opposition as nothing other than surrender under duress (Omran Center, 2014). For the process to be convincing, it must involve a clear strategy of building viable local governance in opposition areas, and providing resources and guarantees to use localised ceasefires as a stepping stone towards a gradual political process.

Peace in Syria will need sustainable roots. It must be built from the bottom up; the top-down process, advocated in the Geneva Communiqué, can work only if it is supported by transforming the dynamics of the conflict on the ground. At this stage, non-conventional armed violence is still reversible, as most warlords still build their success on a careful strategy of balancing power and reputation. The longer the war is prolonged, the smaller this window of opportunity may become.

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