Economic Consequences of Conflict, Displacement and Humanitarian Aid: Implications for Syria

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Economic Consequences of Conflict, Displacement and Humanitarian Aid: Implications for Syria

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Executive Summary

This March of 2016 marks the fifth-year anniversary of the Arab Spring uprisings in Syria, and therefore yet another year of brutal conflict and shattering displacement with no end in sight. As of November 2015, The United Nations High Commissioner for Refugees (UNHCR) has identified 4,290,332 registered refugees\(^1\) that have fled from Syria, and estimates another 7.6 million internally displaced persons (IDPs)\(^2\) (2015; Al Rifai 2015). According to the UNHCR, just within Syria, more than 250,000 individuals have perished and over one million have been injured (UNHCR 2015). Those who have been lost trying to cross the Mediterranean Sea into Europe, as well as on other treacherous routes to different locations, are impossible to gather complete data on in such devastation (OCHA 2015). In response to atrocities throughout conflict in Syria, and to the severe annihilation and uprooting of human life, the global community has provided different forms of support via international aid. Aid to Syria can be broken down into three categories: military/governmental aid, emergency humanitarian assistance, and long-term development aid.

This report analyzes the complex relationships between conflict, displacement, aid, and economics. Providing a brief overview of the context of civil war in Syria and an analysis of development literature on micro- and macroeconomic consequences of conflict and displacement, it critically analyzes the role of emergency humanitarian aid in contribution to the persisting conflict in Syria. It then discusses relationships of humanitarian aid and conflict through past cases of war in Bosnia-Herzegovina and in Rwanda. These two case studies have been chosen in order to demonstrate how aid can inadvertently become contributive to funding war economies, and also how the humanitarian principle of neutrality may render aid implementation and civilian safety vulnerable to manipulation. Finally, this report offers implications to consider for the current conflict economy in Syria, suggesting that it is imperative for humanitarian donors and practitioners to more responsibly allocate aid and resources.

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\(^1\) Legal definitions of forcibly displaced persons distinguish the different services available to them based on their circumstances. According to the UNHCR, “a refugee is someone who, owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of their nationality, and is unable to, or owing to such fear, is unwilling to avail themselves of the protection of that country” (UNHCR 2015).

\(^2\) An IDP shares the same conditions as a refugee but is displaced within the borders of their country of nationality. They do not share the same legal status as a refugee (UNHCR 2015).
Civil War Context in Syria

Syria is partly located on the Mediterranean Sea and shares its land borders with Turkey, Iraq, Jordan, Israel and Lebanon (CIA 2015). The city of Damascus is its capital. Syria was under rule by the Ottoman Empire, also known as the Turkish Empire, from the early 1500s until the fall of the Ottomans during World War I. It then became a French-mandated territory in 1920 (CIA 2015). Under French rule, Syria was divided into three autonomous areas, segregating or newly mixing different ethnicities and religions depending on the region. Eventually, Germany’s defeat over France in World War II led to Syrian independence in 1946 (UNSC 2014). After centuries of outside control, military coups and political power struggles now continually threatened the country’s stability. This prompted Syria to partner with Egypt in 1958, becoming the United Arab Republic, which only lasted until 1961, when the two entities separated and Syria became the Syrian Arab Republic (2014). A final military coup in 1970 brought Hafez al-Assad to power under the socialist Ba’ath Party for 30 years. Both Assad and his successor, his son, are of the Alawite ethnic sect, a branch of the Shia Islamic sect; wielding dominant political power of a roughly 12% minority sect for 45 years now.

In terms of foreign policy, Assad aligned his administration with the Soviet Union throughout the Cold War, and afterwards against the US and Israel with regard to Palestine. However, he repeatedly put the interests of maintaining his own regime before those of the Palestinians that he promised to protect (UNSC 2014). This betrayal included an abrupt truce with Israel in 1982 during conflict in Lebanon due to the Israeli-Palestinian conflict. The truce left the city of Beirut unprotected by Syria, and Israel thus laid siege to Beirut. Israeli forces killed 18,000 Lebanese and Palestinians, injuring an estimated 30,000 people (2014). Assad Senior is also known for internal repression throughout his 30 year-reign. Due to political and economic
instability, he enforced a State of Emergency Law in 1963, which “gave the government nearly unlimited authority to restrict individual freedoms and to investigate and detain suspects when national security and public safety were deemed to be at risk. Another law allowed for suspects to be tried and sentenced in special state security courts outside of the criminal justice system” (Brittanica Editors 2011). This law remained in effect for almost 50 years.

Starting in the late-1970s, a group called the Muslim Brotherhood and other Sunni groups began to openly oppose Assad’s regime. In response to Muslim Brotherhood uprisings and attacks, Assad directly ordered military forces to siege the town of Hama in February of 1982. During a period of 27 days, Assad’s military ruthlessly slaughtered an estimated 10,000 to 40,000 civilians, exposing Assad’s willingness to rule his own people with an iron fist (UNSC 2014). After a heart attack led to his death in 2000, his legacy remains sharply disputed throughout the world. While he is often demonized for his brutality and a damaged economy, he is also glorified for his response to rebel forces in a politically fragmented region (Marsden and Shaoul 2000). Assad’s son, Bashar al-Assad, was “approved as president by popular referendum,” shortly after the elder al-Assad’s death (UNSC 2014). From now on, this report uses the name Assad to refer to Bashar, the current president of the Syrian Arab Republic.

Although both Assad and his father are/were technically presidents of Syria, they are often regarded as harsh dictators. For Assad Junior, however, this was not always the case. He has been confirmed by the Syrian electorate twice, in 2000 and again in 2007, with no opposing candidate, and originally spoke of social reform (IAS 2015). He even released political prisoners of the Muslim Brotherhood in his early presidency. Assad has been outspoken against the US, Turkey and others, and is allied with Russia and Iran. However, since anti-government uprisings spurred throughout North Africa and the Middle East at the onset of the 2011 Arab Spring, Assad’s regime
has since committed atrocities against its citizens (2015).

The Syrian Arab Spring began in a southern town of Daraa with anti-governmental graffiti painted by students. Assad responded by ordering the 13-year-old boys to be arrested. They were tortured by police officials and later released, spurring protests all over the country. Since then, “in the past four years, (the conflict) has disintegrated into a cauldron of competing rebel groups, terrorist elements, international powers, and religious factions--all with a quarter million Syrians killed with millions displaced” (IAS 2015). At the beginning of protests, Assad appeased requests to relinquish the decades-old State of Emergency Law. However, days later, “he set off the first of what became a series of withering crackdowns, sending tanks into restive cities as security forces opened fire on demonstrators” (2015). Provoking protestors to respond with force justified the escalation of governmental violence exercised. Syria’s deep ethnic and religious divisions have severely complicated the actors at play in the Civil War. This report does not serve to analyze the main interconnections and backgrounds of different groups involved in Syria’s conflict, but illustrated below is the nature of relationships between its main allies, enemies and internal groups.
Given Syria’s history of politically imposed ethnic segregation and mixing, it is also necessary to understand its population differences that are tied to conflict. As of December 2014, Syria’s estimated population of 22.16 million is divided into more than 20 ethnic groups (World Bank 2016). These ethnicities are group identities that are historically constructed and based off of various or a combination of factors, including language, religion, shared history, culture, etc. (Columbia University 2016). Dominant religious practices in Syria include the majority practice of Islam, followed by Christianity and Gnosticism (related to Christianity). The following map from the G/2000 Project for statistics by Columbia University illustrates Syria’s main ethnic makeup distribution between 1997 and 2016. The white areas show lower population density. While the next section explores relationships of conflict, displacement, economics and aid, the populations involved in and vulnerable to armed conflict in Syria are necessary to keep in mind.

**Ethnic Composition of Syria (adjusted from original image)**
Conflict, Displacement and Aid

Economic Consequences of Conflict

The UNHCR has identified 12.2 million individuals in need of humanitarian assistance in Syria, including 4.3 million refugees and 7.6 million IDPs (UNHCR 2015, 1). This section draws on history and development literature to discuss the economic consequences and benefits of conflict and displacement, in order to situate Syria within these variables. In terms of armed conflicts, the end of the Cold War brought major political changes, an aftermath of poor governance in formerly colonized states, and a surge in civil wars across the globe (Uvin 1999). Armed conflict causes imperative repercussions both for human victims, and their surrounding structures and institutions. Victims of conflict are likely to suffer from “malnutrition, illness, wounds, torture, and harassment of specific groups within the population; disappearances, extra-judicial executions,” sexualized violence and mass forced displacement (Perrin 1998). Aside from not only stripping individuals of their basic needs and well-being, armed conflict also erodes their surrounding physical, economic and social structures. The International Monetary Fund (IMF) found in 2002 that “Over 4 million people are estimated to have died in violent conflicts between 1989 and 2000, and 37 million people displaced both internally and externally. In the year 2000, 25 major armed conflicts occurred, 23 were cross-border” (Gupta et al. 2002, 3). Regardless of measures to resolve and prevent conflict, it has since overwhelmingly increased, as demonstrated by the current conflict in Syria (UCDP 2015).

Economist Daniel Mejía defines conflict in terms of “the defense of one’s resources or wealth from the threat of exportation or destruction by others” (2004, 3). Resources can also be understood in terms of human rights, which allow one to access the necessary tools to live a decent life. Amidst human rights atrocities in Syria, one can infer that armed conflict not only physically,
but also emotionally strips victims of their resources through which they approach daily life. Conflict effects everything through its severe social, political and economic consequences. It occurs for a variety of reasons and may be internal (civil war or rebellion within a state), external (between states) or in the form of terrorism (initiated by non-state actors) (Skaperdas 2009, 2). In the case of Syria, we see both internal conflict and terrorism, as well as indirect conflict between states. Some instigators of conflict include poor governance, different forms of inequality or poverty, and struggles for resources. Currently, most conflicts occur in the ‘developing’ world, but also create devastation and complication for the entire global community (Gupta et al. 2002, 2).

In “The Costs of Organized Violence: A Review of the Evidence,” economist Stergios Skaperdas differentiates between the direct and indirect costs of conflict. Based on available data in 2009, he evaluates direct costs to include: “destroyed public infrastructure, destroyed factories and machinery, destroyed housing, autos, and other personal property, budgetary appropriations for cost of war and cost of lost equipment, death toll, physical and mental injuries, future costs of disability, and future costs of physical and mental health care” (Skaperdas 2009, 5). Skaperdas then lists indirect costs of conflict as “population displacement, reduced production due to violence or its threat, reduced trade due to violence or its threat, lower current and future physical investment, reduction in education opportunities, brain drain, reduced tourism from abroad, other macroeconomic effects (inflation, further unemployment, reduced economic growth), and overall welfare costs” (2009, 6). These costs account for social impacts as economic reduction of human capital, productivity and overall net economic losses. As included in Skaperdas’ analysis, macroeconomic effects occur whether the conflict is internal or external (including national or international terrorism). In a globalized neoliberal system, the free market suffers drastic changes in commodity chains, especially since most conflict occurs in ‘developing’ nations which are
generally export-based economies. As a result, inflation can occur not only within a country of conflict, but for trade partners and consumers around the world. Additionally, conflicts that produce a large number of refugees, such as in Syria, put a strain on resources for refugee-receiving nations, cyclically augmenting social stress and the likeliness of conflict emergence (Cali et al. 2015, 34). While Skaperdas adequately addresses the negative impacts on cash flows that were typical prior to conflict, he fails to recognize certain benefits that Mejía explores.

Mejía rejects the notion that all economic outcomes of conflict are negative in “Conflict and Economic Growth: A Survey of Theoretical Links” (2004). Analyzing the relationship between conflict and growth, Mejía weighs the options for societies to allocate resources towards further measures of defense, or to the discontinuation or resolution of conflict. He discusses instances of conflict’s positive influences on economic growth, including a redirection of human capital to defense practices, which can lead to increased morale and efficiency for post-conflict strategies. Upon the end of conflict, countries can experience massive benefits to economic growth, as the majority of the labor force returns to productive activities in goods and services, and rapidly accumulates capital. This type of capital refers to wealth in the form of money or assets, and is different than human capital, which indicates the economic value of an individual or population based on their skills, knowledge and experience (World Bank 2016). Mejía uses the examples of Germany and Japan in World War II to demonstrate that although conflict can be detrimental to short-term growth, it can have significant positive influences on long-term growth (2004, 9). While this is true in the contexts of his examples, Mejía does not account for the different historical conjectures that play a part in a nation’s capability to bounce back both economically and socially. For example, Germany and Japan do not suffer from the same legacies of colonization that most ‘developing’ countries, like Syria (in relation to the Ottoman Empire and
France) continue to endure, and so their trajectory for post-conflict growth is arguably on a different scale of comparison. Nonetheless, he found that ‘developing’ countries tend to invest more resources and labor into defense and less into productive activities so much so that they may become caught in a ‘growth trap’, when “countries cannot expand their wealth because they continue to invest in defense rather than production, yet their inability to accumulate wealth leaves them more susceptible to conflict” (2004, 6). This applies the concept of the ‘poverty trap’ to a national level, and demonstrates how growth also influences conflict. As growth increases, so must protection of property rights, but if not, then circumstances prone to conflict are more likely to arise. Mejía therefore asserts that countries must undertake significant institutional reforms after adopting Western capitalism as a prerequisite of conflict prevention (2004, 17). However, while capitalism tends to exacerbate inequalities, one must not only take into account a context’s capability for linear growth and protection of property rights, but also existing conceptions of property and growth that may differ. Although capitalism is utilized to the advantage of conflict prevention in certain contexts, it may very well present a threat to the volatility of conflict in others.

In “Fiscal Consequences of Armed Conflict and Terrorism in Low and Middle Income Countries” for the IMF in 2002, researchers Sanjeev Gupta, Benedict Clements, Rina Bhattacharya, and Shamit Chakravarti analyzed twenty-two cases of armed conflict and terrorism in low and middle income countries. Extending from Mejía’s point on security expenditure, they state that “Higher spending for security can also affect the composition of public spending by decreasing outlays for education, health, and other productive items. Moreover, the destruction of physical infrastructure and human capital due to violence and the indirect effects on trade, tourism, and business confidence, all weaken the fiscal position and adversely affect economic growth” (2002, 5). The authors then reinforce previous arguments that conflict both negatively and
positively influences economic stability by discussing subsequent resource mobilization and flourishing informal economies during wartime. Applying this analysis to conflict in Syria, it can be assumed that the deeply polarized nation will face severe economic instability for quite some time to come. As of now, its gross domestic product (GDP) annual growth rate stands at -2.3% (World Bank 2016). While eventual post-conflict periods may also lead to further instability as power dynamics will likely shift and whoever is in charge will have a broken economy and social fabric to mend, there is hope for a reallocation of human capital and productivity for the future of the economy. Something irreparable, however, may be the millions of Syrians currently displaced outside of their country of nationality. For example, the 1.1 million Syrian refugees in Lebanon are not even included in the existing population statistics of about 4.5 million Lebanese, meaning Syrian refugees alone comprise an additional 25% beyond the existing population, not including Pakistani or Iraqi refugees (USAID 2015). This presents circumstances of reduced capital for post-conflict in Syria, as well as stress on the resources of refugee-receiving countries, such as Lebanon.

**Economic Consequences of Displacement**

In “The Impact of the Syrian Conflict on Lebanese Trade” (2015), World Bank Group researchers Massimiliano Cali, Wissam Harake, Fadi Hassan, and Clemens Struck reveal the extreme economic pressure that Lebanon has undertaken by accepting the highest number of Syrian refugees in the world. Through several econometric analyses, the authors determined that the effects of the Syrian conflict on Lebanon, who has almost doubled its population with incoming refugees, was surprisingly mixed. Contrary to Turkish and Jordanian exporters, Lebanese exports to Syria have actually increased in some sectors, namely food, beverages and tobacco. This can partly be attributed to the trade and smuggling relationships discussed earlier. The main mode of
transport has also shifted from the now dangerous land routes, to the sea through the port of Beirut, saving on land costs that have inflated since the conflict (Calie et al. 2015, 46). While “The war has reduced the Syrian demand for goods and services, including of Lebanese origin…on average an exporter of foods to Syria before the war lost US $90,000 by 2012,” Lebanon has also been able to account for some of the lost production (46). Lebanon also does not rely as heavily on tourism as other nations in the region, so the erosion of that sector has been bearable (47). However, Lebanon’s domestic security conditions are deteriorating with surrounding conflict and recent terrorist attacks on Beirut. The authors argue that external support to help with formal integration of Syrians into the Lebanese economy would be effective in maximizing the benefit of their presence (48). Their study offers an interesting foundation to further explore the current economic well-being of Lebanese households because, as a small area receiving millions of refugees, the nation is positioned as perceivably helpless and disadvantaged; but their findings of unexpected positive outcomes indicate the current entrepreneurial creativity of individuals and households dealing with changing circumstances. The following study on Uganda explores the different factors that influence households in the context of mass displacement.

Agricultural economist Nathan Fiala looks into the well-being of IDP households in Uganda in “Economic Consequences of Forced Displacement” (2015). Fiala compares household consumption patterns before, during and after displacement for IDPs from a wide range of socioeconomic classes, as well as the effects of living in an IDP camp for an extended period of time. He describes that the initial effects of displacement were drastic. Ugandan IDPs lost assets, including agriculture and livestock, and the ability to earn income or further their education; stripping away their ability to use or develop any productive skills. Fiala states that this essentially “removes them from the mainstream economic system” (2015, 17). In camps, Ugandan IDPs
depended on humanitarian aid from NGOs for means of survival, most now living in much lower living standards than pre-displacement times. While most households saw a decrease in consumption, poorer households actually increased their consumption patterns in camps, unintentionally creating a dependency upon aid for households that lacked the capital to recover from displacement (2015, 18-19). Upon resettlement post-conflict, displaced households showed a 28-35 percent lower rate of consumption than household that were not displaced, as even wealthier families struggled to recover (2015, 17). However long this temporary set-back was for many families that eventually were able to normalize their losses, displacement became a permanent setback for others who entered a poverty trap. Fiala’s anaylsis demonstrates how displacement exacerbates class dynamics throughout and after conflict. He also discusses asset recovery programs provided by NGOs that were insufficient compared to the assistance previously provided in camps. He concludes that this dependency has contributed to poor families still not being able to obtain the capital necessary to recover from displacement (2015, 20). The case of Uganda offers considerations to take into account for Syria, including the inequality that displacement exacerbates, as well as dependency on aid when conflict, displacement and human rights abuses strip victims of various physical and internal resources. The following section continues the conversation of economic consequences of conflict and displacement by incorporating intertwined relationships of humanitarian aid in the specific context of Syria.

Aid Dynamics in Syria

As stated previously, the UNHCR has identified 12.2 million individuals in need of humanitarian assistance in Syria (UNHCR 2015, 1). Since the start of this conflict, aid has been contributed by means of humanitarian, military and development funding types. Humanitarian aid
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consists of two kinds: emergency assistance, which this report focuses on, and a transition to long-term development aid which humanitarian organizations also have a role in. Emergency assistance can be provided in many forms, including food, shelter, health or educational services, protection, etc., and even through cash and vouchers that allow beneficiaries to access resources in camps according to their particular needs. However, the necessity of these services increases as conflict worsens, and in 2015 the UNHCR estimated a total of $8.4 billion required to reach the 12.2 million in need - $2.9 billion for their 2015 Syria Response Plan (SRP) and $5.5 billion for their Regional Refugee and Resilience Plan (3RP) (2015, 1). The Financial Tracking Service (FTS) reports that 57% of these needs were met in 2015, demonstrating that there remains a huge gap in services provided versus actual needs. The FTS determined that $7,213,389,150 worth of requirements was necessary to respond to Syria’s conflict and displacement. A total of $5,857,170,953 was donated to Syria in 2015, by “donor commitments and contributions towards the SRP and 3RP, as well as contributions outside these frameworks… as reported to FTS and UNHCR,” but only $4,079,683,937 was received by beneficiaries, presenting a $3,133,705,213 deficit and a staggering $1,841,314,129 that was actually donated but not received (FTS 2015). FTS’ calculation of aid funded versus aid received exposes an alarming gap in resources that the following analysis explores. This section will discuss aid providers in Syria, obstacles to distribution, as well as evidence that aid is aiding conflict and the broader implications of patterns that have emerged.

Within Syria, since 2012, international aid has been mainly deployed from Damascus by UN agencies, the International Committee of the Red Cross (ICRC), and about a dozen international NGOs (in the Appendix, see Figure 1 which disaggregates 2014 aid indicators and outcomes, and Figure 2, which maps distribution). Their aid is then channeled through local
organizations, mainly the Syrian Arab Red Crescent (MSF 2013). Some of the core humanitarian organizations involved in providing assistance to Syria include: Doctors without Borders (Médecins Sans Frontières or MSF), Oxfam America, Catholic Relief Services, World Vision, Save the Children, as well as others (FTS 2015). However, several factors have created obstacles for these organizations to effectively reach and address the needs of civilians. Overall, these organizations function within an arguably shrinking humanitarian space. While the definition of this “space” is widely debated conceptually, common understandings include the physical access that agencies have to vulnerable populations, and vice versa; agency ability to uphold core humanitarian principles, such as neutrality; and widespread budget cuts that narrow the amount of aid available for each humanitarian crisis at a time. Cynthia Brassard-Boudreau and Don Hubert provide evidence that this space is shrinking due to “decreasing respect for humanitarian law, increases in attacks on humanitarian workers and declining access to populations at risk… the blurring of boundaries between humanitarian organizations and other actors and agendas, including militaries and the delivery of assistance, counter-insurgency strategies and integrated UN missions” (2010). The role of foreign and non-state actors in the conflict in Syria contributes to shrinking the humanitarian space because various types of aid to Syria are distributed based on the political agendas of the aiding entity. It is important to take into account that the complex and diverse group of actors have conflicting objectives. For example, relational chart in the previous section illustrates Iranian monetary and military support to the Assad government. Russia and China are not included in the chart but also provide this same type of foreign aid as political allies of Assad. While Assad forces bomb rebel areas and therefore also target civilians in these areas, the foreign aid counteracts that of MSF or the UN who are working in response to attacks on civilians and their displacement. Such contradictory aid distribution sources make Syria a proxy
ground for the establishment and negotiation of global and regional political agendas and loyalties.

Another major obstacle for distribution of aid to Syrian civilians is governmental regulations on aid, as well as crumbling infrastructure. Humanitarian organizations must be authorized by the Syrian government to distribute emergency aid on the ground, but, as reported in “Syria Two Years On: The Failure of International Aid” (2013) by MSF; the government has not allowed local NGOs to work in government-held territory for years now (see territory map, Figure 3 in the Appendix). Outside of these territories, the government still limits humanitarian aid and may refuse entry into Damascus. Thus, the local groups through which humanitarian organizations are required to distribute aid are limited geographically and also already operate at full capacity (MSF 2013). Beyond the narrow reach of humanitarian actors in Syria, “most aid for civilians comes from three sources: the Syrian diaspora, countries ‘sympathizing’ with the opposition (Saudi Arabia, France, Turkey, Qatar, and others), and political and religious solidarity networks” (MSF 2013). Any of this aid is vulnerable to targeted bombings by any party. For example, Russian airstrikes in December of 2015 in Northern Syria paralyzed various aid routes, which have been repeatedly dysfunctional both within Syria and across its borders due to crumbling infrastructure from attacks (Sly 2015). The fragile and strictly regulated aid network thus creates a situation in which access to services is simply not consistently available by formal or legal means, not only within Syria, but for the now 1.9 million Syrian refugees in Turkey, 1.1 million in Lebanon, 628,887 in Jordan, 248,503 in Iraq, and millions of others across Europe (USAID 2015).

The lack of infrastructure and resources in Syria has inevitably led to smuggling and skyrocketing black market activity since the Arab Spring. Nevertheless, the scope of informal economics in Syria is not new and certainly does not always involve necessarily illegal activities.
In “Shadows and Sovereigns,” Carolyn Nordstrom draws on her fifteen years of field experience working in war zones to describe shadow economies as existent both outside of and alongside formal economic activity, and as just as centrally entrenched in economic, political and sociocultural forces (2000, 37). Applying this to Syria, Matt Herbert describes the existing shadow, or informal but accepted, economy in Syria prior to 2011, and explains how the start of conflict actually has strengthened both new and old smuggler relationships across surrounding national borders (Herbert 2014, 56). While many partnerships were established beforehand, the desperate need for resources in and for escape out has led to elaborate and creative trade routes, as well as the illicit marketization of human smuggling from Syria to safety (2014, 70). “In turn, the networks benefitted greatly from the chaos, both by supplying the demand for weapons and humanitarian aid, and by leveraging the chaos of war to systematically appropriate and loot key sectors of the economy. The increase in smuggling was enabled by a sharp decline in Syrian government power in the borderlands, a trend accelerated by the military success of rebel groups in those areas” (2014, 76). Given the strict restrictions on aid fluidity in Syria, it is also a logical assumption that aid workers would utilize these channels, and that not all aid is moved formally. In 2012, two Syrian men who had fled to Turkey with their families reported being part of a network of at least 60 Syrian aid smugglers that commissioned humanitarian aid from Turkey, and traveled back and forth between its porous borders with Syria in order to distribute it to civilians with little to no access to resources (Agence France-Presse 2012). This example provides evidence of humanitarian aid’s role in Syria’s current shadow economies. This can become problematic, however, when aid becomes directly integrated into the war economy.

While aid is moved informally to reach civilians, a portion is also used as bargaining leverage with enemy forces like the Islamic State of Iraq and the Levant (ISIS). “Not only are
foodstuffs, medical supplies—even clinics—going to ISIS, the distribution networks are paying ISIS ‘taxes’ and putting ISIS people on their payrolls” (Dittmer 2014). Aid workers in Syria explain that truckloads of food and medical equipment, funded by the UN, the EU and the US Agency for International Development (USAID), are moved into ISIS territories in order to reach civilians there; which comes with a price. Reportedly, not only do pay-offs to enter ISIS territory contribute to their income, but bribes are disguised as transport costs and “‘there is always at least one ISIS person on the payroll’” that communicates directly between the aid workers and an ISIS emir, or leader (2014). This forced but consistent relationship has also further hindered the movement of aid from other more neglected regions in northeast Syria. Furthermore, aid is by principle neutral, which means it does not discriminate against ISIS members in need of care. “Many aid workers are uncomfortable with what’s happening. ‘A few months ago we delivered a mobile clinic for a USAID-funded NGO,’ says one, who declined to be named. ‘A few of us debated the rights and wrongs of this. The clinic was earmarked for the treatment of civilians, but we all know that wounded ISIS fighters could easily be treated as well. So what we are doing here is helping their fighters, who we are bombing, to be treated so they can fight again?’” (2014). While aid workers and donors don’t want to revoke assistance that could reach innocent civilians, this presents an ethical dilemma concerning humanitarian neutrality, which this report will soon address in detail. Outside of humanitarian assistance, the privatization of aid accelerates inequality in terms of what sectors of the Syrian population have access to resources.

Private donors from abroad have also become a ‘wild card’ in this war. Sympathizers of any party are now able to donate cash directly towards their preferred beneficiary. “One Kuwait-based effort raised money to equip 12,000 rebel fighters for $2,500 each. Another campaign, run by a Saudi sheikh based in Syria and close to Al Qaeda, is called ‘Wage Jihad with Your Money.’
Donors earn ‘silver status’ by giving $175 for 50 sniper bullets, or ‘gold status’ by giving twice as much for eight mortar rounds,” rationalizing from their standpoint, “‘we want to get Bashar out of Syria, so why not cooperate with Al Qaeda?’” (Hubbard 2013). These donors create a self-sustaining dynamic that is “totally independent of all the strategic and diplomatic games that are happening and being led by states” (2013). Not only does privatized aid directly fuel armed conflict in Syria, it creates an elitist privilege to resources that are inaccessible to the average civilian. Private, selective aid distribution makes it so members of the Syrian population do not have the same capacity to earn or access cash, which influences dynamics of who controls local goods in the functional and dominant shadow economy, as well as its inflation rates (Nordstrom 2000, 51).

Such control of non-state actors then exacerbates inequalities such as class, gender and age by further immobilizing civilian populations while funding combatants. Whether this cycle presents an incentive for more civilians to join armed groups is at least a possibility. Regardless, privatized aid presents an example of how the humanitarian space is shrinking and that aid, not only (but including) humanitarian, is aiding conflict in Syria.

The patterns of aid distribution that this section has discussed inform the nuanced decisions of donors and allies. The international community has so far tended to tread with caution when sending aid to Syria due to the complexity of actors involved, among other factors, and the unknown amount of aid that contributes to ongoing conflict is a major reason to at least hesitate or withhold funds, risking the provision of help for civilians. While millions of Syrians are so clearly in desperate need of assistance, this raises the question of why international powers have not interfered based on their Responsibility to Protect (R2P). In 2005 at the UN World Summit, all UN member states adopted the global commitment of R2P, meaning that they agreed to actively prevent realities of genocide, war crimes, ethnic cleansing and other crimes against humanity. The
topic of R2P has been central to international discourse on how to respond to atrocities committed in Syria, but little has been done to intervene and thwart future violence (Adams 2015, 3). Increasing pressure is being put on the Security Council and foreign powers, like the United States, to engage their R2P, but requests have been answered by assistance provision rather than intervention. Political-economic relations come in to play in these decisions, especially due to some of Syria’s powerful allies. Thus, conflict in Syria has not only presents local and regional implications, but also global. Locally, the dynamics of informal aid channels and bargaining also directly impact regional economies in refugee-receiving countries like Lebanon and Jordan. Further analysis into aid movement and profiteering in Syrian IDP and refugee camps would likely also yield important insight into the aid dynamics at hand. This section has offered insight into the dynamics of conflict, displacement and aid in literature and in Syria, demonstrating that aid, including but not exclusively emergency humanitarian assistance, has become part of the Syrian war economy. The following section explores other examples where this has occurred, in Bosnia-Herzegovina and Rwanda, further incorporating the principle of humanitarian neutrality into the analysis of the complexity of armed conflict in Syria.
Humanitarian Aid and Neutrality

This study has so far discussed humanitarian aid in the case of Syria. While emergency assistance is undoubtedly a necessary service throughout and after armed conflict, this section examines its shortcomings by drawing on relevant literature and past humanitarian crises. Humanitarian action is guided by four main principles: humanity, neutrality, impartiality and independence. In *Condemned to Repeat? The Paradox of Humanitarian Action*, the Director of Research at MSF, Fiona Terry, critically analyzes these principles based on her informed experience in the field and in academia. While Terry’s criticisms of humanitarian aid directly serve the purposes of this report, her arguments are limited to her individual experiences and are subject to unjust generalization. In *Condemned to Repeat?*, Terry states that “humanitarian assistance is necessary only once governments or combatants have been unwilling or unable to shoulder their respective responsibilities” (2002, 17). In situations of conflict, humanitarian organizations must stay politically neutral in attempts to navigate between the regulations of sovereign states and actors, as to not risk their ability to effectively provide safety for and reduce the suffering of victims. Neutrality puts saving human life first, on all ‘sides’ of a conflict. Regardless, “humanitarianism has political impacts that influence dynamics of peace and violence” (Uvin 1999). Terry exposes the paradox that humanitarian aid actually becomes integral to conflict:

Humanitarian assistance will always have some negative consequences even if these are not immediately visible to aid organizations. Aid will always generate some winners and some losers; in order to reach victims it is often necessary to work with and through rebel leaders or government officials who have blood all over their hands. Pretending that aid can actually be given without causing any harm is utopian. Moreover, it is counterproductive if we are to make hard-headed assessments about the relative good and harm of our actions and act accordingly (Fiona Terry as cited in Sexton 2003).
In *Humanitarianism in Question: Politics, Power, Ethics*, Janice Gross Stein discusses the accountability of humanitarianism, despite its political neutrality in policy. She argues that accountability has been stunted by the concept of neutrality since the field’s establishment (Barnett and Weiss 2008, 142). Nonetheless, humanitarian organizations balance and juggle the needs and obligations of those they serve, of those that fund and of their own ethics as well, creating an inevitable dynamic of power and politics. In other words, the foundational principles and intentions of humanitarianism do not make those that function within its policy immune to accountability for its short- and long-term, in this case; economic consequences. Despite a decrease in armed conflicts between the 1990s and 2008, aid towards conflict continued to increase, as illustrated below, and there has since been a rise in conflict globally (Gha 2010).

**Growth in Humanitarian Funding to Conflict-Affected States, 1999-2008**

The following case study on Bosnia-Herzegovina examines how humanitarian aid has played a role in exacerbating the previously discussed economic consequences of armed
conflicts, focusing on war economies. It is one of the two following examples that serve as opportunities to extract lessons and learn from former crises for the current practice of humanitarianism in Syria.

**War in Bosnia-Herzegovina, 1992-1995**

The Bosnian War entailed a series of large and small sieges over the course of three years, resulting in civilian deaths estimated to be in the tens or hundreds of thousands (Andreas 2008, 165). Humanitarian workers played many formal and informal roles throughout the conflict. “Formally, the United Nations (UN)-directed humanitarian aid operation fed Sarajevo’s (capital city) civilian population… Informally, the relief effort fed the opposing armies and enriched black marketeers on all sides” (2008, 43). Some black market activity included prostitution, trade in cigarettes, heroin, alcohol and food, as well as other mafia activity, leading to increased capital for weaponry and so on. Initially, the UN handed over almost a quarter of all aid to Serb besiegers in Bosnia-Herzegovina in order to gain access to civilians in Sarajevo. The money from that agreement directly trickled into and funded ongoing smuggling channels. In addition to the aid directly handed over, with Serb forces surrounding the city, 30 percent of all aid was typically “lost” in route to aid workers and civilians within, while “the UNHCR and other aid agencies pragmatically tolerated and accepted a certain amount of theft and diversion as the price of admission” (2008, 43). Given the sociopolitical fragility within Sarajevo, humanitarian decisions to ‘look the other way’ allowed organizations to continue reaching vulnerable populations, while simultaneously fueling sources of conflict and exploitation that sustained such vulnerability. A layout of how humanitarian aid contributes to the economy of war, as it did in Bosnia, is provided on the following page.
## The contribution of humanitarian aid to the economy of war

<table>
<thead>
<tr>
<th>Type of Contribution</th>
<th>Macro</th>
<th>Meso</th>
<th>Micro</th>
</tr>
</thead>
</table>
| Legal                | - Import taxes  
- Immigration fees  
- Warehouse rental  
- Purchase of food  
- Taxation of salaries  
- Airport/port charges  
- Administration fees  
- Exchange rates | - Housing rental  
- Car rental  
- Truck rental  
- Purchase of locally manufactured products  
- Taxation of salaries | - Assistance to local authorities  
- Purchase of local raw materials  
- Taxation of salaries |
| Gray Area            | - Obligatory employment of certain staff | - Obligatory employment of certain staff  
- Taxation of recipients | - Employment of guards  
- Taxation of recipients |
| Illegal              | - Government misuse of aid  
- Bribery and corruption  
- Black market purchase and currency exchange | - Checkpoint extortion  
- Looting materials from aid agencies  
- Protection rackets  
- Inflated population numbers | - Checkpoint extortion  
- Looting recipients after distribution  
- Trading in looted goods |

(Terry 2002, 35)

In Bosnia-Herzegovina, the UN had also identified and funded six “safe areas” within six different cities of Bosnia-Herzegovina, primarily to protect Muslim civilians from Serb attacks (Terry 2002, 30). Due to obligations of neutrality, these areas were negotiated to be demilitarized, without the necessary humanitarian capacity to actually do so, or to defend the areas. The “safe” areas allegedly ended up being used by the Bosnian government to refuel and launch attacks from within. Ultimately, Bosnian Serbs viewed the safe areas as strategic zones for Bosnian Muslims and overran two of the safe areas in 1995, killing up to 20,000 civilians (2002, 31). Thus, the
economic investment of these zones created in Bosnia-Herzegovina under humanitarian objectives became tools for an escalation of conflict, as well as targeted areas for massacre. This suggests that ‘neutral’ spaces within conflict zones are simply unrealistic. In addition, the spoken and unspoken negotiations made by aid workers throughout conflict in Bosnia-Herzegovina inadvertently sustained conflict by bolstering the informal sector and therefore indirectly funding opposing militarized benefactors until blood was shed within the parameters of aid protection itself. The war economy in Bosnia-Herzegovina, including aid-workers bargaining with and bribing locals to access vulnerable populations, is relevant to the previous discussion of aid routes and shadow economies in Syria. While the conflict persists, the “safe zones” in this case study also serve as a cautionary lesson for spaces created by aid organizations in Syria. The next study on Rwanda further explores such spaces and analyzes how aid has been mishandled and used to further segregate conflicting groups, again presenting the principle of neutrality as an obstacle to responsible aid allocation and management.

*Rwandan Refugee and IDP Camps in Zaire, post-1994*

Before Bosnia-Herzegovina was at war, Rwanda had been in a civil war since 1990 between the Hutu-led government of President Juvénal Habyarimana and the rebel Rwandan Patriotic Front (RPF), largely comprised of Tutsi IDPs. This gruesome war led to a 100-day genocidal mass slaughter of Tutsi and moderate Hutu ethnic groups in Rwanda by members of the Hutu majority in 1994. An estimated 500,000 – 1,000,000 Rwandans were killed, with no outside intervention to help stop the blood (Terry 202, 180). While the presence of humanitarian aid did play a role in the war economy during Rwanda’s Civil War and genocide, this analysis will instead focus on their aftermath, in which war criminals became exempt from prosecution while in refugee
camps in Zaire (now the Democratic Republic of Congo), manifesting conflict within refugee and IDP camps; another type of “safe” zone.

The RPF claimed its victory in 1994 by shooting down the president’s plane. More than 200,000 Hutu Rwandans then fled to refugee camps in the Hutu-led Zaire. Though it was impossible to really tell victim from perpetrator in the camps, the UN identified thousands of former leaders, military personnel and militia that had been involved in the genocide against Tutsi and moderate Hutu Rwandans (Adelman 1997). Here, Tutsi refugees from Rwanda and other nations were now forced to coexist with members of the extremist and ruthless Hutu combatants. Hutu authorities within the camps created sub-states and charged refugees for goods that they were entitled to for free by the UNHCR. “The former government authorities imposed their control on the refugee population through a well-conceived institutional, political and administrative framework” (1997). They also used tactics of psychological violence, threats and propaganda in order to prevent Tutsis from leaving the camps. Zairian police forces were deployed in order to create a barrier between genuine refugees and Hutu killers, termed ‘refugee warriors’. These forces regulated food and other material distribution, but ultimately became a back-up militant force for the Hutu refugee warriors (1997). Terry argues that despite the catastrophe of governance in these camps, humanitarian organizations decided to stay for four reasons: 1) they rationalized that Tutsi refugees would be more vulnerable upon their departure, 2) the principle of neutrality took precedence, 3) some believed they could enact change and control the militia, 4) others aimed to distribute aid as technically and efficiently as possible, without getting involved in any local political issues (Terry 2002, 200). “With a military force in place, with economic resources, with a host government that not only looked the other way, but facilitated their operations, a quasi-state had been established in the refugee camps in Zaire. The captive population that was not only being
fed by the international community but, based on exaggerated figures of the refugee population, was supplying the refugees with surpluses that could be sold on the black market.” (Adelman 1997).

Several killings were carried out against Tutsi refugees in Zaire, while Hutu IDPs in south Rwanda were also imprisoned by their camp. In 1995, more than 4,000 ethnically Hutu Rwandans were murdered in the Kibeho Camp massacre by the new RPF government. Humanitarian actors remained silent in order to stay ‘neutral’:

[There were] about 150,000 refugees standing shoulder to shoulder on a mountain plateau the size of three football fields... For the last sixty hours the refugees had been forced to relieve themselves where they stand or where they have fallen. The stench takes my breath away... The refugees do nothing, say nothing, just stare at the Zambians... The two roads winding through the mountains to Kibeho have been closed. Food and water convoys from aid organisations are being stopped and sent back. The government has forbidden all refugee aid...A group of refugees, about six of them, break away and start running into the valley. Rwandan troops started firing immediately. We see the refugee fall dead. I scream at Capt. Francis [Zambian officer] “Stop them! Do something!”... He answers “We have been ordered to cooperate with the Rwandan authorities, not shoot at them.” “Even if they kill innocent people before your eyes?” “Yes,” he answers (Polman 1999).

Terry also describes the half-effort made by the international community after the Kibeho attack. Aid was pulled out for one month and then re-implemented after an ‘International Independent Commission of Inquiry’ into the massacre, authored by members of the RPF. All aid organizations eventually withdrew once Rwanda was no longer considered a “complex emergency situation” (2002, 211). The Rwandan crisis challenges honoring the principle of humanitarian neutrality above all else. Other examples of aid aiding war economies and displacement include: Afghan refugee camps in Pakistan, Nicaraguan and Salvadoran refugee camps in Honduras, Cambodian refugee camps in Thailand, MSF and the economy of war in Somalia, action and legitimacy in Biafra, and famine and population control in Northern Ethiopia (Terry, 2002). While the case of
Rwanda also demonstrates the extreme costs of neutrality at times, as well as the risks associated with ‘safe spaces’, it more so reveals how conflicting dynamics between populations are able to manifest themselves within IDP and refugee camps. This is pertinent to Syria given its ethnic diversity and the social inequality that has been deepened by the devastation of conflict and displacement. Such dynamics of inequality are directly related to civilian access to resources, even in camps, and both the cases of Bosnia-Herzegovina and Rwanda warn for the field of humanitarianism to be cautious when it comes to assuming that any space is safe during armed conflict, especially when neutrality is a prerequisite for this safety within a context of warring entities. The following section discusses these implications for Syria in more depth.

**Implications for Syria**

This report has provided a brief overview of conflict in Syria, as well as an analysis of economic consequences of conflict, displacement, and emergency humanitarian aid. Historical trends reveal the local, regional and global economic repercussions that Syria and its neighboring countries face, as well as potential long-term economic growth during post-conflict that would actually benefit the region. Nevertheless, while the conflict persists, previous armed conflicts provide lessons for Syria, including how emergency aid and shadow markets become contributive to war economies. A case study on the war economy in Bosnia-Herzegovina demonstrates the possibility of humanitarian aid and assistance functioning as tools that perpetuate conflict and exacerbate the existing economic repercussions of conflict and displacement. Based on an analysis of conflict in Syria, there is evidence that the same types of humanitarian aided conflict seen in Bosnia-Herzegovina prevail. The fact that political and dangerous groups, like ISIS, have
inadvertently become aid beneficiaries in Syria is alarming. As in the case of genocide in Rwanda, trying to uphold the humanitarian principle of neutrality is an ethical dilemma that aid workers in Syria currently face. However, cooperating by having paid rebel forces on humanitarian bases is a blatant breach of neutrality and safety for workers and civilians alike. The mere proximity and involvement of ISIS members with humanitarians in Syria indicates that this group has more leverage and access to resources than could ever be considered neutral, especially when they have already demonstrated to the world that they will use these resources to brutally target civilians.

More pressure must be put on Assad by the UN and others in order to relax travel routes needed for aid access, as well as on the Security Council member states to enact their R2P, even if not through intervention. Given the complex actors at play in Syria and the overwhelming number of Syrian IDPs and refugees that increase daily, this study offers insight into the economic downturns that Syria is facing due to conflict and displacement. The lack of resources in the disparity between these actors begs attention for the international community to allocate aid in a responsible way as to avoid funding violence and the war economy, but to also be wary of long-term dependence in camps, as demonstrated by lessons from IDP camps in Bosnia-Herzegovina and Rwanda. Based on these cases, governance within Syrian camps must be carefully facilitated in order to avoid reproducing conflict and certain types of black market activity that may further fuel conflict or inequality, making already vulnerable populations more vulnerable to armed combatants. There is clearly no such thing as a “safe zone” within armed conflict and crisis. Protection, neutral or not, must be integral to saving civilian lives.
Appendix

Figure 1: Aid Indicators and Outcomes by UNHCR
Figure 2: Network and Forms of Aid in Syria
Figure 3: Territorial Distribution of Powers in Syria
Bibliography


