

What KFC's Recent Exit from Syria Says About Its Horrifying Food Crisis

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The fast-food chain's departure is only the latest sign of battered markets that have left approximately 4 million Syrians facing food insecurity.

In 2006, Kentucky Fried Chicken opened Syria's first American restaurant in Damascus. The franchise weathered more than two and a half years of war, but this month, it became one of the last foreign businesses in the country to close its doors.

The picture of a quintessential American brand thriving in an "Axis of Evil" country currently targeted by U.S. sanctions may seem contradictory at first blush. Yet, in the Middle East, people have spent up to seven times their daily income on a bucket of fried chicken. Even in the Gaza Strip, where the average income hovers around \$2 (U.S.) per day, KFC remains popular. The KFC branch in Al-Arish, Egypt has smuggled in deliveries through Hamas's tunnels for \$30 a meal. The United Arab Emirates, a country that has roughly the same population as New Jersey, opened its 100th KFC branch this May. Libya and Iraq crave KFC no less: Knockoffs of the restaurant -- "Uncle Kentucky" in Tripoli and Fallujah -- thrive in places where American ideas may not be winning hearts and minds, but they are winning stomachs.

The only time Americana, the Kuwait-based company that owns KFC's franchises in Syria and the broader region, faced politically motivated boycotts was during the Second Intifada, half a decade before KFC's first Syrian branch opened. All of Americana's brands -- KFC, Hardee's, TGI Friday's, and others -- were hurt during that time, with one exception: Pizza Hut. The reason? According to Americana's vice president of finance, Ahmed Hassan, "people thought it was Italian." Americana soon added to its regional logo the words "Arabiya Miyah fil Miyah," meaning "one hundred percent Arab," which effectively solved the problem.

Americana's franchises have proved to be surprisingly resilient in a region that has seen its share of turmoil in the past couple of years. Almost all of the 1,400 restaurants region-wide have been able to effectively ride out the Arab Spring. Even in Egypt, no stranger to widespread chaos, the effects of revolutions and counterrevolutions have been limited to a handful of its franchises. In 2011, the violence that led to Mubarak's ouster only affected the company's

four outlets in Tahrir Square and its three "floating" franchises on the Nile, which were located near the Israeli embassy.

But for the past few years, the odds have been stacked against KFC in Syria. Poultry production has decreased by half since the conflict began in 2011. The Syrian Ministry of Agriculture estimates that as of May 2013, less than 35 percent of the country's poultry units were still operating, and more than 50 percent of jobs in the sector have been lost.

As a result, Americana could no longer source chicken from local farms. To keep its franchises open for business, the company imported chicken from a Lebanese company called Hawa. "With the right connections, we were able to bring in [everything] to Damascus," Hassan said.

But importing eventually became unsustainable. Violence made road transportation unsafe and severely crippled the supply chain of food. Making matters worse, transportation was prohibitively expensive. The price of diesel has increased anywhere from 20 percent in Damascus to 600 percent in Aleppo. Orient News, a network aligned with the opposition, attributes the price hike to the Assad regime's use of additional diesel revenues to raise the salaries of state employees and bribe them for their continued loyalty. The regime blames scarcity and terrorist attacks on production facilities.

Transportation is one of the two main factors in food importation. The other is the availability of hard currency. "The biggest problem with food is less its availability and more people's ability to afford it," said Donatella Rovera, a senior crisis response adviser for Amnesty International, who visited rebel-controlled areas throughout northern Syria earlier this year. In the first quarter of 2013, unemployment in the country reached 49 percent.

The CATO Institute estimates that monthly inflation averages 34 percent, making cash increasingly scarce and worthless. This has led to "dollarization" in all economic sectors. The Assad regime responded in July 2013 with a decree that it would imprison traders caught dealing in anything other than Syrian pounds for three years. The sentence is even longer if the amount involved exceeds \$500. However, the Syrian pound, which is both scarce and diminished in value, can neither buy people enough food nor give farmers enough incentive to continue producing. They already face higher input costs and lower returns on yields, with 300 percent year-on-year increases in fertilizer prices and reduced availability of labor after more than 100,000 people have been killed and nearly 5 million displaced.

This hard economic reality means that the little food that Syria continues to produce often doesn't even reach the country's suqs (markets). The World Food Program reports that since the crisis, more Syrian livestock has been sold in places where it gets higher returns: Jordan, Iraq, Lebanon, and Turkey. Samir al-Taqi, a physician who heads the Orient Research Center, the country's leading think tank, calls this trend "de-facto economic annexation."

The country's battered markets have left approximately 4 million people facing food insecurity. Americana's decision to close up shop in Damascus is just the latest example of the dissolution of normalcy in even Syria's most protected areas. As long as the operational obstacles facing KFC mirror the ones that Syria faces in feeding its people, Colonel Sanders is unlikely to return.

Adam Heffez is a research assistant in The Washington Institute's Program on Arab Politics. ❖

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