

POLICY BRIEF

Syria's Economic Meltdown





Syria's Economic Meltdown

By Elizabeth Tsurkov

Executive Summary

- The Syrian economy is in a meltdown, with unprecedentedly rapid depreciation of the Syrian currency and a sharp rise in food prices, leading to widespread hunger throughout the country. The regime is clearly struggling to fill its coffers and is unable to halt the country's rapid economic decline.
- Damascus was forced to quickly end the COVID-19 lockdowns it instituted due to widespread hunger among the population, which is increasingly reliant on day labor and second and third jobs to make ends meet. However, these containment measures also served as fertile ground for new forms of corruption and exploitation by regime officials.
- The regime is attempting to direct whatever resources are still at its disposal – both state resources and foreign aid it attempts to control – toward those deemed loyal, and particularly members of the Alawite sect.
- Syrians living under regime control, including those who support the regime, are increasingly angry and frustrated about the government's corruption and failure to prevent the deterioration of living conditions. However, Syrians are fearful of crossing red lines and mobilizing even merely to protest the crushing poverty and suffocating corruption, much less to demonstrate against the country's leaders.
- Western policymakers are faced with a monumental task of attempting to starve a regime that is increasingly behaving as a predatory criminal network, and engender internal breaks among a circle made up of war criminals and profiteers whose personal survival is at stake if the regime disintegrates.
- The escalation of economic pressure on the government through the imposition of the Caesar Act this month will hinder cronies' profiteering but also exacerbate the economic hardship Syrian civilians are facing. U.S. policymakers should present the Syrian leadership and its backers with steps short of regime change that could elicit a reduction in external economic pressures.

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COVER. Taxi drivers push their cars that ran out of gasoline to a petrol station in the Syrian capital Damascus on April 16, 2019. Shortages of energy products increased following the tightening of US sanctions on Iran in 2018 (LOUAI BESHARA/AFP via Getty Images)



A woman looks for items to salvage as the Syrian regime began to clean the wreckage at the Yarmuk Palestinian refugee camp in the Syrian capital Damascus on Oct 09, 2018. The Assad regime has barred residents of the camp from returning except those with close ties to pro-Palestinian militias (LOUAI BESHARA/AFP via Getty Images)

'I Am Living Like a Dog in the Streets'

Rustom* was sitting in a park, his new home after he was kicked out by his landlord in Damascus. He had not paid rent in two months and then lost his source of income – temporary jobs in construction – after the COVID-19 work stoppages came into force. He lost contact with his family because his father had to sell the family's phone to buy food. Rustom could not feed himself, let alone send them any money.

"Syria is a graveyard for its people before it is for any invader," he said bitterly, referencing a common threat made to foreign forces

by the Baath regime. "I am living like a dog in the streets. I have not eaten in two days because of the people in charge."

Referring to al-Assad without using his name, Rustom said that he must know the crushing poverty Syrians are enduring "but he can't do anything."

Syria's economy is in a meltdown; in less than a year, the Syrian lira (also called the Syrian pound, or SYP) lost over 70 percent of its value against the U.S. dollar, while the prices of basic food items rose by over 100 percent, according to the World Food Program. Conversations conducted over messaging applications and by phone with

residents of all of Syria's 14 governorates indicate that large swaths of the population are going hungry. Locals describe seeing more beggars on the street, prostitution, and people rummaging in the garbage in search of scraps of food.

The population is increasingly relying on bread, the cheapest source of calories, to survive. Starting in March, for the first time since the start of the uprising in 2011, bakeries selling subsidized bread across regime-held areas began experiencing severe shortages due to the financial inability to import grain. The shortage abated in May, largely because of quotas imposed by the government.

The COVID-related economic downturn dealt one more blow to an economy that was already in freefall, accelerating Syria's decline toward a stage where the regime cannot feed even its own base, which includes members of the Alawite community, families of fallen soldiers, and public servants. Benefits are increasingly concentrated in the hands of the powerful elite. In a pattern that has repeated itself throughout the war, a small group of traders with connections to the regime and officials are profiting from opportunities afforded by the COVID-19 lockdown and panicked shoppers, while the rest of the population plunges deeper into poverty.

The hardships Syrians are experiencing are primarily caused by the war, the implosion of the econo-

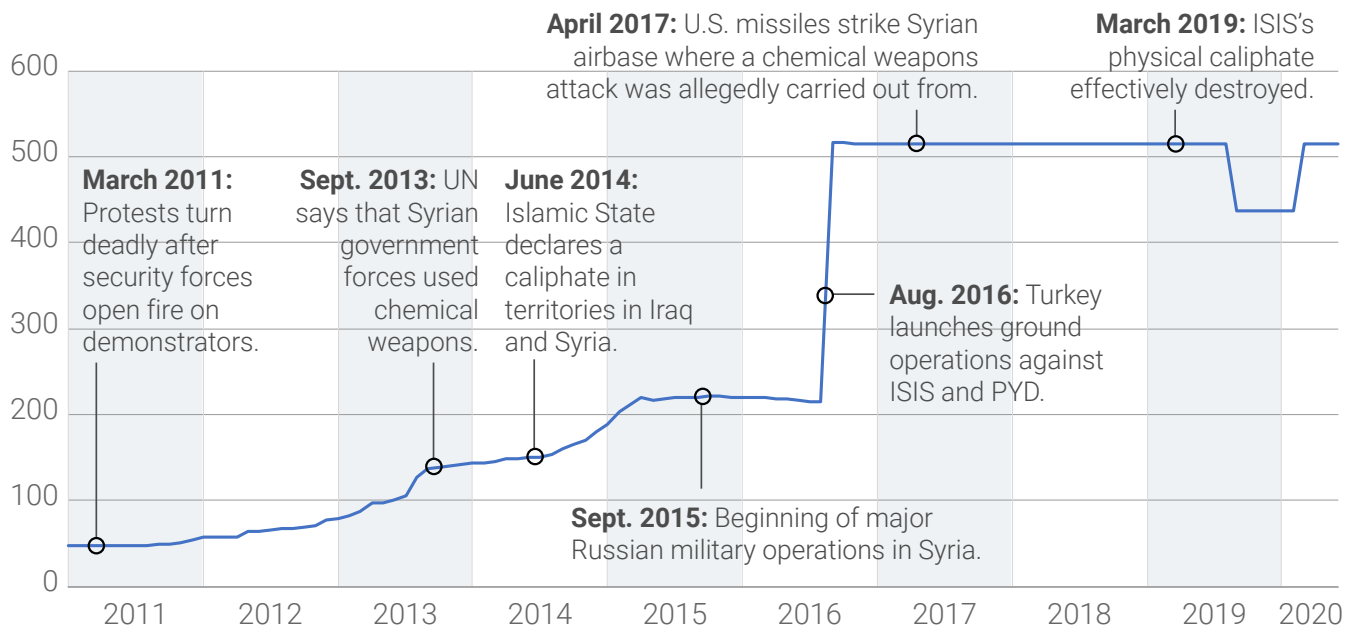
* All names of Syrians were altered to protect them from regime reprisals





Value of Syrian Pound to USD

Ten years of conflict, both civil and foreign, has decimated the Syrian economy.



Source: Investing.com, BBC

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my in neighboring Lebanon, and rampant corruption, but as Syria heads to a looming famine, additional sanctions will exacerbate the crisis. U.S. policy that diminishes the short-term well-being of Syrians can be justifiable only if a clear path is charted for how tightening sanctions will lead to a fundamental change in regime behavior that will serve the interests of the Syrian people and the West.

COVID-19 Measures

The pandemic is just one factor affecting Syria's already battered economy. While the number of COVID-19 cases in Syria remains limited, likely due to the country's relative isolation, the measures the

Syrian government took to counter the spread of the virus contributed to the sharp economic downturn accelerated by the rapid depreciation of the Lebanese lira. Syrians have several billion dollars in Lebanese banks – wealthy Syrians used Lebanon as a haven to avoid sanctions – but those banks have restricted dollar transfers, so those funds cannot be remitted into the Syrian economy. The Syrian lira began to depreciate faster than ever before, reaching 2,425 per U.S. dollar as of June 11 (the exchange rate used throughout this analysis). The stark losses the Syrian economy incurred during the lockdown prompted the government to lift most of the measures within three weeks, but certain

sectors such as restaurants and tourism continue to suffer due to longer shutdowns and restrictions on movement.

The government continued to pay the salaries of public sector employees (who made up about 55 percent of the labor force in 2014), but the private sector and those reliant on day labor were hit hard. Multiple contacts interviewed across Syria reported going hungry or knowing individuals who lost all sources of income. Even those employed by the state have been forced for years to supplement their income with second and third jobs, and were affected as well.

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Syrians queue for gas canisters in the Salah al-Din district of the northern city of Aleppo on February 11, 2019 - As soon as they spotted a truck distributing gas canisters, residents in the Syrian city of Aleppo rushed to form a 200-meter-long queue that stretched down the street. Since December, queuing for hours to buy gas has become part of everyday life in the Salah al-Din district, due to crippling shortages (LOUAI BESHARA/AFP via Getty Images)

“I am 33 years old and all I have in my pocket is 125 lira [about 8 U.S. cents],” said Nabih, who works during the day at the Military Housing Establishment in Latakia and in the evening at a coffee shop, which was shut down due to COVID-19. “Today I had to get a loan of 1,000 lira from a friend just so I can get a haircut,” he said indignantly.

Having entered the crisis with almost empty state coffers, the regime has struggled to continue providing even the basics for the population. While other developing countries began distributing cash handouts and food baskets, particularly to those who rely on day labor and lost all sources of

income, the government asked Syrians to contribute to a fund that will be used to compensate those in need who meet certain criteria, with a maximum individual payout of SYP 100,000 (just over \$41). In the span of a few days, over 450,000 Syrians registered online for the compensation; the website was quickly taken down.

In an attempt to take credit for aid provided by international NGOs – and to the detriment of Syria’s most vulnerable – the regime forced the NGOs to reduce assistance to needy beneficiaries. Damascus is claiming that those organizations have agreed to participate in the state-led COVID-19 campaign. In reality, the NGOs

will simply continue distributing funds to beneficiaries they have previously selected, but at a reduced rate.

According to an employee at a major European NGO operating in Damascus, “MoSAL [Ministry of Social Affairs and Labor] told us we can only give the same sum [as the government], but our evaluation is based on need and prices of food baskets.”

The sum distributed by NGOs on average is around four times higher than what the Syrian government intends to distribute. This means that benefits to those in particularly dire straits, such as female-led households who

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once enjoyed a stipend of about \$140 per month, will be slashed and they will instead receive SYP 100,000 (just over \$41) every two months.

Fresh Opportunities for Corruption and Favoritism

The lockdown instituted by Syrian authorities provided government bureaucrats, soldiers, and mukhabarat (internal security) agents with new opportunities for personal financial benefit. Shop owners who wanted to keep their businesses open or stay out after the curfew simply paid bribes to policemen, inspectors, and the mukhabarat. Those arrested for violating curfews had to pay off the police or mukhabarat to be released, in some cases after undergoing torture. While residents of rural areas were cut off from markets in the urban centers, increasing their food insecurity, the well-connected or those willing to pay a bribe were able to obtain permission to travel between governorates for business. Across regime-held areas, checkpoints manned by various army units and militias extorted “taxes” from traders transporting goods, but also passersby. With the COVID-19 lockdown, the number of these checkpoints increased, and in some cases, existing checkpoints began demanding bribes from shop owners to allow produce to pass, contributing to the rapid rise in prices.

After a number of COVID-19 cases were reported in Mneen and Set Zainab on the outskirts of Damascus, the entire towns were sealed off, except for those who could afford to pay the bribes to leave. The closure of Set Zainab, a Shiite-majority area whose sons joined pro-regime militias en masse, lasted for over a month, during which the bribe-taking grew in sophistication, involving smugglers, taxi drivers, and health authorities in the town, who would grant an extraordinary permission for those requiring medical care in Damascus in exchange for 5,000 lira. This corruption, coupled with the regime’s refusal to divulge where new cases kept emerging, prompted many locals in this loyalist community to believe that the town has no COVID-19 cases and that the closure is a conspiracy whose aim is to extract bribes from them.

Decaying State

The state, riddled with corruption, is unable to address the economic crisis; the organs that would be expected to protect citizens from the predation of profiteers are an integral part of these schemes. Theft of state resources is endemic and occurs at all levels of government: Ministers channel state revenue into their own accounts, heads of directorates and state institutions steal, and petty bureaucrats shake down citizens. The regime’s solution is to double down and increase the role of the state at the

expense of the private sector. In a stark speech delivered on May 4, Syrian President Bashar al-Assad charted a path forward that would make the state more involved in the management of the economy. Syria for Trade (SFT), the state’s institution for selling subsidized and price-controlled goods, is supposed to become more active, competing with the prices in regular stores.

Greater state involvement in the management of the economy will likely only make matters worse. Many government bureaucrats view a shortage of goods they are tasked with distributing as an opportunity for enrichment, not a problem to be solved. Corruption is widespread among officials in charge of procuring and selling subsidized goods; SFT owners and those who distribute state bread, gas canisters, and gasoline all divert resources to line their pockets.

Samira, an employee of SFT, said that “reports of corruption [in SFT] are absolutely true. Several high and mid-ranking officials have been arrested, but some released shortly after.”

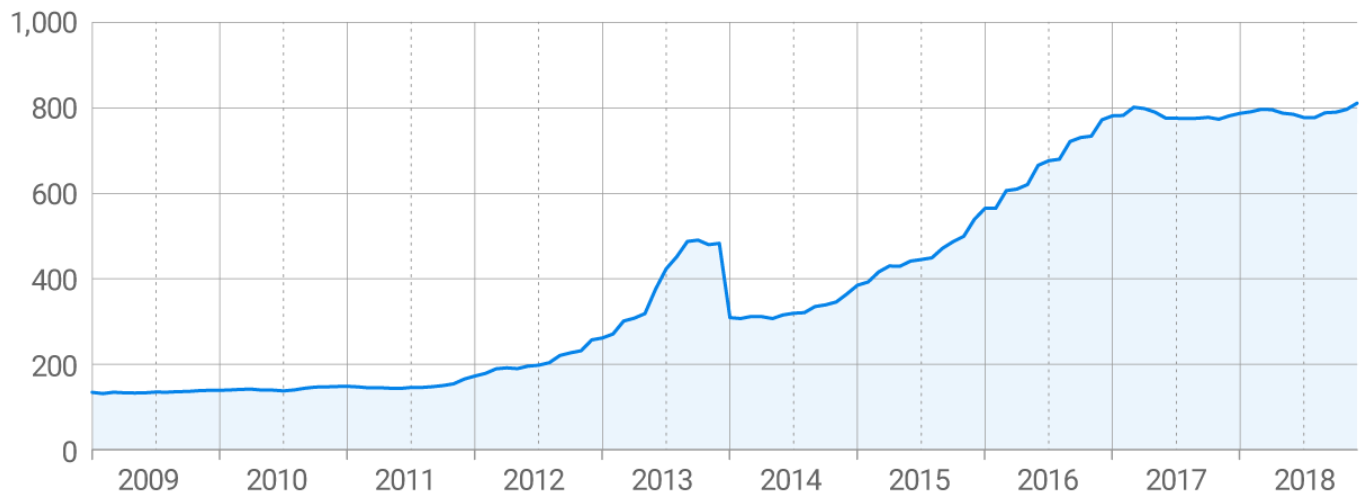
She explained that SFT shop managers record fake sales and instead sell the subsidized goods to traders at a higher price than the official one, and those traders then sell the products at market price. The shortage of subsidized goods then leads to a rise in overall prices. For example, distributors immediately

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Syria Consumer Price Index



Source: FX Empire

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exploited the recent severe bread shortage, siphoning off bread to sell on the black market.

Al-Assad also called for increased enforcement and fines against price gougers, but the Ministry of Trade and Consumer Protection inspectors, who are in charge of preventing price-gouging and ensuring quality of goods, are in fact driving up prices. Because of the high costs of production and shipping, and the profits for large traders, some shop owners cannot afford to sell products at the regulated prices or to toss out expired goods. Others mark up prices just to make a profit. Therefore, shop owners bribe the inspectors, either with cash or free products, to let them keep prices higher than those set by the government. The exchanges of goods are sometimes done in the open, in front of customers; in recent weeks, locals

in Latakia reported seeing inspectors walk away with kilograms of cheese and high-quality ground coffee during inspection visits, without paying.

Syrian officials and regime-run newspapers routinely blame the price increases on cross-border smuggling. Indeed, unauthorized trade with neighboring countries does reduce the availability of goods inside Syria. “Smuggling” may be an inappropriate term to describe the phenomenon, given the facilitation and deep involvement of regime forces and officials in these operations.

According to Muneer, who works at a stone quarry on the Syrian-Lebanese border, “Major traders with good ties with the regime oversee the smuggling operation. It’s a good way to exchange food items and bring in dollars on a

daily basis.”

Such individuals are also involved in the smuggling operations to Iraq and Jordan, with the Syrian army’s 4th Division playing a significant role. According to Muneer, a fighter with the 4th Division from the Latakia countryside, smuggling in and out of Lebanon is coordinated with Lebanese Hezbollah. The smuggling into Iraq is coordinated with pro-Iranian militias on the other side of the border. Unable to crack down on these powerful smuggling networks, the regime has called on citizens to assist in reporting on smuggling efforts.

Aid and Loyalty

As the economy continues to collapse, the regime is manipulating scarce resources for political purposes, rewarding those deemed

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loyal. Those perceived as disloyal entered the economic crisis in a greater state of food insecurity and poverty. An extensive 2018 study by the Syrian Center for Policy Research showed that food availability was significantly higher in governorates that witnessed little fighting: Tartus, Latakia, and Suwayda. In contrast, areas that were once controlled by the opposition and captured by the regime and its foreign backers have not seen much restoration of services.

The regime exerts significant influence over NGO operations, resulting in an inequitable distribution of assistance that penalizes perceived regime opponents. An employee of a major European NGO described challenges in working in eastern Ghouta, which the government reconquered in 2018 after five years of siege. MoSAL refused to allow the NGO to carry out projects in the city of Douma, eastern Ghouta's largest population center and the last area to surrender after government forces carried out a deadly chemical weapons attack. Instead, MoSAL pushed the NGO to work in Harasta, the first town in eastern Ghouta to surrender to the regime. Following extensive negotiations, the NGO managed to secure an agreement to carry out the project in a third town in Ghouta that surrendered to the regime before Douma.

Desperately needed food assistance is also subject to regime manipulations. Nearly all inter-

national NGOs operating out of Damascus that provide food baskets must do so through either the Syria Trust, run by Syrian First Lady Asmaa al-Assad, or through the Syrian Arab Red Crescent (SARC), whose leadership is close to the regime. A manager at an international aid NGO operating out of Damascus explained that they are not able to select the beneficiaries. The NGO guides SARC to distribute based on need, and the guidelines are "largely accepted," he explained.

"We technically partner with SARC, but in reality, they are the ones making the [final] decisions," the manager said.

Jassem, who resides in Houleh in the Homs countryside, which was reconquered by the regime in 2018, explained, "SARC distributes in our areas, but families with sons who were displaced to the [rebel-held] north are excluded. They also exclude families of political prisoners, although they are in the greatest need due to losing a breadwinner."

Shrinking Patronage Networks

Amid the economic crisis, the government is digging deeper but finding less adequate ways to compensate its base. The efforts to force Rami Makhlouf, once the most prominent regime crony, to hand over at least some of his wealth is indicative of the growing difficulty Damascus is facing in

filling up state coffers. Throughout the war, as the state's non-military expenditure shrank, the regime became less and less able to provide for the population as a whole and focused more narrowly on providing the few benefits it can still afford to perceived loyalists. State jobs, even as their worth in terms of purchasing power continues to deteriorate, are the most common form of patronage Syria's leaders employ. Families of fallen Syrian army servicemen and soldiers who completed over eight years of service were promised state jobs. Due to financial trouble and rampant nepotism, however, not enough jobs were created, and those with ties to current senior bureaucrats end up getting hired. Even those perceived the most loyal – Alawites related to fallen soldiers residing on the Syrian coast – report having to pay bribes to secure public sector jobs.

The financial strain is eating away at the few privileges still offered to loyalists. The regime aroused a great deal of anger when it decided to cut the duration of physical therapy offered to disabled veterans to six months and end the provision of medicine to families of the disabled. Several planned mass competitions for employment in the public sector reserved for those who recently completed nine years of service were canceled due to lack of funds to employ the additional staff. Soldiers who completed nine years of service and were discharged in March 2020 have not begun receiving the

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SYP 35,000 (just over \$14) monthly retirement stipend to which they are entitled for one year.

Ali, who was discharged from service in March after nine years and three months of service and who lives in Jableh, Latakia, commented with anguish, “I am 29 years old. I have no work. I have no money to buy food, drink, or cigarettes. This is not a life worth living.”

And yet, with the few resources at its disposal, the regime is still attempting to take care of its own. Days after the uproar about the reduction in benefits to disabled veterans, the government announced one-time handouts, in sums ranging between SYP 100,000-200,000 to disabled veterans. Following al-Assad’s announcement of the state-run SFT’s greater involvement in the economy, cars carrying cheap vegetables were sent out to Damascus. Two out of Damascus’ 95 neighborhoods – Ash al-Warwar and Mezzeh 86 – were selected for piloting the program. Both neighborhoods are inhabited almost entirely by Alawites, many of them low-ranking officers. Given that Damascus has only five Alawite-majority neighborhoods, the likelihood of picking two of them at random is equal to 0.2%.

Privileges can be offered in other ways. During the total COVID-19 lockdown, the rules were not enforced and shops and public transportation kept running in the neighborhoods of the Damascene elite and towns housing



Syrian-Kurds load potatoes onto a truck before being transported from Syria’s northeastern Kurdish area into Iraq across the Tigris river just south of the three-way border crossing between Iraq-Syria-Turkey on November 6, 2017 Cross-border trade and smuggling is one reason for the rising prices of food in Syria (DELIL SOULEI-MAN/AFP via Getty Images)

government officers. The regime made an official exception in the rules for military personnel, who could continue to travel between governorates, and curiously also to residents of four Alawite towns miles away from Damascus and administratively part of the Damascus countryside, which were considered part of Damascus for the purpose of COVID-19 measures. Thus, the Alawite-majority Dahiyat Qudsaya, which is farther from the capital than Sunni-majority Qudsiya, was deemed to be part of Damascus.

Maher, a resident of Qudsiya, exploited this to travel to the capital: “I drove on a dirt road to Dahiyat Qudsaya and from there to the capital. The checkpoints just wave

you through because all the town residents are Alawites.”

Coping with the Crisis: The Population

Syrians survived years of upheaval by turning to each other for help, and they are doing so yet again. But the ability of Syrians inside the country to help each other is coming under increasing strain as the middle class sinks deeper below the poverty line. Another challenge is the interference of the regime; some initiatives to feed the hungry were shuttered or not granted permission to operate, the government co-opted others to serve its political goals, and those that were allowed to proceed did so under Damascus’ watchful eye.

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Communities have come together to help each other as the state fails to do so.

Rayyan, a journalist living in Suwayda, described these efforts in the Druze-majority area: “There are several communal initiatives. For example, in several villages, locals who can afford to do so, pay for the bread of other families on a daily basis, so it is distributed for free. Many property owners have exempted tenants from paying rent for a period of two-three months. Some store owners forgave the debt people owed them.”

Similar initiatives are taking place in Daraa, Jaramana, Tartus, Latakia and Salamiya as well, supported by local philanthropists and funds sent by original inhabitants of the area now living abroad.

Dim Prospects of New Mass Mobilization

Another coping method is venting, offline and online, about the crushing poverty, the electricity and water cuts, and the comfortable lives of government officials. Pro-regime pages, groups, and threads that focus on corruption are incredibly active compared to those merely expressing fealty to al-Assad. This venting almost never yields tangible results but provides a sense of comfort and community. The criticism expressed in public almost never touches on the leadership of the regime, the first family or the secret police, focusing instead on

the Cabinet and lower-ranking officials. In private conversations with the author, those who prefer the regime over the available alternatives increasingly dare and feel the need to criticize the president personally, describing him as inept and weak, utterly unable to dig the country out of the hole it is in.

The online venting may seem like a harbinger of mobilization, but often has a disempowering effect. For years, those deemed “loyalists” have been complaining online. It is now abundantly clear to them that no one is happy, and yet everyone is too scared and too despondent to mobilize, engendering a sense of sustained surrender.

“I am starting to feel that we deserve this because we’re remaining silent in the face of injustice. God, we’re tired,” commented Nour, a resident of Set Zainab, on a post in a private Facebook group concerning deteriorating living conditions in the town.

“It’s as if the voices [raised] on social media are not reaching [anyone], but if anyone speaks about anyone in the security [organs, mukhabarat] or curse [the president], quickly your voice will reach them,” commented a state employee living in Tartus in a closed group. She added: “How can it be that we can’t do anything [to secure] our livelihood. We are also to blame. This is not resilience; it is humiliation and servility.”

Multiple private conversations

with those residing under regime control indicate that they feel disempowered, helpless, and pessimistic. Emigration is the preferred solution of many, but borders are closed, and smuggling is expensive.

Any popular protest, even if narrowly focused on economic demands, would face incredible challenges in al-Assad’s Syria. The protests in the Druze-majority Suwayda region, which enjoys the least government and mukhabarat interference of all of Syria’s governorates that are under regime control, demonstrates this point. In 2011, aiming to keep religious minorities on its side, the government did not use lethal force against protesters there calling for regime change. In June 2020, anti-government protests broke out in the area, and while locals expressed sympathy online, few joined in; the protests garnered about 100 participants.

“People feel there is no point in protesting. The regime can’t fix this,” explained Rayyan, the Suwayda-based journalist. Even among those who prefer the regime to the opposition, the government is widely perceived as incapable of extricating Syria from the crisis.

“People are disgusted with the corruption,” said Wafa, a state employee from the Alawite sect. Referring to al-Assad without using his name, she added, “He is incompetent and weak.”

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Harvesting tomatoes in a field Following the COVID-19 lockdown, prices of tomatoes reached \$1 per kilogram, for the first time in Syria's history (Andrei Gryaznov\ TASS via Getty Images)

Members of al-Assad's Alawite sect, the core of its support base, are increasingly struggling to make ends meet, yet they continue to fear instability and equate the survival of the regime with their own. Belal, an Alawite resident of Tartus, described the community as suffering from PTSD because all grew up on stories of oppression by Sunnis.

"I know of people [Alawites] back in 2011, when they expected the regime to fall, who made silencers for their handguns," to allow them to wage an insurgency under Sunni rule, Belal said. "My grandfather would often repeat the saying 'soon blood will be pushing the rocks,'" meaning that rivers of blood spilled by those attacking the Alawites and Alawites fighting back will gush so strongly that they

move rocks. Since those days, a growing share of the male Alawite population became implicated in war crimes and fear retaliation.

"If the system falls, our enemies will take revenge on us. We will not allow this to happen," he explained.

Looking Ahead

Terrorized by a repressive regime or the prospect of its collapse, Syrians are entering a phase of increasing food insecurity. Syrians who once pitied those waiting in line for hours for subsidized poor-quality rice now find themselves in the same line. Since 2011, the agricultural GDP in Syria decreased by half, accumulating SYP 1,146 billion in GDP loss. This sharp drop in production forced

Damascus to import basic necessities once grown domestically in sufficient quantities. This contributed to the increase in food prices, which poses a significant long-term risk to food security. Food is available in shops, but fewer people can afford it. The inability to rely on imports due to the collapse of the Syrian lira means that Syria needs to produce sufficient food supplies domestically to ensure that Syrians can afford to eat enough calories. This requires reinvestment in the agricultural sector, which the regime cannot afford, and tackling corruption, which the regime appears incapable of doing.

International aid NGOs and the United Nations have stepped in to fill the gap but are unable to meet the needs of the population across all of Syria. In regime-held areas, NGOs are forced to deal with regime corruption, wartime conditions, and nervous donors who do not want to be perceived as contributing to reconstruction projects carried out under the Assad regime. Given the growing food insecurity in Syria and the government's inability to address it, NGOs and U.N. agencies are stepping up their efforts to secure funding for assistance intended to ensure the Syrian population does not starve.

Sanctions

As Syrians cut back on the quality and quantity of food they consume, the Syrian economy is about

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to be squeezed even harder. This week, a comprehensive sanctions bill passed by the U.S. Congress, the Caesar Civilian Protection Act, is set to come into force. The law would ban actors, both American and foreign, from accessing the U.S financial system if they engage in the sectors of reconstruction, engineering, energy, or military aviation in Syria. U.S. officials expect that the law will have long-term effects that essentially prevent reconstruction from going forward.

“The Act is very crony-focused,” insisted a former congressional official involved in drafting the Caesar Act who pointed to measures intended to mitigate negative humanitarian ramifications. The suffocating sanctions placed on Iraq under Saddam Hussein, which failed to dislodge him from power but engendered a humanitarian disaster, were on the minds of the drafters, he explained. “A lot of the exemptions and the general license to humanitarian actors derive from the lessons learned from Iraq. We have statutory and regulatory measures that we did not have in place before [in Iraq].”

However, the Caesar Act will increase economic hardship for all Syrians. The effects of existing Western sanctions – less-sweeping ones than the Caesar Act – are being felt throughout the business sector and by humanitarian actors. Factory owners cannot import parts to rebuild their destroyed facilities. Employees of NGOs based

in Damascus report that in an effort to reduce the risk of exposure to sanctions, banks are already refusing or delaying processing financial transactions required for their work. Earlier energy sector sanctions targeting the regime and Iran contributed to widespread shortages in cooking gas and electricity in Syria.

To meet the conditions set in the Caesar Act for the removal of sanctions, the Syrian regime would have to transform itself into one that does not bomb its citizens or imprison them for political opposition. U.S. officials acknowledge that the prospect of such change is remote but feel increasingly confident that the economic crisis will lead to the government’s internal collapse. The Syrian state and regime are clearly facing unprecedented pressures, but whether and how exactly these pressures will lead to regime disintegration remains unclear given the current government’s extensive coup-proofing and proven willingness to murder protesters. As Syria descends into extreme destitution, sanctions aiming to achieve accountability and to protect Syrian civilians may end up merely compounding their misery.

The psychological impact of the imposition of sanctions is expected to cause depreciation of the Syrian lira. This, in turn, is likely to make apolitical Syrians and those sympathetic to the government more likely believe Damascus’ propaganda. Since the outbreak of the

COVID-19 crisis, regime media have intensified efforts to blame sanctions for the hardships Syrians are facing and the inadequacy of the country’s healthcare system. The general lack of knowledge among Syrians about the content of the Caesar Act and what change in behavior it aims to achieve will aid the regime’s propaganda efforts.

Concluding Observations

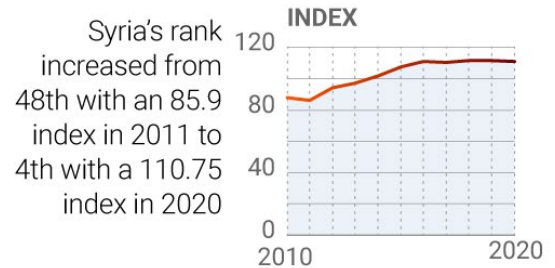
The Syrian state is atrophying. The regime is broke and trying to extract cash from wherever it can – even if it means devouring its own, whether it is the president’s cousin or residents of an Alawite village. A government that drove Syria into an economic crisis and food shortages is incapable of dealing with the country’s immense economic and public health challenges. The patronage network offered by the regime is fraying, increasing its predation on the Syrian population. Those most harshly affected by the economic meltdown are the internally displaced, those whose towns have been destroyed and not reconstructed, those barred from the limited benefits state employment bestows, and those denied aid – all categories disproportionately composed of Syrians perceived as disloyal to al-Assad. Yet aside from the small group of profiteers, all Syrians have suffered under the rule of the Assad regime, even if they support it over the alternatives. A policy aiming to end this suffering should make sure not to exacerbate it.

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Syria Among Most Fragile Countries

The index is based on a conflict assessment framework that looks at economic, political, and state legitimacy to assess a state's susceptibility to dysfunction, destabilization or disintegration.



Source: fragilestatesindex.org

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Policy Recommendations

1. U.S. policy should balance between maintaining pressure on Damascus in the hope of causing regime collapse, denying a political win to a government that gassed and starved its own people, and mitigating the further stress placed on Syria's civilians. The U.S. administration should articulate clearly what steps Syria's leaders could take to lead to a conditional waiver of particular sanctions. The

first sanctions to be lifted should be the ones with the broadest impact on the Syrian population. This would clarify for the Syrians living under regime control what is at stake – for example, release of political prisoners and an observable cessation of arbitrary detention in exchange for conditionally waiving all sanctions related to the energy sector. Whether the regime accepts such demands, a better-articulated policy could at least show key pro-regime audiences – including Russia – that steps short of regime change

could elicit a reduction in external economic pressures.

2. The regime does not care about the well-being of the Syrian population, as it has proven throughout the war. However, Damascus will likely fear the outbreak of famine due to its potential to jeopardize al-Assad's grip on power. This gives donors leverage they can use to ensure, to the greatest extent possible, that aid is distributed based on need and not loyalty. If donors to U.S. agencies and the major NGOs working on food

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security together set clear conditions and red lines, coupled with this position of strength, they can impose conditions that Damascus has thus far refused. Once diversion of resources is reduced, donors should consider shifting more resources toward more sustainable interventions, such as rehabilitating agricultural infrastructure and waterways to allow Syrian farmers to return to growing their own food rather than remaining perpetually reliant on handouts. All foreign aid should be clearly marked as such, to avoid legitimizing and bolstering corruption-riddled and abusive state organs.

3. Increased support from donors for short-term and long-term food security interventions will be needed to ensure conditions do not deteriorate further. The depreciation of the lira and rapid inflation are affecting areas outside of regime control, too. In Idlib, malnutrition was already common before the latest crisis. Donor countries should ensure that

cross-border assistance is resumed for northeast Syria and maintained in Idlib, and significantly ramp up assistance.

4. Washington should take additional steps to ensure that sanctions do not hinder the humanitarian response. During the COVID-19 crisis, Trump administration officials engaged more with humanitarian NGOs and the United Nations to make sure that existing sanctions did not affect medical assistance. Similar efforts should be made regularly and frequently to quickly solve problems that NGOs encounter as Syrians face looming health and food security crises.

5. U.S. policymakers who seek to halt trade between the regime and areas outside of its control should provide alternatives to these already struggling regions, such as expanding trade and exports to neighboring areas outside of regime control, as well as Turkey, Iraq, and Iraqi Kurdistan, to avoid




further harming the agricultural, industrial, and trade sectors of northwest and northeast Syria.


6. While sanctions on the regime have gradually tightened since 2011, they have not been able to halt any of the government's abuses. Thus far, at least, the Assad regime has consistently shown it only responds to force, whether when deciding to halt the latest operation in Idlib or the partial disarmament from chemical weapons in 2013 due to the threat of U.S. airstrikes. The regime – confident in its ability to withstand pressure if it keeps doubling down on its maximalist position – has foiled any negotiations to end the war and create any form of political transition. The most likely course to change its calculation is threatening Damascus with the use of force directly targeting the leadership. Such a path would spare the exhausted Syrian population years of unnecessary starvation.


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