



ISSUE BRIEF

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US CAESAR ACT AND SYRIAN ECONOMIC DESPAIR

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



The Syrian economic woes have been made worse by the promulgation of US Caesar Act.

The Caesar Syria Civilian Protection Act, also known as the Caesar Act, is named after a Syrian army renegade who fled with thousands of photographs of Syrians tortured and killed. After passing through US Congress with a bipartite decision, the Act was signed by President Trump on December 21, 2019.

This Act came into effect on June 17, 2020. Its main objective is to promote accountability for the regime's atrocities. The Syrian regime has criticized the Caesar Act, stating that the US will "bear main responsibility for the suffering of the Syrian people".¹

The Act broadens US authority to penalize businesses, individuals, and government institutions for economic activities that are seen as supporting and sustaining the Syrian regime's ability to wage war. Unlike previous sanctions, the Caesar Act targets third-country actors who participate in activities that are critical for the Assad regime. Syria has already been the focus of US and EU sanctions, which have resulted in immobilization of a significant number of both state and private assets. Now, however, for the first time, Russians and Iranians connected to the Syrian regime will be subject to sanctions as well.

¹ "Caesar Act sends Syria's Bashar Assad a stark reality check," *Arab News*, June 17, 2020. <https://www.arabnews.com/node/1690791/middle-east>

The Caesar Act provisions enumerate a number of criteria for the Assad regime to meet before the US sanctions are lifted. These include: ²

1. Suspension of Syrian and Russian air campaigns against civilians and infrastructure.
2. Free humanitarian access to blockaded areas and those under the control of the regime and its allies.
3. Release of all political prisoners and full right of entry to prisons and detention centers.
4. Conformity to international treaties concerning weapons of mass destruction.
5. Assistance in safe return for refugees.
6. Formation of a reliable and autonomous process for accountability in order to bring accused perpetrators of war crimes to justice.

The Caesar Act also signals towards another US-China tussle in the offing. Since a few years, China's Syria policy derives from the main objective to maintain a constructive collaboration with a stable government in Damascus so as to establish a sustainable economic partnership that is in accordance with and in furtherance of the Belt and Road Initiative (BRI).³

Even as the Syrian conflict entered its 10th year in 2020, the regime has failed to uphold its much bruised economy. Syria has been falling into an abyss from which any form of retrieval requires consolidated effort by all parties involved. The country has been suffering from sanctions, corruption, internal strife and economic decline. The humanitarian situation is appalling to say the least, with millions of Syrians either internally displaced or taking refuge in neighboring countries. According to the Office of the United Nations High Commissioner for Human Rights, there has been an increase of 42% in the number of Syrians facing food insecurity since 2019.⁴ Needless to say, Syrian suffering has been made worse by consequences of the current Covid-19 pandemic.

Economic Crisis

More than 80% of Syrians live below the poverty line and at the end of 2019, the unemployment

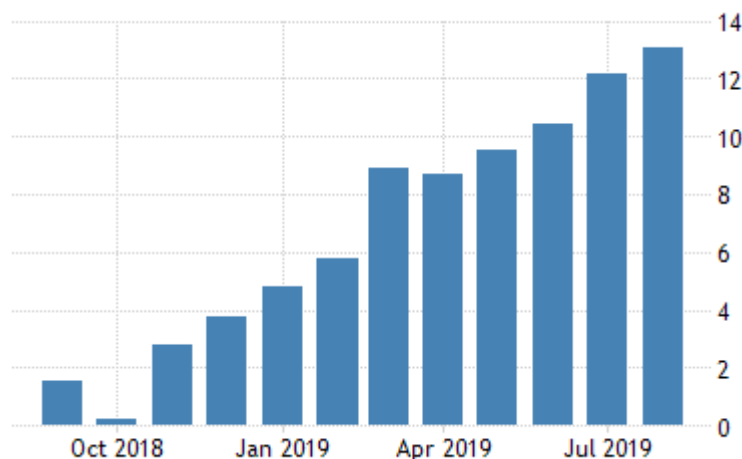
² "Caesar Syria Civilian Protection Act," *US Department of State*, June 17, 2020.
<https://www.state.gov/caesar-syria-civilian-protection-act/>

³ "China and Syria: In War and Reconstruction," *Middle East Institute*, July 9, 2019.
<https://www.mei.edu/publications/china-and-syria-war-and-reconstruction>

⁴ "Record number of Syrians going hungry, aid groups warn," *The News*, June 30, 2020.
<https://www.thenews.com.pk/print/679678-record-number-of-syrians-going-hungry-aid-groups-warn>

rate was nearing 40%.⁵ The Syrian pound has depreciated against the dollar from 700 pounds in January, 2020 to 3500 in June, 2020.⁶ As a result of depleting economic conditions, protests have been taking place all over the country - even in regime-controlled cities. This in itself is evidence of the dire situation in the country, given that any show of public dissent in these areas is rare. Meanwhile, in order to get a handle on the dissenters, security forces are arresting all those people highlighting the government's shortcomings on social media.

Another presage of disarray within the Syrian government was the sudden removal of prime minister Imad Khamis. This has been widely viewed as a means to divert blame for the country's economic turmoil. Adding to the turbulent situation is the carnage being caused by the continuous fighting on ground between different parties namely Hezbollah factions versus Israel and sporadic Russian bombing despite the joint patrols being carried out with Turkey.



Source: Trading Economics ⁷

The Syrian economy is mainly service oriented, largely dependent on areas such as retail trade and tourism for revenue. To a lesser degree, revenue is also generated through sale of hydrocarbons and agriculture. Before the crisis, the Syrian economy was relatively stable with a \$1 billion balance of payments surplus, a government budget deficit of around 2% of GDP and public debt at less than 30% of GDP.⁸ Given the current circumstances involving added sanctions and reductions in oil and tax revenues, the Syrian government has decided to decrease public investment outlay and expense.

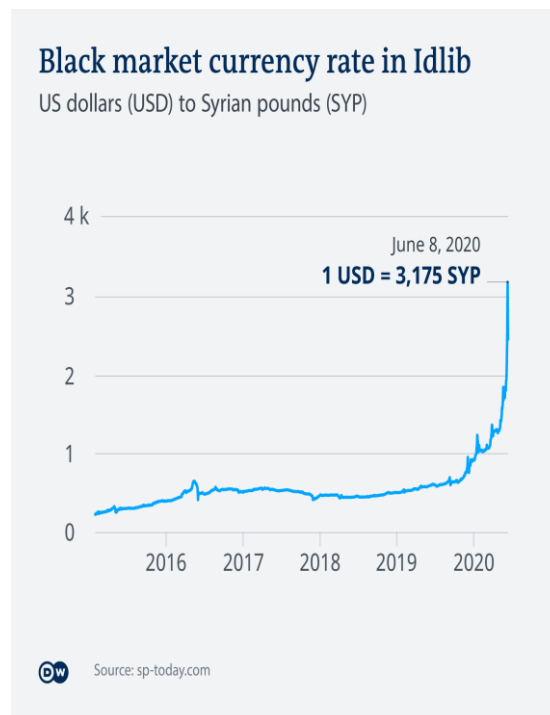
⁵ "Syria's Economy Collapses Even as Civil War Winds to a Close," *The New York Times*, June 15, 2020. <https://www.nytimes.com/2020/06/15/world/middleeast/syria-economy-assad-makhlouf.html>

⁶ "Can Syria's Assad Regime Survive a New Wave of Threats?" *Council on Foreign Relations*, June 30, 2020. <https://www.cfr.org/in-brief/can-syrias-assad-regime-survive-new-wave-threats>

⁷ "Syria Inflation Rate," *Trading Economics*. <https://tradingeconomics.com/syria/inflation-cpi>

⁸ "Analyzing Syria's Crisis Economy: Meltdown or Resilience?" *Boulevard Exterieur*, April 17, 2013. <https://www.boulevard-exterieur.com/Analyzing-Syria-s-crisis-economy-meltdown-or-resilience.html>

The increased rate of inflation has meant that civil employees who are dependent on the government for their salary, barely have resources to cover basic amenities.



Source: *Deutsche Welle*⁹

Inadequacies of the government have resulted in a freefall of the Syrian pound. The financial crisis in neighboring Lebanon has further exacerbated the situation since many Syrians kept their money in Lebanese banks. Unofficial capital controls in Lebanon have impeded Syrians from withdrawing dollars. In rebel-held strongholds within Syria, people have already switched to the Turkish lira.

Brussels IV Conference

From June 22 till June 30, 2020, the European Union and the United Nations (UN) jointly chaired the fourth Brussels Conference on “Supporting the future of Syria and the region”. More than 80 countries, international organizations and civil society groups assembled virtually in an effort to raise money needed to help the 11 million Syrians reliant on humanitarian assistance. Prior to the conference, the UN aimed to secure around \$10 billion in aid, covering both Syrians within their country and the refugees in neighboring countries. However, the conference succeeded in

⁹ “Syrian currency crisis: Idlib facing the next catastrophe,” *Deutsche Welle*, June 12, 2020.
<https://www.dw.com/en/syrian-currency-crisis-idlibfacing-the-next-catastrophe/a-53783863>

generating funds through pledges totaling US\$ 5.5 billion for 2020, and multi-year pledges of close to US\$ 2.2 billion for 2021 and beyond.¹⁰

Conclusion

Besides the issue of when and how Syria's economy will breakdown, the bigger problem is how Syria's prolonged economic adversity will change the nature of the country's social structure in the long term. The new sanctions will further compound the already detrimental situation. They will also surely delay, if not altogether preclude, the reconstruction of Syria and delay the beginning of the healing time required in the aftermath of decade old carnage.

Not only is the Syrian economy but the future of Syria's social structure cultural construction is at stake. Hence, as the numerous actors in the conflict set their objectives and evaluate their options, there needs to be a concerted global campaign to reconstruct and rehabilitate Syria so as to bring about a semblance of normality in the lives of ordinary Syrians.

¹⁰ "Supporting the future of Syria and the region - Brussels IV Conference," *Council of the European Union*, June 30, 2020. <https://www.consilium.europa.eu/en/meetings/international-ministerial-meetings/2020/06/30/>