

# CAESAR ACT'S IMPACT ON THE SYRIAN ECONOMY

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 Analysis

The Caesar Act has entered into force in June 2020. The U.S. government on June 17 published a list of names, personalities, and companies that will be subject to the sanctions imposed, depending on their business or service provisions to the Al-Assad regime.

The bill, which was passed by the U.S. Congress of on November 15, 2016, and signed by the President on December 21, 2019, seeks to expand former sanctions on the regime by targeting Syrian government institutions and individuals, both civilians and officials, as well as all foreign companies' owners that have commercial or financial transactions with Syria; it also targets other parties funding the Syrian regime such as Russia and Iran, whether this funding is related to the country's military activities, reconstruction efforts in government-held areas, or human rights violations.

These sanctions will include anyone - individuals, companies, or governments - dealing with the Al-Assad regime in the oil/natural gas, military aircraft, construction, and engineering sectors; those who provide spare parts or maintenance services to Syrian airlines, and those who serve the regime with oil derivatives or financial debts.

The Syrian central bank will also be under these penalties should its involvement in money-laundering operations proven. Also, any individual involved will face sanctions such as having their assets frozen and being denied entry into the United States.

## Six conditions for lifting sanctions

The Caesar Act raises the civilian protection emblem in Syria and made it clear that these sanctions will exclude all humanitarian assistance forms, such as food or medicines,



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and it also gives the US president the authority to exclude sanctions on non-governmental organizations that deliver these kinds of humanitarian assistance to the Syrian people.

David Pollock, Bernstein Fellow at The Washington Institute explained that the United States' strategy aimed to avoid sanctions in areas out of the Syrian regime's control by giving it a "compensatory strategy", which will intensify the reconstruction service, and increase the support of the project which provide jobs security or foreign exchange as a loss compensating attempt for the Caesar Sanction's causes.<sup>1</sup>

Recognizing the potentially negative impacts of the sanctions on Syrian civilians, the Caesar Act provides for humanitarian exemptions. Specifically, section 302 allows the President to waive the application of any sanction with respect to NGOs providing humanitarian assistance in Syria.

Section 401 of the Caesar bill outlines six requirements for the lifting of U.S. sanctions on Syria, which are:

1. End to Syrian and Russian aircraft bombing civilians;
2. Iranian, Syrian and Russian forces, as well as entities connected to them, no longer restrict humanitarian access to besieged areas, and allow for civilians to leave freely;
3. All political prisoners are released, and the appropriate international human rights organizations are given full access to Syria's prisons and detention facilities;
4. Bombing of "medical facilities, schools, residential areas, and community gathering places, including markets" by Syrian, Russian, Iranian forces, as well as entities connected to them, ceases;
5. The possibility for the "safe, voluntary, and dignified return of Syrians displaced by the conflict" is achieved;

6. Accountability for "perpetrators of war crimes in Syria and justice for victims of war crimes committed by the Assad regime, including by participation in a credible and independent truth and reconciliation process."

## **Protecting civilians or American interests?**

Many Syrians consider the Caesar Act to be an important step in reinforcing pressure on the Al-Assad regime, but they doubt that it could topple the regime or remove Assad.

Also, Syrians believe that this bill does not stand as an effective tool to prevent the recurrence of military battles, because since it was signed in the beginning of 2020, the Assad regime and Russian forces continued military operations in Idlib in a clear challenge to this decision.

Hazem Nahar, a Syrian politician, and scholar considered that the Caesar Act was not intended to overthrow Assad, but rather to achieve U.S. policy goals in Syria by blackmailing the regime and its partners and to give U.S. military the legitimacy in Syria that would allow it to control the oil fields and prevent the regime from cashing in from it.

Nahar said that U.S. policy in Syria is seeking to weaken the Syrian regime so it could participate in the political process, and the U.S. also wants to send a clear message to both Russia and Iran that it is "the only country who can pass a political solution or allow the reconstruction process."

But it also gave the Assad regime and its partners space when the sanctions came into effect six months after the bill was signed, perhaps to give reasonable time to states and institutions with ties to the regime to arrange their businesses.

Nahar argued that the Caesar Act has delegitimized the Al-Assad regime unless it makes drastic changes in its structure or its policy, but on the other hand, it will have a negative impact

on Syria's already deteriorating economy, which will make a life for the Syrians even worse.

## **An unprecedented collapse in the Syrian currency**

During the war (2011-2019), the Syrian currency lost much of its value. The dollar value doubled 10 times against the Syrian lira, but since mid-2019 the Syrian lira collapsed fast enough to move from 500 to 3000 lira against the dollar last month, which was accompanied by the signing and subsequent entry into force of the Caesar Act.

The causes of the collapse include the Caesar Act, the continuation of a military solution, and the impact of economic and political turbulence in Lebanon, which was considered Syria's smuggling and foreign exchange haven.

Internal problems within the Assad family, which came out to the public, especially with Bashar Al-Assad's cousin Rami Makhlouf, who alone controls 60% of the Syrian economy, contributed a significant change in the exchange rate, as Al-Assad was trying to force Makhlouf to allocate part of his wealth to pay off some of the debts that Russia demanded its interference in Syria, while Makhlouf considers that these measures are nothing but an attempt to reduce his economic clout in favor of the President's wife and her family.

## **Hard days ahead**

It is noteworthy that the Caesar Act is not the first sanction hit in Syria's history.

The first sanction began in 1979 after the U.S. classified Syria as a state sponsor of terrorism, followed by the 2004's "Syria Accountability and Lebanese Sovereignty Restoration Act" sanctions, and the U.S. and the EU have also sanctioned the war-torn country after 2011.

It is not easy to pinpoint the exact effects of the implementation of the Caesar Act on the ailing Syrian economy, but many economists expect that it will increase the country's economic weakness, which is already suffering now from the war and may accelerate its collapse.

Civilians will face growing difficulties in securing their basic needs. Syria's poverty percentage, which has reached 83%, will increase,<sup>2</sup> and more problems will emerge due to poverty, malnutrition, or even suicide, especially if the regime continues to spend the government budget on military operations rather than providing basic commodities or humanitarian aid.

On the other hand, we can expect that the difficulties in the humanitarian sector will escalate as a result of surging scrutiny of everything related to Syria as NGOs will encounter crisis in financial transfers and delays in the delivery of grants and financial aid, and some NGOs' Bank accounts may be closed due to suspicion and restrictions.

Henceforth, humanitarian projects there will take more time and effort to implement; and many parties may refrain from dealing with them to avoid being subjected to sanctions.<sup>3</sup>

## **Endnotes**

<sup>1</sup> "Researcher in European affairs: US and European sanctions, the fate of Syria indefinitely", North Press Agency, 1/6/2020, <https://bit.ly/3g4WhwL>

<sup>2</sup> 83% of Syrians live below the poverty line, 33% of people are food insecure, OFFICE OF THE COORDINATION AND HUMANITARIAN AFFAIRS, 2019 report, <https://hno-syria.org/#key-figures>

<sup>3</sup> "Invisible Sanctions, How over-compliance limits humanitarian work on Syria- Challenges of Fund Transfer for Non-Profit Organizations Working on Syria", IMPACT- Civil Society Research and Development, 25/6/2020, <https://www.impact-csr.org/invisible-sanctions/>