

The Economic Reality *in NES*

Consequences of Corona Pandemic and the Caesar Act

ASO Center for Consultancy and Strategic Studies

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Introduction:

The Self-Administration areas in NES are an integral part of Syrian territories. They share with all Syrian regions despite controlling bodies differences, whether they were the Syrian government or opposing parties. As well as, being affected by conflicts, disputes and the raging war since 2011.

The economic reality of NES cannot be discussed apart from the general economic situation in Syria, given the strategic significance of northern and eastern areas, their richness in underground and agricultural resources and the ongoing trade relations nature between the regime's areas and the Self-Administration areas, despite their tension and interruption in different periods. Many Syrian government institutions are still operating in the Self-Administration areas and their employees still receive their salaries from the Syrian government.

However, one feature of the Self-Administration areas, which are predominantly Kurdish, was they lack all infrastructure and service facilities, namely; industrial, trade, health, and educational ones, until before 2011. The subsequent military conflicts contributed to the further deterioration of these structures and facilities, which were also targeted by the armed and Turkish-backed Syrian opposition groups, through repeated attacks on Kurdish border cities and towns.

The historical context, in which the Self-Administration's areas are currently going through, constituted a cumulative and miserable economic situation. It did not allow them to establish and rise in light of the tension and absence of security and stability. This situation has become even worse in light of the Corona pandemic outbreak that disrupted the wheel of economic life. Also, the living crisis has exacerbated, due to the curfew and closure of crossings and markets. What made matters worse was the recent US sanctions represented by the Caesar Act, which had negative consequences on NES areas after the Syrian currency value witnessed a great decline compared to foreign currencies, the high and scarcity of prices and an unprecedented increase in unemployment and poverty rates.

The Economic Situation in Syria Before and After 2011:

Although Syria is considered one of the countries rich in underground, agricultural and animal resources, all these resources were the Syrian government preserve. As well as, the preserve of a small group of officials and traders close to it, who represent the narrow circle controlling and the only beneficiaries from the country's imports and goods. This deprived the majority of Syrians from an income that commensurate with the country's capabilities and economic potential. It made them in extremely difficult economic conditions, under the Syrian government's systematic policy, which made thinking about securing a livelihood the only concern for Syrian people.



After 2011 and until now, the negative effects of the conflict and war that have been raging for more than nine years, have been evident at all levels in Syria. Especially, the economic sector, which suffered many losses as the destruction and devastation affected all its structures and sectors. For the oil production witnessed an extreme decline, after many wells, production and transportation tools were disrupted. In addition to the disruption of gas and electrical lines in most of the country. The agricultural sector, also, witnessed a significant decrease in production after large areas of land were damaged and exposed to desertification. Likewise, the irrigation, treatment and storage systems were disrupted, as well as farmers' difficulty of obtaining the required seeds and fertilizers. Not to mention the arson attacks that affected thousands of hectares of land and led to heavy losses of agricultural crops. The animal resources retreated simultaneously along the deterioration of the agricultural sector. The destruction also affected all manufacturing and mining industries. As well as, all production lines in factories, mills and companies, which led to capital owners fleeing outside of the country, where many of them transferred their commercial and industrial activities to neighboring countries, to Turkey and the KRI in particular.

The Economic Situation in NES Before and After 2011:

No doubt that northern regions of Syria are considered the main source of the Syrian economy and its food reservoir, however, these areas were the most marginalized areas throughout the entire Syrian territory. This was due to the Kurdish majority in these areas, in addition to other components of Arabs, Assyrians, Syriacs and Armenians.

The northern regions were subjected to systematic policies by the Syrian government that included many racist projects, laws and exceptional measures of a political dimension. Such as, the 1962 exceptional census and the "Arabic Belt" project. The Syrian government, also prohibited the establishment of factories, mills and production companies in these areas. It has restricted obtaining building and reconstruction licenses and marginalized its infrastructure, services, and public facilities to become the most lacking of the necessary institutions, whether economic, health, or educational. North of Syria was devoid of any government universities despite the large number of students who only had the option of registering and studying in other cities in the interior and the Syrian coast. They also faced obstacles and restrictions in obtaining government jobs and in many cases, they were dismissed from these jobs on political and security pretexts.

The Self-Administration became the key responsible for NES economy, after 2011 and after the regime's withdrawal in July 2012 from northern and eastern areas, subsequently, the Democratic Self-Administration declaration in January 2014, followed by the declaration of federalism on one side on March 17, 2016. Today, three bodies are concerned with economic affairs, which are; the Finance Authority, that is concerned with regulating taxes and fees collection imposed by regional executive committees and local administrations and their relations with the Executive Council of the Self-Administration. In addition to the Economic and



Agricultural Authority, which undertakes economic policies unification in the administration cantons. As well as, the Social Affairs and Labor Authority, which is concerned with organizing and protecting workers and employees' rights in the public and private sectors.¹

The Executive Council of the Self-Administration also controls a number of technical offices that are under its direct supervision, beside supervising these bodies. As it currently manages 8 offices, 3 of which are concerned with economic affairs, namely; the Office of Oil and Underground Resources, which monitors the work of oil and gas fields, distributes their revenues and manages the electricity network and water distribution. Likewise, the Development and Planning Bureau that draws up urban plans for cities and areas and Humanitarian Affairs Office, which is concerned with issuing licenses to organizations operating in areas under the control of the Self-Administration and monitoring and evaluating their work.²

The Self-Administration was unable to improve the local economy, despite its bodies and institutions. This was due to its weak potential on one hand, as it is still recently established and lacks much of the required experience and qualifications. As well as, due to its involvement in conflicts, disputes and military wars against terrorist organizations, ISIS in particular. Moreover, the repeated Turkish threats and attacks on their territories have contributed to the economic structures deterioration and created a state of tension and instability in the region.

Corona Pandemic Consequences on the NES Economy:

Since the beginning of 2020, the Corona pandemic has inflicted great damage and losses on most countries' economy in the world, especially developing countries or those suffering from ongoing conflicts and wars such as Syria. For it is unable to contain this pandemic or mitigate its effects and consequences in light of its devastated health and economic systems as a result of the raging war for more than 9 years. In particular, the Self-Administration (NES) areas that have previously suffered from isolation cases and economic siege due to its strained relations with the Syrian government. They are also densely populated areas and contain large numbers of displaced people who live in local communities or camps, which number more than 10 camps inhabited by more than 100,000 people.³ In addition to the approximately 110 detained members of the Islamic State (ISIS).⁴ All these factors make the Self-Administration unable to fight against the pandemic, in light of economic structures and systems deterioration and the lack of capabilities, which had its negative effects on living conditions, services and all production facilities. Therefore, the most prominent consequences of the pandemic on the economic sector in NES were as follows:

¹ Self-Administration of NES Political Economy <https://medirections.com/images/dox/20190127PoliticalEconomy.pdf>

² Self-Administration of NES Political Economy <https://medirections.com/images/dox/20190127PoliticalEconomy.pdf>

³ United Nations News, 7 March 2020 <https://news.un.org/ar/story/2020/03/1050791>

⁴ Human Rights Watch 2020 <https://www.hrw.org/ar/world-report/2020/country-chapters/336770>



First: Border Crossings Closure:

Based on the public interest requirements, the Executive Council co-presidency of the NES Self-Administration, closed all border crossings, the Semalka crossing with KRI, in particular. This took place as a part of the precautionary measures taken by the administration to prevent COVID-19 pandemic outbreak.

As a result, the trading movement of import and export was disrupted due to crossings closure. This led to materials and commodities scarcity in the market and an increase in their prices. It also reflected negatively on the Self-Administration inputs, which depend, to a large level, on customs duties.

Second: Market Closure:

The closure of markets was also among the precautionary measures concurrent with the curfew in order to protect and prevent the Coronavirus outbreak. This resulted in the economic cycle cessation depicted by production, distribution and consumption processes, at all trade, industrial, agricultural and professional levels. Foodstuffs stores were an exception within specified hours during the day and the same applies to health centers. The closure caused a stalemate in the economic movement and negative consequences for many sectors and working entities in NES.

Third: High Prices:

One of the most negative repercussions caused by the Corona pandemic, is goods and materials high prices. As it led to an unprecedented economic crisis, the negative effects of which were most evident on living conditions of citizens. The consumer goods scarcity on one hand and many traders' monopoly of this situation, on another hand. This also represent one of the most prominent factors which contributed to the rise of prices in light of the weak supply control and prices instability due to the exchange rate fluctuation of the Syrian pound against foreign currencies.

Fourth: Increasing Unemployment and Poverty Rates:

Despite the high rates of unemployment and poverty in the Self-Administration areas before the Corona pandemic, these rates have increased significantly after the precautionary measures, the curfew and economic life disruption. As well as, many institutions, companies and organizations had their employees dismissed, in addition to reducing wages and salaries. This affected all entities, especially daily workers, who do not have other jobs of a fixed monthly salary.

Fifth: International Organizations Projects Disruption:

The majority of international organizations have suspended their relief and development projects as a result of the curfew. While other organizations replaced many of their activities with ones that focus on health awareness and prevention, especially in camps overflowing with IDPs, due to the fear of COVID-19 outbreak. Crossings closure has also made international



organizations depend on the local market to purchase their projects' needs, which in its turn caused an additional increase in goods and materials prices.

Caesar Act Consequences on the Economic Situation in NES:

The American government has previously imposed many sanctions on the Syrian government, however, the Caesar Act, which entered into force on June 17, 2020, remains the most effective one on the Syrian regime and the Syrians alike. Since, it targets the financial and banking sectors, as well as, technological, building materials, engineering services, aviation and economic sectors, such as oil and gas. It also targets people and entities affiliated with the Syrian regime and provide it with support in its military operations and crimes against Syrian civilians. What increases the negative consequences severity of the Act is that it came after 9 years of destruction and the collapse of infrastructure and economic systems. In addition to the fact that it was followed by the Corona pandemic, which enhanced those consequences on living conditions and all economic sectors. These consequences affected areas controlled by the Self-Administration in NES, as they appeared early before the law came into force and was actually implemented. According to analyses of observers and economic and political experts, this was a result of the intimidation and media exaggeration, fear of the Syrian pound collapse, famines and humanitarian disasters. The most prominent consequences of the Caesar Act on the economic sector in NES were as follows:

First: Syrian Pound Collapse:

Analysts believe that fear of the Act, two weeks even before its implementation, has greatly contributed to the historic pound collapse, whose exchange rate crossed within a few days the 3000 S.P. threshold against the dollar in the parallel market.⁵ This high rate results in a significant decline in the purchasing power, as most wages and salaries are spent in Syrian pounds to workers and employees working in the public and private sectors.

Second: Materials Scarcity and High Prices:

NES markets have witnessed a great increase in prices of all consumer goods and items, as well as, the scarcity of some. This was a result of the imposed sanctions that prevent the entry of many raw materials; especially medical materials and medicines, whose price has risen in an unprecedented manner. Moreover, many goods that NES people depend on is manufactured in Damascus and Aleppo and comes to NES areas through land and air crossings. As the Caesar Act affected these goods production and availability, in addition to some traders' monopoly of basic and essential materials, which contributed to the economic crisis exacerbation. This negatively, affected the purchasing process which retreated to the minimum levels due to the large gap between the citizens' income and their expenditures. Accordingly, the NES of the Self-Administration decided to raise wages and salaries of employees and workers' working in

⁵Caesar Act " along the Syrian Pound collapse, contributes to push Syria towards an economic abyss"
<https://tinyurl.com/yxju9hs9>



the administration by %150. This decision was issued to mitigate high prices effects in light of the decline of the Syrian pound exchange rate.⁶

Third: Increasing Unemployment and Poverty Rates:

The Caesar Act contributed to the unemployment and poverty high rates in the Self-Administration areas, especially in light of the curfew, which led to an increase in the number of people suffering from food insecurity. For the numbers were high throughout Syria, even before the Corona pandemic and the Caesar law. According to statistics of HNO, an estimated 6.5 million Syrians suffer from food insecurity and another 2.5 million people are at risk of food insecurity.⁷ In the absence of capabilities, policies and projects capable of reducing the stifling economic crisis consequences, these numbers are growing and increasing steadily in the economy's way towards decline.

Fourth: Migration of Workforce and Holders of Capitals

Since 2011, holders of capitals migration to abroad has not stopped rather it increased significantly in subsequent years. This was caused after the destruction of many industrial, trade and agricultural facilities and due to the insecurity and instability throughout the Syrian territories, including the Self-Administration areas and especially after the Turkish recurrent attacks and operations on NES cities and towns. The most recent attack was "Spring of Peace" operation on October 9, 2019. Those migrations were due to the search of a lot of workers and those with experience and specialization in many professions and trades, for livelihood after the unprecedented deterioration in Living conditions as a result of the Caesar Act and its negative repercussions on the general economic situation.

Fifth: Child Labor Increase:

Among the increase in poverty consequences and unemployment rates in NES, is the increase in the number of children who drop out of school and have entered the labor market to secure the livelihood of their families. Moreover, to contribute to taking responsibility along their parents' side by side, in order to confront the exorbitant prices and the inability to secure necessary living requirements. This led to depriving many children from education, consequently, the increase in the ignorance and illiteracy levels, as well as the involvement of some of them in violence acts, thus increasing crime rates.

Recommendations and Conclusions:

The previous data refer to the Self-Administration inability in NES to withstand the catastrophic economic consequences of both the Corona pandemic and the American sanctions manifested by the Caesar Act. This is in light of the deteriorating economic situation and all economic structures and institutions destruction, in all industrial, trade and agricultural sectors. For this was a result of the conflict raging in the country for more than 9 years, in addition to the

⁶ An economic crisis cell to confront Caesar Act in NES <https://tinyurl.com/ypd5vcp>

⁷ A General Overview of Humanitarian Needs in Syria 2019 <https://hno-syria.org/ar/#home>



repeated Turkish attacks on Kurdish cities and towns, along the Syrian-Turkish borders. The Self-Administration is neither able to achieve self-sufficiency in its areas, nor is able to confront the pandemic or mitigate Caesar Act consequences that caused stifling economic crisis that predicts famines and humanitarian disasters. The current situation calls for concerted internal and external efforts from regional and international actors, as well as, from local and international organizations. Namely, in order to mitigate the negative consequences and effects that formed a clampdown on people and left no way to make a living. This can be achieved through the following:

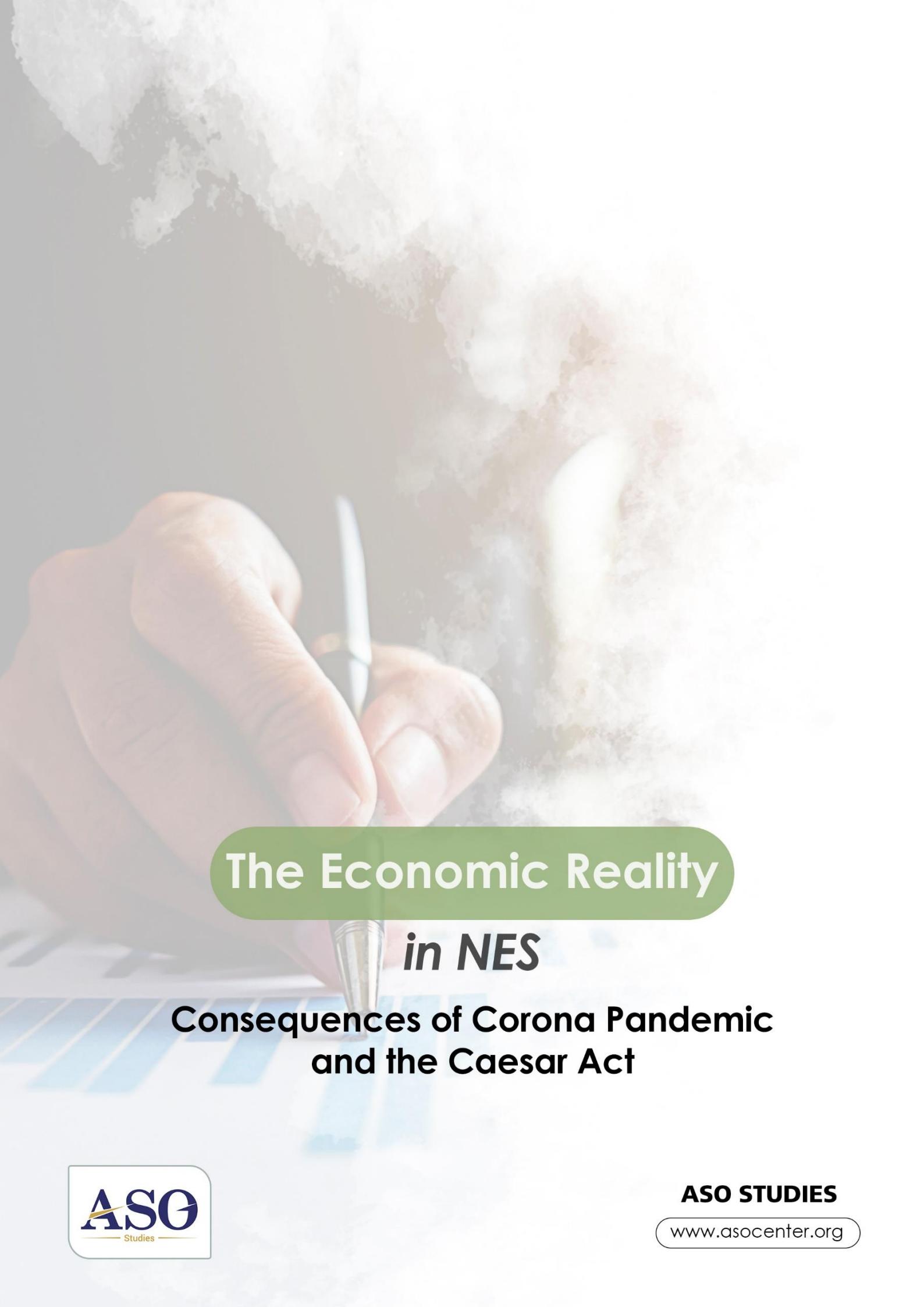
- 1 -Control prices and activate regulatory institutions role to monitor prices and hold monopolists accountable.
- 2 -Rehabilitate and invest in factories and mills suspended from working and restart them.
- 3 -Support and facilitate local projects implementation for people of the region and reduce its obstacles.
- 4 -Lift customs duties on basic foodstuffs and medical supplies in addition to construction materials.
- 5 -Support the agricultural sector in the region in terms of providing fertilizers, fuels and seeds at subsidized prices, in addition to buying crops at good prices in accordance with the exchange rates.
- 6 -Control the security situation and thefts in the region.
- 7 -International organizations undertake projects that help the development of the region's economy, in cooperation and coordination with local organizations and the Self-Administration.
- 8 -Intensify efforts to provide more relief and humanitarian aid that commensurate with the high population density.
- 9 -Actors press on the Turkish government to stop its military operations and withdraw from areas controlled by the Self- Administration.



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