



SLDP

Syrian Legal Development Programme
البرنامج السوري للتطوير القانوني

Improving Sanctions Effectiveness:

How the Syrian Regime Controls the Economy in Syria

2024

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The Syrian Legal Development Programme (SLDP)

A non-aligned and non-governmental organization. It was established in 2013 – registered in the UK in 2014 – **to respond to complex human rights matters triggered by the Syrian conflict that erupted in 2011**. It works through the utilization of international law. SLDP has a highly qualified team of Syrian and international researchers and analysts in various aspects of international law, who enjoys a unique skill set and a comprehensive understanding of the Syrian political and strategic dynamics at the local, regional, and international levels with strong access to the ground and policymakers. SLDP’s multilingual law specialists and qualified lawyers have acquired, through years of academic and practical experiences, unique analytical skills and awareness of the Syrian context and the conflict’s consequences. SLDP has positioned itself as a principal legal organization to which other Syrian civil society organizations could refer to obtain expert review and guidance on international law issues arising from the Syrian context. We have contributed to the training of many actors working within the Syrian justice and accountability system and built and enhanced their abilities to participate in the present and future justice and accountability initiatives that focus on international law and its utilization in documentation, advocacy, and direct engagement with different actors.

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Executive Summary

- The effectiveness of Syria sanctions has increasingly become a topic of discussion **in light of the deteriorating economic conditions and the absence of any progress in the political solution.**
- Calls to reform the US and EU Syria sanctions focus on **separating the targeted individual sanctions from the broader sectoral sanctions imposed against economic sectors.**
- The separation between the two categories of sanctions in Syria is impractical given **the Syrian regime's historical control over the economy**, state institutions and over the activities of the private sector.
- The Syrian regime's control of the economy is not absolute, but **it tends to target specific sectors and businesses that are lucrative and enjoy a low elasticity of demand.** Sectors like oil and telecommunications are lucrative and always in demand. This also applies to basic food items for Syrian families including wheat and sugar.
- The Syrian regime's control of state institutions allows it to create the legislations and regulations needed to control the economy and the private sector. Legislations like the Public-Private Partnership Law (2016) and the Investment Law (2021), and regulations, like the Imports Financing Platform, while in theory are supposed to improve economic conditions, **served in practice as tools to facilitate the regime's own cronies over the private sector.**
- **The regime also deploys the coercive arm of the state against businesses to force their compliance and cooperation.** This includes the taxation, asset freeze and confiscation but also threats of arrest by security forces, the military or affiliated militias.
- Another method of control is the appeal **to mutual interest of businesses** that increases their wealth and status, including political standing.
- The Syrian regime's control over the economy and the private sector activities **limits the impact of sanctions**, both individual and sectoral, which also translates to higher impact on the economic conditions of the country and the lives of ordinary Syrians.
- This control also **complicates the narrative around sanctions and the calls for their reform**, because of the impractical separation of sectoral and individual sanctions if they were to bring a change in the regime's behaviour.



The Syrian regime's control over the economy and the private sector activities limits the impact of sanctions, both individual and sectoral



Recommendations to sanctioning states:



Sanctioning states should have a **clear sanctions strategy** to achieve sanctions declared goals.



Individual sanctions should be sustained and increased against the regime's crony capitalists.



Sectoral sanctions should also be maintained, but with clarity on what they are to achieve and what can the sanctioning authorities do to mitigate their impact on the Syrian population.



Support should be provided to small sized enterprises and other initiatives to improve the local economy.



Early recovery projects should be designed and implemented in a way that benefits local communities and small businesses and avoid the regime's crony capitalists.

Introduction

The European Union and the United States sanctions were imposed in 2011 in response to the grave violations of human rights that accompanied the Syrian regime's violent repression of the civilian protests against the rule of Bashar al-Assad. Thirteen years later, and despite the general cessation of hostilities across the divided country, the Syrian economy is experiencing a rapid decline that gravely affects the lives of Syrians. The dire economic and living conditions for most Syrians led to increased calls to reform the different Western Sanctions against the country.

Many factors play a role in the deterioration of living conditions in the country. The Syrian regime, through military force or state institutions, **enacted policies and military campaigns** that are the main reason behind the general destruction of the country's infrastructure and the mass migration of its working force.¹ External factors also play a role in aggravating these conditions, including a **financial crisis in neighbouring Lebanon (2019)**, where Syrians kept their savings and a global economic crisis that followed Covid-19 and **the Russian invasion of Ukraine (2022)**. **Western sanctions** also play a role in the current economic conditions of the country, although their full impact remains ambiguous within the compound nature of the conflict in Syria.

One of the obstacles that stand in the way of assessing the impact of sanctions is the difficulty in isolating its impact from the country's general conditions stated above. **The Syrian regime capitalises on this ambiguity to blame Syrians' suffering on sanctions, promoting a narrative that sanctions are primarily responsible for the existing conditions.** Supporters of sanctions, however, stress the need for accountability for the human rights violations committed since 2011 and the need for the Syrian regime to change its behaviour in this regard.

To mitigate the negative impact of sanctions, arguments have been put forward to reform the existing regulations, including a **separation between the sectoral and the individual sanctions**. Such arguments rely on the logic that sectoral sanctions are blind, and they affect the lives of the regular Syrians indiscriminately, while individual sanctions target specific individuals for their human rights record, and their impact on Syrians is negligible.

However, the reality of the Syrian political economy is more complex, and the interconnectedness of the Syrian regime, state institutions and private sector renders such division impractical. This paper studies these relations to assess the level of the Syrian regime's control over the Syrian economy and the private sector. By having a better understanding of this relationship two main goals could be achieved. **First**, better illustrate how the Syrian regime is responsible for the economic crises in the country. **Second**, lay the ground for possible points of sanctions reform that could increase their effectiveness and reduce their impact on regular Syrians.

In order to explain the relationship between the impact of the individual and sectoral sanctions in the Syrian context, this paper will begin with addressing the EU and the US sanctions regulations to examine the overlap between the individual and sectoral sanctions. The paper will also examine the tools used by the regime to dominate economic activities including the use of Syrian law and government regulations, in addition to different coercive tools at its hand that render the separation between the two strands of sanctions impossible.

¹ The Syrian regime is often a term that is not clearly defined. In this report the Syrian regime is understood as the following: It is based on Bashar al-Assad and his family at its core, and what they control through the state apparatus of government, legislative, judiciary, in addition security branches, military and militias. This control also extends to the economy as discussed in this report. Control is exerted through intermediary officials, army officers and businesspeople. They work for the regime and could be part of it but they are ultimately replaceable.

Individual and Sectoral Sanctions

2011

APRIL

United State

Imposing targeted sanctions against the Syrian government and the leadership of the Syrian regime



2011

MAY

European Union

Impose sanctions against individuals involved in violence against protestors and restrict the military capacity of the Syrian regime.



The US and EU Syria sanctions programmes were an early feature of the Syrian conflict. As early as April 2011, the US president Barack Obama signed an Executive Order (EO 13572) imposing targeted sanctions against the Syrian government and the leadership of the Syrian regime for their human rights violations that accompanied the popular protests. One month later, the EU followed in the US footsteps and issued the Council Decision 2011/273/CFSP to impose sanctions against individuals involved in violence against protestors and restrict the military capacity of the Syrian regime.²

Sanctions became one of the main tools of engaging with the Syrian conflict. The US and the EU led the way in designing and imposing sanctions against the Syrian regime with the declared goals of accountability against human rights violations and forcing a change of behaviour in the Syrian regime to end the conflict.³

In general, sanctions aim to:



Impose costs for not adhering to international rules or agreements.



Make unwanted behaviour more difficult by limiting access to technology or weapons for example.⁴

Other countries also engaged in sanctions against the Syrian regime. The United Kingdom adopted the EU's sanctions regulations until its exit from the Union. The UK developed its own sanctions programme following Brexit in 2019, which remains aligned with that of the EU.⁵ Japan, Canada, Australia, Switzerland and Norway are other examples of countries with Syria sanctions, which are aligned with those of the US and the EU.

² European Union, [Council Decision 2011/273/CFSP of 9 May 2011 Concerning Restrictive Measures Against Syria](#), Official Journal of the European Union, accessed 11 June 2024.

³ Ministère de l'Europe et des Affaires étrangères, [European sanctions: an instrument for fighting repression in Syria](#), accessed 11 June 2024; U.S. Department of State, [Syria Sanctions](#), accessed 11 June 2024.

⁴ Rijksoverheid, [What are sanctions? Foreign Affairs in understandable language](#), Dutch Ministry of Foreign Affairs, accessed 5 July 2024. Original Language: [Wat zijn sancties? Buitenlandse Zaken in begrijpelijke taal](#).

⁵ UK Legislation, [The Syria \(Sanctions\) \(EU Exit\) Regulations 2019](#), accessed 11 June 2024.

Syria sanctions are composed of two main aspects: **individual and sectoral**. **Individual sanctions** are imposed against persons and entities that are identified as supporting the Syrian regime’s oppression of the Syrian people. While the US and EU sanctions agree on the general theme of supporting and benefiting from the Syrian regime’s oppression as the main underlying reason for designating individuals, the criteria differ to a limited degree between the two programmes.

Both programmes designate military personnel who are involved in the military operations and oppression of the civilian protests, either in the Syrian army or affiliated militias. They both sanction the Syrian regime’s chemical weapons programme and the individuals involved in its development. The two programmes also sanction the leadership of the Syrian regime, including leading members of the Assad family.⁶ The EU tends to sanction government ministers and leading businesspeople who benefit from the regime and support its violations, while the US tends to sanction businesses that are involved in supporting the regime’s efforts at sanctions evasion.



The US and EU sanctions agree on the general theme of supporting and benefiting from the Syrian regime’s oppression as the main underlying reason for designating individuals



Both programmes impose restriction on admission to their territories and a freeze on funds and economic resources. They also include a prohibition against working with the sanctioned individuals that applies to all companies and individuals who fall under their jurisdiction.

Sanctions	Imposed against	Sanction the Syrian regime’s chemical weapons programme	Sanction the leadership of the Syrian regime	Freeze on funds and economic resources	Prohibition against working with the sanctioned individuals
 Individual	persons and entities that are identified as supporting the Syrian regime’s oppression of the Syrian people.				

Individual sanctions are very specific, and their impact limited to the sanctioned individual

Sectoral sanctions are sanctions or restrictions imposed against certain industries or sectors in the country. The reasoning remains that of curbing and limiting the Syrian regime’s repression against civilian protests and the to force a change in behaviour to end human rights violations. The EU and US have therefore prohibited the sale of military equipment to the Syrian regime. Prohibitions include providing the regime’s air force with jet fuel. They also targeted the oil industry and the sale of oil products, including the needed technology. Other examples are the prohibition of building new power plants in Syria, or the prohibition on providing financial services to the Syrian government.⁷ Similarly, the prohibitions apply to all companies and individuals who fall under the respective jurisdiction of the US or the EU.

⁶ European Union, Council Decision 2013/255/CFSP of 31 May 2013 Concerning Restrictive Measures in view of the Situation in Syria, accessed 11 June 2024; Office of Foreign Assets Control, Syria Sanctions and Syria-Related Sanctions, accessed 11 June 2024.
⁷ Ibid.

Sanctions	Imposed against	Prohibition the sale of military equipment to the Syrian regime	Prohibition of oil industry and the sale of oil products	Prohibition of building new power plants in Syria	Prohibition on providing financial services to the Syrian government
 Sectoral	Industries or sectors in the country				

Sectoral sanctions are blind and indiscriminate, affecting the lives of Syrians in general

The Syrian regime’s domination of the different institutions of the Syrian government led to imposing sanctions against many state institutions including the Syrian Central Bank, but also different ministries and state-owned banks and companies. **The Caesar Act (2019) by the US Congress represents the strongest of such tools prohibiting working with the Syrian government.**⁸ Sanctions include exemptions, mostly for humanitarian purposes, embedded in their regulations, although the alleviative impact of the exemptions remains contested. Sanctions implementation and compliance is another factor to add to the conversation.



The Syrian regime’s domination of the different institutions of the Syrian government led to imposing sanctions against many state institutions including the Syrian Central Bank, but also different ministries and state-owned banks and companies.

The separation of individual and sectoral sanctions could be deceptively simple. Individual sanctions are imposed against human rights abusers, often identified as military personnel, civilian officials, or even war profiteers. They seem to be very specific, and their impact limited to the sanctioned individual. Sectoral sanctions seem to have a more overarching reach being blind and indiscriminate - with an impact affecting the lives of Syrians in general. Sectoral sanctions are in effect a ban against working with a certain sector, like oil, which translates to prohibition against dealing with all public and private institutions in the sector, for example, state owned or privately owned companies. This ban applies to those who fall under the jurisdiction of the sanctioning authorities.



However, this perception of clear separation between individual and sectoral sanctions in Syria is not realistic or sustainable, because of the difficulty in separating the private sector from the control of the regime. When this relationship is examined closely, as this report aims to do, it is important to explore how the Syrian regime utilises a wide range of tools under its control, including crony capitalists, to control the various economic and financial sectors, overlapping with the activities of Syrian private businesses.

⁸ Office of Foreign Assets Control, [Caesar Act 2019](#), accessed 11 June 2024.

Syrian Regime's Control over the Economy

Bashar al-Assad brought in an increasing liberalisation of the economy that was coupled with the regime's domination over the expanding activities of the private sector. The regime relies on crony capitalists who dominate each of the economic sectors with the support of the government and state finances. This process came to replace the direct state control and management that characterised Hafiz al-Assad's presidency. The cronies benefited from their connection to the regime to increase their wealth and expand their reach. They took over new sectors like banking and telecommunications and controlled more traditional sectors like construction and tourism. However, they were dependent on the regime, which maintained the ability to replace them, even throughout the most difficult years of the military conflict.⁹

Dynamics Before 2011

In order to get a better understanding of the impact of sanctions on the Syrian economy and the Syrian people, the dynamics used by the Syrian regime to control the Syrian private sector need to be studied. Bashar al-Assad's seizure of power in 2000 gave an ever-increasing influence to the regime's crony capitalists in the Syrian private sector. New names emerged to the business scene in Syria, who were the sons of the leading figures of the regime's "old guard". Rami Makhlouf is the prime example, but others like Majd Suleiman, son of Bahjat Suleiman, the former head of the General Intelligence Directorate, and Samer Douba, son of Ali Douba, the former head of the Military Intelligence Directorate.¹⁰

This new elite, also known as the **integrated elite**, competed with the traditional business elite in the main Syrian cities.¹¹ They also dominated the new economic sectors that emerged with liberalisation of the economy, such as banking, telecommunications and tourism. They monopolised a significant section of the Syrian business activities, leveraging their advantages from familial ties with the Assad and Makhlouf families to informal agreements and collaborations with the military and intelligence establishments.¹² In return, they were expected to refrain from politics, unconditionally support the regime of Bashar Al-Assad and facilitate the regime's financial stability. Their support was especially important in light of the regional political instability during the 2010s and the pressure against the regime following the assassination of the Lebanese Prime Minister Rafiq al-Hariri (2005).

Rami Makhlouf, the president's cousin, played a key role in coordinating and leading private businesses for the benefit of the regime. He expanded his influence increasingly to control the most profitable economic sectors, such as oil, telecommunications and banking. In other sectors, where he was not the leading businessperson, he imposed partnerships directly or through his associates.¹³ His proximity to the decision-making centres and influence over state apparatus turned the liberalisation policies into tools of monopoly and gave him unparalleled control over the Syrian economy.

⁹ Zaki Mehchy, [The interactions between state budget and political budget in Syria](#), Conflict Research Programme, London School of Economics and Political Science, February 2021, London.

¹⁰ Aljumbhuriya, [الجهات الاقتصادية السوري الجديد](#), November 2022, accessed 11 June 2024.

¹¹ The "integrated elite" is composed of business actors with social and family links to the regime. These were the primary beneficiaries of the new policies enabling private sector involvement in key areas of the economy, Samer Abboud, [Syria's Business Elite Between Political Alignment and Hedging Their Bets](#), German Institute for International and Security Affairs, August 2013, Berlin, P. 3.

¹² Jusoor, [الاقتصاد السوري ما بعد رامي مخلوف](#), March 2024, accessed 11 June 2024.

¹³ Ibid.

Thus, before the conflict, the regime controlled the economic elite to mitigate political threats and social instability. The Assad regime also utilised them as an advocacy tool internally and externally, especially through regional and international economic fora in addition to the multiple joint private business councils. The regime also mobilised these businesses financial resources when needed. Charities that were established by leading businesspeople became a method of channelling this support for the regime.¹⁴ For example, Rami Makhoul's Al-Bustan charity channelled support for the Syrian regime before 2011. Named after Bustan al-Basha, Makhoul's hometown, the charity provided financial support and different services to Syrians in the coastal villages and towns around Lattakia, including financial aid and medical care.¹⁵

Although the regime depended on mutual interests to gain the "loyalty" of these cronies, **the willingness of the regime to use coercion against them was the main controlling tool, which was deployed in 2011 against dissenting businesspeople.**

Dynamics After 2011

In 2011, the Syrian regime demanded the support of the Syrian business community against the protests and the popular uprising. The regime's own cronies worked to reallocate the available resources in support of the regime's own repression efforts. The deterioration of the state's institutions and the wealth further strengthened the regime's reliance on the resources provided by its business people.¹⁶ Other factors also cemented the importance of these crony businesspeople including the wider devastation of the Syrian private sector and the migration of many leading businesspeople to the neighbouring countries.¹⁷ Sanctions against the Syrian regime's leadership and government institutions which it controls also cemented the regime's reliance on cronies and private businesspeople to evade sanctions' impact.

A new group of businesspeople, known as the **conflict elite**, emerged after 2011 composed of cronies and warlords who provided support to the Syrian regime and benefited from their direct connections to it.¹⁸ Such businesspeople even created their own militias in support of the regime's military efforts, including those of Samer Foz, Hussam Katerji, Ayman Jaber and others. In addition, war profiteers made large fortunes either through facilitating the regime's control and working as its intermediaries, like Samer Foz, or benefiting from the illegal economy of smuggling, looting and checkpoints fees as was the case of Khodr Taher.¹⁹

¹⁴ For more on how the Syrian regime used charities to outsource social services after 2000: Laura Ruiz de Elvira, [Charitable Organisations and Welfare in Syria: From Ba'thist Etatism to the Outsourcing of Social Responsibilities](#), December 2021, accessed 18 June 2024.

¹⁵ All News Syria, [جمعية البستان الخيرية علامة فارقة](#), September 2014, accessed 18 June 2024.

¹⁶ Syrian Untold, [نظام الأسد ما زال يكتسب على نطاق الجوارية السنية](#), January 2018, accessed 11 June 2024.

¹⁷ Ibid.

¹⁸ Samer Abboud, [The Economics of War and Peace in Syria: Stratification and Factionalization in the Business Community](#), The Century Foundation, (January 2017), P. 2.

¹⁹ Financial Time, [The Men Making a Fortune from Syria's War](#), October 2019, accessed 18 June 2024.

Illicit activities provided an opportunity for such individuals to increase their income beyond the existing difficult economic conditions, especially as the regime relied increasingly on their resources. As the regime faced increasing financial needs and obligations to support its military and security operations, it required its cronies to generate more profitable practices. **This was reflected in a general outsourcing of the government's own responsibilities, in an aggressive privatisation campaign that increased the economic burden on the Syrian population.**²⁰ It also manifested itself in an **increase in illicit trades** including the smuggling of oil, antiques and most recently, Captagon. Such cronies enjoy a flexibility that sanctioned state institutions do not possess, which facilitates evading sanctions.

Another important aspect of the relationship between the Syrian regime and its crony businesspeople, who dominated the business scene in Syria after 2011, is that what matters to the regime first and foremost is their function. Once the function is obsolete, or the crony has grown too large, they could be replaced, regardless of who they are. **The regime is accustomed to replacing cronies regardless of their names to continue controlling the financial and economic resources of the country for its own benefits.** The main example of this process is the sidelining of Rami Makhlof in 2019. Another example is that of Ayman Jaber, who benefited greatly from his connection to the Assad regime. He built himself a large fortune from different business ventures, but mainly in the steel industry. He established a militia, Desert Falcons, that fought alongside the Syrian regime during the conflict. The Syrian regime increasingly sidelined Jaber beginning in 2018 to limit the influence of his militia.²¹ In 2021, Jaber's assets were seized by the regime under the pretext of his links to Rami Makhlof.²²

The regime controls the keys to the Syrian economy and Syrian markets, despite the resulting weakness from 13 years of war. Through its control of the state apparatus, the regime controls the legislature and the judiciary, in addition to state resources. **This control allows the regime to determine the legal framework under which businesses operate, the interpretation of these laws and regulations and the control the practical application of business practices within this framework.** The regime utilised this control as well to reward its crony by granting them control over certain businesses as a reward for their support.

Wassim al-Kattan represents an example of this dynamic. He emerged in 2017 when his company, Murooj al-Sham for Tourism and Investment, won a public bid to operate Qasyoon Shopping Mall. This was followed by another bid to operate Al-Jalaa Hotel the following year (2018). His business exploded in the following years to include many newly established companies and investments in projects like the notorious Marota City.²³ He was soon sanctioned by the EU and the US in 2020. His proximity to the regime allowed him to become a leading businessperson in Syria and Damascus, as he serves as treasurer of the Federation of Syrian Chambers of Commerce and board member of the Damascus Chamber of Commerce.²⁴

²⁰ Alaraby Aljadeed, [الأردن بين الإثراء والافتقار الاقتصادي](#), April 2024, accessed 11 June 2024.

²¹ Syria TV, [هل مصادر أعلام "جابر" صير "الأردن" بداية لتصفية المليشيات؟](#), May 2018, accessed 11 June 2024.

²² Enab Baladi, [الحزب الاحتياطي، على أموال ابن جابر مؤسس صفوف الصحراء](#), April 2021, accessed 11 June 2024.

²³ Alistiklal, [Wassim al-Kattan: رجل أعمال سوري صنعته عائلة الأسد لإدارة مخططات مخوف](#), June 2022, accessed 18 June 2024.

²⁴ Syria Report, [Profile: Wassim Qattan, Syria's Real Estate and Hospitality Front](#), May 2022, accessed 18 June 2024.

Intensified Targeting of Private Sector

The deteriorating economic conditions in Syria since 2019 have given the regime an increased interest in expanding its control over the legitimate and traditional private sector's activities directly or through cronies. Many factors have contributed to the economic crisis in Syria in the recent few years. **The war led to destruction of the country's infrastructure, workforce migration, devastation of whole sectors of the economy especially in the agricultural and industrial sectors.**²⁵

The regime's own policies further increased the scale of the crisis either officially through the government institutions, like high and unjustifiable taxation or unofficially through its militias and their parallel economy and illegal activities such as smuggling and drug trafficking.²⁶ Other factors also contributed to the instability including the crises that originated from the Lebanese financial crisis, Covid 19 and the Russian invasion of Ukraine. Western sanctions, especially the Caesar Act 2019, also left their impact on the Syrian economy.²⁷

In light of these conditions, **the Syrian regime continues to expand its reach over the private sector, targeting a wide range of activities.** High and quick profit businesses and economic activities are the main targets. Another characteristic is the low elasticity of demand. Demand on essential goods, such as oil, is continuous regardless of its price or any other obstacles. Such sectors as oil products also tend to be strategic and influence people's everyday lives. They are also essentials in everyday consumption, regardless of the existing conditions, such as wheat and bread. Another characteristic is whether the regime's creditors showed interest in acquiring the sector, such as the phosphates and the domination of Russian and Iranian businesses over its production.

The regime remains in control of an important source of the country's wealth as well, which is land and real estate. Regime's cronies control this sector supported by a body of laws and regulations that legitimises their control.²⁸ Land and real estate are also being used as a payment to the regime's creditors. This dynamic proved most fruitful in repaying Iran and its militias, as reports claim that Iran is acquiring through its fronts and militias, land and property in the strategic areas around Syria's main cities, especially those whose population was displaced during the conflict.²⁹ They are also mobilised as a tool of demographic change against communities that protested against the regime.

The main example is that of the Marota City development project in the Syrian capital.³⁰ The project was supported by new legislation that allowed the Regimes control of the land, and created vehicles of the public-private partnerships that were new to the Syrian scene. The public-private partnership law, which will be analysed in a later section of this report, also facilitated the cronies' control over the state's public institutions. In junction with Decree 66, Marota city project allowed for appropriation of the land and the putting forward for investment through partnerships between Damascus Cham Holding Joint Stock Company, established by Damascus Governorate, and companies owned by businesspeople like Samer Foz, Mazen Tarazi, Anas Talas and others.³¹

²⁵ The Day After, [Mechanisms of Exploitation: Economic and Social Changes in Syria During the Conflict](#), Friedrich-Ebert-Stiftung, September 2022, Berlin.

²⁶ Candle Media and Studies, [دور النظام السوري في الأزمة الاقتصادية](#), October 2023, Accessed 20 June 2024.

²⁷ Alsharq Alawsat, [ما سبب تقادم الأزمة الاقتصادية في سوريا أخيراً؟](#), January 2023, accessed 11 June 2024.

²⁸ Syrian Network for Human Rights, [محمل القوانين التي يسيطر النظام السوري من خلالها على الملكية العقارية والأراضي في سوريا قبل الحراك الشعبي في آذار 2011 ويعدده](#), May 2023, accessed 20 June 2024.

²⁹ Syria TV, [عشيرة البراسمة، عشيرة الشام عن طريق معضمة الشام في عقرات في تشرين الثاني](#), November 2022, accessed 11 June 2024.

³⁰ Enab Baladi, [Investigation: How Marota City project left around 30,000 people homeless](#), May 2024, accessed 11 June 2024.

³¹ Joseph Daher, [Decree 66 and the Impact of its National Expansion](#), March 2018, accessed 18 June 2024.

Methods to Target and Control Private Business Activities

The Syrian regime deploys all of its tools to control the activities of the private sector. The tools vary, but generally fall under one or more of the following three groups: laws and regulations, coercive tools, and mutual interests.



Laws & Regulations



Coercive Tools



Mutual Interests



Laws and Regulations

The Syrian regime utilises state institutions in controlling economic sectors via crony capitalists. Prime among these is the legislative framework within which the private sector operates. Since 2011, the regime has issued several laws that govern its relationship with the private sector and the latter's space of manoeuvre. Two laws represent a clear example on how the regime has legitimised the growing influence of crony capitalists over economic activities.



Public-Private Partnership Law

In July 2015, the government approved a law allowing city councils and other local administrative units to establish private-sector holding companies to manage public services and assets, creating space for regime affiliates to generate business by leveraging public assets.³² In January 2016, **the Public-Private Partnership Law was passed. The law permits the private sector to manage and develop state assets in all economic sectors except for oil.**³³

The Public-Private Partnership Law has contributed to tightening the control of regime cronies over public assets at the expense of state interests and the public good. This law must also be understood in the context of growing neo-liberal dynamics, whereby many economic sectors once largely controlled by the state open up to the possibility of private sector actors accumulating capital.³⁴

The law also allows public entities, according to Article 4, to establish joint projects with Syrian non-governmental organisations.³⁵ The leading NGO operating in the regime controlled territories is the Syria Trust for Development, founded and run by Asmaa al-Assad. In addition, foreign investors and Syrians residing abroad have the right to invest in partnership project companies and repatriate returns on their investments in foreign currency.³⁶

³² Presidency of the Council Ministers, [Decree No. 19 of 2015](#), April 2015, accessed 11 June 2024.

³³ Syrian Parliament, [Decree No. 5 of 2016](#), January 2016, accessed 11 June 2024.

³⁴ Open Democracy, [الشراكة بين القطاعين العام والخاص في سورية: أداة للخمسة وتعزيز شبكات المحسوبية](#), November 2019, accessed 11 June 2024.

³⁵ Law No. 5 of 2016, Article 4

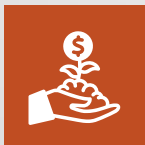
³⁶ Law No. 5 of 2016, Article 61

One of the sectors affected by the Partnership Law is the electricity sector. This law has empowered "private" investors to enter the sector through public-private partnerships, making it easier for them to generate electricity, import petroleum derivatives and purchase them at international prices. The government has awarded a local company the first power sector contract under the Public Private Partnership Law, and Russian and Emirati companies have contracts worth hundreds of millions of euros to rehabilitate and build renewable energy power plants in the country.³⁷

The partnership policy between the public and private sectors also benefits foreign investors, such as countries allied with the Syrian government, notably Russia. **The Syrian regime has signed dozens of contracts with Russia and Iran in recent years as part of a privatisation scheme for several economic projects owned by Syrian state institutions.** These projects include port leasing, phosphate extraction, and others. Additionally, there are contracts with companies owned by economic figures that emerged after 2011, which either directly cooperate with the regime or serve as economic fronts for it.³⁸

The Russian company "Stroytransgaz" STG Group signed a contract with the Syrian government to manage the Tartous port for a period of 49 years. The company was expected to invest \$500 million during the contract period to develop and expand the port, allowing larger ships to dock there.³⁹ Additionally, the Russian company signed two other similar contracts in 2018: one for the development of phosphate mines in Khneifis in the countryside of Hama, and the other for the management of a fertiliser production complex near Homs operated by the General Fertilizer Company. These contracts allowed the Russian company to oversee the entire chain of phosphate production, transportation, and exportation, from the mines to the port.⁴⁰

The latest announcement of privatisation from new sectors within a partnership system is the aviation sector, where a private company will invest in Damascus International Airport. The ownership distribution will be 51% for the General Aviation Establishment and 49% for the "Eloma" company, directly linked to individuals associated with Bashar al-Assad and Asma al-Assad.⁴¹



Investment Law

Law No. 18 of 2021 on investment and its amendments in 2023 "aim to create a competitive investment environment to attract capital, benefit from diverse expertise and specialisations, expand production, increase job opportunities, and raise economic growth rates."⁴² In practice, there are two types of projects included under the scope of law No. 18 of 2021. One type includes those established by a lone investor or by private companies in partnership with public sector entities, while the other involves public sector entities offering their properties for investment to the private sector.⁴³

³⁷ Syria Report, [Foreign and Local Investors Sign Power Sector Contracts, But Implementation Remains Out of Sight, May 2022](#), accessed 11 June 2024.

³⁸ Enab Baladi, [النظام يبيع مائتي من موارد الدولة بالخصخصة والتشراكة](#), July 2023, accessed 11 June 2024.

³⁹ Alwatan, [الوطن: نشر تفصيل الاتفاق السوري الروسي لبناء مرفأ طرطوس](#), April 2019, accessed 11 June 2024.

⁴⁰ Open Democracy, [الشراكة بين القطاعين العام والخاص في سورية: أداة للخصخصة وتعزيز شبكات المحسوبية](#), November 2019, accessed 11 June 2024.

⁴¹ Enab Baladi, [النظام يبيع مائتي من موارد الدولة بالخصخصة والتشراكة](#), July 2023, accessed 11 June 2024.

⁴² Syrian Investment Agency, [Law No. 18 of 2021](#), September 2021, accessed 11 June 2024.

⁴³ Law No. 18 of 2021, Article 3

The law provides numerous incentives for investors, including tax and customs exemptions. This includes investments in the real estate and tourism sectors, as well as joint investments between the public and private sectors not regulated under the Public-Private Partnership Law. The law also grants full income tax exemptions for agricultural projects and clear reductions for projects in development areas.⁴⁴

The new law also includes non-tax incentives, including the exemption from foreign currency limits for use in the projects. The exemptions also include import restrictions on inputs not available in the Syrian market. They may also receive subsidised loans from the Supporting and Developing Production and Exports Authority and benefit from technical support programs provided by the Small and Medium Enterprises Development Commission.⁴⁵

The Syrian regime aims, through the new Investment Law No. 18 of 2021, to direct desired investments towards "priority" sectors. The agricultural sector was given priority, with the law granting investors a full exemption of 100% from income tax. Export sectors and tourism ranked second in priority for the regime's government. Incentives include a 75% exemption from income tax for ten years and exemptions from all customs and financial fees. This includes projects such as tourist complexes, hotels, restaurants, entertainment facilities, and tourism services projects.⁴⁶

Investment law and its 2023 amendment carry high risk of Housing, Land and Property (HLP) rights violations. Subjecting property to Investment Law leads to the loss of these rights and opens the door wide for foreign capital without regulations to carry out real estate development activities. It also provides facilities to internal and external regime networks to help them achieve economic gains at the expense of the rights of Syrians, and it helps the regime complete demographic change without obstacles.⁴⁷

In addition, **within the Syrian context, such laws often end up legitimising illegal activities or facilitating easy money for cronies.** Law No. 18 and its amendments are likely to be used by cronies to launder money, invest in quick-win projects, and turn the economy into a rent-seeking one, focused on real estate and 4-5-star tourism projects.

⁴⁴ Law No. 18 of 2021, Article 21

⁴⁵ Law No. 18 of 2021, Article 22

⁴⁶ Syria TV, [قانون الاستثمار الجديد رقم 18 في سوريا: ما الجديد وما أولويات النظام](#), May 2021, accessed 11 June 2024.

⁴⁷ Anwar Majanni, [Changes to Investment Law Unveil Potential Property Rights Violations](#), The Day After, 2023.



Import Financing Platform

The regime also controls businesses' access to the Syrian market. In addition to the laws discussed earlier, the regime utilises few other mechanisms that allocate contracts and include or exclude businesses from the markets. The Central Bank of Syria (CBS) has introduced an "import financing platform" aimed at curtailing the depletion of foreign exchange reserves. The platform required importers to pay 50% of the value of their goods in Syrian pounds when submitting a financing request to grant an import licence. **The establishment of the platform was part of a package of monetary policy measures taken by the regime in 2021 to control the exchange rate of the Syrian pound.**⁴⁸

The platform added more bureaucracy to the import process. However, not all imports need to be funded through this platform. The Central Bank permits traders with foreign currency accounts outside Syria to use these accounts for direct imports, provided they can prove the source of these funds to the bank. For example, traders with accounts in the UAE can use them to import goods to Syria without using the platform. Central Bank approval is often guaranteed for traders with connections through cronyism or corruption.

The platform generated negative impacts on the importation process in Syria in general. **Businesses complained that the platform did not improve the markets, but rather imposed further restrictions on what businesses could import.** It also created long waiting periods for imports with cost hikes, exchange rates fluctuations and shortages of commodities due to the lack of permission to import the sufficient quantities.⁴⁹



Coercive Tools

The Syrian regime also relies on coercion in controlling the Syrian economic sectors. Coercion could take the shape of the confiscation of businesses, intimidation through official and unofficial channels, in addition to controlling their access to the market. These tools of coercion are not new, and the Syrian regime relied on similar approaches since its foundation. However, given the economic crisis in the country and the failure of the regime's policy, the methods became more aggressive.

⁴⁸ Syrian Observer, [Central Bank of Syria Cancels Import Financing Platform Following Lira's Depreciation](#), July 2023, accessed 11 June 2024.

⁴⁹ Enab Baladi, [Central Bank of Syria Adds Firewood, Ceramics to Import Financing Platform](#), January 2024, accessed 18 June 2024.

The main example of intimidation and coercion against a Syrian businessperson is the campaign against Rami Makhoul, Bashar al-Assad's cousin, and the formerly leading businessperson in Syria. The split between the two, which surfaced in 2019, ended with stripping Makhoul from his most valuable companies in Syria through different legal instruments. By the end of the campaign, Makhoul lost control over Syriatel, the country's main telecommunication company, and ended up under house arrest.⁵⁰ The fall of Makhoul was only the opening campaign by the presidential palace to force businesses to submit. Reports emerged in 2020 of a financial office managed by Asmaa Al-Assad, the Syrian First Lady, and her right arm, Yassar Ibrahim. The office is accused of targeting businesses in the country with financial penalties under intimidation from security services.⁵¹



Mutual Interests

On many occasions, private business interests or ideological convictions align with the Syrian regime's goals and worldview. **In such cases, the regime appeals to their mutual interests to incorporate these businesses in its own sphere.** Many of the war profiteers who emerged after 2011 fall in this category. However, two examples will be discussed in this report.

Amer Kheiti is a leading businessperson in Syria, whose wealth and influence soared after his return to Syria in 2018. A native of Douma, a major town in Damascus Countryside and a stronghold of Jaish al-Islam opposition militia, he found himself at the faultline between the regime and opposition armed forces. His business endeavours before 2018 are not clear, with claims that he left Syria soon after the uprising, and established businesses in Turkey, Egypt and Lebanon.⁵² Reports also claim that his brother, Abdulrahman, was close to Jaish al-Islam leadership, which facilitated the brothers control over goods movement into the besieged Eastern Ghouta.⁵³ The major break in Kheiti's career was in 2018 when he returned to Syria after the fall of besieged Eastern Ghouta, including Douma, to the Syrian regime militias.

Amer Kheiti led the family's businesses since then establishing at least 14 companies covering diverse sectors and industries, including import-export, retail and wholesale trade in construction material, fruits and vegetable, plastics, electronics and more. The family business also ventured into money transfer, real estate and car rentals. Amer also became a member of the Syrian Parliament in 2020.⁵⁴ Establishing these companies with a significant capital and the promise of further investment may have been one of the conditions the cash-strapped regime set for Amer Kheiti's return to Syria and participation in the family's reconciliation with the regime. Most recently, Kheiti was sanctioned for his involvement in the regime's connected Captagon trade.⁵⁵

⁵⁰ Arabic Post, [صافيا الأسد تقترب من رجل الأعمال](#), January 2022, accessed 11 June 2024.

⁵¹ Financial Times, [Syria's state capture: the rising influence of Mrs Assad](#), April 2023, accessed 11 June 2024.

⁵² Syria Report, [Profile: Amer Taysir Kheiti](#), July 2023, accessed 11 June 2024.

⁵³ Syria TV, [رغم حظر ختيير، ملياردير الحرب المقرب من الأسد وزوجته ومسوق مخدرات حزب الله](#), June 2021, accessed 11 June 2024.

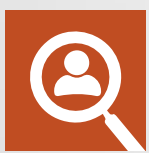
⁵⁴ Ibid.

⁵⁵ Ibid.

Another example is that of **Hussam Katerji**. Hussam and his brother Baraa emerged as the middlemen between the Syrian regime and the Islamic State (ISIS), and later between the regime and the Syrian Democratic Forces (SDF). The two brothers played intermediaries in providing the Syrian regime with oil extracted from the northeast. The Katerji business expanded rapidly to cover all aspects of the Syrian economy, from construction to tourism to agriculture and others.⁵⁶ Their main investment however remains in the oil sector, over which they have a virtual monopoly. They two brothers were sanctioned for their involvement in supporting the Syrian regime.

Like Kheiti, Hussam Katerji became the head of the family's business and then became directly involved in politics in the regime-controlled areas. He was elected to the Syrian parliament in 2016. However, they also maintain a militia that fought alongside the Syrian regime, mainly in the campaign against Aleppo in 2016. It later got involved in the regime's campaigns in eastern Syria, taking part in the siege of Deir Ez-zor in 2017.⁵⁷

In the example cases of Kheiti and Katerji, the convergence of their interests with those of the Syrian regime facilitated the expansion of their businesses and influence. They have established themselves and their businesses during the conflict, and they were not part of the regime sponsored intermediaries. Their interests aligned well with the regime's goals in their areas of influence, Eastern Ghouta, Eastern Aleppo, and Northeast Syria in general. The regime, on other hand, benefited from these businesses' access and resources. In the case of Kheiti, it was the flow of cash and investments and the influence in the newly conquered Douma, and in the case of Katerji, it was oil and connection to territories outside its control. The two businesspeople became closer to the regime, and were rewarded with the membership of the Syrian parliament, which added more legitimacy to their local influence.



Pathway to Cronyism

Analysing the regime's method of control highlights the importance of crony capitalists for the regime to control economic sectors and private sector dynamics. The regime does not always select its cronies; many emerged after proving their ability to import goods and close deals with external actors. Anyone with commercial registration in the Ministry of Economy and a membership in the Chamber of Commerce can import goods. Having the registration and membership is relatively easy, as the trader only needs to prove they have an office address. Usually, the registration process and the membership require security approval, which can be obtained fairly easily as long as the businessperson is not wanted by the regime.⁵⁸

⁵⁶ Syria Report, Profile: [The Katerji Brothers, the Family at the Heart of the Regime's Murky Oil Deals](#), August 2022, accessed 11 June 2024.

⁵⁷ Syria TV, [صدر خاضر، ميليشيا الفاطري تفت زراه مقتل ثلاثة اثناء من عشره العسائفة في حلب](#), May 2024, accessed 11 June 2024.

⁵⁸ The official list of documents required are available on the government's website: [موقع سجل تجاري للشركات الانشاص](#). Some of the required documents, like the proof of rent or ownership of the company's address, require security approval. In addition, informal conversations with businesspeople operating in Syria suggest that security approval is key for registration.

The process of importing goods, such as rice, is open to any registered trader with membership in the Chamber of Commerce. However, this process is quite **bureaucratic**, and traders often need to bribe public officials or use their connections to facilitate it. This includes dealing with the Ministry of Finance, the Governor's office, customs office, and the chamber of commerce. Bribes can vary in type and amount. Small bribes are often paid to public workers to accelerate the issuance of necessary paperwork for traders. However, large bribes may be used to secure market monopolies for a few days or weeks. For instance, the Ministry of Economy might issue a decision to temporarily stop the import of specific goods, allowing certain traders to monopolise the market and make huge profits. Such actions require connections in addition to large bribes.

This corrupt economic system is a "factory" for crony capitalists. Traders who manage to bribe their way into the importation process attract the attention of key regime figures. These figures can offer protection and secure large deals for traders who should serve the regime when needed by using the large profits derived from their monopolies over the Syrian market. This scenario has played out with individuals like Mohammad Hamsho, Samer Foz, and others. Accordingly, the competition becomes between the regime's figures and not the traders who are only tools for the regime to achieve its interests.

Case Study - Pharmaceutical Industry

Before 2011, Syria's pharmaceutical industry provided most of the country's needs for medicine. The private sector dominated the production of medicine in Syria, although state owned factories were also present. The conflict led to the destruction of the industry's infrastructure and forced businesses and expertise out of the country. Factories were relocated abroad or sometimes looted.⁵⁹ The crisis in energy hindered manufacturing operations and the economic crisis in general rendered the industry unprofitable.⁶⁰ External factors also played a role in undermining the industry, including sanctions, which complicated the import of primary material. Its chilling effects led to foreign, mostly Western, banks and companies to avoid dealing with Syrian counterparts.⁶¹

The industry devastation left its impact on the Syrian population. The reduced production and the difficulty in importing foreign medicines created shortage. This is further exacerbated by the high production and importation costs, which translated to unaffordability for the general population. Moreover, the drop in quality of domestically produced medicines led to increased concerns about the industry and the health of the population at large.⁶²

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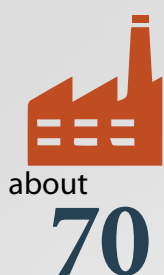
⁵⁹ Mada Slim, [Syria's Pharmaceutical Industry: Challenges and Impacts](#), European University Institute, July 2023, P.7.

⁶⁰ Ibid. 9.

⁶¹ Ibid. 11.

⁶² Ibid. 12.

However, **the industry also suffers from the dynamics of control the Syrian regime imposes on the private sector.** For the purpose of this report, an interview was conducted with a businessperson who operates in Syria. The interview is meant to provide an idea of the challenges the pharmaceutical industry faces from the perspective of private business. The current state of the industry is quite telling of the country's conditions. With about 70 active pharmaceutical factories in Syria, the estimated market value is 300-400 million Euros (325-430 million USD) including locally produced and imported medicines.



Pharmaceutical Factories



Market Value



The current state of the industry is quite telling of the country's conditions.



Mapping the scene of privately owned pharmaceutical companies in Syria reflects a diverse scene. The interview identified about 15 main companies with an approximate average share of 2-7 % of the domestic market per company. The companies are distributed across the regime controlled in Syria, in Damascus, Aleppo, Homs, Hama and Tartous. The largest two companies, Universal pharmaceuticals and Ultramedica, own 20-22% of the market share. None of these top 15 companies or their owners is sanctioned.⁶³

The industry remains regulated by the relevant Syrian authorities, in this case the Ministry of Health. Companies are in need of an official trade licence. Their pricing mechanisms are subject to the Ministry's approval. Manufacturers produce a supported cost bill that includes material purchasing and importing bills, which is usually amplified to absorb the potential unexpected expenses and devaluation of the currency in the current economic conditions. The interviewee estimated the amplification to be 3-4 times that actual bill. Other expenses include clinical studies, advertising and other marketing related expenses. The final retail price includes on top that 15-20% manufacturing costs, 4% for distribution and 25% (at least) for retail. Transportation is often done via the manufacturer's own fleet of distributing trucks.

Foreign payments for imported material is done through the platform to finance imports and created by the Central Bank of Syria. Importers need to transfer the payments through nominated foreign exchange and money transfer companies. **Importers are obliged to pay the value of the invoice in Syrian Pounds, according to the government's own exchange rate.** The payment takes 60 days to be completed by these offices. This often leads to further loss of value, because of the rapid devaluation of the Syrian Pound. Importers usually rely on a second payment method, which is a payment account outside Syria. Therefore, the importer needs 2 capitals to cover the invoice value and receive his order in proper time.

⁶³ Unipharma is majority owned by Maatouk Pharma LLC (68%). Check the company's profile: [Universal Pharmaceuticals LLC \(Unipharma\)](#); Ultramedica's identified owner and general manager is Firas Adam: [Ultra Medica Pharmaceutical Industries](#).

The regime influences and controls the industry through the tools discussed earlier. Through state institutions, in this case the Ministry of Health, **the regime controls pricing and the licensing process**, including the licences for new products. The ministry provides preferential treatment to companies who have high ranked officials as shadow partners. Advantages include priority in receiving licences and favourable pricing. With this advantage, the company also presents the best offer on the market, if not the only one. Such medicines are then sold to public sector hospitals and medical facilities, including the army, which own the largest medical establishments. These companies also benefit from the preferential treatment in getting their orders prioritised by the import financing platform.

uncooperative companies are targeted by some of the state's coercive tools. They usually include consecutive campaigns by the customs authorities for surveying the stocks of imported materials and the inspection of documentation. **The restrictions imposed by the regime on importation procedures push importers and manufacturers to use unofficial channels in certain scenarios, of which the regime authorities are often aware, if not in control.** They use these violations to prosecute companies and impose penalties when needed. Similar logic applies to the credibility of tax declaration and documentation. All non-supported expenses, which could be part of the process, could be dismissed from the initial cost, causing losses to these companies. For example, the bribes paid to senior government, military, militias or security officials to facilitate the operations of these companies. Other methods could be subjecting the production to higher taxation or using the Ministry of Health's licensing authority to revoke licence or reprice the products and cause further financial loss.

Impact of Existing Dynamics on Sanctions Effectiveness

As the report has argued so far, the Syrian regime exerts extensive control over economic activities in Syria. Methods of control are often a mixture of the tools discussed and presented already in this report. **The regime sees in the private business a lifeline especially as government institutions have a relatively small share of the Syrian economy.** Minimising the role of state for the benefit of crony capitalists began with Bashar al-Assad in early 2000s, but further escalated after 2011 as public institutions fell into disarray. Sanctions against the Syrian government and its institutions also supported the shift towards the flexibility of the private sector business practices.

In addition, the regime targets the most profitable businesses directly through its cronies, including their family members, and imposes its control over much of the rest through the power of the state, including decrees and laws, regulations by relevant ministries, taxation and customs control, in addition to the direct force of the military, militias, or security services.

These dynamics highlight the difficulty in separating the impact of the individual and sectoral sanctions. They also reflect the difficulty in measuring the effectiveness of sanctions and at the same time mitigating their impact over the lives of Syrians. Individual sanctions impact could be easier to measure, especially in relation to businesspeople who have connections to domains that fall under the different sanctions' jurisdictions.⁶⁴ However, **sanctioned Syrian businesses have tapped into the established tactics of sanctions evasion, which strongly undermines their effectiveness.**⁶⁵

Therefore, **imposing sanctions against the regime's cronies remains essential** and it causes significant difficulties for some, particularly those with businesses outside Syria. However, dozens of other businesspeople are eager to partner with the regime, because of its domination over the resources of the country and the potential profits they can achieve despite the risk of sanctions.

Another important point is **the replaceability of sanctioned business actors**. Regardless of the specific cronies who control certain sectors or oversee the importation of particular goods, these individuals serve as tools for the regime's inner circle. **The institutionally corrupt system makes replacing cronies relatively easy.** The regime can isolate the negative impact of sanctioning cronies dominating specific sectors, preventing major disruptions to these sectors in relation to its financial reward, rather than people's interests. This could support the argument that sanctioning sectors, such as the banking sector, is more effective in pressuring the regime, yet, it has a much harsher impact on ordinary Syrians.

In the example of the pharmaceutical industry, which is not sanctioned as a sector or any of its businesses, the interview highlighted the impact of existing dynamics. The regime has expanded its monopoly and its cronies, especially in favour of some businesses in Tartus and Latakia who were closely linked to the regime. The power relations are increasingly in favour of the regime and its cronies, because of their control over the primary material used in the industry. This is especially relevant with the entry of these materials to the country. While domestic production provides a large share of the local market's needs, with competitive pricing compared to neighbouring countries, medicine affordability in Syria remains restricted by the inflation and the economic crisis.



While domestic production provides a large share of the local market's needs, with competitive pricing compared to neighbouring countries, medicine affordability in Syria remains restricted by the inflation and the economic crisis.



It is safe to assume that similar dynamics are extended to other industries and sectors of the economy. When it comes to oil for example, the importation of the primary material, refining oil, and its distribution remains restricted to the regime's own cronies, like the Katerji group, or the government institutions, like Mahrukat. The crisis in oil supplies, despite its multiple domestic and external factors, further enriches the regime and replenishes its resources.

⁶⁴ SLDP published a report titled: [The Effectiveness of Sanctions as a Tool for Accountability and Behavioural Change Among Syrian Businesspersons in the Syrian Context](#) in 2020.

⁶⁵ SLDP published a report titled: [Tactics of Sanctions Evasion in Syria](#) in 2021.

Other industries still serve similar ends to the Syrian regime, and in effect creating a similar crisis in supply for the Syrian people. Sugar production in Syria has dropped considerably since 2011 because of the war and its consequences on the population and the industry.⁶⁶ To supply the market's demand, private businesses are given licences to import the needed quantities of sugar, which is considered one of the main staples for Syrian families. The process is not restricted directly by sanctions but affected by sanctions chilling effect. The main importers of sugar are also the owners of the largest sugar refining factories in the country: Tarif Al-Akhras and Samer Foz.⁶⁷ Both are sanctioned for their connection to the Syrian regime. Other non-sanctioned importers exist but they are co-opted by the regime through its control tools. For example, Mufleh al-Jandali and his children were subject to asset freeze and hefty fines in 2021 under the pretext of importing sugar illegally.⁶⁸ The extent of al-Janadali's connection to the regime is not explored, the company's case is an example of coercion into cooperation. Beetroot Farmers who managed to return to average levels of production, despite the collapsing economy and services, could not sell their produce to the government owned refinery. The government owned company claims that operations costs are higher than the value of the produced sugar, while the farmers accuse the government of preferring to rely on imports to benefit the largest suppliers of the market: Akhras and Foz.⁶⁹

Relevance to Sanctions Impact Messages

The debate around sanctions has also been trying to find solutions to their impact on the lives of ordinary Syrians. Shortages in all essential material persist and the general health of the economy is the farthest from recovering. Arguments for reforming sanctions in Syria are becoming louder, especially in the absence of a prospect of a political solution and a clear sanctions strategy by the sanctioning states that could change the conditions, especially human rights conditions, in the country for the better.

In these debates, an arbitrary division is created between the sectoral and individual sanctions. The starting point of this separation is that individual sanctions could be applied against human rights abusers without a wider impact on the public, while sectoral sanctions are seen as a blind instrument that only hurts the Syrian people with minimal pressure against the regime.

This report has argued that the nature of the Syrian political economy, and the Syrian regime's control over the private sector make such distinction impractical and unrealistic. This control is mostly done through the tools of government, through which the regime manages to direct the state resources to its cronies, through legislation, regulations and disciplinary taxation. Intimidation constitutes another tool enforced by the army, the militias, or the security apparatus.

⁶⁶ Syria Report, [Import and Export of Refined Sugar 1961-2022](#), January 2024, accessed 11 June 2024.

⁶⁷ For Tarif al-Akhras: Almodon, [من يحتكر السكر في سوريا](#), August 2022, accessed 11 June 2024. For Samer Foz: Syria Report, [Profile: Samer Foz, the Archetype of the Syrian War Profiteer](#), June 2022, accessed 11 June 2024.

⁶⁸ Syria TV, [تهمة تجارة السكر المهرب: النظام يحجز احتياطياً على شركات بخصم](#), September 2021, accessed 11 June 2024.

⁶⁹ Syria TV, [بعد تحويل الشوندر إلى علف: النظام السوري يطرَح منافسة دولية لشراء السكر](#), December 2023, accessed 11 June 2024.

Further Recommendations

This report attempted to explain the complex relationship between the Syrian regime and the Syrian economy. It does not claim to find an answer to the negative impact of sanctions over the lives of Syrians, but it lays the ground for understanding the control of the regime over the economy at large and the private sector specifically. The report also offers a few takeaways that could help in guiding policy making to improve the effectiveness of sanctions and mitigate their negative impact.



The main recommendation is for **sanctioning states to have a clear sanctions strategy**. The declared goals of sanctions are to pressure the regime to change its behaviour, however, the practice of sanctions requires clarity on how these sanctions are applied and how they are meant to achieve their intended goals.



To increase the effectiveness of sanctions, **individual sanctions should be sustained and intensified and target the regime's crony capitalists** who represent an important tool in its control over the private sector. These businesspeople help in diverting resources for the benefit of the regime and an active approach to combating their influence would certainly exert pressure on the regime. This requires a continuous up-to-date knowledge of the business dynamics in Syria and the regime's tactics to control economic activities.



Sectoral sanctions should also be maintained, but with clarity on what they are to achieve and what can the sanctioning authorities do to mitigate their impact on the Syrian population. Effective monitoring should be undertaken throughout the period that sanctions are in force. Sanctioning states unavoidably assume a responsibility to do all within their power to protect the economic and social rights of the affected population in the targeted state. The sanctioning state has an obligation “to take steps, individually and through international assistance and cooperation, especially economic and technical” to respond to any disproportionate suffering experienced by vulnerable groups within the targeted country. Such approaches should focus on issues like over-compliance which has a harmful effect on the Syrian economy, and arguably could be overcome by the regime cronies who have access to the needed resources. Furthermore, dealing with overcompliance requires an efficient monitoring and evaluation system to provide an up-to-date feedback system that would guarantee the effectiveness of the regulations in place. The dynamics of sectoral sanctions impact on the economy and the behaviour of the regime require further research.



Sanctioning states should **support the local economy at the level of small sized enterprises**, which are not regime targets but could provide better livelihoods to ordinary Syrians. This could be achieved by fine tuning sanctions regulations to give space for such economic activities to grow. This could also be facilitated by further research and consultation with economic experts.



Efforts to **support the local economy should benefit from the early recovery projects** that are planned as part of the humanitarian response to the Syrian crisis. This is not only limited to final beneficiaries, but it should also include contractors and implementers of these projects. An enhanced cooperation between humanitarians and sanctions officials will certainly help in directing resources the best way possible.



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