# End the Sanctions on Syria!

https://www.youtube.com/watch?v=-H4OhVA2T1k

## The Economic War on the Syrian Arab Republic

**By Jay Tharappel**

Syria is being destabilised both militarily and economically. Militarily by insurgent forces sponsored by NATO, Saudi Arabia, Qatar and Turkey. Economically by the sanctions regime imposed by the United States, the European Union, and even the Arab League.

The Syrian economy has contracted by roughly 35 percent since the beginning of the war. Although the crisis began in March 2011, throughout that year the inflation rate registered at 4.8 percent above the previous year, then in 2012 it jumped to 36.9 percent which coincided with the stronger sanctions imposed in August 2011. In 2013, the inflation rate jumped to 59.1 percent (see appendix).

The corporate media has lamented the humanitarian crisis currently afflicting Syria without addressing the issue of what's causing it. Often charities and NGOs will encourage donors to send money to refugee camps in neighbouring countries like Jordan, Lebanon, or Turkey. The vast bulk of the humanitarian burden is carried by the institutions of the Syrian state who are currently providing for 5.7 million internally displaced persons.

Often sanctions are justified on the grounds that they're "targeted" in the sense that they don't explicitly prevent the export of basic necessities like food. However, what this ignores is that sanctions needn't directly prevent the trade of basic necessities to make those goods increasingly scarce and unaffordable in the targeted country.

Imposing barriers on trade, especially on financial transactions, increases both the real and perceived ‘sovereign risk’ for entities doing business in that nation, which inexorably undermines the value of that nation’s currency.

The U.S. government has imposed various sanctions on Syria since 1979 which is when Syria was designated a “State Sponsor of Terrorism”. These measures entered a new phase of hostility after the U.S. led ‘War on Terror’.

In 2004 the Bush administration issued the **Executive Order 13338**, which prohibited the export to Syria of various types of industrial machinery and raw materials crucial for the development of a modern economy. Further sanctions involved blocking the assets of individuals in Syria involved with supporting various resistance organisations in Lebanon and Palestine.

The sanctions regime became even more punitive in August 2011, five months into the beginning of the conflict, when the Obama regime issued **Executive Order 13582**, which included a whole new range of sanction including most significantly, the prohibition of “the supply…of any services to Syria”.

This has meant financial sanctions, which were encountered first-hand by a member of the Hands Off Syria delegation who was blocked from using PayPal – a U.S. company that enforces these sanctions. PayPal also demanded that the HOS member write to the U.S. government explaining “why the attempted access from Syria was made” and requested confirmation that the “account is not held for the benefit of a person or organization in Syria”.

Given the hegemonic role of U.S. financial institutions in world trade, such sanctions have severely undermined the purchasing power of the Syrian pound. Before the war started the exchange rate was 45 Syrian pounds to the U.S. dollar, which has slid precipitously to what it is now – around 150 Syrian pounds to the U.S. dollar.

Over the course of the conflict the black-market rate soared far and above the official rate, reaching 320 Syrian pounds in July 2013, which was 210 Syrian pounds above the officially set rate of 110 Syrian pounds. The problem was solved by shutting down the operations of currency dealers who were selling their nation's currency at well below the rate set by Damascus (Khalidi, 2013).

To pay for increasingly expensive imports and to prevent a balance of payments crisis (when imports exceed exports leading to currency depreciation), the Syrian government is forced to export greater quantities of oil which drives up local prices. This source of income however has proven unreliable ever since insurgent forces, namely the Al-Nusra Front and ISIS, gained control the oil fields in the north-east of Syria.

The European Union only lifted these sanctions on imports of Syrian oil once these insurgent forces took over these oil-fields. This in turn fuels the insurgency against the Syrian state via the theft of its resources, and also increases the price of oil domestically.

The collapse in the value of the Syrian pound has also impacted the healthcare system.

Prior to the conflict Syria's healthcare system was relatively successful compared to other nations in the region. Although Syria has the fourth lowest per-capita GDP when compared with its fellow Arab states, it ranks third highest in life expectancy (at around 74 years) beaten only by the oil rich emirates Qatar and the UAE (World Bank).

Syria's per-capita expenditure on health amounts to a mere $79, which is relatively low compared to Jordan ($246) and

Egypt ($200), however, according to 2008 figures, Syria still managed a lower maternal mortality rate at 46 per 100,000 live births, compared to Egypt and Jordan, at 86 and 59 per 100,000 live births respectively.

The sanctions regime have initiated a reversal of many of these gains. Indeed according to Sen et al (2013, p. 198) writing for the Journal of Public Health and Oxford University:

> *“Sanctions have prevented the entry of essential medical supplies into the country, including those for cancer, diabetes and heart disease, which are not produced locally and is having an impact upon the thousands dependent upon such medication to treat long-term conditions.”*

The sanctions have also forced the government to reverse its price controls on food, which have become increasingly unenforceable given the inflation on inputs determining the price of bread. According to Xinhua News, “the majority of merchants continue to charge high prices, citing the depreciation of the Syrian currency and the difficulty of importing goods into Syria under EU sanctions”.

Given the shrinking economy, the government has been forced to make difficult decisions to bolster the Syria pound under conditions of an economic siege, including reducing state subsidies on bread and fuel, thereby saving the Syrian exchequer approximately $80 million and $365 million U.S. dollars per year respectively according to Syria’s Minister of Domestic Trade Samir Qadi Amin.

According to Xinhua:

> *“The Ministry of Domestic Trade has doubled the prices of white sugar and rice from 25 Syrian pounds (about 0.17 U.S. dollar) to 50 Syrian pounds (about 0.33 dollar) per kg, and the price of subsidized bread bundle has also been raised*

*from 15 Syrian pounds (0.1 dollars) to 25 pounds (about 0.17 dollars) (Xinhua, 2014).”*

When the conflict began foreign exchange earnings from industries such as tourism collapsed as a consequence thereby forcing the government to impose import restrictions on non-essential items to mitigate the depletion of Syria’s foreign exchange reserves (Khalidi, 2011).

Ironically however, because the foreigner-infested insurgency, which is extremely unpopular with the Syrian people, requires a lifeline of foreign funding to survive, such inflows of hard-currency have had the unintentional effect of stabilising the value of the Syrian pound as they travel through the economy eventually their finding their way into the hard-currency reserves of Syria’s central bank.

According to one Damascus based Syrian-banker interviewed by Reuters:

*“The dollars which are changed to the pound are going back into the veins of the economy. They get into the economic cycle and in the last resort go to the central bank” (Khalidi, 2014)*

In this case it seems the means by which foreign powers sustain the insurgency appears to be undermining their efforts to overthrow the Syrian state – a small victory on the economic front perhaps…

## Appendix

**Syria: Economic Indicators (Sourced from DFAT Australia)**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| GDP (USD billion) (current prices): | 52.6 | 53.9 | 60 | 57.96 | 47.52 | 38.97 |
| GDP PPP (Int’l billion): | 95.7 | 102.1 | 106.9 | 103.3 | 84.68 | 69.44 |
| GDP per capita (USD): | 2557 | 2557 | 2807 | 2711.6 | 2223.5 | 1823.3 |
| GDP per capita PPP (Int’l): | 4648 | 4841 | 4997 | 4827.1 | 3958.2 | 3245.7 |
| Real GDP growth (% change): | 4.5 | 5.9 | 3.4 | -3.4 | -18.8 | -18 |
| Current account balance (USD millions): | -673 | -1584 | -1709 | -5900 | -6700 | -5900 |
| Current account balance (% GDP): | -1.3 | -2.9 | -2.8 | -10.3 | -15 | -15.4 |
| Goods & services exports (% GDP): | 37.5 | 29.1 | 32.7 | – | – | – |
| Inflation (% change): | 15.2 | 2.8 | 4.4 | 4.8 | 36.9 | 59.1 |

*Underlined figures have been derived from the GDP growth rates for those years.

**2004 Executive Order 13338:** In 2004 the U.S. President Bush “declar[ed] a national emergency to deal with the unusual and extraordinary threat to the national security, foreign policy, and economy of the United States posed by the actions of the Government of Syria”

The United States justified its sanctions on Syria for the three reasons:

1. For “continuing its occupation of Lebanon”, which obstructed the Zionist regime’s objective of destroying the Lebanese resistance spearheaded by Hezbollah.
2. For “pursuing weapons of mass destruction and missile

programs”, which the United States would naturally oppose given Syria’s unwillingness to subordinate itself to U.S. interests.
3. For “undermining United States and international efforts with respect to the stabilization and reconstruction of Iraq”, referring to Syria’s support for the Iraqi resistance.

The EO states: “the Secretary of Commerce shall not permit the exportation or reexportation to Syria of any item on the Commerce Control List (15 C.F.R. Part 774)”. The exhaustive list includes various types of steel and aluminium, ‘bellow valves’, ‘compressors’, ‘gas blowers’, ‘heat exchangers’, and ‘gas centrifuges’, ‘metal heat-treatment furnaces for tempering metals’, that is, important industrial machinery and raw materials crucial for the development of a modern economy, as well as materials that could potentially be used to build a nuclear reactor; and construction equipment “built to military specifications”.

**2005 Executive Order 13338:** On the 5th of April, 2005, the OFAC issued new regulations to implement the which most significantly allows for the blocking of assets held by people within the United States who have “been directing or otherwise significantly contributing to the Government of Syria’s provision of safe haven” to groups such as “Hamas, Hizballah, Palestinian Islamic Jihad, the Popular Front for the Liberation of Palestine, the Popular Front for the Liberation of Palestine-General Command”. These measures also extend to those who “have been directing or otherwise significantly contributing to the Government of Syria’s military or security presence in Lebanon”; “have been directing or otherwise significantly contributing to the Government of Syria’s pursuit of the development and production of chemical, biological, or nuclear weapons and medium- and long-range surface-to-surface missiles”; and “have been directing or otherwise significantly contributing to any steps taken by the

Government of Syria to undermine United States and international efforts with respect to the stabilization and reconstruction of Iraq”. Furthermore the measures also extend to anyone who acts on behalf of blocked persons.

**2006 Executive Order 13399:** Targeted sanctions extended to those accused of being involved in the assassination of former Lebanese Prime Minister Rafiq Hariri.

**2011 Executive Orders 13572** (03/05/2011)and **13573** (18/05/2011) are targeted sanctions against the following entities and persons:

Bashar Al Assad [President of the Syrian Arab Republic, born September 11, 1965]
Maher Al Assad [Brigade Commander of Syria’s Fourth Armored Division]
Farouk Al Shara [Vice President, born 1938]
Mohammad Ibrahim Al Shaar [Minister of the Interior, born 1950]
Ali Mamluk [Former Director of the Syrian General Intelligence Directorate]
Atif Najib [Former head of the Syrian Political Security Directorate for Daraa province]
Adel Safar [Former Prime Minister, born 1953]
Ali Habib Mahmoud [Former Minister of Defense, born 1939]
Abdul Fatah Qudsiya [Former Head of Syrian Military Intelligence, born circa 1950]
Mohammed Dib Zaitoun [Former Director of Political Security Directorate, born circa 1952]
Syrian General Intelligence Directorate
Islamic Revolutionary Guard Corp – Quds Force

**2011 Executive Order 13582** (17th of August, 2011), the following are prohibited:

1. New investment in Syria by a U.S. person, wherever located;

2. The direct or indirect exportation, reexportation, sale, or supply of any services to Syria from the United States or by a U.S. person, wherever located;
3. The importation into the United States of petroleum or petroleum products of Syrian origin;
4. Any transaction or dealing by a U.S. person, wherever located, in or related to petroleum or petroleum products of Syrian origin; and
5. Any approval, financing, facilitation, or guarantee by a U.S. person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person or within the United States.

## References

Sen, K. Faisal, W. Saleh, Y. (2013), 'Syria: effects of conflict and sanctions on public health', Journal of Public Health, Vol. 35, No. 2, pp. 195–199

Khalidi, S. (2013), 'Syrian pound jumps after crackdown on speculators', http://www.reuters.com/article/2013/11/05/syria-crisis-currency-idUSL5N0IQ3GS20131105

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