



Syria

From Punitive Sanctions to an Incentive-Based Approach

The Carter Center

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About the Case Study

Since the end of the Cold War, multilateral and unilateral sanctions have become an essential instrument of global and national foreign policy. They are imposed to address international challenges to peace and security, including ending civilian wars and territorial aggression, and thwarting nuclear proliferation, mass atrocities, and terrorism.

Yet, over the past decade sanctions have become deeply entangled in major humanitarian disasters. In the Democratic Republic of the Congo, South Sudan, Syria, and Yemen, sanctions have failed to stifle massive violence, and conversely, ample evidence points to socioeconomic deterioration. Unilateral sanctions imposed by powerful states have contributed to significant, negative socioeconomic impacts on innocent civilians, which became more pronounced during the global COVID-19 pandemic.

To fully scrutinize the humanitarian impact of sanctions, the Sanctions and Security Research Project commissioned case studies on Iran and Venezuela, and collaborated with the Carter Center's project on Syria, which recommend stronger safeguards to prevent negative humanitarian impacts and offer ways of improving the effectiveness of sanctions and strengthening of incentives.

This paper is a compilation of the Carter Center's work on Syria prepared by HEND ANNIE CHARIF, program associate in the Carter Center's Conflict Resolution Program, with contributions by Stacia George, director of the conflict resolution program, Rana Shabb, associate director in the conflict resolution program, Nancy Azar, senior program associate to the conflict resolution program, and Hrair Balian, former director and senior advisor to the conflict resolution program. The Carter Center thanks the external readers and experts for their reviews and insightful recommendations, and the Syria project's 2021–2022 interns. The papers upon which this work is drawn can be found at The Carter Center Syria page.

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Acronyms

EU European Union

INGOs international nongovernmental organizations

OFAC Office of Foreign Assets Control (of the U.S. Department of the Treasury)

SAA Syria Accountability Act

UN United Nations

U.S. United States

Abstract

Since 2011, in an unsuccessful attempt to bring about a political transition in Syria, the U.S. and the EU have employed unilateral and combined measures, including the imposition of increasingly harsh economic sanctions. This approach has failed to produce the intended result and has contributed to increased instability and suffering in Syria. Sanctions, in particular, are exacerbating the country's already severe humanitarian crisis, without meaningfully advancing the political process. Sanctions are further contributing to the erosion of the Syrian economy, deepening unemployment, threatening new refugee flows, and leaving millions of idle young men vulnerable to recruitment by violent extremist organizations. Moreover, sanctions have marginalized the Syrian middle class at the expense of war profiteers. New thinking is needed and this paper advances this task considerably.

Executive Summary

The United States (U.S.) has a long history of enacting sanctions against Syria. U.S. sanctions began in 1979 through Syria's designation as a "state sponsor of terrorism" but were limited to restrictions on weapons transfers and targeted sanctions on government officials and entities. Since 2004, U.S. sanctions broadened to encompass a ban on U.S. exports to Syria, excluding food and medical supplies. In response to the outbreak of the Syrian conflict in 2011, the United States, the European Union (EU), and other countries imposed sanctions on the Syrian government, economy, and individuals.

The rationale behind the implementation of sanctions was to bring about behavior change from the Syrian government by applying maximum economic pressure on the country and its leaders. Sanctions on Syria are a mixture of comprehensive blanket sanctions and targeted sanctions. They seek to coerce President Bashar al-Assad into making political concessions, notably allowing for a political transition into a post-Assad era. Nevertheless, Assad has ignored pressures to reform and to devolve power. The West's quest for political transformation in Syria has proved challenging, pointing to a lack of understanding of the Syrian context and the nature of the regime.

The current sanctions restrict the Syrian government but also have the following impacts that inhibit U.S. and international community objectives in Syria:

1. The sanctions impose significant additional costs and delays in providing assistance and reduce the number of groups who can provide much-needed aid. Obtaining waivers and exceptions to sanctions is a cumbersome process, particularly for smaller international nongovernmental organizations (INGOs) operating on the ground in Syria.
2. The sanctions contribute significantly to negative humanitarian impacts on Syrian civilians. With broad sanctions in place and donors' reluctance to fund early recovery projects, NGOs fear that their humanitarian work will be considered a "reconstruction project" and thus violate sanctions.

In a growing environment of economic, humanitarian, and legal uncertainties, an urgent need exists for a concerted international effort to improve the effectiveness of humanitarian exceptions. This report advances five measures that can be taken to mitigate these negative effects.

These efforts should also be coupled with an incentive-based sanctions effort. Although United Nations (UN) Security Council Resolution 2254 (2015) remains the agreed basis for a political settlement, more pragmatic diplomatic options should be explored in the near term.

This report recommends specific steps the Syrian government could take as a basis for sanctions relief. In exchange, the United States can offer the Syrian government various incentives as initial illustrations. Specific and detailed incentives offered as part of each phase would need to be based on the evolving situation on the ground and negotiated with the Syrian government.

Introduction

In response to the outbreak of the Syrian conflict in 2011, the United States, the European Union, and other countries imposed sanctions on Syria, initially aiming to force regime change. When the “regime change” objective was adjusted later to a “reform” agenda, the sanctions were not adjusted to correspond to the new objective. Instead, more onerous sanctions were imposed, including the Caesar Syria Civilian Protection Act prohibiting trade between Syria and all other countries. Thus, sanctions became disconnected from the policy goals for which they were imposed. Eleven years on, it appears that sanctions have resulted in little more than increasing the suffering of ordinary Syrians, particularly the most vulnerable, while enriching business and regime elites.

The all-out war in Syria has largely come to an end. However, while violence has decreased, corruption is rampant, inflation is at an all-time high, and the near-term outlook for a political solution is bleak. Syria’s current economic crisis is rooted in decades of corruption and mismanagement of resources, years of war and destruction that obliterated Syria’s infrastructure, and most recently the pandemic as well as a banking collapse in neighboring Lebanon, where many Syrians held financial assets. The complicated web of economic sanctions—although not the direct cause of Syria’s economic crisis—has further exacerbated the pain of ordinary Syrians.

Moreover, combined with the war damage and economic mismanagement of the country, the sanctions have deepened Syria’s massive unemployment, leaving millions of idle young men who have come of age during the war years and who are vulnerable to recruitment by violent extremist organizations. Sanctions and war have destroyed the middle class and small businesses in Syria while empowering a handful of billionaire and millionaire oligarchs and hundreds of warlords. These conditions are likely to further destabilize the country and produce another wave of mass migration to neighboring countries and Europe.

Yet, sanctions have produced no discernable change in government behavior or the elite supporting it. Under the current sanctions regime, there is little prospect that Syria can recover on its own from the devastation of the war, further risking the potential of a resurgence in violent extremist groups and mass migration, this time for economic reasons. A new approach is badly needed to revive negotiations on Syria.

Although a political settlement reflecting UN Security Council Resolution 2254 (2015) remains the ideal path, a more nuanced implementation of sanctions that combines threat and potential sanctions relief at a later stage would strengthen their impact and efficacy. This transforms sanctions from a purely punitive pressure tool into a transformational approach, providing incentives for Syrian leaders to carry out reforms. It translates into reality by incorporating expiration dates into sanctions, encouraging more meticulous planning and policy development, and integrating periodic reviews of sanctions. Piecemeal incentives and sanctions relaxation, if timed correctly and tied to specific objectives, can yield positive results. They can further enlarge the positive outcomes by surpassing reforms to reach peacebuilding objectives.

Different sanctions regimes operating within varied political contexts have been phased out in different ways as a compromise for the scaling down of conflict and repression. With Iran, a comprehensive formal agreement, the Joint Comprehensive Plan of Action, was reached in 2015 with specific timelines for

sanctions relaxation in exchange for nuclear program limitations. In Libya, sanctions were suspended to act as leverage and ensure state compliance with international standards as it begins to rebuild. In Iraq, widespread delisting wound down a sanctions program that was universally perceived as having outlived its purpose.

The following policy paper will explore how sanctions can be leveraged as a positive tool to achieve change and peacebuilding in Syria. It outlines the timeline and rationale behind U.S. and EU sanctions in Syria, details the unintended consequences of sanctions, and provides suggested solutions regarding the way forward in terms of leveraging sanctions for conflict transformation. The paper is a compilation of the Carter Center's cumulative work on sanctions, which is based on literature and policy reviews on the topic and is informed by interviews with analysts, think tanks, and humanitarian organizations.

Overview of U.S. and EU Sanctions on Syria

The United States and the European Union have a long history of sanctions imposed on Syria. U.S. sanctions began in 1979 through Syria’s designation as a “state sponsor of terrorism” but were limited to restrictions on governmental assistance, an arms embargo, and targeted sanctions on government officials and entities. In 2003, however, the U.S. Congress passed the Syria Accountability Act (SAA), which required the president to impose broader sanctions on Syria. President George W. Bush implemented the SAA in 2004 by issuing Executive Order 13338, which restricted the export of most U.S. goods to Syria (except for food and medicine), banned Syrian air carriers from flying to the United States, and broadened U.S. targeted sanctions against Syrian officials and government entities. Despite this, other business activities continued to be allowed, including U.S. imports of Syrian goods (including oil), U.S. investments in Syria, and U.S. banking transactions related to Syria.¹

Starting in 2011, in response to events leading up to the Syrian civil war, the U.S. imposed sanctions on the Syrian government, numerous Syrian government-owned enterprises, and prominent Syrian business people and their businesses. They also moved to almost ban trade entirely with Syria; bilateral U.S.-Syria trade exceeded \$900 million in 2010 but has remained under \$60 million per year since 2012.² Sanctions remained relatively stable from 2011 to 2019, when their structure was overhauled to include a new category of secondary sanctions alongside their primary counterparts.

Primary sanctions by the United States include the prohibition of government assistance, an arms embargo, a ban on exports of U.S. goods and services to Syria, sanctions on government agencies, as well as sanctions that target specific government officials or companies and business people. Targeted sanctions are intended to maximize obstacles to the Syrian elite while minimizing the threat to Syrian civilians. However, since 2011 in Syria, the U.S. has relied increasingly on broader, largely indiscriminate sanctions, which can harm the entire Syrian economy and, in turn, the country’s most vulnerable populations.

In December 2019, the U.S. Congress enacted a new category of secondary sanctions under the Caesar Syria Civilian Protection Act coming into force in June 2020, and prohibiting trade between Syria and all other countries. The Caesar Act requires the U.S. executive branch to impose sanctions on a variety of third-country individuals, companies, and entities that engage in specific types of business with Syria, the Syrian government, and individually sanctioned persons and companies in Syria.³ Although secondary sanctions are targeted in nature, they can create an unintended chilling effect for donors and financial institutions that would otherwise be philanthropically active in Syria. The recent need for the U.S. to

1 The Carter Center, *U.S. and European Sanctions on Syria*, September 2020, https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/syria-conflict/us-and-european-sanctions-on-syria-091620.pdf.

2 Ibid., 7.

3 Ibid., 10.

provide an Office of Foreign Assets Control (OFAC) license exempting COVID-19 assistance to Syria from sanctions is further evidence of their potential to hinder humanitarian efforts.

The European Union sanctions on Syria have been in place since 2011. They are, in general, narrower and more targeted than U.S. sanctions. Where United States sanctions effectively restrict all U.S. exports to Syria except for food and medicine, European Union sanctions restrict trade in only specifically listed categories of products. Similarly, EU financial sanctions restrict European banks only from engaging in certain kinds of financial transactions with Syria and from transacting with designated Syrian banks, whereas the U.S. imposes a blanket embargo on all financial transactions with Syria. Policy objectives of EU sanctions on Syria, as reflected in language in EU regulations and press statements, are combating Syria's use of chemical weapons and putting pressure on the Syrian government over human rights abuses and political repression.⁴

When foreign countries impose sanctions, their objective is to send a clear message to a country's leaders and politicians and for these individuals to change their ways of governing. Ideally, sanctions act as a slap on the wrist leading to the reevaluation of policies. However, this is often not the case. For their part, sanctions in Syria have been a mixture of comprehensive blanket sanctions and targeted sanctions. They have sought to coerce Assad into making political concessions, notably allowing for a political transition or post-Assad era. Nevertheless, Assad has ignored pressures for reforms and for the devolution of power. Seeking political transformation in Syria has proved a challenge, pointing to a lack of understanding of the Syrian context and the nature of the regime. Additionally, the loyalty of the military and security service's apparatuses bolsters Assad's stance. Not only did sanctions in Syria backfire, leading to increased Iranian involvement, but comprehensive sanctions have also had disastrous direct and indirect impacts on Syria's economy and its population at large, reducing the overall quality of life and access to basic needs and services.

4 Ibid., 11.

The Unintended Consequences of Unilateral Sanctions on Syria

It is no secret that since their inception, sanctions were intended to act as punitive pressure tools against foreign countries. When they are indiscriminate in their nature, they impact a country's poorest populations by adding to their plight while posing somewhat of an insignificant barrier to those in power. The ethical and humanitarian concerns surrounding sanctions derive from their impact on civilians residing in a sanctioned country. Sanctions can contribute to rapid currency devaluation and a stunted agricultural industry, which has a disproportionate impact on the citizens of the country vis-à-vis its leaders. Furthermore, sanctions generate more obstacles for humanitarian actors attempting to provide support in a sanctioned country from several perspectives, including challenges with licensing, overcompliance, channels for transferring funds, and the potential for early recovery projects.

Direct and Indirect Economic Impacts

The unilateral sanctions imposed on Syria in 2011 have impacted its agricultural sector, small and medium enterprises, and the banking and financial sector, as well as the availability of oil and gas. Syria's oil production was already declining significantly prior to the conflict, and with unilateral sanctions in place, Syria's economy became strongly dependent on oil imports. However, with U.S. sanctions targeting any oil sales and transportation into Syria, the scarcity and high prices of fuel impacted small and medium enterprises, as well as ordinary citizens, by curtailing electricity generation, tap water production, and farm irrigation.⁵ Even if sanctions did not directly target oil imports, finding companies and banks willing to supply and transact with the government of Syria would have been difficult due to de-risking and overcompliance measures taken by foreign companies and banks. This has resulted in greater dependency on Iran for oil. Further, the unilateral sanctions pushed elements of Syria's economy into informal sectors, leading to the development of illegal trade networks controlled by Syria's repressive security services.⁶

Oil and Gas

Sanctions restricted oil flow to Syria, especially since the United States blocked the arrival of Russian and Iranian ships to Syria. This was detrimental to Syria as the country depends on both allies to secure its oil needs, particularly as its own oil sector was destroyed during the Syrian Civil War. Part of this control over oil is exercised through pressures on the Suez Canal and Saudi Arabia in order not to allow Iranian oil flows to Syria. Oil smuggling and illegal trade prospered, and reliance on gas increased to make up for oil shortages. Oil and gas fields and plants were at the heart of resource conflicts, notably around the regions of Homs and Palmyra. Syria attempted to turn to Egypt and Jordan for gas and electricity;

5 Samir Aita, *The Unintended Consequences of U.S. and European Unilateral Measures on Syria's Economy and Its Small and Medium Enterprises*, The Carter Center, December 2020, https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/syria-conflict/syria-unintended-consequences-aita-12-20.pdf.

6 Ibid., 5.

however, this source of supply stopped due to sanctions imposed on Syria's energy sector, and Egypt and Jordan balancing their own shortages and needs for gas and electricity.⁷ The lack of fuel negatively impacted pumping for agricultural irrigation, electricity production, transportation, heating, and the operations of small and medium enterprises.

Agriculture and Food Security

The scarcity and high cost of fuel for irrigation pumps due to unilateral sanctions affected Syria's agricultural sector, resulting in a major reduction of irrigated planted surfaces and crop production.⁸ Consequently, lower agricultural yields have translated into substantial food insecurity. Water scarcity also meant farmers had to rely on rainfall for irrigation, and the decrease in wheat crops led to a bread shortage. Iranian and Russian monetary and food assistance have thus been essential in combating food insecurity. The unsustainable high costs of imports and the difficulty in importing fertilizers due to sanctions⁹ reduced the use of fertilizers in agriculture, resulting in declining crop yields. Syrian farmers shifted to planting barley instead of wheat as it was mostly grown in non-irrigated land, could thrive on rainfall alone, and could be exported for favorable prices. Additionally, sheep owners suffered due to the costs of raising sheep, which include water, feed, and other necessities. Because cotton is one of Syria's main exports, the Syrian gross domestic product was negatively affected. As prices drastically increased at a rapid rate, overall demand declined. Fruits and vegetables had their value chain disrupted by unilateral sanctions as well, and farmers became dependent on illicit export networks.¹⁰

Provision of Electricity and Water

The provision of electricity significantly dropped in 2012 due to the escalation of armed conflict and the unilateral sanctions put in place the previous year. By 2016, Syria's electricity production had fallen to a third of its 2011 level. Although there were signs of recovery in 2017–2018, the provision of electricity is still limited to three to six hours a day for most of the nation. The conflict caused the destruction of power plants and electrical networks, which greatly reduced the potential capacity of Syria's energy production. Furthermore, unilateral sanctions increased the prices for fuel and components necessary for electricity production. Some plants switched to gas instead of heavy oil, which led to armed conflict over gas production sites, as sanctions prevented the import of gas.¹¹

The production of tap water decreased due to infrastructure damage from the conflict destroying nearly two-thirds of water treatment plants and half of the pumping stations. In addition, because water is pumped using electricity, the production of tap water also suffered from the lack of fuel needed for pumping, as well as the difficulty in importing the equipment needed to repair the damaged installations.¹²

The Pharmaceutical Industry

Syria has a free, universal health care system for all its citizens. However, unilateral sanctions and the conflict itself have placed immense strain on the Syrian health care system. According to the UN Human Rights Council, unilateral measures that have impacted the banking system have had adverse effects on

7 Ibid., 45.

8 Ibid., 27.

9 As some can have dual use. See Aita, *Unintended Consequences*, 30.

10 Ibid., 26–38.

11 Ibid., 44–45.

12 Ibid., 46.

the ability of Syrian citizens and hospitals to purchase medication and medical equipment.¹³ Although unilateral sanctions do have humanitarian exceptions, international corporations have adopted a strategy of de-risking and overcompliance and are unwilling to export necessary medical supplies into Syria. For the same reason, international corporations have also withdrawn the licenses of Syrian pharmaceutical companies to produce certain medications. General increases in the costs of production have made producing medicine locally challenging as well, therefore quantities of life-saving medication are severely limited. The COVID-19 pandemic has exacerbated these issues, because factory shutdowns and export suspensions in China and India have further raised the price of necessary medical supplies.¹⁴

Small and Medium Enterprises

Unilateral sanctions led to the flourishing of illegal trade and smuggling, instigating job loss and reducing the development of small- and medium-sized enterprises. They likewise inhibited the creation of new small and medium enterprises inside Syria. Entrepreneurship endeavors, where still existent, primarily revolved around food production due to the prevailing food insecurity. Electricity cuts, however, hindered the creativity, effectiveness, and work of these organizations. The conflict, compounded by fuel and equipment shortages, thwarted small and medium enterprises' ability to prosper.¹⁵

Banks, Exchange Rates, and Inflation

Currency devaluation and inflation resulting from unilateral sanctions have decreased the Commercial Bank of Syria's role and negatively affected the work of private banks as well as that of Islamic and traditional Gulf banks. The Gulf banks' role expanded, though, as they became key actors in foreign trade banking operations and transactions, most notably for INGO funds. Paradoxically, the informal banking system grew due to individual, INGO, and UN transactions. Unilateral sanctions drove Syria to rely on informal financial markets through neighboring states. They also impinged on the Central Bank's ability to control and influence the exchange rate. The Lebanese economic crisis had further negative reverberations on Syria's exchange rate. Syria's ability to import goods was additionally hindered. Finally, the Caesar Act increasingly depreciated Syrian currency and exacerbated inflation, particularly in relation to the U.S. dollar.¹⁶

The Impact on the Political Economy of the Conflict

Sanctions enacted against the Syrian government have not only impacted the efficiency of Syria's productive industries, but they have changed the behavior of individual actors themselves. Extra costs imposed on financial transactions, imports and exports, and insurance have led actors to circumvent sanctions through smuggling and countering international financial transactions. On a microeconomic level, unilateral sanctions have shifted Syria's economy toward a private, informal trade system within the country. The division of Syria exacerbates the costs of unilateral sanctions into many different zones of control, which must trade with one another as separate entities. This shift toward an informal Syrian economy has allowed forces loyal to Assad, the initial targets of unilateral measures, to profit from providing "security" for illegal transactions. This increase in the power of loyalist smugglers leads to

13 United Nations Human Rights Council, *Report of the Special Rapporteur on the Negative Impact of Unilateral Coercive Measures on the Enjoyment of Human Rights on His Mission to the Syrian Arab Republic*, A/HRC/39/54/ADD.2, 11 September 2018, https://reliefweb.int/sites/reliefweb.int/files/resources/A_HRC_39_54_Add.pdf.

14 Ziad Ghisn, *How Economic Sanctions Negatively Affect the Health Sector in Syria: A Case Study of the Pharmaceutical Industry*, The London School of Economics and Political Science, April 2020, <https://blogs.lse.ac.uk/crp/2020/04/16/how-economic-sanctions-negatively-affect-the-health-sector-in-syria-a-case-study-of-the-pharmaceutical-industry/>.

15 See Aita, *Unintended Consequences*, 39–44.

16 *Ibid.*, 52–62.

more coercive power over the population, who must pay ever-increasing prices for goods and services. To survive, Syrians have had to depend on remittances from relatives overseas, and humanitarian aid.¹⁷

Sanctions as Obstacles to Humanitarian Assistance

Since 2020, Syria has witnessed less violence, and although the war has largely come to an end, the country's socioeconomic situation continues to deteriorate, and humanitarian needs remain extensive.

Despite humanitarian exceptions to sanctions, INGOs are consistently running into hurdles when trying to implement their projects.¹⁸ In theory, the major sanctioning entities express commitment to providing legitimate humanitarian support by issuing exceptions to sanctions, while ensuring aid does not fall into the wrong hands. In practice, however, INGOs recognize that the exceptions process does not function as intended.¹⁹

The current sanctions restrict the Syrian government but also threaten humanitarian efforts in Syria from several perspectives, including challenges with licensing, indirect support for designated individuals, overcompliance, channels for transferring funds, and the potential for early recovery projects.

Licensing

When operating in Syria, humanitarian organizations must navigate a broad network of sanctions, each with different policies depending on the sanctions regime. Some sanctions bar individuals, while others have developed deep, cross-cutting bans that cover goods and services, partners, and channels. For example, the U.S. requires a license for goods under sanctions that include more than 10 percent of components manufactured in the U.S., and dual-use goods that could be applied to agriculture, medical, and educational projects are banned, requiring specific approval. Although licenses are possible for such goods, the criteria for obtaining them are not standardized or streamlined. Also, when a license is rejected, the licensing authority does not necessarily provide feedback or reasoning. These factors obligate organizations to seek costly legal advice for even simple requests or risk paying exorbitant fines.²⁰

Designated Individuals

Sanctions regimes target individuals in addition to institutions by prohibiting all business transactions with them and their affiliates. Although the list of such entities and individuals is clear, almost all humanitarian efforts involve indirect transactions with a designated entity. For example, an organization could rent a building that is ultimately owned by someone on the asset freeze list, which could trigger a fine. Additionally, the ban on mobile phone providers, such as Syriatel, forces humanitarian workers to cover from personal funds the cost of phone services, especially in remote areas where no other option is available. Even if it were possible to identify a supply chain with no sanctioned parties, the process of auditing every vendor imposes another cost and takes precious time. Exemptions are possible when a true hardship exists, such as when operations would completely halt unless flights provided by a banned airline are used. However, banks may refuse to honor the transaction with a banned airline due to risks the bank would incur.²¹

17 Ibid., 19–24.

18 The Carter Center, *Navigating Humanitarian Exceptions to Sanctions Against Syria: Challenges and Recommendations*, October 2020, https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/syria-conflict/navigating-humanitarian-exceptions-in-syria-oct2020.pdf.

19 Justine Walker, *Study on Humanitarian Impact of Syria-Related Unilateral Restrictive Measures*, UN Economic and Social Commission for Western Asia and Office of the UN Resident Coordinator in the Syrian Arab Republic, May 2016, http://antikrieg.com/aktuell/un_study_syria.pdf.

20 The Carter Center, *Navigating Humanitarian Exceptions*, 8.

21 Ibid., 9.

Overcompliance

Due to the extensive scope of U.S. sanctions, it is difficult to disentangle humanitarian operations from sanctioned institutions. Additionally, sanctions differ by sector and region. Some sanctions target the Central Bank of Syria in government-controlled areas, whereas nongovernment-held territories impose regulations to contribute to counterterrorism operations. The complexities of sanctions regimes and the risk of accidentally violating U.S. sanctions imposes a “chilling effect” on necessary foreign partners such as banks, medical suppliers, and shipping companies. These partners prefer not to work with any Syria-related entity because it is so easy to accidentally deal with sanctioned actors and face severe consequences such as hefty fines. Because of this, humanitarian organizations struggle to structure programs that reach a broad group of people and process funds without violating sanctions. Lacking the funds to hire a specialist attorney, aid organizations and workers self-impose restrictions to avoid penalties.²²

Transferring of Funds

The collapse of the banking sector in areas outside the control of the government, coupled with the sanctions imposed on government-owned banks, has made it nearly impossible to transfer money into Syria through verified formal channels. Banks are often forced to decline transactions completely in lieu of investigating every individual transaction. De-risking measures consequently have isolated entire regions of Syria, pushing many organizations to deal with informal networks of financial exchange, such as the informal hawala system.²³ Even if the fund transfer arrives at the intended destination, a late arrival can completely derail a project due to rapid currency depreciation. For example, the delay of payment halted the reconstruction of nearly 200 apartments in 2019, forcing an INGO to cover a \$400,000 project extension cost.²⁴

Early Recovery

Syria’s situation is shifting from strictly aid-based programs toward early recovery projects with more sustainable access to basic social services. This means restoring infrastructure required for basic human needs such as water, sanitation, education, and health care. Although sanctions do not directly prohibit early recovery projects, there is a lack of consensus and clarity among donors over what type of work constitutes “early recovery” versus “reconstruction.” With broad sanctions in place, INGOs fear that their humanitarian work will be considered a “reconstruction project” and thus violate sanctions. Additionally, supporting key services is often viewed as “propping up the regime.” Hence, donors often hesitate to repair water pumps or electricity networks fearing that the work may not meet the definition of humanitarian work, despite their clear impact on other vital goods and services, such as bread production.²⁵

22 Ibid., 10.

23 Hawala is an informal method of transferring money without any physical money actually moving. Hawala is used today as an alternative remittance channel that exists outside of traditional banking systems.

24 Ibid., 11–12.

25 Matthew Hemsley and Kathryn Achilles, *Aid in Limbo: Why Syrians Deserve Support to Rebuild Their Lives*, Oxfam and Danish Refugee Council, March 2019, <https://www.oxfam.org/en/research/aid-limbo-why-syrians-deserve-support-rebuild-their-lives>.

Recommendations to Improve the Effectiveness of Humanitarian Exceptions

Sanctions may be the only leverage left to the international community. Yet, there is a need to recognize the unintended consequences of the punitive measures on a population already ravaged by a decade of violence and instability. An urgent need exists for a concerted international effort to improve the effectiveness of humanitarian exceptions. The following five measures can be taken to mitigate these effects:²⁶

1. Continuous dialogue among sanctioning authorities, donors, humanitarian actors, banks, and financial sector regulators is paramount to building trust and improving regulatory guidance that make it easier for humanitarian actors to comply with the sanctions framework, and over time reduce the chilling effect of the sanctions.
2. Promote regular monitoring, evaluation, and reporting on the unintended consequences of sanctions on humanitarian activities.
3. Establish a financial channel between a correspondent bank and a private bank in Syria for Damascus-based humanitarian organizations to transfer directly and access funds in Syria. This will remove the risks, delays, and costs involved with informal transactions.
4. Insulate humanitarian activities from sanctions by providing broad exceptions for humanitarian work in sanctions resolutions.
5. Standardize definitions of key terms—such as “humanitarian work,” “early recovery,” and “reconstruction”—as well as the criteria used to apply these designations.

Overall, more exchanges with U.S. officials are needed to explain the depth of harm sanctions are having in Syria and to help officials identify ways to address these key issues. Either way, sanctioning authorities should rethink their approach so that it no longer confuses humanitarian relief for the Syrian people with its position on the Assad government.

²⁶ Ibid., 17–20.

A Framework for an Incentive-Based, Step-for-Step Approach in Syria

Current sanctions policy centered on isolating the Assad government has succeeded in crippling Syria's already war-damaged economy, but it has failed to bring about political change and, in crucial respects, has been counterproductive, deepening the country's reliance on Iran and sowing the seeds for future instability.

Many believe sanctions alleviation would provide President Bashar al-Assad with international legitimacy. However, for sanctions to become a tool in waging peace, there must be a diplomatic track for their removal. Sanctions relief can and has been utilized to pursue negotiated settlements to conflict. The convoluted nature of sanctions on Syria presents not only a challenge, but an opportunity to begin slowly removing measures in exchange for compromises from the Syrian government. The various restrictions can be linked as positive incentives to specific policy actions by the government of Syria.

Although UN Security Council Resolution 2254 (2015) remains the agreed basis for a political settlement, more pragmatic diplomatic options should be explored in the near term. In January 2021, The Carter Center released a framework for a phased approach to conflict transformation in Syria, outlining concrete steps and measures to facilitate negotiations with the Syrian government.²⁷ This framework leverages incremental sanctions adjustments and eventual relief against negotiated and verifiable positive steps by the Syrian government, replacing the current policy of using sanctions only as a punitive tool.

Recently, the U.S. administration has taken unilateral concrete steps that indicate a significant policy change in terms of the apparent willingness to relax the current sanctions regime. These modest initial steps of ad hoc sanctions relief when it comes to humanitarian impact include:

1. Rather than announcing new sanctions designations under the Caesar Syria Civilian Protection Act, OFAC released a general license (#21) in June 2021 exempting COVID-19 related activities from sanctions.²⁸
2. The U.S. supported a plan to facilitate the passage of electricity and natural gas to Lebanon from Jordan and Egypt via Syria. The plan would include sanctions waivers under the Caesar Act, which prohibits financial transactions with the Syrian government.²⁹

27 The Carter Center, *A Path to Conflict Transformation in Syria: A Framework for a Phased Approach*, January 2021, https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/syria-conflict/path-to-conflict-transformation-in-syria-jan-2021.pdf.

28 Office of Foreign Assets Control, U.S. Department of the Treasury, *Authorizing Certain Activities to Respond to the Coronavirus Disease 2019 (COVID-19) Pandemic*, General License No. 21, June 2021, https://home.treasury.gov/system/files/126/syria_gl21.pdf.

29 Giorgio Cafiero, "Lebanon's Desperation May Offer Big Step to Assad's Salvation," *Responsible Statecraft*, 28 September 2021, <https://responsiblestatecraft.org/2021/09/28/lebanons-desperation-may-offer-big-step-to-assads-salvation/>.

3. On October 18, 2021, the U.S. Treasury Department released its much-anticipated sanctions review. The review embraced sanctions as an effective national security tool but recommended that they be used in a more strategic, targeted manner to advance foreign policy goals. The report also urged deeper attention to the unintended impacts on civilian populations and the removal of impediments to humanitarian relief.³⁰
4. In line with its sanctions review, on November 24, 2021, the U.S. Treasury Department amended existing rules under the Syrian Sanctions Regulations and a general license to expand the authorizations for INGOs operating in Syria to engage in certain transactions and humanitarian activities despite U.S. sanctions.³¹
5. Perhaps the most significant positive step in the past year was the adoption of UN Security Council Resolution 2585 (July 9, 2021) extending the use of the Bab al-Hawa border crossing by one year for the delivery of humanitarian aid. Until the recent war between Russia and Ukraine, this positive step had demonstrated the Biden administration's willingness to collaborate with Russia to pursue further cooperation on Syria.

For the first time since 2013, UN Security Council Resolution 2585 showed that the U.S. and Russia had abandoned their maximalist positions on Syria and were able to reach compromises necessary for the resolution to pass. The resolution allowed for humanitarian assistance to continue for another year to northwest Syria through border crossings. In exchange, the UN promised more transparency in aid deliveries to the country and more assistance to government-controlled areas. A paper that The Carter Center published in June 2021, "An Avoidable Crisis: The July 2021 Expiration of Syria's Cross-Border Humanitarian Aid Mechanism and Potential Solutions,"³² suggested some of the compromises reached between the U.S. and Russia. The repercussions of the war between Ukraine and Russia will no doubt impact any future cooperation between the U.S. and Russia on Syria, and specifically, on cross-border humanitarian aid delivery to Syria.

The U.S. should consider engaging in a dialogue to complement its sanctions and allow for confidence-building measures to be put on the table for action. At the same time, the sanctioned party needs to be prepared to undertake some reforms. As indicated above, the Biden administration is already making ad hoc changes and exceptions to the sanctions regime imposed on Syria. Explicitly tying these measures with a diplomatic framework could spur the government of Syria to offer some crucial compromises in return for sanctions relaxation.

For this proposed approach, a critical basis for engagement is a realistic set of demands that can be organized into a diplomatic framework that outlines key tracks, reciprocal steps within each track, an implementation timeline, and mechanisms for monitoring progress. Here we propose five such negotiating tracks whereby the government of Syria could offer some compromise/information to the international community and opposition, not listed in any order of priority:³³

1. The accounting for and release of political prisoners.
2. A dignified reception for returning refugees.

30 U.S. Department of the Treasury, *The Treasury 2021 Sanctions Review*, November 2021, <https://home.treasury.gov/system/files/136/Treasury-2021-sanctions-review.pdf>.

31 Office of Foreign Assets Control, U.S. Department of the Treasury, *U.S. Treasury Expands Syria Nongovernmental Organizations General License*, Press Release, 24 November 2021, <https://home.treasury.gov/news/press-releases/jy0505>.

32 The Carter Center, *An Avoidable Crisis: The July 2021 Expiration of Syria's Cross-Border Humanitarian Aid Mechanism and Potential Solutions*, May 2021, https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/syria-conflict/the-july-2021-expiration-of-syrias-cross-border-humanitarian-aid-mechanism-potential-solutions.pdf.

33 The Carter Center, *A Path to Conflict Transformation in Syria: A Framework for a Phased Approach*, January 2021, https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/syria-conflict/path-to-conflict-transformation-in-syria-jan-2021.pdf.

3. Civilian protection and unhindered, countrywide humanitarian access.
4. The removal of remaining chemical weapons.
5. Political as well as security sector reforms, including good-faith participation in the UN's Geneva-based Constitutional Committee and greater decentralization.

In exchange, there are three types of incentives the U.S. can offer the Syrian government:

1. Diplomatic incentives, including a range of steps such as reestablishment of diplomatic relations at different levels of representation, potential participation in international forums, and cultural exchange programs.
2. Reconstruction assistance that expands existing funding for humanitarian relief to include reconstruction activities such as rebuilding Syrian civilian infrastructure.
3. Easing (including sunset clauses and steps to unwind some and eventually all) of the myriad sanctions the United States has imposed on Syria with the potential for “snapback” sanctions and removing other incentives if the Syrian government fails to honor its commitments.

This framework would be based on a phased approach in which the incentives outlined above would be taken in subsequent phases. During each phase, the U.S. would offer limited incentives in exchange for measurable progress on confidence-building measures along the five priority tracks outlined above.³⁴ These incentives could range from reestablishing diplomatic relations at the sub-ambassadorial level in the first phase to restoring full diplomatic relations, including reopening of embassies in Damascus, in the final phase.³⁵ These measures are only illustrations. Specific and detailed incentives offered as part of each phase would need to be based on the evolving situation on the ground and negotiated with the Syrian government.

Many in the international community fear that sanctions relaxation necessarily entails a loss of leverage. Although removing pressure in some areas might appear to offer little assistance in terms of negotiating a change in behavior, sanctions can always be reinstated. These “snapback” sanctions would be triggered by a failure to comply with the new terms of a deal.³⁶ In Libya, the United Nations Security Council utilized the tactic of full conditional suspension to entice the government of Libya to comply with investigations related to terrorist activities and end its support of terrorist organizations. Although the process took nearly 10 years, sanctions were eventually fully suspended, and the government of Libya took concrete steps to meet the Security Council's demands.³⁷

34 Ibid., 11.

35 Ibid., 12–14.

36 Ibid., 12.

37 For more information on past cases for sanctions relaxation, see Zuzana Hudáková, Thomas Biersteker, and Erica Moret, *Sanctions Relaxation and Conflict Resolution: Lessons from Past Sanctions Regimes*, The Carter Center, October 2021, https://www.cartercenter.org/resources/pdfs/peace/conflict_resolution/sanctions-relaxation-10-2021.pdf.

Conclusion

The rationale behind implementation of sanctions was to bring about behavior change from the Syrian government by applying maximum economic pressure on the country and its leaders. Sanctions are a low-risk, low-cost foreign policy tool that allows powers like the U.S. and EU to remain hands-off militarily, while exerting their will through financial isolation. This approach has failed to produce the intended result. Rather, it has contributed to the impact on Syrian civilians by burdening the operations of humanitarian actors and intensifying the already dire strain on the Syrian economy, without meaningfully advancing the political process.

In the past 15 months the Biden administration has taken ad hoc unilateral steps to relax the sanctions regime on Syria. These measures can be leveraged in an incentive-based step-by-step approach, whereby sanctions relief is accompanied by desired steps taken by the government of Syria. However, the transformed conflict requires peacebuilding efforts acknowledging the reality of the government's standing while leveraging possible incremental changes in exchange for targeted and incremental sanctions adjustments and relief that ameliorates the humanitarian situation and creates openings for economic recovery. Coupling sanctions with incentives to meet conflict mitigation and containment objectives would be more effective. Thus, sanctions could be an incentive tool rather than a punitive endgame. Changing regional dynamics and recent U.S. steps signaling a new approach to Syria policy provide an opportunity to advance the step-for-step approach with more strengthened diplomacy. In turn this should generate confidence-building measures to be put on the table and enacted mutually.

The choice is no longer between Assad and a transitional government. It is between a festering failed state and a reconceived diplomatic process that aims to extract minimally acceptable political reforms and allows at least some Syrians to begin returning home. To continue the status quo, despite the failure to achieve any of the sanctions' stated objectives in Syria—and with a high potential for future crises—is certainly worse.



Sanctions & Security Research Project

The Sanctions & Security Research Project is a leading source of scholarly expertise and analysis on the use of economic sanctions and incentives as instruments of peacemaking and international law enforcement. The project was designed as a research collaboration between the University of Notre Dame and the Fourth Freedom Forum of Goshen, Indiana, and provides research, consulting services, and policy recommendations to governments and organizations seeking to make sanctions and incentives more effective ways to resolve conflict and enforce international norms. The project devotes special attention to United Nations sanctions, especially for controlling nuclear weapons proliferation.

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