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The Recovery of the Local Economy in Northern Aleppo: Reality and Challenges

Sinan Hatahet

**Wartime and Post-Conflict in
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The Recovery of the Local Economy in Northern Aleppo: Reality and Challenges

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Executive Summary

The Syrian conflict has altered the ecosystem in northern Syria in many ways. However, the most significant shift has been Aleppo's disconnection from the surrounding countryside, its suburbs having practically become economically autonomous from the city. The *de facto* safe zones established in the Euphrates Shield area and in the Afrin region following successive Turkish military interventions have, in theory, given northern Aleppo with a greater potential for economic recovery.

Several local actors interact within the northern Aleppo ecosystem, most notably local councils, the Syrian National Army (SNA) and the Syrian Interim Government (SIG). Opposition armed factions are influential in the local economy and carry out various illicit activities focusing on smuggling and real-estate. Local councils, which answer directly to the closest Turkish provincial governors, enjoy a high degree of autonomy from the SIG. They regulate trade, issue directives, collect taxes and conduct contracts with the Turkish private sector. Armed opposition groups and local councils regularly challenge the SIG's authority, which suffers from scarce financial resources and enjoys little clout over the distribution of public funds.

Northern Aleppo's main strategic asset is its four operational border crossings with Turkey. The area's access to Turkey allows for the procurement of different types of merchandise and raw-material for production. Turkey feeds the region with electricity through two privately-owned companies, but little investment has been made in building up local electricity generation capacity. The cities of Azaz, Afrin, and Jarablus have not suffered from water shortages and depend on surface water for domestic and agricultural uses. Al-Bab and its surrounding are dependent on groundwater, and not enough water is extracted for agricultural activities. Northern Aleppo procures its fuel from the Autonomous Administration of North and East Syria and from the international market through Turkey. A few warlords control the sector, and the prices of fuel, gasoline and butane gas are considerably higher than in north-eastern Syria and than in regime-controlled areas.

The agricultural sector has produced more in the last three seasons thanks to higher rainfall levels. Farmers, however, are still struggling to make a profit. Moreover, armed actors harass olive oil producers. Manufacturing has not witnessed a significant boost despite efforts to encourage capital investment in the sector. Industrialists are facing legal challenges to export and market their products locally. They also lack any kind of financial or institutional backing. The region's main economic activity is trade, but trade is mainly geared towards imports from Turkey, and only a few can afford to invest.

Introduction

The city of Aleppo was traditionally considered the focal point of northern Syria's economy. This was a result of its historical role in regional trade; the concentration of centuries-old wealth; and its large population of craftsmen and industrialists. Consequently, the vast majority of northern Syria's raw material production – agriculture, minerals, quarries and others – was fed into Aleppo's industrial system. During Bashar al-Assad's rule, the city's central role in the regional and national economy was further reinforced by a mutually beneficial relationship between the Aleppine business class and Syrian regime figures. This consolidation of wealth and activities in this city was coupled with the lack of public and private investments in its rural areas. The countryside remained in a relatively undeveloped state except for minor projects to provide it with basic needs in education, power, water and agricultural production. Hence, most of those from Aleppo's hinterland went to the 'city,' either for work opportunities and education or to establish workshops or trade within the city's advanced infrastructure.

In July 2012, Syrian armed opposition groups took control over all Aleppo's eastern neighbourhoods and its countryside. In addition to a significant population exodus, capital flight, and the destruction of industrial complexes, Aleppo was completely cut off from its labour pools and raw materials. The conflict has directly affected and changed the complex set of socio-economic relations that elevated Aleppo as the north's financial and industrial epicentre and has also theoretically put northern Syria's rural areas on track for economic autonomy.¹ However, Aleppo governorate witnessed fierce clashes between Islamic State (IS), the People's Protection Forces (YPG), regime forces and Syrian armed opposition groups. Backed by their respective international and regional allies, opponents battled over control of the Syrian side of the Turkish border, access to the strategic dams on the Euphrates and logistic routes that marked land corridors between enclaves. Through these struggles, local political geography has been regularly reshaped, preventing local communities from engaging in production activities or from developing a robust, stable administrative structure for governing the economy.

Since 2016, the Turkish army has launched four military campaigns in Syria, two in Aleppo governorate: Operation Euphrates Shield (August 2016 - March 2017), which ended the presence of IS in the cities of Jarablus, Azaz and al-Bab; and Operation Olive Branch (January - March 2018), which drove the YPG out of Afrin. These two interventions established a Turkish-controlled area over 4,114 square kilometres, bordering the Euphrates from Jarablus to Maghayer in the east, and by the YPG and the regime forces from Manbij to Nubl in the south (Map 1).

In this area, referred to here as 'northern Aleppo', the Turkish army has established a *de facto* no-fly zone, eliminating the threat of regime ground assaults and the indiscriminate shelling of civilians. There are from estimated 1.1 to 1.5 million civilians, including around 400,000 Internally Displaced People (IDPs). The area does not host a former provincial capital, and its most prominent cities and towns are Azaz, Afrin, al-Bab, al-Rai, Jarablus, Jindires and Marea. The unemployment rate stood at 57.7% in the last quarter of 2014, up from 14.9% before the war. Based on household income and expenditure surveys, the poverty rate was close to 80% in the summer of 2020.

Northern Aleppo has a relatively secure environment, access to the outer world, a stable well-delineated territory and shared borders with the Autonomous Administration of North and East Syria (AANES) and regime-held areas. Local authorities there can virtually exploit and manage undisputed resources to relaunch the economy of a war-torn region.

¹ Khedder Khaddour, "Consumed by War, The End of Aleppo and Northern Syria's Political Order," *Friedrich Ebert Stiftung*, October 2017, <https://bit.ly/2IMcQAJ>

Moreover, the political support these authorities receive from Turkey may provide them with financial and logistic assistance to transform the local administration into a sustainable and flexible governance structure. Examining the nature and form of economic development in this area offers an understanding of Turkey's projection into the border regions and flags up obstacles to reconstruction.

This paper attempts to evaluate the efforts produced to rehabilitate of northern Aleppo from 2016 and the Turkish military interventions. It identifies the main actors present in the area and the available vital resources for implementing a reconstruction strategy. The paper, then, moves on to the economic activities and the challenges Syrian businessmen are currently facing. The study mainly relies on public reports and fifteen interviews conducted with members of local councils, heads of Chambers of Commerce and Industries, businessmen and local activists in January 2021.²

² The researcher faced significant difficulties in obtaining reliable data and cross-checking said data. Additionally, since the region is not covered by a single administrative unit, there is no one to collect and assess data. There are, then, important gaps in the data and a lack of precise numbers.

1. Local Governance in Northern Aleppo: Actors and Structures

By virtue of its military presence, Turkey is the supreme authority. However, Ankara's interaction with the public is limited and passes through local actors. Locally, northern Aleppo's governance structures remain disorganised and are radically decentralised. Crippled by factionalism and a lack of Turkish interest to empower a central authority, local actors are constantly engaged in competition and conflicts over interests. There are two types of local actors. First, armed factions actively seek different revenue sources to sustain their presence and to pay dividends to their member and affiliates. Second, the opposition civilian administration is, in theory, under the Syrian Interim Government (SIG) umbrella. But this opposition-affiliated government remains the weakest actor on the ground despite its official mandate from the Syrian National Coalition. The Turkish army relies on the Syrian National Army (SNA) to maintain the region's security and to address any threat from the Kurdish Democratic Union Party (PYD), while the Turkish Interior Ministry relies on local councils to govern the area.

1.1. Armed Groups: Between Investment and Predation

Since its establishment in 2014, the Levant Front has been the dominant faction in opposition-held territories in northern Aleppo, but its influence has been gradually diluted. Turkey's need for more Syrian militants to engage in the Euphrates Shield and Olive Branch military operations paved the way for the rise of local factions, such as the al-Mutasim Brigade and the Hamza Division, and brought new actors from other regions, most notably Idlib and Deir ez-Zor, such as the Sulaiman Shah and Ahrar al-Sharqiya brigades.³ Evacuated armed groups from Homs and Eastern Ghouta also established a presence in the area.

Despite the nominal unification of these armed opposition groups under the SNA, many factions remain autonomous in the region. All the SNA factions receive salaries for their members from Turkey.⁴ They also receive dividends from customs imposed on trade passing through the official Syria-Turkey border crossings. Nevertheless, these financial resources cannot sustain their current expenses, local authority, or autonomy *vis-à-vis* the SIG or local councils.

Indeed, most SNA factions have an 'economic bureau' in charge of managing their finances. These run affiliated businesses, impose transit fees, expand real estate ownership, smuggle goods in and out of the region, and broker deals between local producers and Turkish traders and companies.⁵ Armed groups' economic networks are essentially composed of informal partnerships with numerous traders, intermediaries and smugglers. The armed opposition groups have demonstrated a special interest in two economic sectors which allow quick gains with relatively little investment in equipment or equity: real estate and trade/smuggling.

³ Khayrallah al-Hilu, "The Turkish Intervention in Northern Syria: One Strategy, Discrepant Policies," Research Project Report, (Florence: European University Institute, Middle East Directions, Wartime and Post-Conflict in Syria, 14 January 2021), <https://bit.ly/3skp0nO>

⁴ Twenty-one of the 36 SNA factions had previously received support from the US in training, salaries, or equipment. Murat Yeşiltaş, Merve Seren, and Necdet Özçelik, "Operation Euphrates Shield: Implementation and Lessons Learned," Report (Istanbul: SETA, 2017), <https://bit.ly/396gotl>

⁵ Interview with a member of Afrin Chamber of Commerce and Industry, Afrin, January 2021.

The interest in real estate has translated into various activities, including: the purchase of prime private properties in cities and agricultural lands; the appropriation of public assets; and the construction of commercial and residential buildings and complexes.⁶ These activities have been extended to control over the construction materials market. For instance, the Levant Front has acquired cement mills, sand quarries and retail shops selling imported building materials.⁷ Moreover, many local and international human rights organisations have denounced the SNA for seizure of private property and generalised extortion. Reports suggest that commercial shops were taken despite their owners still being in place. This was done either for commanders on the ground to exploit directly or for the SNA to rent these units to IDPs from eastern and western Ghouta.⁸

Moreover, various armed factions are involved in the control of border crossings with Turkey (see below). Factions with a territory adjacent to AANES or regime-held areas also directly operate and protect internal crossings for trade and impose fees on shipments passing through them.⁹ The temporary closures of internal crossings add to the importance of smuggling, which particularly benefits the armed groups engaged in it. The significant income generated from illegal crossing points has previously sparked armed confrontations between the SNA for their control.¹⁰

Armed factions' economic networks compete with local traders and intermediaries and this discourages independent investments. Merchants find themselves obliged to work with influential SNA commanders to gain protection in a market governed by 'economic mafias'. Publicly, armed non-state actors are perceived as predators. In Arab or Turkmen majority cities such as Azaz, Marea, al-Rai and Jarablus, factions have displayed more sensitivity in attempts to maintain a positive public image and to respond to local grievances. In Afrin and other Kurdish majority towns and villages such as Jindires, Raju and Shaykh al-Hadid, they have shown much less constraint. Taking advantage of Turkish security imperatives, SNA factions often exploit false accusations of collaboration with the PYD to force the local population into submission.¹¹

To absorb local discontentment and international pressure, in 2018 Turkey prompted the SNA central command to establish a military police force for security provision to replace SNA factions.¹² In early 2020, the presence of SNA factions was less evident in the cities. But they have continued with their economic ventures and their violations of private and public properties. To install a sense of self-accountability, the Syrian Islamic Council, the chief Syrian opposition Sunni religious authority based in Istanbul, established in September 2020 the Syrian National Reform and Grievances Settlement Committee. This committee was meant to process civilian complaints and to curb the violations of

⁶ Mohamed Homs, "Afrin Real Estate, a Thorny Issue Between the Owners and the Displaced" (in Arabic), *Enab Baladi*, 7 October 2018, <http://bit.ly/2QsuGxL>; Rudaw, "Who is Called 'Abu Amsha', Whose Name is Associated With the Most Extensive Crimes and Violations in Afrin?" (in Arabic), 20 November 2019, <https://bit.ly/2PkGSju>

⁷ Interview with a local activist, Jindires, January 2021.

⁸ Human Rights Watch, "Syria: Turkey-Backed Groups Seizing Property in Afrin" (in Arabic), 14 June 2018, <http://bit.ly/2HWu3Wo>; Ninar Khalifeh, "Seizure, Usufruct and Royalties, Who Protect Property Rights in Afrin" (in Arabic), *Enab Baladi*, 22 July 2020, <http://bit.ly/3cY8h34>; Syrian for Truth and Justice, "Afrin: Shaykh Al Hadid: Intimidation and Economic Tightening," 9 March 2020, <https://bit.ly/3rjXt4A>

⁹ Fees reached USD 2000 on trucks of 20 tonnes going to regime-held areas. Interview with a local business owner, Azaz, January 2021.

¹⁰ Cumhuriyet, "Clashes Broke Out Between Turkish-Backed FSA Soldiers: 2 Dead, 17 Injured" (in Turkish), 14 October 2016, <http://bit.ly/3rSBBOE>; Fehim Tastekin, "Turkey Making Itself at Home in Syria," *al-Monitor*, 29 May 2019, <http://bit.ly/3raPIh3>

¹¹ Interview with a local imam, member of the Common Settlement Committee, Afrin, January 2021.

¹² Khalid al-Khatib, "The Opposition Announces the Formation of the Military Police in the Euphrates Shield Area" (in Arabic), *al-Monitor*, 22 March 2018, <http://bit.ly/3bJ1V8d>

SNA factions.¹³ In practice, this initiative had little success, mainly because the council enjoys no real authority and it is perceived as an external actor by SNA factions.¹⁴ As an alternative, SNA-affiliated imams and sheikhs created a new initiative called the Common Settlement Committee in Afrin in October 2020 with the hope of greater involvement from the brigades in settling disputes.¹⁵ The latter initiative has seen more success by capitalizing on factions' vindictiveness towards each other. But it still lacks the mechanism for reinforcement to deter influential warlords and brigade commanders.

1.2. Civilian Administration: A Disguised Autonomy

Local councils, established after Turkish military interventions are supposed to cooperate with the SIG's Ministry of Local Administration. However, they enjoy a great deal of autonomy and rarely seek the Ministry's approval. Councillors, appointed or backed by Turkish officials, are much more likely to accommodate Turkey's authorities than the SIG.¹⁶ Ankara has imposed its influence on Syrian local councils by tying each region to the Turkish province adjacent to it and replicating Turkish administrative divisions. There are local councils in large cities with smaller subordinate councils in surrounding towns and villages, much as with Turkish municipalities.¹⁷

Local councils interact in different ways with the ecosystem, either by issuing executive orders, by imposing taxes, by managing remaining public properties, or by concluding contracts with private companies for service provisions. Each council has an economic and finances office and dedicated teams for regulating trade, industry and agriculture. The councils also report to an advisor from the relevant Turkish ministry.¹⁸ The involvement of each Turkish advisor varies a lot depending on his own willingness to engage in the council's activities.

In addition to the local councils, new independent local Chambers of Commerce and Industry were established in Azaz (October 2017), al-Bab and Jarablus (2018) and Afrin (March 2019).¹⁹ About 4,000 Syrian businessmen are affiliated with these four Chambers.²⁰ The Azaz Chamber counts the city's most influential businessmen among its ranks. Whereas, Afrin Chamber members were appointed by Hatay governor and those of al-Bab and Jarablus were elected by a general assembly of local businessmen. The Chambers' objectives are to improve cooperation in the private sector, to negotiate better common agreements with Turkish companies and to act as a bridge with the local administration. They are nominally independent organisations, but there is no strong demarcation between the Chambers and local councils. Many of the members of Chambers are members or work for local councils, blurring the line between the two bodies.

¹³ Firas al-Khatib, "The Formation of Two Committees for 'Redressing Grievances' and 'Reform' in Northern Syria" (in Arabic), *Syria TV*, 23 October 2020, <http://bit.ly/3s0C5T7>

¹⁴ Interview with a local imam, member of the Common Settlement Committee, Afrin, January 2021

¹⁵ Hussein Omar, "Human Rights in Afrin: The Committee for 'Redressing Grievances' Will not Return to the Kurds their Homes Seized from Armed Groups" (In Arabic), *Rudaw TV*, 5 November 2020, <https://bit.ly/3tL4AnX>

¹⁶ Despite the nomination of the head of Afrin Local Council, Said Sulaiman, by the MLA minister in September 2019 to encourage cooperation, local councils continue to act autonomously of the SIG, thus significantly hampering all collective efforts to streamline economic governance.

¹⁷ Kilis oversees Azaz and Marea, Gaziantep oversees Jarablus, al-Bab and al-Rai, Hatay oversees Afrin and Jindires. Al-Hilu, 'The Turkish Intervention in Northern Syria'.

¹⁸ Turkish Ministries of Health, Education, Economy, Trade, Industry, and Youth, all have dedicated delegates in each major local council.

¹⁹ The heads of Chambers of Commerce and Industries are Ibrahim Drbalh (Azaz), Khallawi Ramdan (Jarablus), Abdunnasser Hissu (Afrin) and Ahmad Hamza (al-Bab).

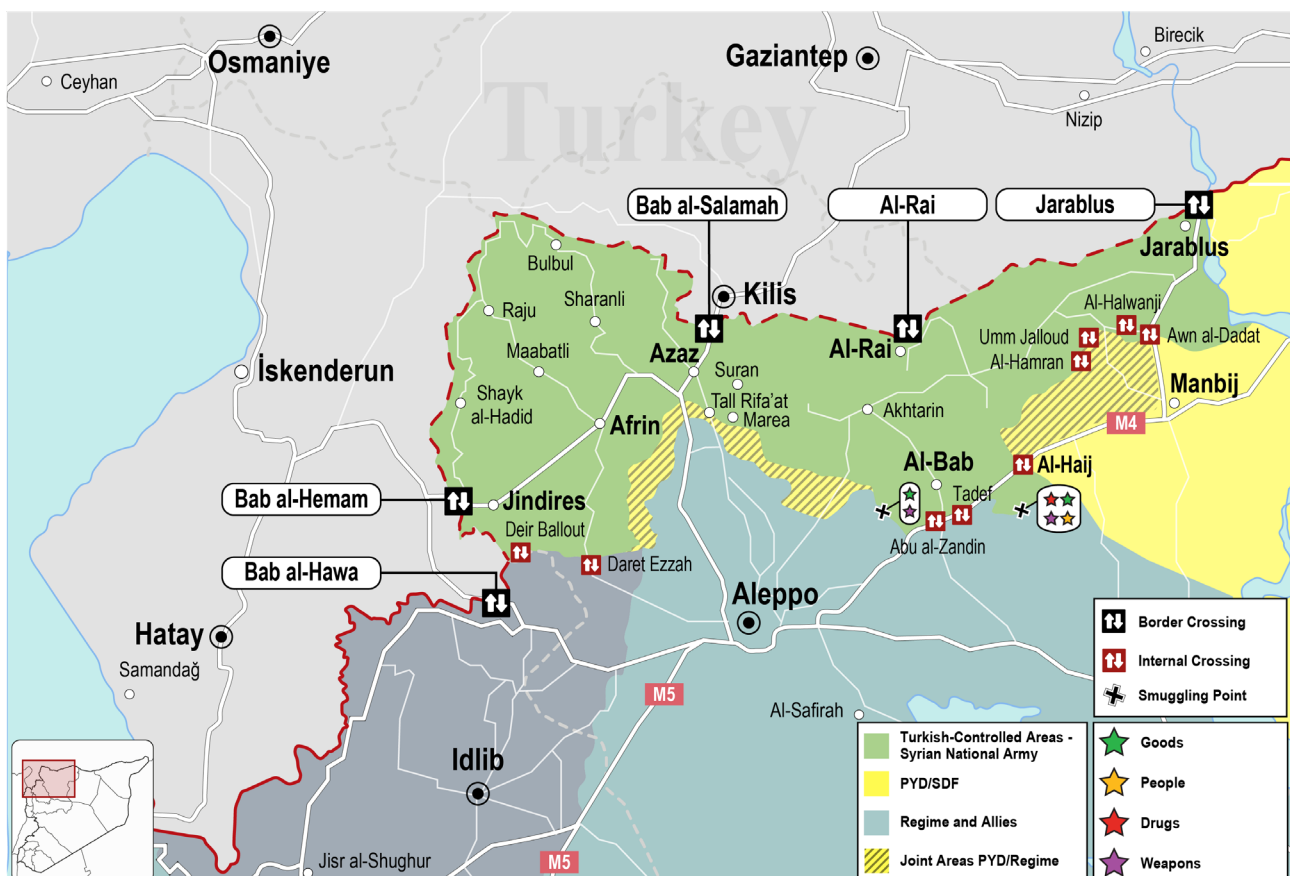
²⁰ Interviews with members of Chambers of Commerce and Industries, January 2021.

Northern Aleppo's governance structures follow, to no small degree, the Turkish governance model, in which municipalities enjoy financial autonomy over their designated jurisdiction. Nevertheless, Syrian local councils do not have the degree of centralisation necessary to orchestrate and coordinate the public sector. This ungoverned decentralisation model has resulted in a lack of accountability and transparency. The performance of any given local structure is dependent on their members' will to act and work, and to a much lesser degree, on popular opinion. As a result, the SIG has become an entity with no reinforcement power. It has little sway over the different actors, their intertwined spheres of activity, and still less is it able to exploit local resources.

1.3. Managing Crossing Points: Conflict and Competition

The northern Aleppo region's principal geostrategic asset is its proximity to Turkey, which offers it a gateway to the outer world and protection from regime aggression. This region shares four border crossings with Turkey: Bab al-Salamah, Jarablus, al-Rai and Bab al-Hemam. Linked to the M5 highway crossing Syria from north to south and passing through Aleppo and Damascus, Bab al-Salamah has been one of Turkey's most important border crossings, together with Bab al-Hawa (Map 1).²¹ As fees imposed on border crossings and on internal crossings constitute a major revenue source for local actors, their management has always been a conflictual issue among armed groups and has shown the limited room for manoeuvre of the SIG.

Map 1: Northern Aleppo Main Crossings and Roads



Source: The author, February 2021

²¹ Smaller in size and relevance, the Jarablus crossing was mainly used for civilians crossing before 2011 and was upgraded for commercial purposes only in 2016. Turkey opened two new crossings to facilitate military equipment movement to its troops and goods for commercial intent. The al-Rai crossing was inaugurated in late 2017, and al-Hemam in April 2018 to link Jindires to Hatay. Sham Network, "Turkey Upgrades the Classification of Jarablus Crossing to Become a Commercial Crossing" (in Arabic), 23 October 2016, <https://bit.ly/3udoUjc>; Enab Baladi, "The al-Rai Crossing with Turkey is Officially Opened" (in Arabic), 16 December 2017, <http://bit.ly/3sg7Jf8>

In October 2017, following rising tensions between opposition factions over the lucrative income from the Bab al-Salamah crossing, the Turkish government brokered a share revenue agreement between the SIG and the SNA.²² This agreement stipulates that the SIG is responsible for the management of all crossings and that any income should be equally redistributed between local councils, SNA factions and the SIG.²³ Accordingly, the SIG established a Custom Directorate to regulate import and export activities. The Directorate periodically updates custom and transit fees in Turkish Lira and deposits all revenues in the SIG Prime Minister's Bank Account in the Turkish State Ziraat Katalim Bank.²⁴

In practice, however, various armed factions control these border crossings, and 40% of revenues go to SNA factions, 45% to local councils, 5% for maintenance, and only 10% to the SIG.²⁵ Despite its official mandate, SIG's control and autonomy remain highly questionable. The Turkish governors, in adjacent regions, issue directives to the SIG for the specific amount each local council they oversee should receive. Similarly, the Turkish Defence Ministry informs the SIG of the SNA allocated budget to be covered by border crossing revenues. In practice, the SIG primarily acts as a mere signatory. It has no power over other beneficiaries, further weakening its authority.

In addition to borders with Turkey, the SIG also officially operates internal crossing points with regime-held territory (such as Abu al-Zandin and Tadeh), the AANES (such as Umm Jalloud, Halwanji, al-Hamran and Abu Haij and Awn al-Dadat), and Idlib (such as Daret Ezzah and Deir Ballout). But its authority here is, too, only nominal and SNA factions control these crossing points. Internal crossings with the AANES were closed for four months between October 2019 and January 2020 in reaction to the Turkish Peace Spring Operation in Tall Abyad and Ras al-Ayn.²⁶ On the other hand, all crossings into regime-held territories have been closed since April 2020 in response to the COVID-19 pandemic and security concerns.²⁷ Despite SIG efforts to control the flow of people and merchandise from AANES and regime-held areas, all SNA factions on these frontlines operate and facilitate smuggling through their zones of influence, damaging efforts to regulate trade exchange and transport with their Syrian neighbours.

²² Enab Baladi, "Interim Government Takes Over the Bab al-Salamah Crossing North of Aleppo" (in Arabic), 10 October 2017, <https://bit.ly/3k1QSZ3>

²³ The monthly revenues of all border crossings under the SIG management is estimated to reach from four to six million USD per month. The volume of overall Turkish exports through Bab al-Salamah and al-Rai amounted to USD 560 million in 2018. Hurriyet, "Gaziantep's Increases Exports to Syria" (in Turkish), 13 November 2018, <http://bit.ly/3d1njoy>

²⁴ Syrian Interim Government Presidency, Ministry of Finance and Economy, "Decree N. 25, List of Custom Fees," 3 February 2021, <http://bit.ly/31aqfda>

²⁵ Ishtar Al Shami, "Syrian Battlefields Divide Adversaries; Lucrative Border Crossings Bring Them Together," *Washington Institute for Near East Policy*, 3 March 2020, <http://bit.ly/2P0yWEf>

²⁶ Syrian Human Rights Observatory, "Three Months After its Closure, the 'Umm Jalloud' Crossing Opens its Doors to Commercial Traffic between the SDF Regions and the Pro-Turkey Factions" (in Arabic), 28 January 2019, <http://bit.ly/30ISv6e>

²⁷ Among the cited reasons are concern over an illicit narcotics trade. Syrian Interim Government, "Circular by the Ministry of Defence in the Interim Government Regarding Tightening Procedures at Crossings and Seam Lines" (in Arabic), 7 April 2020, <http://bit.ly/3qRog7Q>

2. Water-Energy Nexus

During the war years, civilians suffered constant power cuts and frequent water shortages. Fighting and indiscriminate bombing, including heavy weaponry such as scud missiles, were widespread in the Aleppo governorate and resulted in large-scale displacement and a dramatic decrease in production. To relaunch the northern Aleppo economy, Turkey and the local administrations need to invest heavily in water and energy provision as conductors for food security and production in industry and agriculture.

2.1. Electricity: Dependence on Turkey

Before the conflict, electricity services were provided to northern Aleppo by the General Company for Electricity of Aleppo Governorate and the district Electricity Department. According to the Ministry of Agriculture and Agrarian Reform (MOAAR), 99.7% of households received electricity, fed by a grid connected to the Safira thermal power generation plant.²⁸ However, in 2012, the regime suspended all electricity services funding in opposition-controlled areas and this naturally affected the electricity distribution network's maintenance and operation.²⁹ Additionally, the high voltage electricity network and the associated grid of transformer stations were significantly affected by indiscriminate shelling and looting, resulting in frequent power supply failures.

In 2016, local power generation fell to 25% of its original capacity. The local population became highly dependent on high-cost privately-owned generators for electricity, and subsequently, the cost of agricultural and industrial production increased.³⁰ To compensate for the public sector's sporadic electricity supply, private individuals provided new means of electricity production. A market for electricity generator subscriptions was established. This solution, though, proved to be temporary and benefited only a narrow class of affluent individuals, while most civilians had little or no access to power.

One of the earliest Turkish investments in the region after the end of military operations was to regulate electricity provision for domestic and industrial use. Turkey's interest in rehabilitating the electricity grid and provision is motivated by the relatively cheap cost and an immediate return on investment. Contrary to other sectors, the electric infrastructure is operational, and paid subscriptions could directly cover provision costs. Furthermore, the Turkish private sector has shown a greater appetite to invest in the sector, thus saving Ankara from having to micro-manage energy matters.

Currently, two companies share the energy market in northern Aleppo: AK Enerji – established in 2018 in Kilis;³¹ and the Syrian Turkish Electricity Company (STE). Both companies operate exclusively in Syria. Most of their investment in rehabilitating the relevant electricity infrastructure is employed on maintaining the power grid and linking new settlements, as their public accounts on social media reveal.³²

²⁸ The supply source for the northern district in Aleppo was via 20 kV feeders from 66/20 kV substations. SRTF, "Rehabilitation of the Medium and Low Voltage Grid in Urban, Sub-urban and Rural Communities in a Northern District in Aleppo," 28 June 2019, <https://bit.ly/2Q2dIGp>

²⁹ Ibid

³⁰ SRTF, "Sustainable Energy Solar System for Water Pumping Stations in Rural Areas of North Aleppo - Phase I," 12 December 2020, <https://bit.ly/3tku1ge>

³¹ Tikla, "Ak Energy Electric Construction Trade and Industry Limited Company" (in Turkish), <http://bit.ly/3lF2C5Y>

³² STE connects Suran city to Afrin Electricity Grid. STE enerij, "The Technical Team Continues Its Work to Extend the Medium Voltage Line from the Station of Afrin to the Station of Suran," Facebook, 12 March 2021, <http://bit.ly/3eBCvLD>; Ak Energy, "Official Facebook Page," Facebook, <http://bit.ly/31bJfry>; STE enerji, "Official Facebook Page," <http://bit.ly/3sgadKz>

The two companies procure their electricity from generators located in the adjacent Turkish territory and then transfer it to northern Aleppo.³³ Turkish commercial law regulates electricity provision contracts between the two Turkish companies and Syrian local authorities.³⁴

Syrian local councils are responsible for attributing the energy grid's exploitation rights and operate independently from each other and from the SIG.³⁵ In theory, the Turkish governor who oversees the relevant area initiates the attribution process by issuing a public tender exclusively available for Turkish national companies. The governor is supposed to mediate between the local Syrian administration and any applicants,³⁶ but in practice he acts as a decision-maker. The local council is then invited at the last stage to officialise the agreement with the selected company. Indeed, the contract's final draft is provided in Turkish with no Arabic translation and remains in the governor's office with no copy being offered to the Syrian council.³⁷

The terms of the final agreement are obscure, and no public records are shared with the Syrian public. Representatives from local councils have stated that the contract's duration is ten years and compels the contractor to invest in infrastructure, but the nature and scale of the investment are undetermined and unclear. All subscriptions are prepaid, and the contractor collects fees directly from consumers through Turkish Postal Company (PTT) branches present in the region. Local councils reserve the right to renegotiate the price every year. Kilowatt rates differ from one provider to another, ranging from 65 to 85 Turkish cents for domestic use and from 85 cents to 1 TL for industrial and agricultural use.³⁸

The most significant efforts in rebuilding the energy sector are currently led by the Syrian Recovery Trust Fund (SRTF), in cooperation with the SIG. The SRTF is a multi-donor trust fund set up, in September 2013, by the Group of Friends of the Syrian People and its Working Group on Economic Recovery and Development.³⁹ Through the SRTF, donors pool their funds to finance priority projects for essential services in sectors such as water, electricity and food security, among others. In northern Aleppo – except for Afrin where it does not operate due to legal and human rights concerns over the Turkish military intervention in the area – the SRTF has procured fuel, solar and wind-powered stand-alone energy generating units with a declared budget of EUR 5.2 million since 2015.⁴⁰ The Fund has also restored electricity distribution grids and lines; transformers and substations; electricity distribution grids and bringing their extension to new communities; high and medium tension transmission lines; and power lines for public services whenever relevant (e.g., water pumps and hospitals).

At the time of writing, electricity coverage in Azaz, al-Rai and Jarablus is over 90%, but it is on 70% in al-Bab and 60% in Afrin.⁴¹ The lower number in al-Bab is due to the considerable damage its infrastructure has endured during the conflict. As to Afrin the low numbers there reflect a lack of international assistance and delayed Turkish investments. Nevertheless, the local administration there remains hopeful that it will reach a similar coverage level to the rest of the region by the end of 2021.

³³ At the time of writing, there are no indications for the establishment of new power plants in Syria, thus increasing the region's total dependency on Turkey for energy supply.

³⁴ Interview with a member of Afrin Chamber of Commerce, Afrin, January 2021.

³⁵ Interview with an employee of trade office in Azaz local council, Azaz, January 2021.

³⁶ Ibid.

³⁷ Interview with a member of Afrin Chamber of Commerce, Afrin, January 2021.

³⁸ Local councillors revealed that councils are given a fraction of the subscription, but they failed to give the exact amount. They, however, stated it was minor and barely cover the price of their own electricity bills. Interviews with members of local councils, January 2021.

³⁹ SRTF, "Overview", 21 October 2014, <http://bit.ly/3f708Md>

⁴⁰ SRTF, "Approved Projects in the Electricity Sector", <http://bit.ly/31ddBtM>

⁴¹ Interviews with businessmen from the cities of Azaz, Jarablus, Afrin and al-Bab, January 2021.

2.2. Water: Provision Variations

Like electricity, water is a vital necessity for reconstruction and agricultural production. Historically, the governorate's water supply was managed by the General Directorate of Water Supply and Sewerage of Aleppo. This governmental structure was responsible for distributing water to urban settlements and agricultural lands from nearby water resources. According to the MOAAR, in 2010, around 90% of Aleppo used a drinking water source, and a total of 850,000 dwellings (94% of the total household) were connected to the water network.⁴² The governorate's water system relied previously on traction projects from the Tishrin and Tabqa Dams on the Euphrates River and the April 17 (Maydanki) Dam on the Afrin river to provide water for the city of Aleppo and for the bulk of the rural surroundings.⁴³ Farmers also relied on wells to irrigate their lands.

Since the conflict began, water has been repeatedly used as a weapon against opponents and their respective constituencies.⁴⁴ Water has sometimes been shut off directly at source; on other occasions, aerial attacks and shelling targeted water infrastructure, and sometimes engineering workers were prevented from maintaining water services. As a result, water and sanitation infrastructure networks have received no consistent maintenance. Additionally, a considerable amount of damage has been caused to the water infrastructure by the growing displaced population in northern Aleppo. They have overloaded the infrastructure, and they have increased pressure on the distribution network.

Water distribution and availability vary significantly from one area to another. The Maydanki dam feeds Afrin, Azaz, and their surrounding agricultural lands with 15 million cubic metres annually. The Afrin area also benefits from the Black and Afrin rivers and a water canal that irrigates 31,000 hectares.⁴⁵ Similarly, Jarablus and its countryside also enjoy an abundance of water resources from the Euphrates and Sajur rivers.⁴⁶ By contrast, the city of al-Bab suffers from shortages since its water source, located in regime-held territory, is completely cut off. The city and its adjacent areas have been forced to rely on wells drilled at 100-150 metres depth, putting tremendous pressure on water reserves in a relatively low rainfall area.⁴⁷

Several Syrian and international NGOs are actively engaged in this sector to decrease groundwater dependency, to enhance irrigation and to reduce distribution waste.⁴⁸ Most projects funded by international agencies and organisations are carried out in the Euphrates Shield area; there are only a few in Afrin. They include the restoration of water distribution systems, the supply and repair of pump stations, water treatment systems and canals for irrigation and drinking. Roughly 250,000 civilians have benefited from Wash programs,⁴⁹ but most NGOs' interventions are temporary and are made in response to emergencies.

⁴² Relief Web, "Aleppo – Governorate Profile Syria Needs Analysis Project," March 2013, <https://bit.ly/38Dam3b>

⁴³ Fanack Project, "Water Resources in Syria," 23 July 2019, <http://bit.ly/3971S4C>

⁴⁴ Erika Weinthal, Neda Zawahri, and Jeannie Sowers, "Securitizing Water, Climate, and Migration in Israel, Jordan, and Syria," *International Environmental Agreements: Politics, Law and Economics* 15, no. 3 (2015): 293-307.

⁴⁵ Al Qala'a Magazine, "The Rehabilitation of Meydanki Dam," (2020): 19.

⁴⁶ Interview with a member of Jarablus Chamber of Commerce and Industry, Jarablus, January 2021.

⁴⁷ Interview with a member of al-Bab Chamber of Commerce and Industry, al-Bab, January 2021.

⁴⁸ The main actors involved are the SRTF; Syrian NGOs (Ihsan for Relief and Development, Ataa, Violet, IYD, Saed, Orange, Binaa, Hayat Organization, and al-Rowad Development); Syrian opposition-affiliated structures (ACU and Stabilisation Restoration Committee); and international organisations (CARE and the Qatari Crescent).

⁴⁹ OCHA Financial Tracking Service, "Syria Humanitarian Response Plan 2015-2020," <http://bit.ly/3thqMWD>; Syria Report, "SRTF Projects," 30 September 2020, <http://bit.ly/31dKKW8>; Ihsan for Relief and Development, "Water, Sanitation and Hygiene," <https://www.ihsanrd.org/wash/>

Turkey's investment in the water sector has been nearly non-existent. Its intervention is primarily manifested in humanitarian assistance provided by the Turkish Disaster and Emergency Management Presidency (AFAD), the Turkish Crescent, and the Humanitarian Relief Foundation (IHH). The main reason behind the lack of Turkish interest in rehabilitating the sector are the significant costs involved: this includes building irrigation channels and advanced water treatment facilities. Identified by the UN as 'reconstruction' activities, other donor countries also refrain from supporting such efforts financially.

2.3. Oil and Fuel: Increased Prices and Monopolies

With the lack of alternative energy sources or green initiatives, fuel is at the heart of any reconstruction activity in Syria. Fuel is used to feed local generators for electricity and heating, water pumps, agriculture, industrial, and construction machinery. Northern Aleppo does not produce any crude oil and depends on two sources of supply for refined oil products: the AANES and the international market via Turkey. The quality of the refined fuel and gasoline from oil procured from the AANES is more suitable for industrial and agricultural purposes. Higher quality oil products imported through Turkey are used in domestic and commercial contexts.

Oil acquired from AANES territory is transported from al-Jawadiya and al-Yaarubiya in tankers and channeled to the region across the Awn al-Dadat crossing near Manbij. It is noteworthy that a high percentage of the purchased oil is reserved for Kaf and Watad companies operating in Idlib.⁵⁰ What is left of refined oil is then directly distributed through local sellers in the major cities of northern Aleppo, whereas any crude is transported to local primitive refineries/burners near the city of al-Bab.⁵¹ Syrian oil is subject to taxation from the AANES and passage fees imposed by SNA factions.⁵² Gasoline, diesel and butane gas acquired on the international market are initially imported through Mersin port via local Turkish companies and are then transported to Bab al-Salamah.⁵³ There are also transit fees from the Turkish authorities and custom fees imposed by the SIG.⁵⁴

There are no official data available on the volume of oil imported from the AANES region. Large quantities are channeled through smuggling routes operated by SNA factions and are, thus, unaccounted for. As for oil imported through Turkey, an average of approximately 45,000 tonnes of diesel, 22,000 tonnes of gasoline and 22,000 tonnes of butane gas enter through Bab al-Salamah each month, at an estimated cost of USD 26 million every year.⁵⁵ Four local companies are operating and distributing oil goods in northern Aleppo.⁵⁶ The prices fluctuate considerably since they are always affected by currency exchange fees and are not regulated by any central entity.⁵⁷ The SIG has evaluated the possibility of unifying the procurement of oil-derivatives in northern Aleppo.

⁵⁰ Khalid al-Khatib, "SDF Oil Enters 'Tahrir al-Sham' Areas" (in Arabic), *al Modon*, 18 November 2020, <http://bit.ly/3bM94ol>

⁵¹ Interview with the director of a local NGO, Azaz, January 2021.

⁵² Zeynab Masri, Ali Dervish, Nureddin Ramadan, "Two Main Sources and Factors That Put Pressure on Prices. Who Controls the Fuel Sector in Northern Syria" (in Arabic), *Enab Baladi*, 23 August 2020, <http://bit.ly/398oYHU>

⁵³ Interview with a local distributor, Afrin, January 2021.

⁵⁴ Syrian Interim Government, "The Ministry of Finance and Economy Issues Two Decisions Regarding Customs Tariffs for Goods Imported and Exported Through Border Crossings" (in Arabic), 15 February 2021, <http://bit.ly/3lidxb2i>

⁵⁵ These quantities are estimated on the basis of 160 diesel tankers, 75 gasoline tankers, and 70 butane gas tankers per month. The capacity of each tanker varies from 20 to 27 tonnes.

⁵⁶ These companies are Assalam, owned by a local businessman identified as Abdullah Al-Dak, Rowdha, Emdad and al-Qalaah, whose owners could not be identified by the author. Local population believe them to be owned by businessmen associated with SNA factions.

⁵⁷ All oil derivatives are sold in TL and purchase in USD. Thus, the prices of fuel are affected by the TL-USD exchange rate.

But it has not found the necessary financial resources for funding the operation, nor has it came up with a feasible plan to overcome the resistance of the SNA factions profiteering from the fuel trade. Consequently, unregulated oil prices are relatively higher than in north-eastern Syria.⁵⁸

Stable sources of water and electricity, coupled with access to Turkey, could boost production across the region. Nevertheless, opposition-held areas in northern Aleppo have faced considerable challenges that have prevented local communities from attaining sustainable production growth or establishing a viable alternative business models. Satisfaction with service provision is mixed. Whereas local communities are pleased with the continuity and coverage of electricity supply, they consider the prices of electricity to be high. Similarly, access to water is asymmetric; communities in the Bab district face regular shortages and cannot sustain their agricultural production. Above all, the main concern everywhere is the lack of legal procedures that protect consumer rights. Whether dealing with the Turkish electricity companies, oil distributors, or Syrian councils, the local population cannot make service providers accountable. Hence, investors refrain from injecting considerable sums of money into the region.

Moreover, the roads are in a bad shape and impede the transportation of goods and people. A few roads connect the region's main cities to complete northern Aleppo's trade logistics and are mostly in a deplorable state. The M5 highway is only accessible from Bab al-Salamah to Azaz, and other roads have only two lanes with limited capacity. These routes are choked by SNA and Military Police checkpoints.⁵⁹ No substantial investments have been given over to rehabilitate road infrastructure, except for a new road connecting Bab al-Hemam to Jindires and another connecting Azaz to Bab al-Salamah and Suran.

⁵⁸ To compare, in January 2021, a litre of gasoline in Qamishli was USD 0.23 and USD 0.64 in Azaz; a litre of diesel was USD 0.04 in Qamishli and USD 0.43 in Azaz; a standard butane cylinder was USD 0.7 in Qamishli and USD 10 in Azaz. Qamishlu Alhan, "Increase in the Price of State Subsidised Fuel to SYP 475 and SYP 675 for Non-subsidised Fuel" (in Arabic), Facebook, 19 January 2021, <http://bit.ly/3qMilRE>; Syria TV, "Price of the Syrian Lira Compared to the Dollar" (in Arabic), Facebook 19 January 2021, <http://bit.ly/3rM8I6x>; Eqtisad, "Where Can You Find the Cheapest Fuel in the 'Liberated North' Areas?" (in Arabic), 23 January 2021, <http://bit.ly/3lGic1b>

⁵⁹ There are roads connecting all major cities to the Turkish border and only one road that crosses the area from east to west. This goes from Jarablus to Afrin.

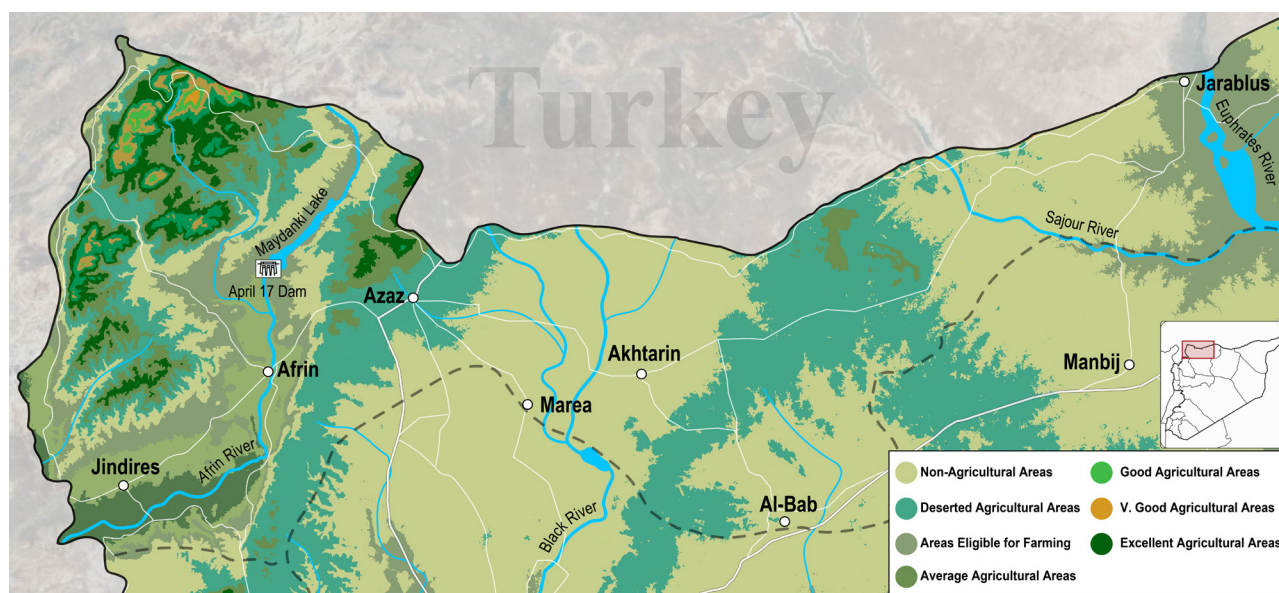
3. Slow Recovery in the Productive Sectors but Prosperous Trade

Northern Aleppo's has, it is widely believed, strong potential to become a commercial and industrial hub for opposition-controlled territory, including Idlib and north-eastern Syria. Crippled from years of active fighting, local businessmen and industrials are anxious to explore new growth opportunities. Turkey also has a strong interest in getting the region's production capacity back up and running, to encourage the return of refugees. However, security concerns, the interference of armed groups, and various administrative hurdles prevent local communities from testing this potential. In addition, trade between Turkey and Syria remains active but mostly benefits Ankara and its allies. These commercial exchanges have helped redraw trade networks in northern Syria with the emergence of influential new economic centres linked to Turkey. They however hurt local production.

3.1. Agriculture: Little Revenue and Support

Much of Aleppo governorate lies in Syria's most fertile belt. Historically, Aleppo's major contribution to Syria's agricultural output was wheat, olives and cotton (Map 2). In 2010, the governorate produced over 616,246 tonnes of wheat (20% of Syria's wheat production).⁶⁰ It was the second governorate in wheat production (after al-Hasakah) and the first in barley and lentils. The total land under cultivation in the governorate was estimated at 1,107,000 hectares (23% of the country's total), primarily located in northern and western Aleppo.⁶¹ Nearly one-third of agricultural output, including field crops and vegetables, were produced in northern Aleppo, and over 80% of olives and fruit trees in Afrin.

Map 2: Agricultural Lands in Northern Aleppo



Source: The author, February 2021

⁶⁰ FAO, "FAO/WFP Crop and Food Security Assessment Mission to the Syrian Arab Republic," 5 September 2019, <http://bit.ly/3w0JPqD>; Syrian Central Bureau of Statistics, "Land Use by Governorate 2010" (in Arabic), 07 April 2011, <https://bit.ly/3vRpvb0>

⁶¹ The Syrian Scientific Commission for Agricultural Research, "An Overview of Agriculture in Syria and its Contribution to the National Economy" (in Arabic), 16 February 2015, <https://bit.ly/3f7Sh1e>

Through the war years the agricultural sector has suffered significant losses, leading to a collapse in sector output.⁶² Northern Aleppo has seen the destruction of irrigation systems, the looting and burning of crops, a lack of fertilisers, seeds and fuel, and a shortage of agricultural labour. These have all contributed to a considerable decrease in agricultural production. Nevertheless, the end of Turkish military operations in Afrin coincided with a net increase in rainfall in the last three years, considerably boosting northern Aleppo's agricultural outcomes under better security conditions.

According to the FAO, the whole Aleppo governorate produced 586,000 wheat tonnes in 2019, a 162% increase compared with 2018. Similar trends were also observed in vegetables, legumes, pistachio and potato production.⁶³ This spike has enhanced food security locally, but the demand still exceeds supply and the region depends on food imports. The SIG, the SRTF, Syrian NGOs and Turkish organizations supplied wheat to sustain food security.⁶⁴ The adjacent Turkish provinces also provided local councils with flour at a discounted price.

Olive and cotton, which are traditionally cultivated for exports, are another matter. Olive production is mainly centred on the Afrin region and has considerably fallen since the Turkish military intervention. Subject to neglect, looting, lack of security, and illegal wood harvesting, oil producers face increasing difficulties in making a positive return on their investments. Their ability to sell their produce in the national and international markets has also diminished, further damaging the sector. Cotton production has wholly halted since the outbreak of hostilities. Cotton producers depended on government incentives and a good water supply: they have now turned to other crops or abandoned agriculture altogether. Other difficulties for the cotton sector included the complete lack of local weavers, thus breaking the manufacturing cycle and any potential for a more significant profit margin.

Similarly, cattle and poultry breeders have faced mounting challenges in sustaining their activities. The livestock situation has changed drastically. Important constraints include: the high prices of feed; limited access to animal health services; low numbers of well-trained field veterinarians and animal husbandry specialists; lack of hatcheries to restart poultry activities; and difficulties in accessing credit for production. Producers sell short (for cash) to livestock smugglers, who sell cattle at a higher price in Turkey and consequently benefit the most. As a result, the FAO estimates that the governorate has lost nearly 30% of its livestock since 2011, with a staggering 18% decrease year on year since 2018.

To respond to the challenges that the agricultural sector faces, several Syrian organizations and the SRTF have intervened to buttress SIG's support for local farmers. They have provided seeds, agrochemicals, fertilisers and agriculture machinery. In March 2021, the SIG also successfully negotiated the handover of grain silos located near al-Bab, previously held by armed opposition groups and has since then rehabilitated them for storing purposes.⁶⁵ Nevertheless, the sheer volume of assistance needed to restore and modernise this damaged sector exceeds their resources. Many farmers struggle to get sufficient water to irrigate their crops, do not obtain inputs at a competitive price, and they fail to sell their final product at a profit. Faced with increasing costs, they seek new ways to exploit their lands, such as renting them to humanitarian organizations to host IDPs' camps and facilities.⁶⁶

⁶² Shane Middleton et al., "Resilience Through Humanitarian Assistance: Agriculture in the Syria Conflict", *Global Communities* (May 2018): 36, <https://bit.ly/2NIACSi>

⁶³ FAO, "FAO/WFP Crop and Food Security Assessment Mission to the Syrian Arab Republic."

⁶⁴ SRTF, "Approved Projects – Food Security", <http://bit.ly/2OZXo8T>; OCHA Financial Tracking Service, 'Syrian Humanitarian Response 2015-2020.'

⁶⁵ Syrian Public Establishment for Grain, "The General Establishment for Grain Receives a Site for the Construction of the Qabasin Mill Building in the Northern Countryside of Aleppo," (in Arabic), 1 March 2021, <http://bit.ly/3ctVhBR>

⁶⁶ Interview with the director of a local NGO, Azaz, January 2021.

3.2. Industry: Hesitant Investment and Marketing Challenges

Historically, most factories were located in the city of Aleppo, but war destruction and looting drove manufacturers to relocate to western Syria and abroad, particularly to Turkey and Egypt. In comparison, the previously established factories in the countryside of northern Aleppo were small in volume and driven by local agricultural production. There were, for the most part, olive oil presses, hygienic material manufacturers, plastic utensils producers, textile workshops and shoemakers.

The region's industrial profile did not change dramatically after the Turkish military operations. Since 2017, the newly established Chambers of Commerce and Industry have lobbied local councils and adjacent Turkish governors to take incentives to encourage capital to invest in the sector. Among the incentives, the import of raw material through Turkey was facilitated. Additionally, al-Bab, Azaz, al-Rai and Jarablus cities all inaugurated industrial complexes to attract manufacturers and to boost local employment.⁶⁷ These complexes offer the advantage of being directly connected to the electricity grid and roads, of being protected by local security forces and of being based on relatively low-price land.⁶⁸ Hoping to take advantage of low-cost labour, the Chambers organised visits for Turkish businessmen and manufacturers to convince them to move part of their production into the region.

Despite these actions, no significant investments have been injected into northern Aleppo. Except for the return of some local manufacturers and the establishment of new small textile and canned food workshops, mainly in Azaz and Jarablus, there has been no notable improvement in the industrial sector. The reasons for the lack of capital interest are diverse and range from financial and legal inconsistencies to security issues. Above all, investors have probably been put off by the lack of clarity over the region's political future.

Financially, there are no banks or financial institutions that offer credits or insurance policies. With the exception of micro credits,⁶⁹ entrepreneurs enjoy no institutional backing whatsoever, and no real financial incentives are provided to Syrian manufacturers to relocate their factories to the region. The Turkish Postal Office PTT opened 12 branches in northern Aleppo, but these are strictly reserved for wiring and receiving money transfers. There were rumours that the Turkish state bank, Ziraat Katilim, could start offering services in Azaz, but this is unlikely soon because of worries over sanctions and security.

Similarly, weak legal and heterogeneous governance structures have raised many concerns among potential investors. The absence of a juridical authority to intervene in commercial disputes and the lack of protection from armed groups leave any potential businesses extremely vulnerable to external risks. The work force is, likewise, left defenseless and there is no labour code or specialised court to protect their rights and to guarantee minimum wage. Consequently, skillful workers prefer to emigrate to Turkey or to change professions and work in the service sector for its relatively cheap costs and its quicker returns on investment.

Nevertheless, the sector most significant problem is its dependency on imported raw material for production. This dependence has two main consequences. First, since all raw material is imported either from and through Turkey and is procured either in US Dollars or Turkish Lira, producers are compelled to sell at a higher price in the local market or to export, thus losing a competitive

⁶⁷ The industrial complexes' legality is highly questionable, as they are built over public property and are then sold to individuals with no official deed recognised by the Syrian state.

⁶⁸ For instance, the price of a square meter in Azaz industrial city is USD 30, nearly 20% cheaper than in the city.

⁶⁹ Manaf Koman, "Syria's Economy 2020: Which Factors are More Severe?" (in Arabic), *Omran Center For Strategic Studies*, February 2021, <https://bit.ly/3vSzblw>

advantage both at home and abroad. Second, the failure to use locally cultivated crops and produce creates an artificial production surplus and is forcing farmers to export to cut their losses. In both cases, local communities are deprived of cheaper locally-produced goods, and their dependency on merchandise procured from regime-held territories and Turkey are set to increase.

3.3. Trade: Open Fair for Turkish Products

Before the war, Afrin and Jarablus's main contributions to the national economy were agriculture and animal husbandry. In Azaz, the main economic activity was centred around smuggling goods in and out of Syria. Smugglers trafficked electronics, textile, car parts, and leather procured in Turkey and sold state-subsided refined oil products in return. Since the disappearance of regime forces in northern Aleppo in 2012, the local force that managed the Bab al-Salamah crossing has been mainly composed of individuals from Azaz, Marea, and Tall Rifa'at. Azaz's proximity to the border crossing and pre-war smuggling networks has made the city the north's main trade hub since July 2014. Relieved of custom duties and state control, local businessmen imported from their Turkish neighbours, everything from cheap processed foods to expensive heavy machinery, cement and steel.

Through the war years, trade between Turkey and Syria has remained active and has been the main source of enrichment for a small group of profiteers on the Syrian side. While Turkish exports to Syria continued at a relatively high volume, Syrian exports to Turkey dropped significantly following the Syrian uprising; from USD 336 million in 2011 to USD 90 million in 2019.⁷⁰ As previously noted, producers have more incentives to export rather than to sell locally, firstly, for profit and, secondly, for hard currency. However, farmers, manufacturers and businessmen wishing to market their products in Turkey and abroad face obstacles including corruption and various legal challenges; for instance, a ban on exports of similar goods produced in Turkey. In 2019, around 75% of Syrian exports to Turkey were made up of olives, barley, anise, fennel, coriander, cumin, caraway seeds and dried legumes. Two products witnessed significant success in exports: olives increased from around USD 9 million in 2018 to around USD 45 million in 2019, and barley from null in 2018 to USD 10 million in 2019.⁷¹

However, the purchase of these last two products is monopolised by Turkish state agencies and collectives associated with the government. The TMO, Toprak Mahsulleri Ofisi – the Turkish Grain Board, is authorised to purchase wheat from farmers directly, and the TTK, Tarım Kredi Kooperatifi – the Agricultural Credit Cooperative of Hatay, is the only entity allowed to procure olive oil from the neighbouring Afrin region. The Turkish government showcases wheat purchase as an assistance program to Syrian farmers. Hence, the price is relatively fair and has been fixed after negotiations with the SIG. On the other hand, olive oil is purchased at a much lower rate than the market price and then resold on the international market for a significant profit.⁷² Despite its world-renowned prime quality, Afrin olive oil has lost market value because, in large part, of corrupt armed groups who force themselves on farmers as mediators with the TTK and who drive the prices down to sell more.

⁷⁰ Turkey Statistical Institute, "Foreign Trade Index December 2020" (in Turkish), 10 February 2021, <https://bit.ly/3aNWxjM>

⁷¹ Ministry of Commerce, Foreign Representations and International Events, "Syria Country Profile" (in Turkish), 3 June 2020, <https://bit.ly/2ZCD3IF>

⁷² Reports estimate that nearly 90 thousand tonnes of Afrin olive oil were purchased by the TTK since 2018. Cumhuriyet, "Not Turkish Olive Oil, Oil Brought from Afrin is Exported to the USA" (in Turkish), 19 November 2020, <http://bit.ly/397Q5mw>

The other international destinations for Syrian exporters are Iraq, Libya, and the Arab Gulf countries,⁷³ but producers face a significant legal complication that prevents them from easily conducting business. To export, producers need to present a legal certificate of origin that confirms the source of their produce, and since the regime does not deliver any certificate outside its territory, Syrian exporters outside regime-held territory have a serious problem. To overcome this difficulty, Turkey has agreed to allow the transit of Syrian goods across its territory to other destinations as long as the importing country provides official authorisation. This solution means further complications and bureaucracy and has established a sideline business for well-connected and influential customs brokers who work with Syrian armed groups.

Ultimately, trading with Turkey and through it has become an elitist affair, something only possible to a few wealthy businessmen and powerful profiteers. The Azaz local council has, as the result of an unempowered SIG, imposed an annual fee for obtaining authorisations to import or export from Bab al-Salamah. The authorisation costs USD 2,000, and it grants a visa waiver to Turkey. Two thousand dollars would, for many local producers, cover the expenses of an entire family for six months or more.

Another viable option is trading with AANES and regime-held territories, but producers are generally reluctant to go down this route for two reasons. First, both AANES and regime-associated businessmen require purchases in Syrian pounds while they sell their products in US Dollars. This arrangement depletes the hard currency reserves of local businessmen and exposes them to the continuous depreciation of the Syrian Pound. The second reason is the systematic use of smuggling routes. Since the SIG decision to ban all trade with the regime territory, the only way to transport goods to Aleppo or Hama is by paying an average of USD 2,000 fees to influential warlords to pass a single shipment. A consequent amount that is only justified when selling goods with a relatively large profit margin.

The legal and financial challenges are far more discouraging than encouraging to conduct business with real surplus value in production. Consequently, the dependency of local communities on humanitarian assistance has increased, and the few who can afford it prefer to invest in the service sector, such as hospitality or retail.

⁷³ Iraq imports legume, textiles, canned food, hygiene products and plastics. Libya and the GCC import limestone, sphalte and other minerals for construction.

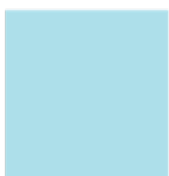
Conclusion

Syrian opposition figures and many scholars have presented decentralisation as a viable model for governing Syria and as an inclusive framework that preserves communities' autonomy and increases their political engagement on a nation-wide scale. The call for decentralisation is also a response to fragmented political and security realities. It is a way to accommodate the different influential actors and to freeze the conflict. This pragmatic approach to embracing the unavoidable devolution of authority has many merits but could cause more damage than good if executed poorly. As this paper demonstrated, the lack of attention to the economic vulnerability that all Syrian communities are currently suffering from could impede their recovery potential despite the best intentions.

The SIG's inability to enforce its authority has produced various deficiencies in the legal, governance and financial systems of northern Syria. Local councils act independently and implement contradictory policies, and armed opposition groups interfere with impunity. Consequently, communities have fallen into despair, and grass-roots initiatives to revive the local economy face insurmountable challenges. Additionally, dealing and negotiating with Turkey, a regional economic powerhouse, has become a profiteers paradise with little by way of trickle-down effect for the larger population.

Turkey has an inherent interest in stabilising the region it directly controls in northern Aleppo. Rehabilitating the local economy could encourage the return of Syrian refugees and lessen pressure on Turkey's southern borders. Nevertheless, Turkey's engagement in protecting and facilitating such efforts has fallen short thus far. Except for minor investments in restoring parts of the electricity grid and some roads, Turkey's contribution has been, for the most part, transactional and limited to delivering humanitarian assistance or conducting business deals with the private sector. Ankara appointed advisors to local councils, and the governors of adjacent provinces are passively engaged in northern Aleppo reconstruction. Their performance has been mostly restricted to keeping their Syrian counterparts in check rather than to actively seeking sustainable solutions for current difficulties.

Consumed by security concerns, Ankara has not developed a proper strategy for northern Syria's economic recovery. But, even if it dedicated time and energy to this problem, Turkey alone would not be enough. Local Syrian communities would require tremendous levels of international engagement to free their potential. The international community should, were aid to be forthcoming, not restrict itself to finance, but should offer institutional support for the reform of local government and economic structures. Left alone, Syrian communities will remain vulnerable to clientelism, corruption, and extremism.



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