EXECUTIVE SUMMARY

During the Syrian Ba’ath era, the industrial sector was deliberately neglected in northern and eastern Syria. Even though Syria’s three main oil-producing governorates: al-Hasaka, Qamishli, and Deir ez-Zor are also important cotton, wheat, and barley producing regions. Nevertheless, the three governorates in northern and eastern Syria were considered important markets for products made in other Syrian provinces, mainly Damascus and Aleppo.

As an example, the crude oil was transported from al-Hassaka to the Homs Refinery, where it was refined, and its derivatives were resold to the Syrian population in northern and eastern Syria, and the majority of the employees in al-Hassakah’s oil sector are residents of other provinces, while none of the workers at the Homs Refinery are residents of al-Hassakah.

Similarly, raw materials in agricultural industries were sold at non-competitive prices as a result of the state’s monopoly on purchasing, manufacturing, and selling goods on the market. Additionally, the Kurds in that region were subjected to discriminatory political practices. Not to mention the fact that the northern region was viewed as having a clan structure that was backward and incapable of keeping up with industrial developments.

The start of the protest movement in 2011 and the subsequent violent conflict led to losses in the industrial sector as well as the destruction of the necessary infrastructure. It includes power transmission networks, electricity generation plants,
and the few factories that provided the region with basic supplies such as sugar and fodder. Moreover, climate change has caused an increase in energy demand, especially for electricity, as a result of the fuel cut. For the Autonomous Administration, this is a major challenge, since demand has outstripped what is available, as has been the case in regional interventions. As a result of Turkey’s intervention in Syria, the supply of water from the Euphrates River was cut off. There are 500 megawatts of electricity needed in northern and eastern Syria, but the amount available does not exceed 10% of that demand. As a result, the production of the few remaining plants and factories is greatly reduced.
CHALLENGES FACED BY THE INDUSTRIAL AND OIL SECTORS

Dialogues between industrialists, participants, and the Autonomous Administration in northernnand eastern Syria have revealed that the industry faces both internal and external challenges, determined by the following factors:

1. Raw materials used in manufacturing are in short supply due to the decline in agricultural production. In order to run a sugar factory, for example, sugar beet must be continuously supplied as well as cotton production and strategic crops such as wheat, since most grain processing factories, including bulgur factories, lack sufficient quantities of wheat to manufacture and export.

2. During the discussions, participants indicated that inadequate quality fuel and a lack of diesel would force the shutdown of iron and oxygen manufacturing plants, so modern refineries are required.

3. High customs tariffs on materials, the absence of clear and encouraging legal framework for the industry, as well as red tape and bureaucratic issues in the Autonomous Administration departments concerning licenses, etc.
4. The border crossings in northern and eastern Syria are not internationally recognized, and their use is only for humanitarian purposes. Moreover, the area is under a suffocating siege, resulting in an inability to obtain spare parts in affordable prices.

5. Destruction of infrastructures, such as in Raqqa and Deir ez-Zor, which requires great scientific expertise and vast technical capabilities to restore.

6. There is no strategic plan for elevating the industrial reality above its current state, and there is no scientific expertise to study the situation, develop alternatives, and create a future-oriented plan for sustainable solutions.

7. The Euphrates River’s flow was cut off by Turkey due to political reasons. Most of the electricity for northern and eastern Syria was generated by turbines in the Euphrates dam. The industrial sector of the region has been affected by this severe crisis.
AUTONOMOUS ADMINISTRATION: MEETING REQUIREMENTS AND OVERCOMING CHALLENGES.

1. To develop an effective strategy for Autonomous Administration of the transition to alternative energy (solar or wind energy), detailed, accurate, and scientific research is necessary. Wind energy is considered a high-cost energy source due to the high cost of wind turbines and insufficient scientific studies about their operation in the region.

2. As a result of the unstable nature of the market and the absence of regular crossings that facilitate this process, the prices of solar panels are high, so the Autonomous Administration should develop a mechanism to monitor price inflation and to monitor the quality and efficiency of these panels during their operation. The panels currently available in the market do not work as expected, and they are either reused, their life span has expired, or they do not meet the specifications, because there are no certified companies to ensure the safety and efficiency of the panels until they reach the desired level of performance.
INVESTMENTS IN THE
INDUSTRIAL SECTOR AND
CURRENT SECURITY
CONCERNS.

In northern and eastern Syria, the threat of sleeper cells of the Islamic State and their Turkish allies has increased, especially after the occupation of large areas such as Serêkaniyê.

As well, the region is often targeted by Turkish drone attacks as well as by extremist groups supported by Turkey in the Tall Tamr, Qamishli, Derik, and Ain Isa. Venture capitalists are also deterred from constructing factories because of a climate of fear and terror caused by tensions between the United States, Russia, and Iran.

Despite these challenges, there is a strong demand for industrial facilities and agricultural industrial factories, as the number of factories in northern and eastern Syria has doubled dozens of times since the beginning of 2011, confirming the desire of industrialists to invest in and develop this sector in northern and eastern Syria.

According to information provided by the Department of Industrialists in northern and eastern Syria, more than eight hundred factories and establishments have been licensed.
THE SUSTAINABILITY OF THE INDUSTRIAL SECTOR AND ITS LINK TO INTERNATIONAL DECISIONS.

Whether large, medium or small, factories, plants, and industrial facilities require large amounts of money to establish, so policies, directives, and procedures that will sustain and encourage investment in this sector must be developed and supported. It must start by providing security protection to these facilities that supply people in the northern and eastern of Syria with basic and important items, such as mills, drinking water stations, and grain mills, and ensuring that these facilities are kept out of conflicts and political disputes. As well as safety, spare parts and equipment should be secured from neighboring countries and entry processes facilitated to maintain continuity in production (as with the oxygen plant, for example) and to grant necessary licenses to them to obtain what they need, as many of them require spare parts from international manufacturers.
SOLUTIONS FOR THE SUSTAINABILITY OF THE INDUSTRIAL SECTOR.

The dialogues and discussions that took place during this Panel between representatives of the Autonomous Administration and the industrial sector, expert engineers, and other professionals lead us to the following proposed solutions:

1. Stabilizing the security situation in northern and eastern Syria and protecting the region from aggressive attacks from ISIS or the Turkish government and its allies.

2. The Autonomous Administration must improve diesel fuel quality. In this way, the engines that drive these plants and facilities, as well as agricultural equipment and machinery, will be prevented from malfunctioning. Furthermore, diesel fuel must be distributed equally and according to need to all regions in northern and eastern Syria.

3. Prepare in advance the future plans for securing industrial and agriculture requirements to ensure that materials are available at the right time and without delay, such as providing diesel fuel to agriculture at the right time.

4. For the Autonomous Administration in northern and eastern Syria to support its industrial sector, all customs duties on inputs must be eliminated. The administration must also establish laws and regulations that help it work more efficiently and encourage investment in this sector.

5. Promoting and encouraging local products, manufacturing, enhancing quality specifications, as well as giving priority to trade with northern and eastern Syria, so that the local industry can compete with imported products.
6. In the industrial sector, training specialized personnel in institutions of self-management and upgrading administrative and technical performance are essential for keeping up with the needs of the sector and finding solutions to its problems.

7. The formation of an association to honor, reward, and encourage industrial innovators and inventors can help the industrial sector grow in an effective and meaningful way.

8. An office for strategic studies in the industrial and agricultural sectors should be established, in particular to study the industrial realities and ways to develop them through future plans in the short, medium and long term.

Contact
For more information or to provide feedback and opinions, please contact TEVIN by Email.

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