Issue 4: January 2025

Syria in Figures

Making Sense of Syria's Economy

The Potential and Outlook for Syria's Oil Sector

What is the potential for the oil sector, and how much oil can the Caretaker Government in Damascus produce? What challenges does the sector face?

Obstacles and Opportunities for Syria's Electricity Sector

What are the bottlenecks to the recovery of Syria's electricity sector? The relative roles of fuels, production capacity, and sanctions, and how external actors can help.

Sanctions in Transition: Proposing a Path Forward

With sanctions being the main leverage for the West on the emerging government in Damascus and the main impediment to recovery, easing them should be a delicate balancing act.

Russian Investments: The State of Play After Bashar al-Assad

Assad's fall jeopardizes Russian economic ventures in Syria, particularly those linked to Kremlin oligarchs, but the Caretaker Government has made positive statements so far.

External Contribution: The Captagon Trade After the Downfall of Assad

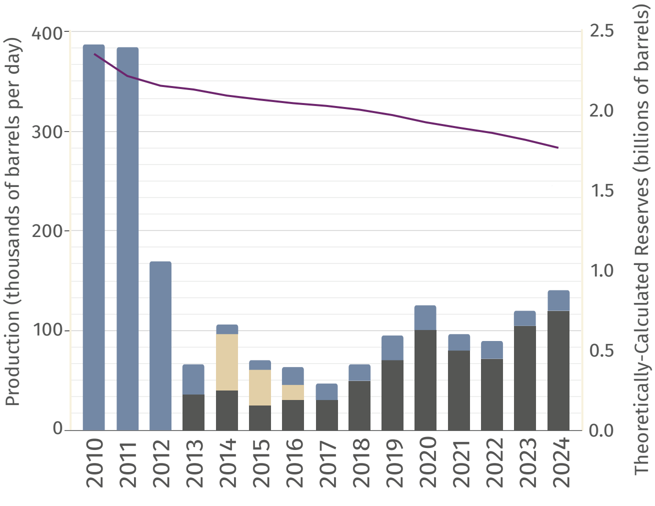
While Assad's fall ended state-backed captagon production, the rise of small trafficking networks and the specter of a shift to crystal meth are complicating efforts by Syria's new government to curb the trade.
Caroline Rose, New Lines Institute.

KARAM SHAAR ADVISORY LTD.
MAKING SENSE OF SYRIA'S ECONOMY

Potential and Outlook for Syria's Oil Sector

The Syrian oil sector, a cornerstone of the economy, saw sustained investment growth until the conflict began. In 2010, the International Monetary Fund (IMF) projected the sector would contribute 18% of Syria's GDP. But output began to decline in 2012 due to repeated attacks and international sanctions, which forced eleven international companies—responsible for 49.6% of Syria's total crude production in 2010—to abandon their operations.

Crude Oil Production and Reserves in Syria

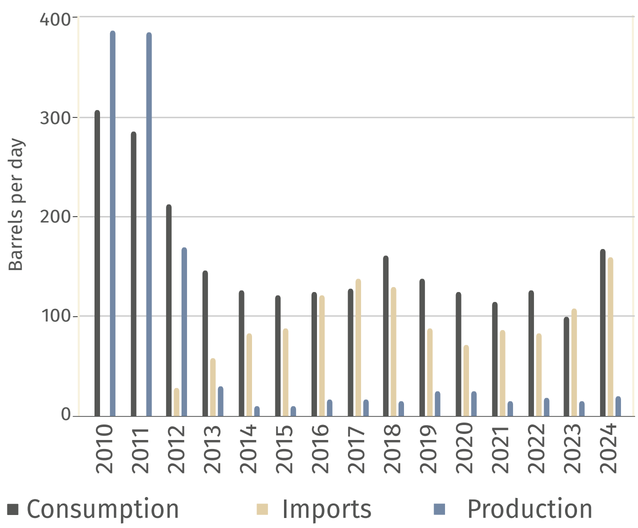


Source: OAPEC, Statista, media articles, primary data, and author's calculations

Most of Syria's oil now is produced in areas controlled by the Syrian Democratic Forces (SDF), cutting off revenue access for Syrians in Caretaker Government (CG) areas. Until 2011 Syria was a net oil exporter, though it still imported refined products due to limited refining capacity. After 2012, the Assad regime imported about 95% of its needs but remained unable to meet full demand. In the Northwest—formerly under the HTS-dominated Syrian Salvation Government and the Turkish-backed Interim Government—imports account for 100% of supply due to the complete absence of oil wells.

During the years of conflict, no significant exploration activities took place. The latest reported quantity on oil reserves in 2010 was 2.5 billion barrels. The Organization of Arab Petroleum Exporting Countries (OAPEC) and other main sources have continued reporting that same figure to date. But in light of ongoing production, we estimate remaining reserves in 2024 to be around 1.8 billion barrels, assuming attacks on the sector during the conflict did not lower the quantities of recoverable oil.

Oil Production, Consumption, and Imports in Assad Regime-Held Areas



Source: OAPEC, UANI, and media statements

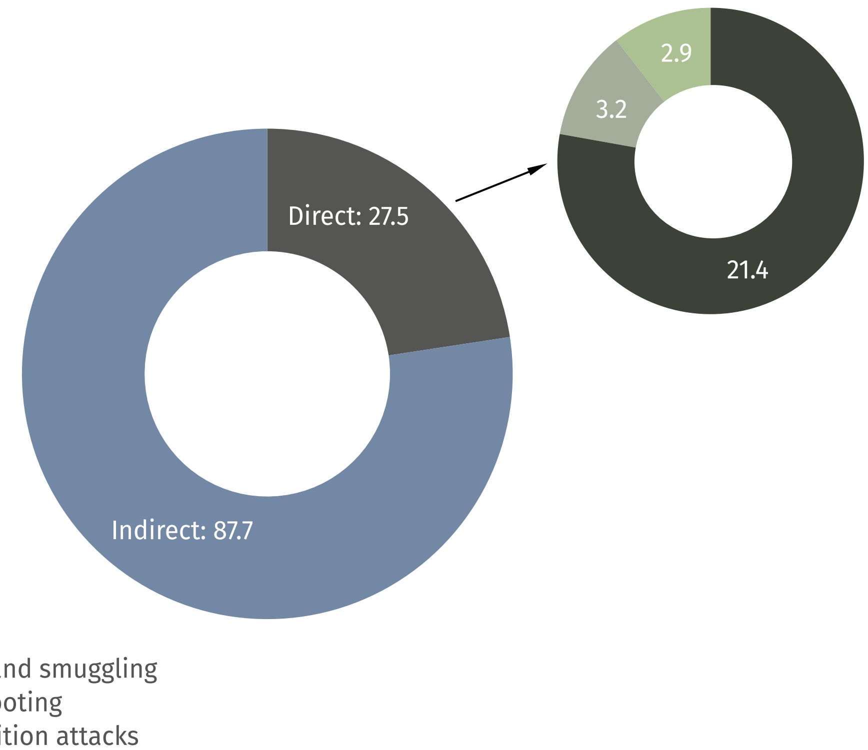
In former Assad-held areas, most crude oil used to come from Iran, based on satellite tracking estimates from United Against Nuclear Iran (UANI). Recently, an Iraqi MP claimed his country was exporting 33,000 barrels per day (bpd) of oil to Damascus.

The SDF has also been a supplier to other parts of Syria, but data on these operations is scant, as the regime and other de facto authorities did not recognize SDF's autonomy.

Syria once had a robust oil infrastructure that met much of the domestic market's demand for refined products. However, OAPEC's latest reported data (2022) shows that the Homs and Baniyas national refineries produced only 50,000 bpd, a sharp decline from their combined capacity of 240,000 bpd in 2010. After the Assad regime's downfall, the Baniyas refinery ceased operations when Iran halted its supply of crude oil, while the Homs refinery likely remains operational as long as it continues receiving oil from the fields.

The years of conflict have exhausted—and physically decimated in some cases—oil and gas sector facilities. The latest breakdown of damage reported until the end of the first half of 2023 was estimated at $115.2 billion US.

Losses in the Oil and Gas Sector as of June 2023 (In Billions USD)



Source: Letter S/2023/660 from the Syrian Arab Republic to the UNSC

"Indirect losses" in the chart above represents lost production. It is not entirely clear whether "direct losses" estimates include losses incurred by Russian airstrikes; statements made by the Assad regime did not point out attacks executed by its allies.

Syria's oil sector is large enough to play a defining role in the country's economic recovery. However, four key obstacles remain.

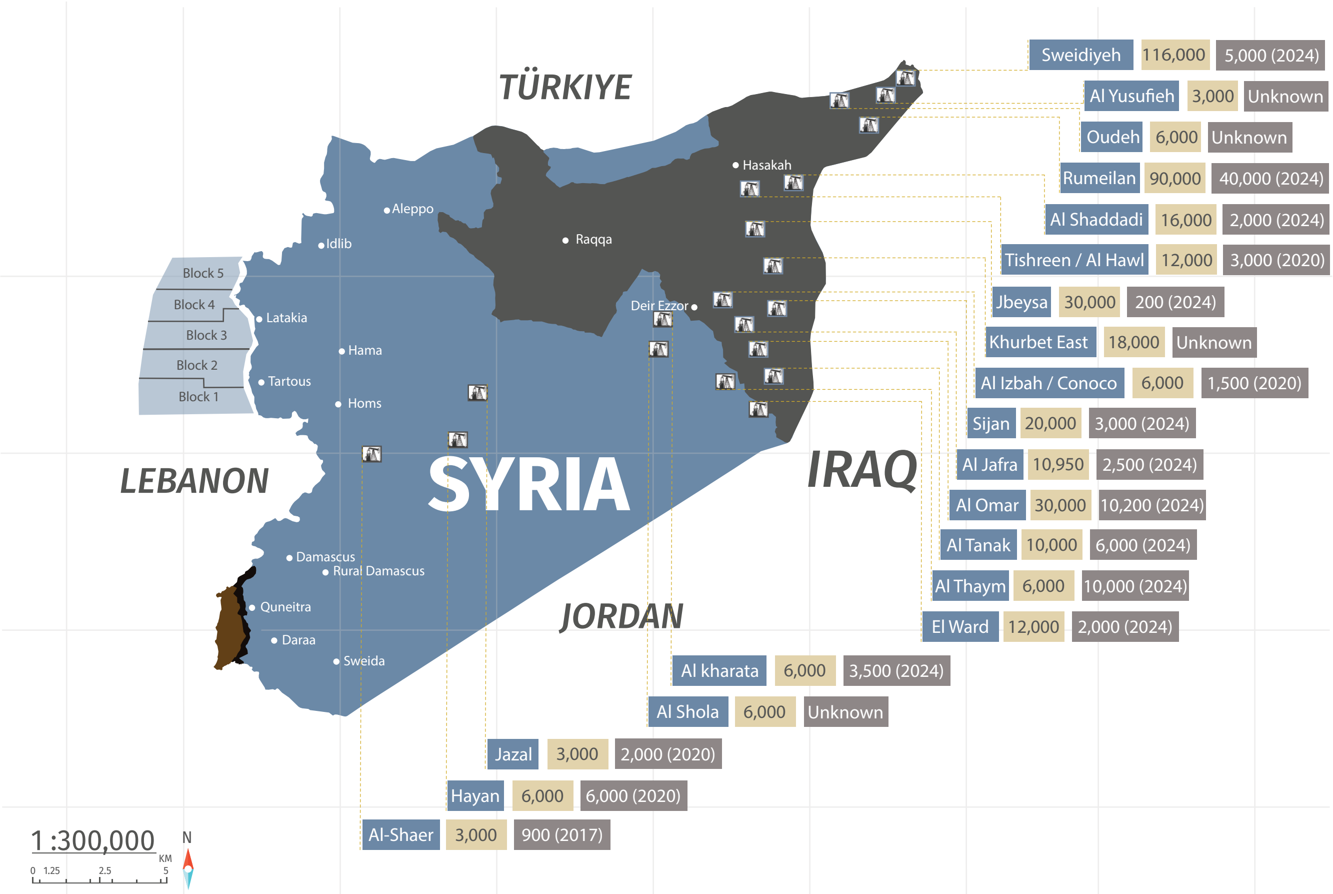
First, Western sanctions on the sector block much-needed foreign investment. Sanctions have also resulted in lowering the selling price of oil smuggled by SDF into Iraq.

Second, heavy bombardment and unprofessional extraction techniques during the conflict may have permanently reduced many fields' productive capacity due to seismic shifts. This uncertainty raises doubts about whether Syria can achieve self-sufficiency, let alone export, without future discoveries or increased output. Only thorough inspections can confirm this.

Third, the legal status of many foreign investments is already disputed and likely to become increasingly so going forward. We will cover this topic in the next issue of *Syria in Figures.*

Finally, the sector's future remains contested, with the SDF—currently producing what we estimate at 86% of Syria's oil—reportedly insisting that [50% of the oil it controls] be allocated to its local government in a future unified state.

Distribution of Key Oil Fields in Syria



- Caretaker Government
- Israeli Army recent incursions
- Pre-conflict output
- Syrian Democratic Forces
- Golan Heights
- Post-conflict output

Note : Military control areas as of 31 December 2024
Source: Liveuamap, Ministry of Oil and Mineral Resources of Syria, media articles, and primary sources

Sector in disarray

During the conflict, widespread destruction of power plants, transmission lines, and distribution networks left the sector's infrastructure in shambles. According to newly-appointed Caretaker Government (CG) Minister of Electricity Omar Shaqrouq, the cost of repairing the electricity sector is roughly $40 billion.

Former Minister of Electricity Ghassan al-Zamel had stated in March 2024 that the electricity sector had a current capacity of 2,200 megawatts (MW), about one-fifth of the 10,000 MW of installed capacity. It is unclear whether Mr. Zamel referred to 2,200 MW as the current capacity of all functioning power plants in Syria, or only those supplied with fuel.

According to the latest available data from the Syrian Public Establishment of Electricity Generation (PEEG), the capacity across Syria's power plants in 2020 stood at about 4,400 MW. More recently, on 31 December 2024, Turkish Minister of Energy Alparslan Bayraktar, after sending a delegation to Damascus to discuss ways to support the Syrian energy sector, stated that Syria's power capacity stands at 3,500 MW.

But, the lack of oil and gas required to operate the country's power plants means that, regardless of the actual capacity, power plants cannot run constantly. In July 2024, Mr. Zamel highlighted that Syria had managed to secure only 6.5 million of the 23 million cubic meters of gas needed daily, and only 4,500 of the 10,000 tonnes of fuel required.

As a result of both reduced capacity and lack of fuel, data from the Ministry of Electricity showed a 75% decrease in electricity output between 2011 and 2023, from 49,000 gigawatt-hours (GWh) in 2011 to 12,900 GWh in 2023.

Furthermore, of the electricity generated by the Ministry in 2023, a staggering 32% was lost in the network or self-consumed, per data from the Central Bureau of Statistics. This figure is nearly twice the 17% reported in 2010. It should be noted that these figures do not account for electricity theft, which was rampant during the conflict; we were unable to find exact figures for it.

The remaining 68% was consumed by industry (31% of consumption; 21% of total production) and domestic use (69% of consumption; 47% of total production); these figures have similarly decreased by 75% from 2011.

Though production in 2023 was only one-quarter of 2011 levels, and losses nearly doubled, it is pivotal to note that rationing is stringent, with a maximum of two hours of electricity per day, marking a 90% decrease from the average of 23 hours of electricity provision per day pre-conflict.

This can be explained by the fact that despite provision decreasing, consumption per capita has increased exponentially. In October 2023 Mr. Zamel explained that average household consumption exceeded 8 kilowatt-hours (KWh) per day, compared to 1 KWh before the conflict. This is likely because households increased their reliance on electricity during available hours to compensate for long outages, using high-energy appliances like heaters, washing machines, and electric cookers simultaneously. As a result, surges in demand overwhelm and degrade the grid, causing equipment failures, escalating repair costs, and worsening electricity supply reliability.

Regardless of the data used, the current capacity is well below the needs of both industrial and domestic use. Going back to the pre-conflict level of 49,000 GWh would require about 5,600 MW running non-stop; this coincides with a statement by Mr. Zamel in March 2024 that put Syria's needs at "over 5,000 MW." However, this figure does not account for seasonal variations, which result in fluctuations in demand depending on the time of year and time of day, indicating that actual capacity requirements could go significantly above 5,600 MW during peak demand periods.

Priority for CG authorities

Cognizant of the absolute priority electricity represents, since 8 December the CG Ministry of Electricity has intensified efforts to address Syria's electricity challenges through inspections, strategic planning, and meeting with international stakeholders.

On 9 December it was announced that a committee of engineers had been formed to "manage [the Aleppo Thermal Plant] and work on returning it to full capacity in the coming days." Since then, Mr. Shaqrouq has held meetings with the UNDP and the International Red Cross Committee, and undertaken various field visits to major power plants throughout the country to assess ongoing maintenance and operational improvements. At Al-Rasteen the focus has been on completing the new 524 MW power plant; Baniyas has prioritized repairs on their fourth steam turbine unit. At Tishreen, discussions have revolved around boosting the plant's 1,000 MW capacity.

In mid-2023, state officials, including Mr. Zamel, announced that Iran's MAPNA-commissioned Al-Rasteen power plant would soon be operational. However, delays prevented its launch. By June 2024, Mr. Zamel expressed hope it would begin operations by year's end.

The Tishreen plant—comprising three steam, gas, and combined-cycle gas turbines—seems mostly capable of operating at its installed capacity, according to the Central Bureau of Statistics. However, actual output remains low due to the lack of fuel.

The Baniyas Power Plant, out of service for more than a decade, restarted operations in December 2023, though only three of four turbines are currently operational. Repairing the fourth would add an additional 170 MW to the grid.

Assad's government signed multiple contracts with Iran and Russia to repair power plants, but funding shortages and equipment challenges led to mixed results. Iranian firms, particularly the Iran Power Plant Projects Management Company (MAPNA), completed some repairs at the Aleppo Thermal Plant and at Baniyas, while Russian contracts for power plant projects appear to have never materialized.

But reconstruction is only part of the problem; more urgently, fuel shortages risk collapsing the entire grid. Following the fall of the Assad regime, Syria lost its crude oil supply from Iran, leading the Banyias oil refinery—Syria's largest—to cease operations on 19 December 2024.

Getting out of trouble

The recent US Treasury issuance of General License 24 (GL24) is poised to provide some relief to the electricity sector. Most notably, GL24 allows for the supply and donation of energy products to Syria. Immediately as a response, Khaled Abu Dai, Director General of Syria's General Establishment for Electricity Transmission and Distribution, announced that two electricity-generating ships from Turkey and Qatar are heading to Syria, bringing an additional 800 MW to the grid.

Despite this positive development, the timetable through which this increased capacity will enter Syria is unclear. Mr. Abu Dai mentioned that efforts were already underway to prepare transmission lines to receive power from the docking sites, though this might take some time.

Beyond this announcement, GL24 could also revive key international agreements involving Egypt over the provision of electricity and gas to Syria and Lebanon that had stalled because of sanctions. Up to 800 MW could be added from Jordan via its interconnected grids with Syria, another significant improvement. In addition, Türkiye could also provide up to 600 MW to Syria's electricity grid, based on pre-conflict interconnection capacity.

In 2023, Syria received 636 GWh from Türkiye, equivalent to about 73 MW of continuous power exports, mostly to Idlib and Northern Aleppo. Throughout Idlib governorate, the HTS-affiliated Syrian Salvation Government successfully leveraged its ties with Türkiye to supply 24/7 electricity through its affiliated Green Energy company.

In total, the 800MW of additional capacity provided by the electricity-generating ships and the potential 1,400 MW of additional electricity from Türkiye and Jordan would represent as much as Syria's current capacity of 2,200 MW based on Mr. Zamel's figure. However, this would still leave a 1,200 MW shortfall to the 5,600 MW required to meet current needs in formerly regime-held areas.

Though the issuance of GL24 is a promising development, it remains insufficient. The license covers only the sale, supply, storage, and donations of energy products. This will not be enough to attract meaningful investments.

Sanctions in Transition: Proposing a Path Forward

The recent developments in Syria, with HTS spearheading the overthrow of the Assad regime in December, have brought renewed attention to the complex web of sanctions affecting the country. While much focus over the past few years has been on the sanctions against the Assad government and the ruling elite, the impact of sanctions on HTS has been comparatively overlooked.

Comparing Regime and HTS Sanctions

Aspect	HTS Sanctions	Regime Sanctions
Scope	Focus on the group and its members	Broader, affecting economic sectors, government institutions, and officials
International Recognition	Universally applied (UN-designated) as well as unilateral	Unilateral, applied almost exclusively by Western countries
Lifting procedure	UN ISIL-Al Qaeda sanctions to be lifted under various UN mechanisms; government listings of HTS can be revoked under different legal and political mechanisms.	Autonomous decision

Though a growing number of observers have called for a review of the sanctions on HTS and its leader, Ahmad al-Sharaa (formerly Abu Mohammad al-Jolani), Western officials remain rightfully cautious. They prefer to wait to see al-Sharaa's words turned into actions and for a political transition—based broadly on UN Security Council Resolution 2254, adopted in 2015—to commence. UNSCR 2254 calls for a Syrian-led political transition, an inclusive transitional governing body with full executive powers, and UN-supervised elections, among other elements.

Cognizant of the need for reform or rebranding, al-Sharaa has made various efforts to project a more moderate image, supposedly worthy of sanctions delisting. These efforts include al-Sharaa using his real name in public statements, providing assurances of protection for religious and ethnic minorities, and downplaying his past association with ISIS and al-Qaeda.

Though these signals have been welcomed, they're not historically unfamiliar from interim leaders taking over their adversaries militarily to buy time and consolidate their grip on power. This has left most foreign governments waiting to see concrete actions.

The impact of sanctions

For decades, sanctions on the Assad regime—alongside the destruction wrought by a brutal armed conflict, pervasive mismanagement and corruption, a war economy, and various international counterterrorism (CT) and anti-money laundering (AML) measures—have severely impacted Syria's economy. Together, these factors have restricted access to international markets, stifled private sector growth, and hindered economic recovery by elevating transaction costs and reducing investment opportunities. These measures have also strained humanitarian efforts, as compliance challenges inhibit the delivery of assistance.

Meanwhile, the debate over easing sanctions on HTS has recently intensified. Current sanctions globally prohibit the direct or indirect provision of funds, assets, economic resources, or material support to the group or its leader, alongside travel bans to UN member states. Further compounding this, US criminal statutes explicitly ban any material support to HTS, designated as a Foreign Terrorist Organization (FTO). If enforced to their fullest extent, these sanctions could prove even stricter than those imposed on the Assad regime. HTS, once confined to Northwest Syria, now governs the majority of the country's territory, encompassing approximately 85% of the population and serving as the backbone of the Caretaker Government (CG) in Damascus.

A balanced path forward

In considering the best approach to sanctions, the international community should balance multiple factors. First and foremost, the case can be made that most sanctions pertaining to the Assad regime should be lifted unconditionally, as their very purpose has simply ended. However, targeted sanctions on regime cronies and officers who have fled must be kept in place as part of broader efforts to facilitate accountability, a stance echoed by calls from prominent organizations.

Easing sectoral sanctions on critical sectors such as banking, oil, and trade will provide immediate reprieve, revive economic activity, and support the return of displaced Syrians. Notably, two of the top three reasons Syrians cite for not planning to return are the "lack of livelihood/work opportunities" and "inadequate basic services"—issues that sanctions relief could significantly improve.

Since easing unilateral sanctions can be a lengthy process, often requiring legislative consent in addition to executive approval—and, in the case of the EU, consensus among different governments and bureaucratic horse trading—an interim and immediate step was taken by the US Treasury with the issuance of General License 24 (GL24) on 6 January 2025. In essence, it authorizes transactions with governing institutions in Syria after 8 December 2024, including activities related to the sale, supply, storage, or donation of energy products and the processing of personal remittances, provided they comply with specific limitations.

Yet GL24 still falls short of allowing commercial transactions, which represent the backbone of Syria's economic recovery. It also severely limits operations in the energy sector, with no provision for investments in or reconstruction of energy infrastructure. In sum, GL24 resembles more of a broad humanitarian exemption pertaining to the energy sector rather than an actual lifting of sanctions.

As such, this move should provide only partial and temporary relief, which has historically been the case. Indeed, general licenses fail to address the broader economic challenges created by sanctions, be it in Syria or elsewhere. Their limited scope, complexity, and inability to accommodate diverse circumstances often render them insufficient. They also require meticulous compliance, frequently necessitating additional authorizations for specific transactions and activities.

For example, General License 22, issued in May 2022, authorized activities in certain economic sectors in non-regime-held areas of Northeast and Northwest Syria. While the license likely had a positive impact, its effects were difficult to discern. It facilitated legal investments and boosted economic engagement in these areas. But significant challenges persisted; Syria remained excluded from international banking, and confusion about the license's scope led to continued overcompliance by foreign banks hesitant to process transactions. Uncertainty also lingered due to the license's temporary nature.

Although it is now too late to broaden the scope of GL24—at least for the next six months—the West must make it clear that this measure serves only as an interim arrangement, implemented with the explicit understanding that full sanctions relief will follow as a procedural matter in due course.

Reevaluating sanctions on HTS

As for UN sanctions on HTS and its leader, however, they should be suspended in exchange for public commitment to policies agreeable to permanent members of the UN Security Council, such as inclusive governance, respect for human rights, democratic principles, ensuring the emerging networks in Damascus do not feed into further radicalization in the future, and resolving the issue of foreign fighters. Once these commitments have been achieved and the transitional period—currently estimated to be three to four years—is over, permanent sanctions relief should be provided.

Due to numerous political and procedural factors which will be discussed in our next issue of *Syria in Figures*, such a suspension will not be easy to achieve.

However, the responsibility does not rest solely with the Syrian side. Using sanctions relief as a bargaining tool for unrelated geopolitical demands—such as removing Russian troops or cutting ties with Iran—undermines the legitimacy and effectiveness of the sanctions framework. Such conditions, unrelated to the original reasons for imposing the sanctions, risk derailing recovery efforts and alienating Syrian stakeholders.

At the core of our proposed approach is the need for the countries willing to support Syria and its transition to realize the importance of working with the CG in Damascus and not ostracizing it, something which would only radicalize the current administration and push them to consolidate their current hold over Syria. This lesson must have been learned already from the Taliban takeover of Afghanistan.

Russian Investments: The State of Play After Bashar al-Assad

Following the start of the Syrian conflict in 2011 and the subsequent imposition of large-scale sectoral sanctions on the Syrian regime, most foreign investors swiftly withdrew from the country. This pullback was felt most in the energy sector; Europe's Shell, Total, and Gulfsands, India's ONGC, and China's CNPC ceased operations completely and left Syria.

To exploit the gap left by these exits and capitalize on its decisive military intervention in September 2015, Russian companies signed profit-sharing agreements with Assad's regime, particularly in sectors of long-term strategic value.

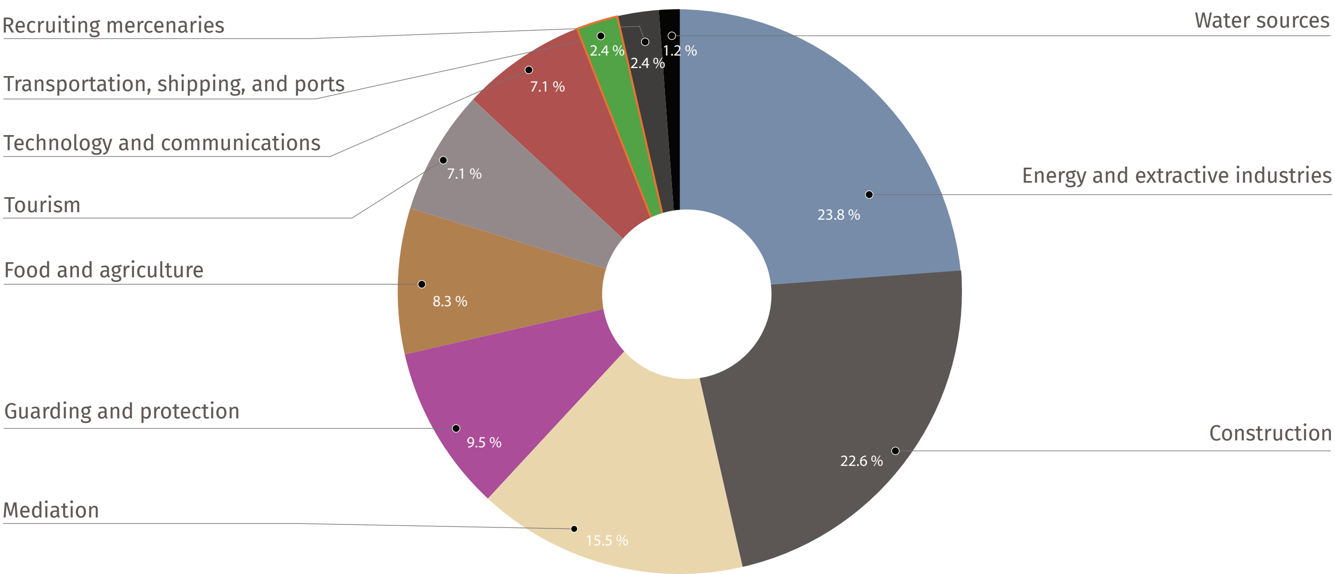
Although Russian taxpayers funded both the military and economic support, Putin's personal allies seemed to be the ultimate beneficiaries. By 2024, Russian investments in Syria, closely tied to the Kremlin, had focused primarily on energy and extractive sectors, including phosphate mining.

The collapse of the regime—long considered a guarantor of Russian interests in the region—has put existing contracts and investments into question. Russian companies, especially those tied to oligarchs close to President Vladimir Putin, now face an uncertain future as new actors emerge to fill Syria's political and economic void.

Sectoral Distribution of Russian Investments

The Observatory for Political and Economic Networks (OPEN) had begun mapping Russian business activities in Syria by economic sector before Assad's downfall. Analysis revealed that most Russian companies were either marginal actors or completely dormant, positioned to benefit from reconstruction efforts that were expected to accelerate once the conflict stabilized. With the sudden regime change, these expectations are now in jeopardy.

Sectoral Distribution of Russian Investments from 2011 to Mid-2024



Source: Authors' calculations based on the Syrian Gazette

According to the sectoral distribution of Russian investments in Syria, most companies are licensed to operate in energy, construction, and mediation, with some Russian companies also playing a role in recruiting Syrian nationals into the Russian military as mercenaries, many of whom were sent to fight in Libya.

Among all the Russian players active in the Syrian economy, however, two oligarchs close to the Kremlin dominated Russia's economic involvement: Gennady Timchenko and the late Yevgeny Prigozhin, through front companies.

STG: Key Contracts in Question

Stroytransgaz (STG), in which Gennady Timchenko—a Russian billionaire oligarch and close Putin associate —holds a controlling stake, is a major player in Syrian infrastructure and energy. Its subsidiaries, STG-Engineering and STG-Logistics (both sanctioned by the European Union in 2023) had secured long-term contracts with the Assad regime, including:

A 49-year agreement starting in 2019 to manage and invest $500 million in the Port of Tartous.

A 15-year contract starting in 2020 to invest in the Al-Thawra oil fields (Block 22).

A contract with the General Organization for Chemical Industries in Syria to operate and invest in fertilizer plants in Homs, with durations ranging between 25 and 40 years.

A 50-year contract in 2018 to invest in the Khenifis and Sharqiyah phosphate mines near Palmyra, allocating 70% of sales revenue to STG, with 30% going to the Syrian state (at the time, the Assad regime).

Wagner Group: A Shattered Legacy

The Wagner Group, a private militia group founded by the late Yevgeny Prigozhin, had deep economic and military ties in Syria. Prigozhin's companies secured lucrative contracts in exchange for Wagner's military support to the Assad regime. These included:

Evro Polis: A contract granting 25% of revenues from oil fields recaptured from rebel control.

Kapital LLC: A 2020 agreement to explore Offshore Block 1 in the Mediterranean.

Mercury: A 2019 agreement for petroleum exploration, development, and production in Blocks 7 and 19 in northeastern Syria.

Velada: A 2019 agreement for petroleum exploration and production in Block 23, north of Damascus.

Implications for Russia and New Beneficiaries

Prigozhin's death in August 2023 had already cast doubt on the continuity of his operations. Now, with Assad's regime gone, the future of these contracts is even more precarious than that of Timchenko's.

Companies militarily involved in the conflict, such as those linked to Wagner, Redut, and Moran Security Group, will almost certainly cease to operate instantly, as with Assad's downfall their safety can no longer be guaranteed and there are likely fears of retaliation due to their involvement in the conflict on the regime's side and the numerous human rights abuses they have been accused of.

The future of business contracts remains uncertain. While the CG has shown a tendency to make decisions on major issues—such as the taxation system—it may adopt varying positions on long-term contracts based on several factors. These factors include: whether the Kremlin will help lift UN sanctions on HTS and its leader; the perceived legality of these investments by CG authorities; and the fate of Russian fighters currently stationed in Syria.

At least for the time being, the CG has shown patience toward Russia, with de-facto leader Ahmad al-Sharaa emphasizing his leadership's efforts to avoid provoking Russia, providing an opportunity for Moscow to reassess its relationship with Syria in a way that serves mutual interests.

Russian authorities seem to have understood these statements as signals from the new Syrian administration that they are interested in Russia’s continued presence, as expressed by both Russian Foreign Minister Sergei Lavrov and Russian Permanent Representative to the UN Vassily Nebenzia.

External contribution
Caroline Rose, Director of the Strategic Blind Spots Portfolio at the New Lines Institute

The historical departure of the Assad regime this past December marks many "ends" in Syria. It also marks the end of Syria's tenure as a narco-state, where high-level regime sponsorship over industrial-scale production and trafficking of an illicit stimulant known as "captagon" was used as a political and economic tool for the former regime. However, while the days of state-level involvement in the drug trade have ended in Syria—with massive repercussions for supply in the illicit market—the captagon industry is by no means over. It is simply entering into a different chapter.

After opposition forces entered Damascus and dealt the final blow to Assad's hold on power, it was only a matter of days for local residents and opposition forces to identify captagon laboratories and storage facilities that were either directly or indirectly managed by Assad family members and regime cronies. A combination of the strong scent of synthetic chemicals, lingering suspicions, and local resident tip-offs led Syrians to first expose a major trafficking node in Latakia, where a distant relative of ousted President Bashar al-Assad, Munther al-Assad, trafficked captagon from his Syria Car Trading Company. Local residents found white tablets with the traditional two-crescent moon logo in trunks in vehicles parked both inside and outside the facility—many of which were thrown out into the streets and into the drains. Then came thousands of captagon pills identified at Mazzeh Military Airport, home to the Military Intelligence Division and a frequently-used private airport for the Assad family. Next came a facility in Douma: a former potato chip factory that had been transformed by close regime affiliate, politician, and businessman Amer Khiti and his siblings, under the auspices of Bashar al-Assad's brother and commander of the Fourth Armored Division, Maher al-Assad. The Douma facility encompassed industrial-scale cooking and professional laboratory equipment that most definitely served as one of the largest manufacturing sites in regime-held areas, with authorities identifying 2.5 to 2.7 million pills on site. A private villa in Yafur, just along the highway connecting Damascus and Beirut, was then found to contain another impressive industrial-scale laboratory believed to be linked to the regime.

The seized sites will play a significant role in suppressing captagon flows within illicit markets. The regime likely tampered with the distribution of captagon this previous year, seeking normalization with its regional counterparts and to achieve a "step-on-the-hose" effect by cosmetically increasing pill prices—a finding that will be explored for an upcoming report at the New Lines Institute Captagon Trade Project later this month.

The laboratory busts are a nail in the coffin for industrial-scale production in the near term. It will take criminal syndicates—particularly exiled regime affiliates—months or even years to regroup, acquire the professional equipment, and establish the necessary relationships to produce captagon at the industrial scale that the Syrian regime and its affiliates had in Syria.

Since these discoveries, the new Caretaker Government (CG) has played a role in incinerating pills in the streets, deploying HTS forces to guard seized facilities and open them up to journalists, and exposing the regime's close involvement in the trade. While the CG has not presented any new counter-narcotics strategy, let alone a ministerial position for Syria's Anti-Narcotics Directorate, it has made a series of hints at a new posture. HTS leader Ahmed al-Sharaa (formerly Abu Mohammad al-Jolani) stated that he sought to "cleanse" Syria of its role as a production and trafficking hub for captagon in his victory speech at the Umayyad Mosque in Damascus. CG Foreign Minister Asaad Hassan al-Shibani raised counter-narcotics coordination as an area of collaboration with Syrian neighbors like Jordan, entering Syria into a joint security committee with Jordan for counter-illicit and counter-terrorism issues. Al-Shibani sought to convey a strong message that the new government is turning a page on captagon: "When it comes to captagon and drug smuggling, we promise it is over and won't return. We are ready to cooperate on this extensively."

It's becoming clear that HTS and its CG will seek to prioritize a crackdown on industrial-scale captagon production and trafficking within Syria. And following the end of the transitional government on March 1st, it's likely that Damascus will seek to conduct additional operations against suspected, large-scale manufacturing sites, trafficking notes, and smuggling outposts. However, the new government and HTS forces will likely encounter greater difficulty cornering smaller-scale, more mobile laboratories and trafficking networks—which operate with greater interdiction resiliency—that have moved across porous regions like the Qalamoun Mountain range along the Syrian–Lebanese border or the Qaim Highway along Syria's border with Iraq. Therefore, it's important to interpret the signalling of Syria's new government as being "tough" on drugs as something that will have two consequential effects.

First, criminal actors will perceive Syria as less conducive to illicit activity, creating a spillover effect into border areas, neighboring countries that are either closer to destination markets in the Gulf or who lack effective law and order, political will, and capacity to disrupt captagon production and trafficking.

Second, the sudden drop in industrial-scale production in Syria—something that will create a supply shortage and likely price hike—will be seen as an opportunity for new criminal actors to take up captagon as a business opportunity. It's therefore expected that the trade will become more fragmented, but ultimately more complex to monitor and counter, as new criminal syndicates evolve out of the ashes of the Assad regime's narco-state, shifting geographically to set up smaller-scale production and trafficking operations in countries like Iraq, Türkiye, Kuwait, Libya, and Lebanon.

Perhaps of most concern, the shortage of captagon on the market will encourage criminal actors to turn to a more harmful, lethal substitute: crystal methamphetamine. Like captagon, methamphetamine is an amphetamine-type stimulant, with similar effects and a similar production process that shares many precursor materials and equipment, but is much more addictive and dangerous for users. Crystal meth in particular—commonly referred to as "shabo" or "shabu" in the region—has a greater potency-to-weight ratio than captagon and can therefore be easily trafficked across the region with reduced risk of interdiction. It's possible that in the wake of reduced captagon circulation and higher pill prices, due to a combination of reduced supply in 2024 and the bust of major regime-operated laboratories in December, criminal actors will attempt to satisfy sustained demand levels with the next available alternative—meth.

It's clear that while the regime's fall brought to a close Syria's tenure as a narco-state, the trade of captagon and amphetamine-type stimulants in the region is far from over. Such a tectonic shift in Syria, brought on by a lightning opposition offensive, will fragment Syria's criminal landscape and create a much more complex, diversified captagon industry that will evolve to meet continued demand but be harder to track.

SYRIA IN FIGURES

What is Syria in Figures?

Syria in Figures is a monthly publication that provides data-driven and insightful analysis of developments shaping Syria's political economy. It prioritizes relevance and novelty, which makes it a vital resource for policymakers, humanitarian implementers, researchers, and other stakeholders attempting to understand Syria's complex landscape.

Recent publications and contributions:

Networked Authoritarianism and Economic Resilience in Syria (Brookings Institution).

Should Maher Al-Imam Have Been Delisted from EU Sanctions? (Observatory of Political and Economic Networks).

The Captagon Trade from 2015 to 2023 (Newlines Institute).

Syria Economic Monitor-Spring 2024 (The World Bank).

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