SYRIA TRANSITION LAB

What Lifting U.S. Sanctions Means for Syria's Transition

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From Damascus, the news was long awaited and widely welcomed by Syrians. For many Syrians, the U.S. decision to repeal the Caesar Syria Civilian Protection Act signaled the possibility of economic breathing space after years of isolation and collapse.

Sanctions have been a defining feature of Syria's economic landscape for decades: first imposed in 1979, expanded in 2004, and intensified after 2011, culminating in the Caesar Act in 2020. Each layer reflected a different set of U.S. concerns, ranging from regional security and terrorism to human rights abuses. Over time, these layers accumulated, shaping how Syrians lived, worked, and survived, especially during years of war, state collapse, and institutional erosion.

The Caesar Act was enacted in response to grave human rights violations and war crimes committed by the Assad regime, reflecting an effort to impose accountability through economic pressure when other tools had failed. Introduced late in the conflict, it deepened Syria's economic isolation at a moment of extreme fragility. Banking channels were effectively severed, investment disappeared, construction stalled, and uncertainty spread across nearly every sector of the economy, with consequences that reached into everyday life.

With Assad gone, the repeal has been widely welcomed inside Syria and among many Syrians following developments from abroad. At the same time, it has raised urgent questions. What will actually change as a result of this decision—and what will not? How quickly, and under what conditions, can sanctions relief translate into real economic improvement? And what political, institutional, and security factors will determine whether this opening leads to recovery or renewed disappointment?

1. What exactly changed with the repeal of the Caesar Act?

The repeal of the Caesar Syria Civilian Protection Act removes one of the most restrictive and uncertainty-producing elements of the U.S. sanctions framework on Syria. Legally, it ends the authorities that allowed for broad secondary sanctions on non-U.S. individuals, companies, and financial institutions engaging with Syria. Politically, it signals a recalibration in U.S. policy toward engagement and economic stabilization rather than prolonged isolation.

In practical terms, the repeal reduces compliance risk for banks, investors, and companies that had previously avoided Syria altogether. It makes it possible—though not automatic—for economic activity to resume in sectors such as infrastructure, energy, services, and trade. Just as importantly, it changes expectations: economic actors can now assess opportunities without the looming threat of sweeping penalties tied specifically to the Caesar Act.

At the same time, repeal does not mean full normalization. Other sanctions regimes, although limited, remain in place, and uncertainty has not fully disappeared. The change is best understood as the removal of the central barrier, not the creation of a fully open economic environment.

2. Why did the United States decide to repeal the Caesar Act now?

The decision reflects a convergence of political, strategic, and practical considerations. The fall of the Assad regime fundamentally altered the context in which the Caesar Act was designed to operate. A sanctions framework intended to pressure a regime no longer in power was increasingly misaligned with the realities of Syria's transition.

There was also growing recognition that continued economic isolation risked undermining stabilization, early recovery, and refugee return—outcomes that the United States and its partners increasingly see as necessary for regional stability. Over time, regional partners, especially Saudi Arabia and Turkey, argued that maintaining sweeping economic restrictions could push Syria toward deeper fragmentation rather than accountability or reform, and pressed for sanctions relief as part of a broader stabilization strategy.

3. Does the repeal mean all sanctions on Syria are lifted?

Not all. The repeal of the Caesar Act removes a central component of the U.S. sanctions framework, but it does not amount to a full lifting of sanctions yet.

Syria remains designated by the United States as a State Sponsor of Terrorism, a status that carries significant legal and financial restrictions, particularly in sensitive sectors and access to the international financial system. This designation will likely be removed within the next few weeks.

Targeted sanctions also remain in place against individuals and entities linked to past abuses, corruption, terrorism, or ties to foreign actors such as Iran and Russia. Recent UK sanctions on militia leaders and networks implicated in violence against civilians underscore this shift toward targeted accountability rather than broad economic isolation. International and EU security sanctions, including restrictions on arms transfers, also continue to apply.

What the repeal changes is the overall risk environment. By removing the broad secondary sanctions associated with the Caesar Act, the United States has reduced the level of uncertainty that discouraged almost all forms of economic engagement. However, engagement will still be shaped by other legal constraints, licensing requirements, and compliance considerations. Sanctions relief widens the space for economic activity, but it does not eliminate all restrictions or risks.

4. Is there a snapback mechanism?

No. The repeal of the Caesar Act does not include an automatic “snapback” mechanism that would reinstate its sanctions if specific conditions are not met.

Instead, the current framework relies on oversight and reporting, not automatic reimposition. Under the law, the U.S. President is required to submit an unclassified report to Congress within 90 days of enactment, and every 180 days thereafter for four years, assessing the conduct of the Syrian government across a defined set of criteria. These include counterterrorism cooperation against ISIS and other groups, protection and political inclusion of religious and ethnic minorities, avoidance of unprovoked military action against neighboring states including Israel, non-support for terrorist organizations, steps to remove foreign fighters from senior government and security roles, and progress toward investigating and prosecuting serious human rights abuses committed since December 8, 2024.

These reporting requirements are designed to provide Congress with visibility and leverage, not to trigger sanctions automatically. Failure to meet these benchmarks does not itself reinstate the Caesar Act or its sanctions authorities. The United States retains the ability to impose new or existing targeted sanctions under other legal authorities if conditions deteriorate. However, doing so would require separate executive or congressional action and would not constitute a reactivation of the Caesar Act. The absence of a snapback mechanism therefore increases legal predictability for economic actors, even as political oversight and conditionality remain firmly in place.

5. What does sanctions relief realistically change in the short term?

In the short term, sanctions relief primarily changes expectations and risk calculations rather than delivering immediate recovery. The repeal of the Caesar Act reduces legal and compliance uncertainty that had effectively shut down banking channels, trade finance, and large-scale investment.

This creates space for cautious re-engagement, particularly in non-sensitive sectors such as basic trade, services, agriculture, and civilian infrastructure. Some effects may emerge gradually: limited banking relationships may resume, cross-border trade may ease, and businesses may begin reassessing opportunities that were previously considered legally unviable.

These changes, however, might be uneven and slow. Sanctions relief does not automatically unlock capital, restore infrastructure, or generate jobs. It opens a door, but it does not determine who walks through it, how quickly, or under what conditions.

6. What are the limits of sanctions relief on its own?

Sanctions relief cannot, by itself, reverse years of economic collapse. Syria's challenges are structural and institutional, not only legal. Years of war have damaged infrastructure, hollowed out state capacity, fragmented authority, and eroded public trust.

Without security, predictable rules, and functioning institutions, economic activity will remain constrained even in the absence of sanctions. Investors will continue to assess risks related to governance, corruption, dispute resolution, and policy coherence. Syrians themselves will judge change not by formal policy shifts, but by whether daily life becomes more stable and predictable.

Sanctions relief should therefore be understood as a necessary enabling condition rather than a solution. It removes a major external constraint, but the trajectory of recovery will depend on domestic choices and institutional rebuilding.

7. What role do governance and institutions play in economic recovery?

Governance and institutions will be decisive in determining whether sanctions relief translates into sustained recovery. As external constraints ease, responsibility shifts inward. Domestic performance becomes more visible and harder to attribute to external causes.

For years, sanctions served as a dominant explanation for economic failure. While sanctions imposed real costs, their presence also blurred accountability by allowing poor governance, corruption, and policy incoherence to be folded into a single external narrative. The lifting of sanctions changes that dynamic. It removes a central constraint, but it also removes a central excuse.

As expectations rise, Syrians will increasingly assess the government by its ability to manage resources, provide services, enforce rules fairly, and rebuild institutions that serve the public rather than entrenched interests. In this sense, sanctions relief increases—not decreases—the importance of governance.

Together, these perspectives highlight that sanctions relief alters expectations more than outcomes and that the direction of change will depend on what follows.

Sanctions Relief: Three Perspectives

Investor Watch

Investors will not wait for a fully empowered legislature before engaging in post-sanctions Syria. What they will watch instead is whether legislature-like functions—rule-making, oversight, and constraints on arbitrary decision-making—are performed credibly by existing institutions.

In the short term, investor confidence will depend on predictable rules, contract enforcement, and transparent administrative processes, particularly in banking, trade, taxation, and dispute resolution. Functional courts, respected arbitration mechanisms, and consistency in licensing and procurement will matter more than formal parliamentary authority.

Over time, as Syria's economy diversifies and private investment grows, the absence of institutionalized oversight will become more costly. At that stage, investors will increasingly look for mechanisms that stabilize policy, mediate distributional conflicts, and limit executive discretion—roles typically played by legislatures in more consolidated systems.

For investors, the central question is not whether Syria has a strong parliament today, but whether power is constrained in practice and economic rules can be relied upon over time.

What Syrians Will Watch?

For Syrians, the meaning of sanctions relief will not be measured by legal changes abroad, but by whether daily life becomes more stable and predictable. The first test will be practical: whether prices stabilize, basic goods remain available, and livelihoods become less vulnerable to sudden shocks.

Beyond immediate economic pressures, Syrians will closely watch how power is exercised at home. As sanctions ease, expectations will rise—and scrutiny will shift toward governance. The lifting of sanctions removes a central external explanation for economic hardship and brings greater focus on domestic performance, including corruption, fairness in access to opportunities, and consistency in state decisions.

Equally important is trust. Syrians will assess whether institutions begin to serve the public rather than narrow networks, whether rules are applied equally, and whether economic recovery benefits extend beyond a small circle. For many, decisions about return, investment, and long-term planning will hinge less on formal announcements and more on lived experience.

What Policymakers Will Watch?

For policymakers, sanctions relief shifts the focus from pressure to performance. The key question will be whether economic opening contributes to stabilization rather than renewed fragmentation or capture.

They will closely monitor security conditions, particularly whether violence continues to decline and whether armed actors are brought under clearer chains of command. They will also watch whether economic space is managed in ways that limit corruption, prevent elite capture, and distribute early recovery gains beyond narrow networks.

Equally important will be institutional signals: the coherence of economic policy, the professionalism of public administration, and the government's ability to meet commitments related to counterterrorism, minority protection, and regional conduct. Progress in these areas will shape decisions on further engagement, normalization, and international support.

What to Watch Next

Beyond how different actors interpret sanctions relief, several system-level indicators will determine whether this opening becomes a turning point. First, whether economic reforms are coherent and predictable rather than ad hoc. Second, whether corruption is addressed in practice, particularly in sectors likely to attract early investment. Third, whether institutions responsible for banking, trade, and dispute resolution begin to function with greater transparency and professionalism.

Equally important is public trust. Syrians will judge change not by legal developments abroad, but by whether daily life becomes more stable and opportunities more accessible. Finally, the question of return, whether conditions allow Syrians inside the country and refugees abroad to rebuild their lives, will be a key measure of whether sanctions relief has become part of a credible transition.

Sanctions relief opens space. What fills that space will determine whether this moment becomes a turning point, or another missed opportunity.

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