Economic Volatility Undermines Turkish-backed Governance in Northern Syria

By Ezgi Yazici

Turkey’s volatile currency has worsened the humanitarian crisis in northern Syria and raised the cost of Ankara’s governance responsibilities there. The Turkish lira’s recent volatility and Turkey’s high inflation rates pose significant problems for not only those living in Turkey but also in Turkish-controlled northern Syria, where Turkey has built extensive financial networks and introduced the use of its currency. The Turkish lira lost up to 40 percent of its value over 2021 as a result of President Recep Tayyip Erdogan’s unconventional monetary policies. The lira’s value has improved slightly and stabilized since December 20, but price hikes on basic goods will likely remain, disrupting the purchasing power of Turks and Syrians alike. These factors pose two dangers for Turkey’s objectives in Syria:

1. The lira’s loss in value increases the cost of Ankara’s spending on northern Syria’s governance, military, and humanitarian structures.
2. The rising cost of living in Turkish-controlled northern Syria exacerbates the humanitarian crisis there, undermining Ankara’s bid to legitimize Turkish-backed governance organizations.

Turkey’s vast financial commitment to Syria is a critical aspect of its decade-long bid to support the Syrian opposition. The Turkish government and Turkish companies fund and build critical infrastructure projects, provide aid, build governance institutions in northern Syria, and manage trade permits for Syrian exporters into Turkey.1 Turkish-controlled northern Syria adopted the Turkish lira by June 2020, further tying the economic well-being of northern Syria to Turkey through shared currency and trade.2 Various Turkish ministries and institutions have opened health, education, and aid offices in northern Syria since 2016.3 Ankara has paid and trained public employees like teachers, health workers, religious officials, and police officers.4 Turkey also funds and trains the Syrian National Army—the main military body in the area—and previously recruited its fighters for short-term deployments to Libya and Azerbaijan for additional salaries, paid in US dollars.5

The weakened lira disrupts Turkey’s military and political networks in Syria. Turkey is responsible for and depends on the sustainability of the political, social, and military institutions that it has invested in Syria over the years as its de-facto governor.6 The depreciation of the lira strains Turkey’s resources and may reduce its appeal to recruits and employees, particularly among the Syrian National Army (SNA). Previously, Turkey offered around $1500 a month for Syrian fighters to fight in Nagorno-Karabakh and Libya in 2020, according to interviews with individual fighters.7 The Turkish lira’s major slide against the US dollar almost doubled the cost
of each recruit for Ankara over the past year. Local sources have reported that Ankara cut monthly salaries for deployments to Libya to $600 as early as October 2020, and Ankara’s new economic woes will likely lead to further cuts. SNA recruits in Libya have occasionally protested their unpaid or delayed salaries from the Turkish government. Similarly, Syrians’ salaries and revenues in Turkish lira are not keeping up with the inflation and price hikes inside northern Syria. Recent reports of public protests over low salaries and growing rivalry among Syrian National Army factions over decreasing revenues are indications of the toll that Ankara’s financial decisions have had in Syria.

Ankara’s financial policies are only one of the factors that shape chronic problems of looting, theft, and extortion in the region—particularly by Turkish-backed military factions. Syrians already lost important sources of income to the region’s recent drought and the COVID-19 pandemic. Rising poverty and financial instability likely create recruitment opportunities for the Islamic State and other militias among the local Syrian population.

The rising cost of living exacerbates the humanitarian crisis in Turkish-controlled northern Syria. Employment through Turkish-backed institutions likely remains a good financial option for many people living in areas that depend on Turkish imports for essential goods. The United Nations estimates that food prices in northwestern Syria are 128 percent higher compared to the same time last year and that 60 percent of Syria is food insecure and depends on gradually decreasing international aid. Turkey’s depressed lira and inflation rate have made basic expenses like rent, energy, and produce even more expensive in Turkish-controlled northern Syria. The Turkish-backed governing body, the Syrian Opposition Coalition (SOC), even asked for additional aid from Qatar, the United Arab Emirates, and Saudi Arabia on December 13 at a time when Ankara is seeking better ties with the Persian Gulf states to address its own economic struggles.

Turkey remains politically committed to its mission in Syria, but serious financial strains could present long-term problems. Turkey’s economic woes may force Ankara to reevaluate its financial commitments and minimize more discretionary costs. However, Turkey will likely not risk an exit or significant decrease of security and governance funding in Syria before it can guarantee its objectives for a post-war arrangement. These objectives likely include ensuring the territorial integrity of Syria with no independent Kurdish entity in the northeast, a post-war political arrangement that incorporates Turkish-backed figures and institutions in the north, and guarantees to keep the Kurdish fighters away from the Turkish-Syrian border. Ankara likely recognizes that it must be prepared to maintain its presence and investments in Syria to pursue efforts that are critical for Ankara’s national security goals— even if it limits its activities in less critical sectors like education, health, and socioeconomic projects or outsources them to the Gulf States or other benefactors. Turkey’s continued presence in northern Syria will likely do little to improve underlying tensions in the local population from rising poverty, further undermining the effectiveness of Turkish-backed governance institutions and longer-term Turkish political goals in Syria.
Turkey's Activities Abroad

1. Turkey and Armenia appointed special envoys for a bilateral normalization process. Turkey and Armenia appointed former Turkish Ambassador to the United States Serdar Kilic and Armenian Deputy Parliamentary Speaker Ruben Rubinyan as their respective special envoys. Kilic and Rubinyan will hold their first direct meeting in Moscow, Russia, “soon” according to Turkish Foreign Minister Mevlut Cavusoglu. The normalization process will likely focus on practical issues of re-establishing direct diplomatic contact, reopening the border, starting charter flights between Yerevan and Istanbul, and opening trade. Turkish officials stated that the new “step-by-step” process does not include Armenian Genocide recognition, on which Turkish and Armenian officials disagree. Turkish officials also maintain coordination with their Azerbaijani counterparts, who opposed the previous 2008 normalization attempt due to Armenia’s control of the Nagorno-Karabakh region at the time. The fragile process faces many potential obstacles after decades of no diplomatic contact, mutual mistrust, and irreconcilable claims on
key issues. Azerbaijan can also slow down or spoil any concrete progress if it assesses the situation to be unfavorable to its interests. However, Turkey’s appointment of a seasoned diplomat, the likely Russian mediation role, and both countries’ focus on practical progress indicate that Ankara and Yerevan are both willing to proceed with talks for now.

2. **Turkey and Azerbaijan agreed to supply natural gas to Nakhichevan through a new pipeline that would bypass Iran on December 15.** Turkey and Azerbaijan signed a memorandum of understanding to build an 85-kilometer-long gas pipeline from Igdir Province, Turkey, to Nakhichevan, the Azerbaijani exclave bordering Turkey. NKhichivan currently receives its natural gas from Azerbaijan through Iran. The proposed pipeline will bypass Iran and deliver natural gas to Nakhichevan through the Baku-Tbilisi-Erzurum pipeline. New energy networks that bypass Iran could further undermine Iran’s relations with Turkey and Azerbaijan. Turkey and Azerbaijan also plan to cooperate on renewable energy projects in Azerbaijan.

3. **Likely Iranian proxy militias launched four rockets at the Turkish Armed Forces base in Bashiqa, Ninewa Province, Iraq.** Unknown militants launched four 122 mm Iranian Arash rockets from Mosul to the Turkish Armed Forces (TSK) base in Bashiqa, Ninewa Province, Iraq, on December 27. A Telegram channel affiliated with Iranian proxy militia Asa’ib Ahl al-Haqq posted an image criticizing Turkish military operations in Iraq shortly after the attack. Iran-backed militias likely conducted the strikes. ISW attributed similar rocket attacks against the TSK base in Bashiqa on April 14, August 12, September 24, and November 7, 2021 to Iranian proxy militias with medium-high confidence. The Turkish Defense Ministry did not issue a statement on the incident as of December 30. Increasingly frequent Iranian proxy attacks against Turkish military bases in 2021 suggest Iran may be directing its proxies in Iraq to intensify anti-TSK operations as a response to perceived Turkish military or political actions that disrupt Iranian interests. Iranian proxy media channels have condemned the Turkish presence in Iraq ahead of previous attacks, as well.

4. **Turkey and Qatar proposed a joint bid to run five airports in Afghanistan, pending Taliban approval.** A delegation of Turkish and Qatari officials met with the Taliban on December 23 to propose a plan for Turkish and Qatari private companies to jointly operate five airports in Afghanistan, including Kabul Airport. The Taliban Transport Ministry said the Taliban have not agreed to the Turkish-Qatari bid as of December 30. The Taliban asked for Turkey’s support to operate the Kabul Airport in September 2021, but the discussions paused after Turkey sought to bring in its own personnel for airport security. The Turkish Foreign Minister said that Turkish and Emirati officials discussed operating the Kabul airport “trilaterally” between Qatar, Turkey, and the UAE when Emirati Crown Prince Mohammed bin Zayed al Nahyan visited Turkey in November. However, Turkey and Qatar have not held official discussions on the subject with the UAE yet. Emirati officials also held separate talks with the Taliban for their own bid to run Kabul Airport in November 2021, according to diplomatic sources.

5. **The Turkish Armed Forces killed senior Yazidi military commander Marwan Badal with a drone strike in Sinjar, Ninewa Governorate, Iraq, on December 7.** The Turkish Armed Forces (TSK) conducted a drone strike on a vehicle in Sinjar, Ninewa Governorate, Iraq, on December 7, killing Sinjar Resistance Units (YBS) leader Marwan Badal. The YBS is comprised of Iraqi Yazidis from Sinjar and is closely linked with the Kurdistan Workers Party (PKK), which Turkey designates as a terrorist organization. Turkey believes the YBS facilitates the PKK’s presence in Sinjar and movements between Iraq and Syria. Turkey has targeted YBS commanders as part of its recent ramp-up of a longstanding campaign to fight the PKK in northern Iraq. Turkey threatened to launch a military ground incursion toward Sinjar in February 2021 to end the PKK and YBS presence there. Sinjar District is part of Iraq’s Disputed Internal Boundaries,
which are contested by the Turkey-backed Kurdistan Regional Government in Erbil and the Iraqi government in Baghdad.

6. **The Tajik Border Troops commander visited a Turkish military base on the Syrian border in Hatay Province, Turkey, on December 7.** Tajik Border Troops Commander Rajabali Rahmonali visited the Turkish Armed Forces (TSK) Second Infantry Border Command Post in Hatay Governorate, Turkey, near the border with the Idlib Governorate, Syria, on December 7. Rahmonali met with Turkish officers and observed TSK bases and activities near the Syrian border, according to images the Turkish Defense Ministry shared of the visit. Rahmonali likely visited the command post to learn how Turkish border protection efforts could be applied along Tajikistan’s border with Afghanistan. Turkey has developed significant measures on its borders to curb smuggling, unauthorized civilian crossings, and security threats over the past decade.

7. **Turkey hosted the third Turkey-Africa Partnership Summit in Istanbul, Turkey, on December 16-18.** Turkish President Recep Tayyip Erdogan hosted officials from 39 African states to strengthen defense, trade, and investment ties between Turkey and the continent. Erdogan and Turkish Foreign Minister Mevlut Cavusoglu held several one-on-one meetings with foreign officials in Istanbul. Separately, Turkish Defense Minister Hulusi Akar met with his counterparts from Nigeria and Ethiopia—both of whom showed interest in Turkey’s defense products in recent months, namely the Turkish-made Bayraktar TB2 drones. Advancing Turkey’s ties with Africa is a long-standing foreign policy priority for President Erdogan. Since 2003, Turkish-African bilateral trade volume has grown by 500 percent, and Turkey’s foreign direct investment to the continent has increased by 6500 percent. Turkey’s low-cost and effective defense products have found significant demand among several African countries in recent months and will likely play a key part in Turkey’s outreach to the continent.

Contributor: Fatih Cungurlu

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2. https://twitter.com/metesohtaoglu/status/1023897563995492352
3. https://twitter.com/TROzelKuvvetSRY/status/102026825768603648
11. idUSKBN1CH2A5
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Anonymous Turkish officials listed conditions for TSK to withdraw from Syria.

In response, a group of teachers staged a protest in al-Bab, Aleppo Province, Syria, on December 23 to demand an increase in their monthly salaries.

Turkish-controlled Syria depends on imports from Turkey for essential goods like poultry, flour, and cars.

For example, Idlib's main fuel importer Wataad Petroleum raised its fuel prices six times in November 2021, depleting most from a basic energy necessity.

Turkey's currency crisis threatens an Ankara's authority on the northern Syrian border.

Anonymous Turkish officials listed conditions for TSK to withdraw from Syria to Turkish pro-government media on December 24.

Syria is facing an acute water crisis caused by the worst drought in 70 years. More than 5 million people in Syria are losing access to water, food, and electricity. Furthermore, some 4.5 million people in Syria are in urgent need of assistance to prepare for the winter.

Turkey and Syria are engaged in talks to revive economic ties and deal.

Syria/iraq has increased its tourist influx, with an expected 50% increase in 2022.

Iraqi authorities have increased security measures in response to multiple threats against the Turkish "occupiers" by members of Asa'ib Ahl al-Haq (AAH), Harakat Hezbollah al-Shuhada (KSS), and Nujaba (HHN), and in response to meetings of Turkish envoys with Kurdish officials in Ras al-Ain.

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TSK killed another senior YBS commander with an airstrike in Sinjar in August 2021.


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