

Fishkhabour-Semalka border closure in May 2023, impact on markets in Northeast Syria

December 2023 | Northeast Syria

KEY MESSAGES

- Closure of the Fishkhabour-Semalka border crossing connecting the Kurdish Region of Iraq (KRI) and Northeast Syria (NES) **disrupted trade** critical for key sectors of the economy. Surveyed KI vendors reported that the border closure, if prolonged, would cause large-scale loss of work among daily workers due to the impact on the construction sector including workers within manufacturing and businesses critical to the construction material supply chain.
- Certain basic food items reportedly increased in price and became less available only two weeks after the border closure including sugar, cooking oils, tomato paste, fruits and some vegetables. While vendors reported reliance on local production and other supply routes, **alternatives are limited and vulnerable to disruption**.
- The Fishkhabour-Semalka border crossing is the **key corridor for humanitarian assistance to enter into NES** providing critical assistance to the approximately 2 million people in need.¹ It is likely that any prolonged closure of the border would heavily impact the health sector, given medical supplies cannot be procured locally. It would also likely challenge delivery of cash assistance, in-kind food aid, shelter projects, and infrastructure rehabilitation.

CONTEXT & RATIONALE

On May 11, 2023, the Fishkhabour-Semalka border crossing from the Kurdish Region of Iraq (KRI) to Northeast Syria (NES) was closed for political reasons for an undisclosed period of time. **The border crossing is a key trade corridor for the region, the only passage for humanitarian aid into NES, and main exit point for people to seek medical treatment not available in NES.**² Sahela/AI-Waleed border crossing between KRI and NES was also closed on May 11, which is a key passage for trade of crude oil and a key revenue stream for NES. Given the limited number and conflict-sensitive nature of other key supply routes into NES³, disrupted trade from KRI can make markets and the communities that rely on them more vulnerable to other shocks that disrupt supply chains or put pressure on prices.

The Fishkhabour-Semalka border crossing was re-opened 26 days later at the beginning of June, but risk of repeated closure remains a key concern in the context of already precarious economic and humanitarian conditions in NES. This brief looks at the impact of the border closure on markets taking stock of findings from a qualitative Rapid Market Assessment conducted with key informant (KI) vendors in a select number of communities ([see Map 1](#)) following the crossing closure in May 2023. See [methodology note](#) for details.

deteriorated economic conditions in Northeast Syria are a key driver of humanitarian need

81%

In one year, the cost of food component in the survival minimum expenditure basket (SMEB)* increased by 81%

84%

of KIs reported households in their community were unable to afford essential food items in June 2023**

* A composite price indicator of the minimum cost of basic food items that a household would need to survive for one month according monitored through the Joint Market Monitoring Initiative (JMIMI), figure shows percentage increase between June 2022 and June 2023

** REACH, Humanitarian Situation Overview of Syria, June 2023 dataset

Humanitarian organisations rely on the border crossing to deliver essential assistance

The Fishkhabour-Semalka border crossing is the key corridor for humanitarian assistance, including staff, to enter into NES. Where possible, organisations procure items for humanitarian assistance locally, which in general can be preferable for local market systems.⁴ However, there are certain sectors of the response for which local procurement is not possible, most notably for the health response but also for shelter and infrastructure rehabilitation projects that rely on imported construction materials.

Shipments of medical supplies through the border crossing are critical for supporting health facilities in NES.

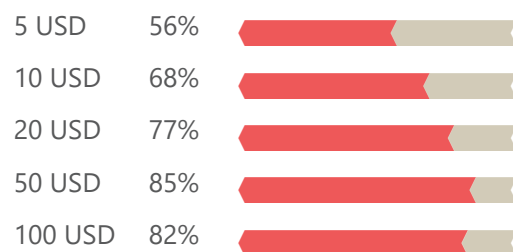
Access to medical supplies is already a major challenge in NES, particularly since suspension of the UN cross-border operation from KRI through Ya'robiya crossing in 2020.⁵ Since then the Fishkhabour-Semalka crossing has been the main entry point for medicines and supplies for health programs, as well as commercial shipments of medicines and equipment for pharmacies and health facilities.⁶ Closure of the border also prevents Syrians in NES from traveling to KRI to access specialised medical treatments not available in the region.

HSOS data indicates healthcare access may have already worsened by the beginning of June following the border closure with a 5% increase in the number of communities reporting lack of medicines/medical equipment in health care facilities as a barrier to accessing healthcare compared to the previous month. While only a slight increase, this means that in June KIs in

almost two thirds of assessed communities reported on this barrier. As such, vendor KIs highlighted suspended use of the border crossing would likely lead to a worsening health situation in NES.

Border restrictions from KRI could also impact the delivery of multi-purpose cash assistance given the challenges it poses to bringing new USD into the region. For the same reason, humanitarian organisations would overtime face increased challenges securing cash to implement activities and pay staff. Limited circulation of USD among local money transfer agents can put upward pressure on transfer fees which are passed onto humanitarian organisations and businesses alike. This could impact the delivery of multi-purpose cash assistance in USD which is important for protecting the purchasing power of beneficiaries in the context of currency depreciation.

% of surveyed vendor KIs reporting limited stocks of USD denominations, JMMI, June 2023



Closure of the Fishkhabour-Semalka border impacts key sectors of the economy and access to livelihoods

The expansion of commercial trade between KRI and NES has led to the development of linked economies and played an important role in job creation.⁷ The main goods imported into NES through the Fishkhabour-Semalka border crossing are cement, steel, sugar, fertilizers, pesticides, electrical goods and medical supplies. At the same time, traders in NES have benefited from exporting vegetables, livestock, poultry products, and crude oil into KRI, the latter being a key revenue stream for the Autonomous Administration and a core sector of the NES economy.⁸ Increased activity through this trade corridor has been an important development where improved access to livelihoods opportunities has been a consistently reported need in the area.⁹

The construction sector, one of the top employing sectors in NES, relies heavily on imports from KRI. Both the KI interviews and JMMI data collected before and after the border closure underline an effect on construction items. Firstly, KI vendors selling construction items indicated that the price and availability of key materials most notably cement, but also iron, steel, and ceramics, were impacted due to their near total reliance on imports from KRI. Vendor KIs selling construction materials reported challenges meeting increased demand, market shortages, and sudden price hikes only two weeks after the closure of the border and suspension of trade. This could suggest that vendors had limited stocks prior to the closure potentially linked to on-going price inflation and financial limitations on securing stock. Each month price inflation is the primary challenge reported by vendors in JMMI impacting their capacity to secure supplies.

Most surveyed vendor KIs selling construction materials reported the price of cement had increased by between 25% and 125% at the time of data collection only two weeks following the suspension of trade. Such variation in reported price increases could suggest assessed markets for such goods are vulnerable to monopolisation at times of limited availability, as described by several KI vendors, enabling large wholesalers to engage in price discrimination (charging different prices for the same items). While JMMI data from June (after the border re-opened) indicated that prices regionally recovered quickly,

there was a notable increase in the number of KI vendors reporting challenges securing construction supplies compared to before the border closure. This could suggest not all vendors were financially able to quickly re-stock once the supply route was restored.

Surveyed KI vendors reported that the border closure, if prolonged, would cause large-scale loss of work among low-income daily workers due to the impact on the construction sector including workers within manufacturing and businesses critical to the construction material supply chain. The construction sector is one of the top employing sectors in NES; 13% of employed people in NES work in the sector.¹⁰ Many other businesses also service the construction sector. For example, six out of seven surveyed KI vendors selling construction materials reported that they would be forced to close their shops if there was longer term suspension of construction works. In addition, a large part of trucking involves transport of construction materials. Already, on May 30, 2023, 19 days after the border closed, trucking companies in Qamishli reportedly closed their offices leaving many of their employees without jobs.¹¹ Such loss of access to income could in turn reduce overall demand for other commodities impacting traders and vendors in other sectors.

The Fishkhabour-Semalka crossing is the main way new USD notes enter NES and prolonged closure could therefore exacerbate liquidity challenges. This could impact the operations of local money transfer agents, 'hawalas', that facilitate financial transfers into and out of NES in the absence of a formal banking system. According to surveyed KIs, shortages of USD could force hawalas to provide overseas remittances in Syrian Pounds (SYP). Remittances are a key source of income in NES with 44% of households receiving income in the form of remittances.¹² Given rapid depreciation of the SYP this would greatly reduce household purchasing power.

Suspension of trade between KRI and NES reduces market resilience to shocks given the limited number of supply routes

Interviews with KI vendors selling basic hygiene and food items indicated the presence of alternative supply routes, mitigating the impact of the border closure on some vendors. Commercial trade also enters NES from NWS (through which imported goods from Türkiye enter) and Government of Syria (GoS) areas largely through the Menbij corridor and Al-Tabaqa, in Aleppo governorate (Map 1). Many surveyed KI vendors reported that they rely on alternative supply routes generally (i.e. to secure basic hygiene items) or that they were able to switch to alternative supply routes when the border closed (i.e. for basic food items). This suggests vendors selling such items are likely more resilient to border closure-related trade disruptions.

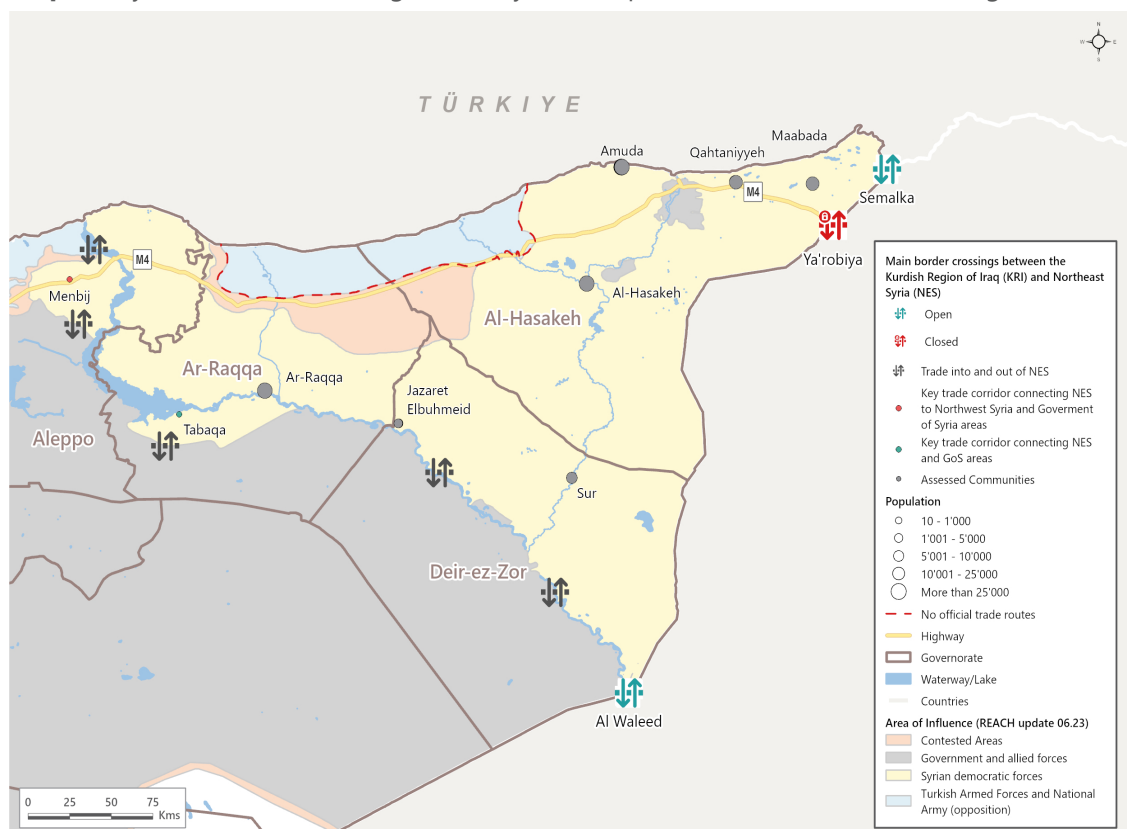
Despite this, the Menbij corridor, given its geographic importance adjacent to the M4 highway, has been subject to insecurity and disruption throughout the conflict. As such, it may not always be a reliable substitute for trade with KRI. Alternative border crossings have been closed several times throughout the conflict and even when commercial crossings have remained open during periods of heightened insecurity, the level of commercial trade has been impacted.¹³

Further, traders face several challenges passing through these cross-line borders.¹⁴ These include for example long inspection processes that can impact perishable goods, damages to goods from off-loading and re-packaging trucks upon crossing, and the imposition of multiple crossing fees increasing costs for traders, and ultimately consumers.

Increased reliance on alternative supply routes may also impact the quality and cost of items available in markets.

Surveyed vendor KIs selling basic food items emphasised the goods they can source through Türkiye or GoS areas are of lesser quality and more expensive compared to items sourced from KRI due to the imposition of additional custom fees and higher transportation costs. Some vendor KIs selling construction items also reported being able to switch to other supply routes for certain items but at higher costs. In addition, some vendor KIs that do not rely on imports from KRI to sell basic hygiene items reported concerns that the border closure could encourage suppliers to increase prices in the context of more limited alternatives.

Map 1: Key trade border crossings and May 2023 Rapid Market Assessment coverage



Disruption to trade of food items could compound already deteriorating food security

Market systems in NES are already under enormous stress with rapid price inflation, strongly linked to depreciation of the SYP, impacting households' ability to meet their basic needs. The average cost of the food component of the survival minimum expenditure basket (SMEB), an indicator of the minimum cost of basic items that a household would need to survive for one month, increased in SYP by 81% since last year (June 2022 to June 2023).¹⁵ This has severely eroded vulnerable households' capacity to purchase basic food items. In this context, despite on-going impacts, the conflict is no longer the primary factor impacting living conditions in NES. **Instead, deteriorating economic conditions, damaged and degraded infrastructure, and lack of services are the key drivers of humanitarian need.**

Humanitarian Situation Monitoring Overview (HSOS) June data indicated that households in 84% of assessed communities have insufficient income to meet their basic food needs. Any impact of the border closure on the prices therefore comes at a time when households are unable to cope with additional financial stress. In June, KIs in the majority of assessed communities reported households purchase food on credit (88%) and rely on lower quality food (85%) to cope with the lack of access to affordable food. Almost a quarter of assessed communities in June were reportedly pushed to adopt more extreme negative coping strategies to cope with lack of access to affordable food including skipping meals (24%) and reducing meal size (23%).¹⁶

KI interviews indicated that certain basic food items were more heavily impacted in terms of availability and price as a result of disrupted trade through the border crossing. This was most notably for sugar, but also fresh fruits, some vegetables, rice, tea, cooking oils, milk and tomato paste. KIs reported monopolisation and panic buying of key items known to be imported from KRI. Surveyed KIs selling these items also reported they were struggling to keep up with the spike in demand. JMMI data during the previous border closure (December 2021 to January 2022) showed the price of sugar, considered a basic necessity for the cultural context in NES increased by 26% in one month while depreciation of the Syrian pound, generally

the primary driver of inflation of such imported items, only depreciated against the US dollar by 2%.

Repeated suspension of trade through the border crossing could have more significant impacts on the cost of vegetables outside of the harvest season.

The closure of the Fishkhabour-Semalka border in 2023 occurred at a time in the harvest season when vendors in NES tend to rely more heavily on local production which may have mitigated the impacts on fresh food prices. Despite the reliance on local production during the border closure period, the capacity of local production to meet demand in NES is an increasing concern due to the impact of drought, failed crops, and increased cost of fuels on the agriculture sector.¹⁷

KI vendors stressed that the impact of border closure on the price of vegetables outside of local production season would be significant given high reliance on imports from KRI that are reportedly cheaper and higher quality than imported produce through alternative routes. This should be considered in the context of already highly unaffordable vegetable prices during these times. JMMI data shows that since 2020, the peak price of vegetables outside of harvest season has increased by between 70% and 110% each year. Such increases are likely linked to rapid currency depreciation increasing the cost of imports, global inflation, and increased fertilizer and energy prices linked to the Ukraine crisis.

ABOUT REACH

REACH Initiative facilitates the development of information tools and products that enhance the capacity of aid actors to make evidence-based decisions in emergency, recovery and development contexts. The methodologies used by REACH include primary data collection and in-depth analysis, and all activities are conducted through inter-agency aid coordination mechanisms. REACH is a joint initiative of IMPACT Initiatives, ACTED and the United Nations Institute for Training and Research - Operational Satellite Applications Programme (UNITAR-UNOSAT).

METHODOLOGY OVERVIEW

This brief looks at the impact of the border closure on markets taking stock of findings from a rapid qualitative assessment conducted with key informant (KI) vendors in a select number of market hubs following the crossing closure in May 2023. A total of 35 KI interviews were conducted on 26 and 29 May across seven communities, Ar-Raqqa, Amuda, Al-Hasakseh, Maabada, Qahtaniyyeh, Sur, and Jazaret Elbuhmeid. These communities were selected given the large number of surrounding communities that reportedly depend on the marketplaces within them to access basic commodities, according to the REACH 2022 Market Network Analysis. Five vendor KIs were interviewed in key marketplaces in each community based on the criteria that they sold bulk food, fresh food, hygiene, building materials, or fuel.

Where possible, the brief also draws on data collected through the REACH-CWG Joint Market Monitoring Initiative (JMMI) that captures price and availability changes on a month-to-month basis. JMMI data was collected just before the border crossing was closed (1-8 May), and then shortly after it re-opened (5-12 June). While some price increases of key imported items from KRI were observed during this period, the data collection did not capture prices at the time of border closure and therefore cannot provide indicative information on prices that may have recovered upon re-opening of the border. The last time the Fishkhabour-Semalka crossing was closed was from December 16, 2021, to January 23, 2022. Analysis of JMMI data from this period provides an indication of the sensitivity of prices to disruption of this supply route.

ENDNOTES

PAGE 1

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⁵ Adam Lucente, Al-Monitor, [Northern Syria health care plagued by issues as UN extends cross-border aid](#), 13 January 2022

⁶ Harith Hassan and Khader Khaddour, Malcolm Kerr-Carnegie Middle East, [Shaping the Kurdish Border: Equations of Influence, Conflict, and Governance in the Iraqi-Syrian Border Areas](#), 8 July 2021

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⁸ Amal Rantisi, Enab Baladi, [Conflict of interest shadowing border crossings in Autonomous Administration regions](#), 9 March, 2022; Lyse Mauvais and Solin Muhammed Amin, Al-Monitor, [Intra-Kurdish tensions paralyze northeast Syria's main border crossing](#), 21 May 2023; North Press Agency, [Closure of Semalka crossing impacts prices in Syria's Raqqa](#), 31 May 2023

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¹⁰ Humanitarian Needs Assessment Programme (HNAP), Syria, Socioeconomic Conditions, 2022 Summer Report Series

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¹³ Farah Najjar, Al Jazeera, [New front in Syria's war: Why Manbij matters](#), 16 October 2019; COAR, [Northeast Syria Trade Dynamics](#), 3 June 2020; North Press Agency, [Truck drivers struck in Syria's Manbij demand government to open crossings](#), 25 March 2021; Dan Wilkofsky, Al-Monitor, [Profit, necessity spur trade across conflict lines in north Aleppo](#), 20 March 2020

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¹⁵ CWG-REACH, JMMI, [May 2023 dataset](#)

¹⁶ REACH, Humanitarian Situation Overview Monitoring, [June 2023 dataset](#)

¹⁷ REACH, [Current Situation of the Water Crisis in Northeast Syria and its Humanitarian Impacts](#), July 2023