

Landscape of The Syrian Economic Collapse and Impacts on The Region

“Syria has become the Great Tragedy of the Century” –
Antonio Gutteres



Courtesy of @RoulaAbdo winner of @artforamnesty award for #SDG1

“The art work by Roula Abdo was the most powerful and poignant of the entries under SDG1” Judge Bill Shipsey.

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EXECUTIVE SUMMARY

- The MENA Region is losing money to development. Corruption and nepotism have placed the region as "the most unstable and least peaceful zone", affecting its neighborhood and the EU project.
- The Syrian civil war has made the country the greatest tragedy of the century, inducing a devastating nine-year humanitarian crisis and a regional refugee influx. The crisis destabilized the country's economic outlook, exhausting real GDP growth and affecting socio-economic, cultural, political discourses.
- The interconnectedness of the region made the Syrian crisis a regional concern on neighboring Lebanon, Iraq and Jordan. All three states have been bearing the spillover of the crisis on all three economic, social and political levels. According to the World Bank, annual growth rates decreased by 1.2 percentage points in Iraq, 1.6 percentage points in Jordan, and 1.7 percentage points in Lebanon in real terms.
- International sanctions suffocating the Syrian regime not only target the reigning elites, but also any organization, government or business dealing with it, indirectly placing a burden on neighboring Lebanon.
- The Syrian refugee influx had a considerable impact on the Lebanese economy, particularly on the already struggling and suffering energy front, health care sector, labor market and infrastructure.
- Amidst the volatile events, Syria's regional support is hanging by thread due to national economic crisis in Iran, Russia and China's firm vetoes on humanitarian aid and the Gulf who has been cornered by the strict calibrated sanctions imposed by Washington, delaying Syria's reconstruction as planned.
- Concert regional effort should be taken in order to mend the gaps in the affected zone. Unilateral initiatives are obsolete in this context and short-term measures are not worthwhile anymore.
- Eliminating barriers and promoting cooperation could pave the way for economic, social and political changes through abolishing exclusion and elite capture. It is also important to learn to dismantle unilateralism through the changes of demographics: opening to markets and cooperation.

DEEPLY-ROOTED REGIONAL DISORDER

Starting 2011, the MENA region witnessed unprecedented popular uprisings leading to political instabilities and severe conflicts in many countries. It has been since, the world's least peaceful region, threatening its neighborhood and the EU project. The region held the worst position on the Global Peace Index scores in 2020, deteriorating compared to 2017 (average rank stands at 117 over 162 countries) (Institute for Economics & Peace 2020). It is haunted by the rise of parastatal systems, militias, tribal, ethnic and transnational community groups that are challenging historical borders and political regimes. Citizens are terrified by the risk of seeing states collapse overnight, losing earned democratic rights and whatever is left of means to live a life in dignity. While we continue to refer to Iraq, Palestine, Syria, Lebanon and others by the names that they were given in the aftermath of World War I, the realities on the ground seem more confusing.

We now know that the effects on GDP, inflation, fiscal and financial positions, economic governance institutions are many times stronger in the MENA than for the average of all conflicts worldwide (International Monetary Fund 2016).

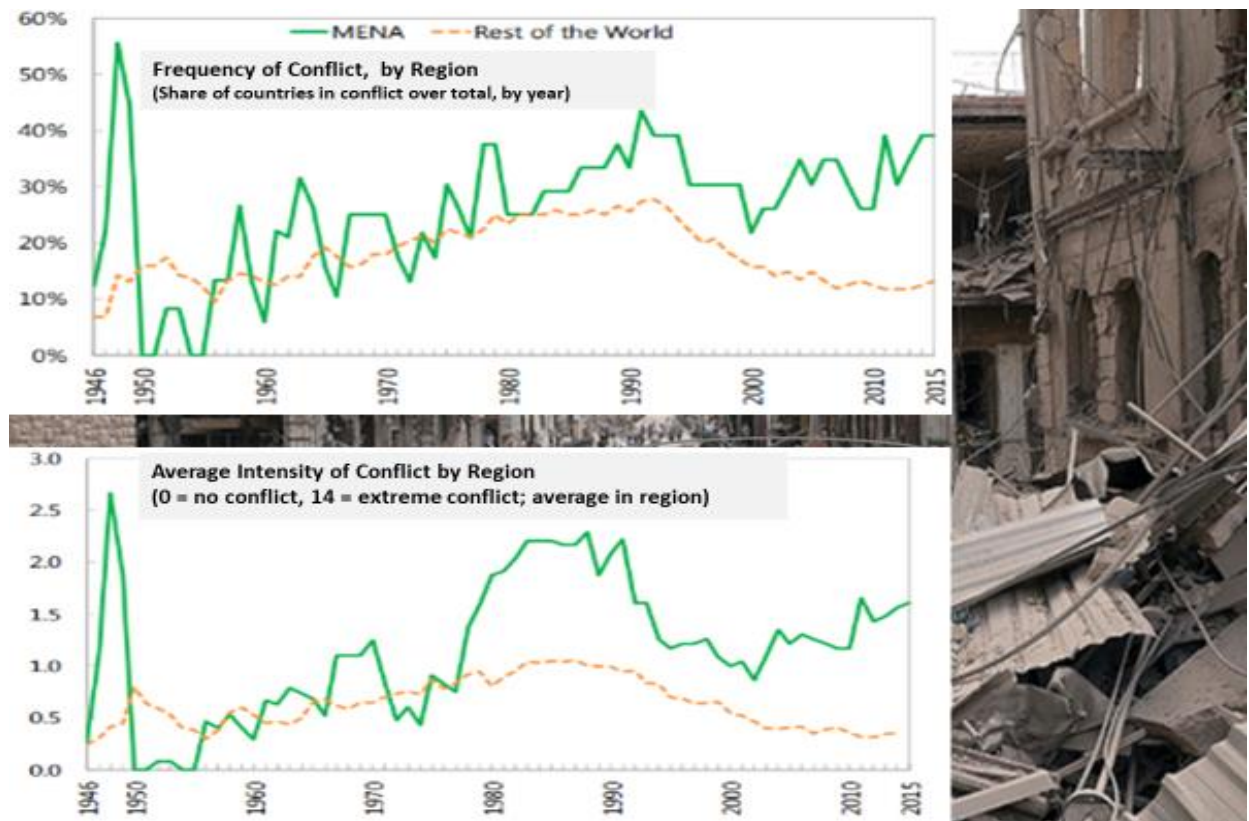


Figure 1: Frequency of Conflicts in MENA Region

Source: IMF, 2016.

The region is losing money to development. Billions of dollars fund war crimes and lavish lifestyles rather than schools and hospitals. For every \$1 gained in development finance, \$2.5 are lost in direct financing that could have been harnessed to fund the region's development priorities (ESCWA 2017).

ODA has dramatically shifted in the past years towards humanitarian interventions, security related expenditures and refugee costs in host countries, often at the expense of development.

Capturing some of the funds legally or illegally flowing out of the region is crucial to fund development. Redirecting resources away from military spending – around, three times the global average¹ - socioeconomic development, and reversing environmental degradation could alone result in a 3% increase in GDP (ESCWA, 2017).

Countries of the region continue to withstand the worst of corruption, to a point it is becoming a security threat, exacerbating the risk of conflicts and of state failure. Indeed, many near the bottom of the Corruption Perceptions Index² have been severely affected by violent conflict in recent years (Syria, Libya and Yemen have all been ravaged by ongoing wars). Nepotism and patronage, coupled with wasteful, non-meritocratic, coercive state apparatus, as well as bribery and profiteering by authorities is an everyday unpleasant fact. It is believed that such patterns remain in place well after wars are over, further hampering peace building, reconstruction and development.

As long as the root causes of conflicts are deeply entrenched in social and political polarization fueled by strong population growth (2/3 of population is under 30), economic inequality, and ideological and religious schisms, sustainable peace prospects remain severely undermined. This situation is a preoccupying menace to global stability with risks of greater insecurity and increased volatility in international trade and oil-supply routes and prices. This region is located on one of the world's most important trade routes; It hosts more than 50% of the world's conventional oil reserves³ and 42% of conventional gas reserves;⁴ forms the southern neighborhood of the European Union, which the European Union's Common Foreign and Security Policy (CFSP) calls a "political and security front".⁵

¹ 25% of central government expenditure in 2015 when compared to a global average of almost 8%, UN-ESCWA, 2017.

² Corruption Perception Index in Syria, Libya and Yemen are respectively 178, 168 and 177. Transparency International 2019.

³ "The Oil and Gas Producing Countries of the Middle East and North Africa," *IFP Energies Nouvelles*. Accessed on 5.11.2014. www.ifpenergiesnouvelles.com

⁴ "Opportunities and Risks in the Middle Eastern Energy Industry", *Andrews Kurth*. Accessed on 5.11.2014. <http://www.andrewskurth.com/pressroom-publications-1050.html>

⁵ Concerns of international terrorism, crime and smuggling, refugees and illegal immigration. Reference the hundreds of would-be immigrants near the Italian island of Lampedusa, themselves victims of human-trafficking networks. See also: United Nations Office on Drugs and Crime, *Smuggling of Migrants: A Global Review and Annotated Bibliography of Recent Publications* (New York: United Nations, 2011) Accessed on 5.11.2014. http://www.unodc.org/documents/human-trafficking/Migrant-Smuggling/Smuggling_of_Migrants_A_Global_Review.pdf

SYRIA'S MELTDOWN

The Syrian uprising took unprecedented downturns making Syria “the great tragedy of the 21st century”⁶. It started in 2011 with popular demands for democratic representation and inclusive development. The country's heightened economic, social and political vulnerability is anchored in inequity and large disparities among the population. It is also deeply rooted in a failed governance system sustained by cronyism and state capture of ruthless ruling elite. Reforms of the free market system adopted by the Assad regime in 2007 had created large discontent as they further mushroomed inequity and disparities among classes and economic capture (Brück, Binzel and Handrich 2007).

Throughout the past nine years, the civil war has taken several dimensions. The multisided conflict had multilateral actors participating in it. The Baathist party was supported by the party loyalists, Russia, Iran and the Hezbollah party in Lebanon and the opposition to the regime comprised of national movements, the United States and its allies. Terrorist organizations have also marked their footprint in the conflict, particularly the Islamic State of Iraq and Levant (ISIL), and the Salafi Jihadist organization. In 2019, anti-Assad troops withdrew from most provinces under attack, marking a victory for the regime and Iran after nine-year of blazing rows with foreign actors and terrorist organizations. The regime defeated its opponents on the ground; yet, it was unable to escape international scrutiny translated in sanctions, the latest of which is the Caesar Act pushed by the Trump Administration in June 2020. The Syrian regime then realized that the light at the end of the tunnel turned out to be the headlight of an upcoming train.

Does Assad's conquest come at a price that the Syrian people will have to bear? How would the Caesar Act steer the decisions adopted by the regime? How will this affect the Syrian economy? How will the region be affected, specifically Lebanon? Which future approaches to the region are likely to bear fruit—and which are likely to be a waste of time?

Even though the old order is broken in many places, it is not clear what kind of new order will emerge, which powers will influence the course of the future and who will put the pieces together again. In Syria, Lebanon, Jordan and Iraq, citizens are under the impression that the State has failed. In others, foundational questions are debated. Sustainable development concerns are put on hold in the face of pressing needs for peace building.

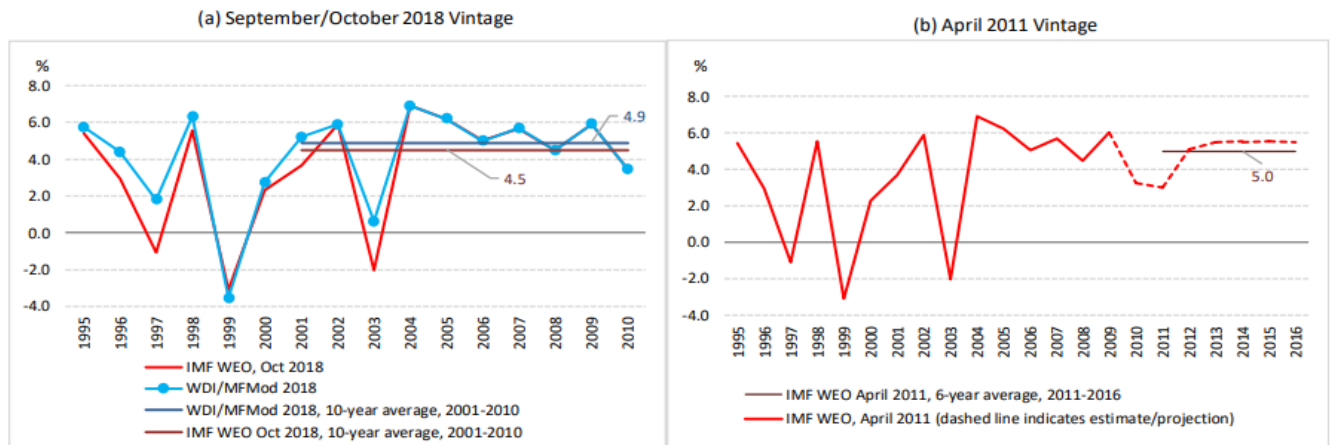
Syrian Economic Outlook Pre and Post Uprising - Civil War 2011

Prior to the war, Syria's economy has seen continuous dips and spikes. Starting 2003, GDP growth was less erratic. Real GDP growth between 2001 and 2010 reached 4.7% with projections for a 5% growth in the years 2011 and 2012; projections were later confronted by the realities of the Syrian civil war in March 2011 (World Bank, Growth after War in Syria 2019). In 2010, Syria's GDP reached USD60 Billion with per capita GDP at USD 2,857 and inflation rate reached 3.440% (International Monetary Fund 2018). It was estimated that 8.613% of the total labor force were unemployed while

⁶ Antonio Guterres, 2013.

the general government net lending and borrowing registered a negative result of -7.79 percent of GDP (International Monetary Fund 2010).

Graph 1: Pre-Conflict Real GDP Growth and Projection



Source: World Bank, 2019

Figure 2: Pre-Conflict Real GDP Growth and Projection

Authoritative data about Syria's economy are hard to find starting 2012. The World Bank estimated real GDP growth to have decreased to -12% by the end of 2018. From 2011 until the end of 2016, the cumulative losses in GDP reached USD226 Billion, four times the Syrian GDP in 2010 (World Bank 2017).

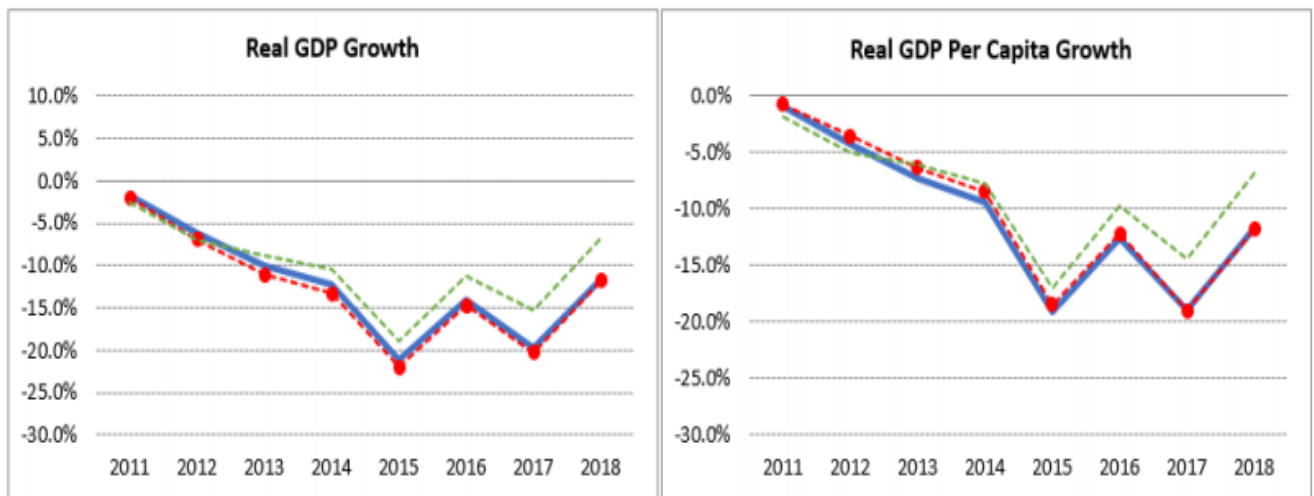


Figure 3: Conflict Years Calibration for GDP in Syria

Source: World Bank, 2019

According to Zaki Mehshy⁷, by 2018, the total accumulated economic loss was estimated at about \$428 billion, equivalent to six times Syria's GDP in 2010 (Stasa Salacanian 2020). Growth drivers and

⁷ Zaki Mehshy is a Senior Consulting Fellow at Chatham House and Researcher at The London School of Economics and Political Science. He is a co-founder of the Syrian Center for Policy Research.

inhibitors including refugee and war casualties estimated to have reached 400,000⁸, human capital depreciation, productivity enablers have all been severely affected rendering recovery chances more bleak.

The economic meltdown resulted in a devastating depreciation of the Syrian currency, a staggering inflation with recurrent sharp increases in the prices of basic goods and services. In 2011, the US dollar equated to 47 Syrian pound while it depreciated to almost 1,200 in 2020.



Figure 4: The Fall in the Value of the Syrian Pound

Source: Central Bank of Syria

Currency reserves of the Syrian government have been severely exhausted due to the unsustainable financial measures adopted by the regime to attenuate the repercussions of the crisis amid a civil war. These included increasing wages and salaries which did not really respond to the expectations of the most vulnerable communities; reintroducing the subsidies policy which could affect the country's reserves; relying on substitute goods and services that are not banned under international sanctions and investigating the inflow of foreign currencies which restricted the availability of US dollars in the market)Mahfoud 2020(. Shortages in foreign currencies have led the dollar to be exchanged in black markets at the rate of 2300 Syrian pound in the beginning of June 2020, which consequently led to a decrease in food supply and an inflation touching 20% (Paul Mcloughlin 2020).

Far reaching consequences on livelihoods

The direct burden of war in Syria has undoubtedly been born by the Syrian people living in Syria, and the Syrian refugees in neighboring Lebanon and Jordan. The economic and social conditions of the

⁸ المرصد السوري لحقوق الإنسان، 2018

/خلال-7-أعوام-متتالية-نحو-511-ألف-شخص-استشهد/ <https://web.archive.org/web/20180917014554/http://www.syriahr.com/2018/03/12/>

Syrian people have been aggravating since 2011, despite having a regime promising them a life of dignity and prosperity.

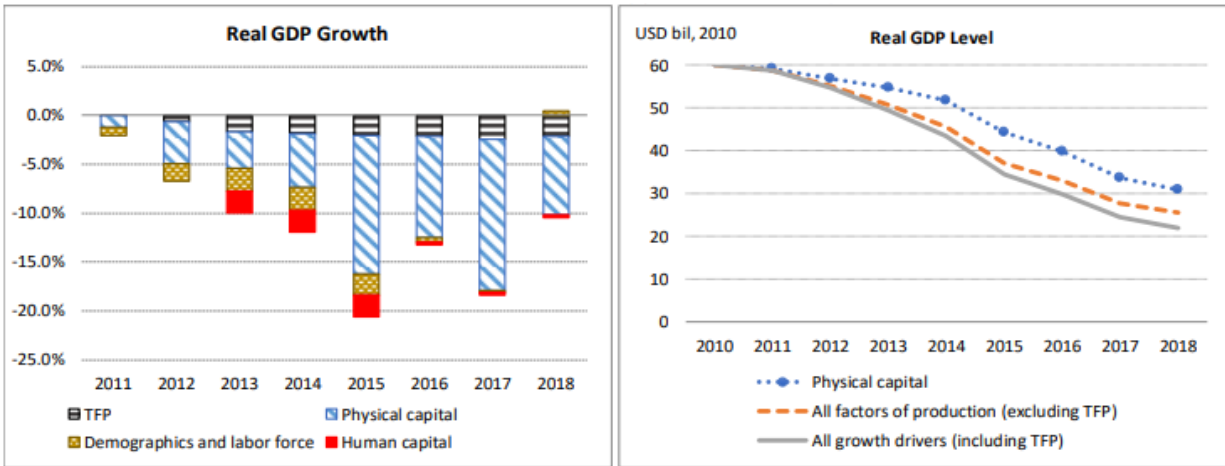


Figure 5: Average Impact of Different Growth Drivers on GDP During the Conflict (across Central, Lower and Upper estimate Projections)

Source: World Bank, 2019.

As seen in the above graph, factors of productivity have been affected by the conflict, especially physical capital, registering -18% in 2017 compared to -0.5% in 2011.

Access to electricity, for example, has become a challenge throughout the war, hampering the productivity of all sectors, notwithstanding the fundamental need for power to survive. In essence, access to electricity has decreased from 92.7% of population in 2010 to 86% of population in 2018.

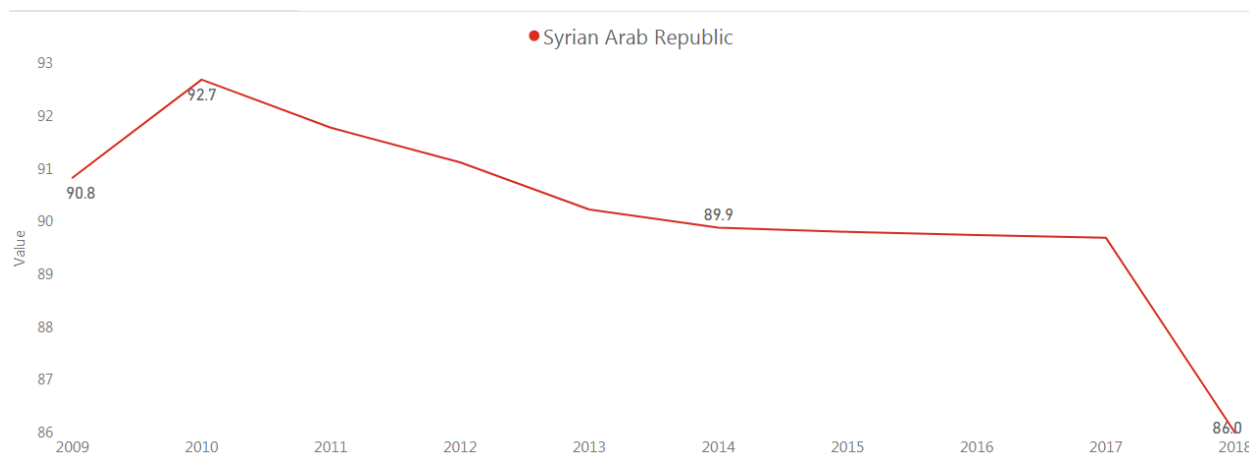


Figure 6: Percentage of Access to Electricity in Syria

Source: World Bank, 2018.

The war and the economic meltdown had also far-reaching consequences on poverty rates, which in 2007 were already high as 35.2% of the Syrian population lived under the poverty line (World Bank 2020) worsened during the past years as living conditions deteriorated. According to a study by ESCWA, 83.4% of Syrians lived under the poverty line in 2016 (ESCWA, Syria at war: Five years on 2016).

According to the ILO, Labor force participation rate for the population aged between 18-24 dropped significantly from 36.3% in 2006 to 29.6% in 2019 (2019).

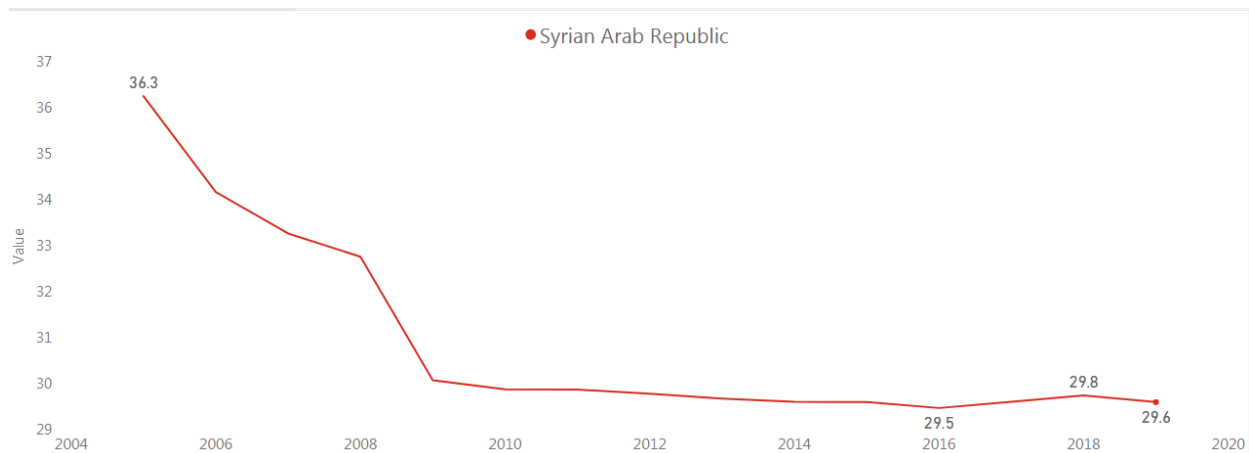


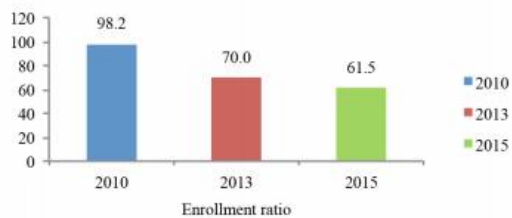
Figure 7: Labor force participation rate for the population aged between 18 and 24 in Syria

Source: ILO Modeled Estimates, 2019.

Life expectancy in Syria witnessed a drop between 2005 and 2014 (from 74.4% to 69.8%); however, it was rekindled with a modest increase to 71.8% in 2018 (Databank, 2018) and the human development index decreased from 0.65 in 2009 to 0.55 in 2018 (UNDP 2019).

Many other dimensions of the impact, including those in political, cultural, gender violence and human security areas, are difficult to be analyzed in the absence of relevant metrics or data. Nevertheless, given the widening gaps in human capital formation and the percentage of children out of schools or receiving mediocre education, we have reasons to worry that the way ahead for Syria’s recovery will be a long one.

A: Total enrolment in primary education



B: Female to male enrolment ratios

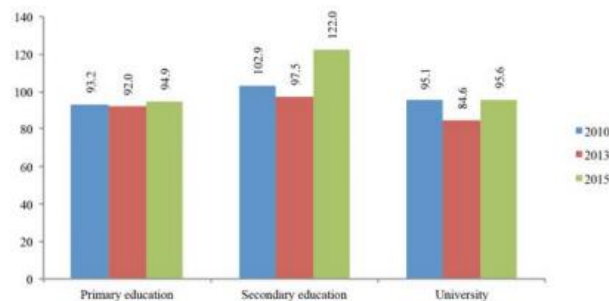


Figure 8: A) Total enrolment in primary education – B) Female to male enrolment ratios in Syria

Source: ESCWA, 2016.

In addition, the adjusted net enrolment rate in primary school has sharply dropped from 98.9% in 2009 to 72.2% in 2013.

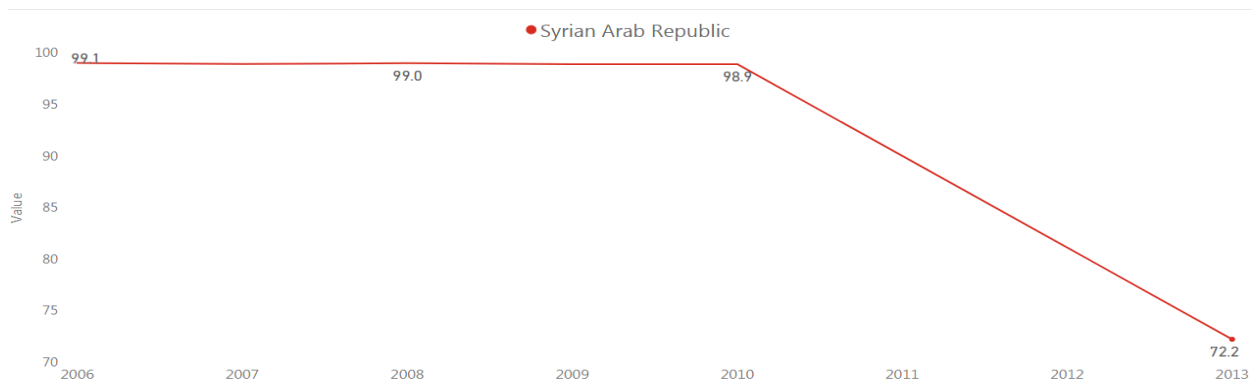


Figure 9: Net enrolment rate in primary school in Syria

Source: World Bank, 2018.

We have, for the purpose of this paper developed a Dashboard on Human Development Indicators in the region available through this link: <https://bit.ly/3ezQU89>

The Outbreak of Covid-19 posed a bigger pressure on the private sector in the country, forcing all industries and small businesses to close amid the economic crisis (Tello 2020). Access to markets was subject to movement restrictions and quarantine (World Food Programme 2020). The percentage of household receiving less income after the pandemic climbed to 64%. According to the World Food Program, the prices of goods will increase more in the coming months and lines in front of grocery shops will start to form (2020).

As the crisis worsened, and the Syrian pound devaluating and being exchanged at very high rates in the black market, more than 10 million people in Syria require humanitarian assistance due to increasing prices and food insecurity.

ACCESS TO MARKET

Fig4: Access to markets

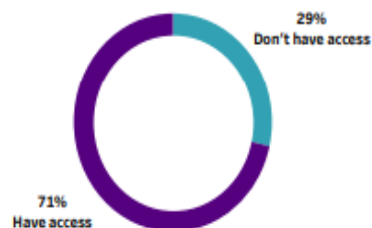


Figure 11: Access to market rate

Source: World Food Programme, 2020.

Fig5: Reasons why accessing market was challenging

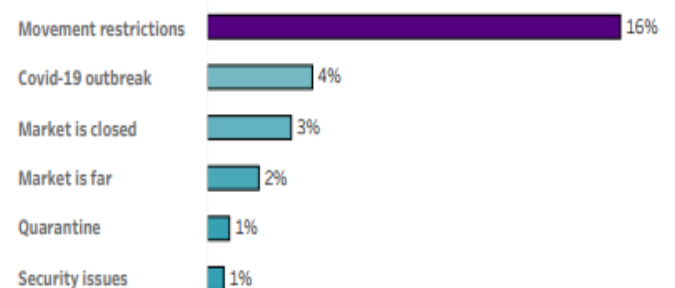


Figure 11: Reasons why accessing market was challenging

IMPACT ON INCOME AND LIVELIHOOD

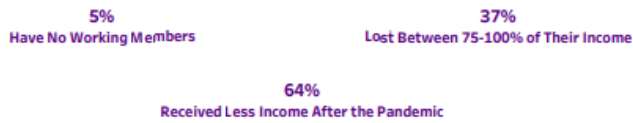


Fig7: Percentage of households receiving less income after the pandemic

BY Head of Household Sex

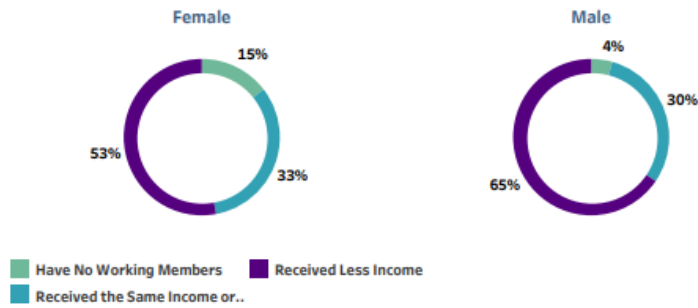


Figure 12: Impact on income and Livelihood

Source: World Food Programme, 2020.

The storm in Syria does not seem to cool off any time soon. What we know is that recovery is going to be slow due to the serious losses and the strict calibrated sanctions imposed by the United States. "A positive fallout" is not impossible to achieve, but this will require strict sectoral, political and financial decisions to be taken by the Syrian regime. Another prerequisite for recovery is the regional stability of Syria, as will be discussed in the coming section: economic opportunities are no longer enough for a substantial rehabilitation but ensuring that regional security and confidence are guaranteed (World Bank 2020).

SPILOVER EFFECT ON THE REGION

The war in Syria had far-reaching consequences in the whole Mashreq region and spilled over the rest of the Mediterranean. According to Francesc Badia i Dalmases “what began with an initial wave of hope and civil courage has become bloody, messy and tragic”.⁹

The region is witnessing an unprecedented flow of refugees and displaced people - the biggest since World War II, imposing new realities on the ground of diverse nature: security, social, economic, cultural, demographic, and other nature. Lebanon is hosting the largest number of refugees per capita in the world. Lebanon, Jordan, Iraq, Turkey and other hosting countries must make difficult decisions about access to labor markets and social programs, as well as measures for their own nationals who already struggle with poverty and unemployment.

The impact of the Syrian war as a whole is deemed greater than the impact of refugee’s crisis on host countries. According to a recent report by the World Bank from 2011 onward, decreasing transit trade through Syria, stalling service exports like tourism slowed down average annual growth rates by 1.2 percentage points in Iraq, 1.6 percentage points in Jordan, and 1.7 percentage points in Lebanon in real terms. Cumulatively, these reductions correspond to 11.3 percent of the combined pre-conflict (2010) GDPs across the three countries. Trade was stalled with the marginal effect of the trade shock on GDP reaching -2.9 percentage point in Lebanon and -3.1 percentage points in Jordan. Increasing aggregate demand and labor supply in both countries did not boost GDP by more than 0.9% (World Bank 2020). Poverty rates in the three neighboring countries severely increased by 7.1 percentage points in Lebanon before the Lebanese economic crisis of 2019, 4.0 in Jordan, and 6.0 percentage points in Iraq. Labor market conditions deteriorated, declining women's participation in the labor market in the respective countries, as seen below in the graph. As for Lebanon, no growth nor decline were detected, making the situation precarious.

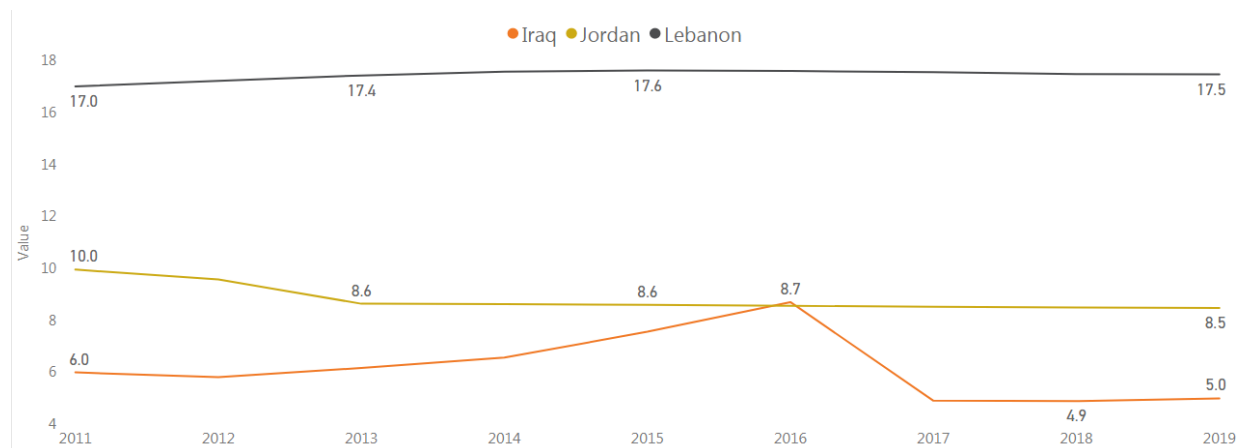


Figure 13: Rate of poverty in Lebanon, Iraq and Jordan

Source: ILO, 2019.

⁹ Francesc Badia i Dalmases, “Governance in the Arab world: history on the run”, *OpenDemocracy*, 19 February 2014, Accessed on 3.9.2014 <https://www.opendemocracy.net/francesc-badia-i-dalmases/governance-in-arab-world-history-on-run>.

Many other dimensions of the impact, including those in political, cultural, and security areas, are equally important. Of particular concern, the low institutional resilience in these countries, which propagated the shock further and exposed countries fragilities thus, driving them to a possible fallout.

According the World Bank, "institutional resilience was low in the three countries for different reasons. Before 2011, Iraq had one of the lowest state capacities in the world. Jordan had one of the best in the Middle East and North Africa region, but its fiscal space was narrowing as revenues decreased. Lebanon had both problems: driven by a complex political economy, its state capacity suffered from years of underinvestment; and an excessive public debt burden, along with an ineffective tax system, suffocated its fiscal space" (World Bank 2020).

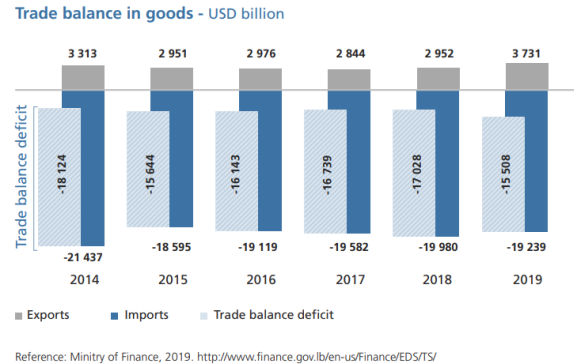
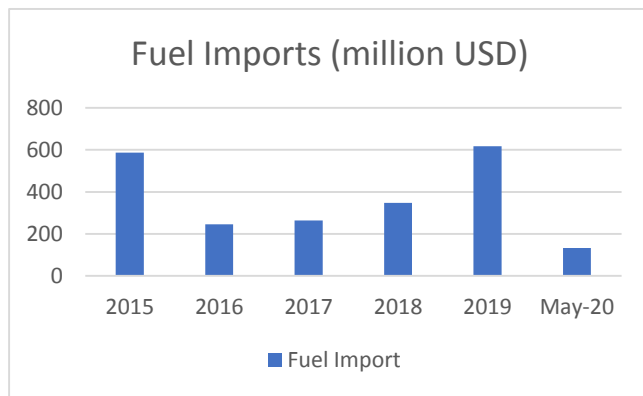
On a regional level, the Iranian real GDP growth has dropped from 4.5% in 2018 to -7.6 in 2020 and the inflation rate reached 5.5 by 2019 due to international sanctions. In addition, Iran's current account balance was at -0.9% of GDP (International Monetary Fund 2010). Consequently, Iran's recent economic breakdown is increasingly affecting its financial support to Syria and the Hezbollah party in Lebanon, making the country even more vulnerable when its close ally is not able to provide it with the support it usually grants.

Lebanon and Syria: Battledore and Shuttlecock

Syria's economic turmoil was amplified with the Lebanese current economic and financial crisis that has affected trade, imports of primary material for industries, as well as Syrian depositors in Lebanese banks.

Lebanon's financial, trade, and tourism services comprising about three-quarters of the country's GDP were hard hit by the Syrian crisis. Following a rapid growth episode, averaging above 9 percent per annum, during the period 2007 and 2010, primarily driven by the service sector (6.5-percentage points contribution), growth decreased to an average 1.4 percent between 2011 and 2018. Speaking of trade, it is interesting to note that the total of Lebanese exports to Syria reach up to USD 205 Million (OEC 2018). If the Syrian government decides to curtail its imports, the further deficit of the Lebanese trade balance (estimated to have reached -19,239 in 2019) is expected (World Bank 2020).

In essence, the total exports in Lebanon drastically decreased from US\$ 3,936 million in 2013 to US\$ 1,335 million in January-May 2020 (Ministry of Finance 2020).



Graph: Trade activity by value - Fuel Imports.

Figure 14: Trade Balance in goods – USD Billion

Source: Ministry of Finance - Lebanon

There are around 136 illegal crossings at the Beqaa borders in Lebanon – presumably controlled by the Hezbollah party – and are being exploited to smuggle raw materials like fuel and flour. These two products are subsidized by the central bank and thus, are being exhausted through illicit smuggling amid an economic disaster in Lebanon where resources are already less than sufficient to meet the needs of the population (Hage 2020).

There are not enough quantities of fuel in the local market to purchase, due to the smuggling, which leads to the scarcity of these materials on Lebanese territory and depriving citizens of these essential resources. No authoritative data demonstrates the quantity of smuggled fuel and flour but some estimate smuggling at least two million liters of the total 5 million liters needed by the Lebanese market daily (Jammal 2020).

“In Lebanon, the debt burden increased as the modest deficit reduction was overtaken by a larger GDP slowdown. Revenues decreased from 23.3 percent of GDP in 2008–10 to 21.0 percent in 2011–19. Primary expenditures averaged 21.0 percent of GDP in 2008–10 and 20.4 percent of GDP in 2011–19. With subdued growth after 2010, the debt-to-GDP ratio increased by 18.2 percentage points, reaching 155.0 percent in 2019. However, fiscal deficits remained.” (World Bank 2020).

Lebanon hit rock bottom in October 2019 with the series of popular protests against the political system that has stripped the Lebanese people from their fundamental social, economic and political rights. The banking system schemes have been unraveled and people realized that the dollar they have today might not be available tomorrow. The corruption anchored in the system was no longer bearable and had squeezed the country from resources, pushing people to take the streets and call for a new system of governance independent from all reigning political parties and for the recuperation of all stolen public money.

With the influx of Syrian refugee, pressures were added on the labor market especially unskilled workers. Unemployment rates among Lebanese, which pivoted around 30.0 percent for youth, 17.0

percent for women, and 9.9 percent for men prior to 17 October, plummeted to 70% in June 2020 (Infopro 2020).

Pressure also increased on the road networks, already suffering from poor maintenance and quality. Lebanon ranked 121st worldwide in terms of road quality compared to 101st in 2010 (World Economic Forum 2018).

The Lebanese health care system was already struggling due to unsustainable policies guaranteeing financial coverage for the needy. "This led to \$1.4 billion in arrears for private hospitals in 2012–17 and a hospital waitlist of 94,000 Lebanese citizens, annually." The refugee influx added a heavier burden on the existing crisis (World Bank 2020).

On the energy front, and despite the many initiatives aimed at curbing shortages in energy supply, (supply cuts roughly 3 hours daily in Beirut and about 12 hours outside), the arrival of Syrian refugees required an addition of 486MW, costing around USD132 Million annually (World Bank 2020). This extra burden was added on the government annual budget thus increasing the off-budget spending transfer to EDL of 8.47% in 2019 (Institut des Finances Basil Fuleihan 2020).

Even though the Syrian refugee influx and the sanctions imposed on the Syrian regime has added an additional weight on the Lebanese economy, one should not exclude the factor of mismanagement of public funds and cronyism that has been favored and fueled by the Lebanese ruling elites.

On the other end of the spectrum, the Syrian economy has been affected by the Lebanese economic crisis that exploded at the end of 2019. Having little to almost no faith in the local Syrian banking system, the Lebanese banking sector has been a financial refuge for Syrians recently. For example, Syrian diaspora used this system to send remittances estimated to reach up to hundreds of millions of US dollars every year. With Lebanon's deficit in foreign currencies and the strong demand for US dollars to purchase basic goods and services, it seems evident that Syrian depositors' money, estimated to equate 50 billion dollars in total, will be trapped in Lebanon for a while. According to Karam Shaar, scholar at the Middle East Institute, "Recent capital controls and extreme dollar shortages in Lebanon have seen Syrians accept haircuts of up to 30 percent when withdrawing their savings in US dollars" (Paul Mcloughlin 2020).

Lebanon is no longer a safe haven for Syrian businesspersons, depositors nor those wishing to do business with Syria. In addition, Syria's relations with the Gulf countries – United Arab Emirates in particular – have taken a positive turn by the end of September, which could have been a great incentive for the reconstruction of Syria. Yet, with the strict sanctions imposed according to the Caesar Act, the UAE might have to take some steps back and align its regional decisions with those of Washington, who seems to be very stern with any government supporting the Assad regime (Kebbi 2020). Fearing sanctions, the Gulf will have to ease off its support to the regime, resulting in the delay of Syria's political, economic and social reconstruction.

The more the crisis in Lebanon increases, the more likely is Syria going to suffer. Covid-19 came to detriment the socio-economic situation even more: most people are unable to operate their businesses due to the restriction of movements and travel restrictions. Informal jobs are interrupted

for health and safety purposes and the number of families requiring humanitarian aid is escalating every day. With Iran's current economic challenges, not much support has been touching the Syrian government either. Interestingly, Russia vetoed UN Security Council Resolution 14246 calling for the crossing of humanitarian support to Syrian civilians in the northwest of Syria at Bab al-Salam, north of Aleppo and Bab al-Hawa, in Idlib province. Russia, in accordance with China, refused any humanitarian support that is not coordinated with the Syrian regime, counting it a support to for rebel groups and not the Syrian people, while endorsers of the resolution claim the opposite and calling Russia's move a "stain on humanity" (United Nations 2020).

SANCTIONS AND WHAT THEY ARE LIKELY TO BRING

Syrian-US relations became critically insecure in 2003 to 2009 when Syria took an opposing position against the Bush administration on the Iraq war. It refused to open its borders for foreign fighters to enter Iraq. It kept heavy hand on Lebanon, refused to deport Saddam Hussein regime followers who supported the insurgency in Iraq and supported the Palestinian rejectionist establishment. For three years, bilateral relations took a positive turn until 2011, with the breakout of the popular demonstration against the Assad regime in Syria (United States Department of State 2020). The United States saw the brutal response of the Syrian regime against the nation-wide protests as abuse of human rights, escalating into a violent multi-partite armed conflict.

In 2011, the US took calibrated economic sanctions against the regime to prevent them from receiving foreign support to abuse their powers against democratic protestors. President Obama took several Executive Orders¹⁰ against the Assad regime in order to buffer the repression of the government against the demonstrations directed at repressing human rights abuses. Among others, these sanctions placed the country in a dangerous economic zone, exhausting the GDP growth negatively (-23%) in 2015 (World Bank 2019).

The economic situation was pulled out of the frying pan and thrown to the fire with the enactment of the Caesar Act of 2020 pushed forward by the Trump Administration to magnify sanctions on the regime and on its proponents in the region post-Assad victory on the Syrian territory.

The Caesar Civilian Protection Act 2020 and its impact on Lebanon

The Caesar Civil Protection Act of 2020 aims at isolating the Assad Syrian Regime and sanctioning all organizations, governments and businesses supporting and funding the regime, in particular the Iran-affiliated Hezbollah party in Lebanon. Consequently, the Act targets the four main sectors in Syria: oil and natural gas, military aircraft, construction, and engineering (Stroul and Bauer 2020). It also

¹⁰ Executive order 13572, 13573 and 13582, US Department of State.

imposes secondary legislations and sanctions on persons and organization that found loopholes in former sanctions (Tohmé 2020).

The Caesar Act was presented to protect civilians in Syria who are vulnerable to the brutal military force of the regime. Notwithstanding the declared objective, and considering the current capture of the State resources and network of malfeasance, this Act, which comes after a decade of humanitarian distress, may become the biggest economic and financial burden to the Syrian. Another economic disaster on the table amplified by the act is the regime's obligation to decrease its imports due to restrictions on dealing with it. The balance of payments in Syria is characterized by imports exceeding exports, and the former is expected to decrease by 80% due to the mentioned constraints. The following does not only amplify the food and medical equipment deficit crisis, but will also contribute into shrinking the nominal GDP of Syria drastically (Paul Mcloughlin 2020).

The United States is fighting the battle with a long breath and is following the Caesar Act religiously.

The Act targets the Hezbollah party who has been supporting the Assad regime, explicitly on a political level and implicitly on a financial level through illicit smuggling by the Beqaa borders. Disarming the Hezbollah party in Lebanon has been a long-desired objective the United States have been trying to achieve and the Caesar Act does not miss this aspect. The Caesar act holds an economic, political regional agenda. The United States could be the usual caregiver and support the stifled resistance against an abusing system, upholding its responsibility to ensure the security of the fundamental human rights of civilians and calling for ceasefire. Yet, a subsequent situation ought to consistently be given consideration: the Caesar Act provides the United States a prerogative to alleviate the leverage that Iran and the Hezbollah party have in the region, particularly when Hezbollah is driving the current government in Lebanon.

As per Camille Otrakji, Syrian-Canadian analyst: "there are two significant milestones to watch within the next year: The US presidential elections in November 2020, and the Syrian presidential elections in July 2021" (Tello 2020). Whether the Syrian regime succumbs to the sanctions of the Caesar Act or not, there will be a price to pay by other countries in the region, particularly Lebanon caught in the maze of the Syria-Iran-Israel proxy conflict.

CONCLUDING REMARKS

The complex political economy dynamics in the region have so far restrained mitigating the Syrian crisis shock suffered by neighboring countries and building better institutional resilience. A persistent short-term response has led to costly and ineffective service provision, lost economic opportunities, and underfunded programs. A medium-term strategy is needed to both address own structural problems and mitigate the adverse effects of the conflict (*World Bank 2020*).

A regional approach is believed to generate a better equilibrium. Fostering interconnectedness in trade, market integration and cooperation, eliminating barriers could all pave the way for worthwhile economic, social and political changes.

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