

## The Issue of Economic Crisis in Syria

**Forum:** Advisory Panel

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### Introduction



*Syrian Civil War Consequences*

Following 2010, with 2011 marked with its worst economic situation, Syria's economy has been deteriorating. Amongst several causes of the global economic crisis, the cause of the Syrian economic crisis is more of a complicated problem with several causes intertwined. Syrian economic downfall is attributed to the scarcity of basic resources, the Syrian civil war, and the failure of its neighboring country, Lebanon's

economic system. Food scarcity and insecurity is significant as it inhibits productivity, therefore slows down the economy, resulting in an economic recession. One of the indicators of economic condition, inflation, also shows the worsened economy of Syria as the average price of commodities has increased by 236 percent a year – between 2019 and 2020. The Syrian economic crisis is especially significant as its contribution did not end by degrading just the economic situation. Rather, its implication extends to the humanitarian issue of food shortage and hunger.

### Background

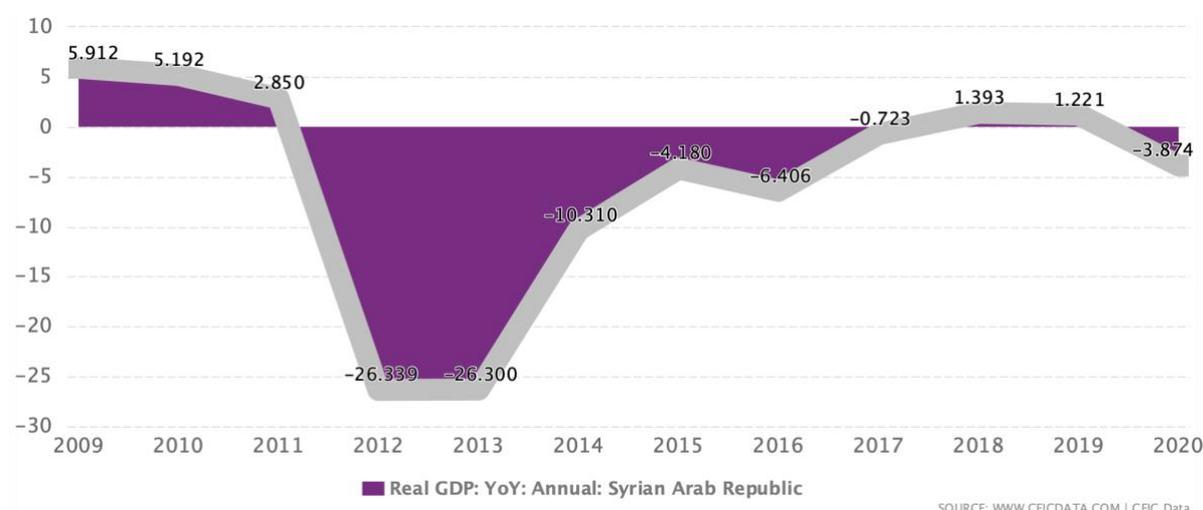
Since 1970, the Assad family has been the predominant ruler in Syria. The successor Bashar al-Assad seized the throne in 2000, but he eventually failed to achieve the goal of establishing a socialist economy for the purpose of resolving the issue of repression. Following Bashar's failure to ease on the repression, the violent suppression of citizens during the Arab Spring protests in 2011 resulted in the Syrian civil war, a



primary contributor to Syria's economic downfall. This civil war killed more than 500,000 Syrians and forced approximately 5.7 million people to flee Syria. Meanwhile, the Assad regime, a powerful uprising force cooperating with Russia, Iran, and the terrorist Hezbollah, won the majority of votes in the 2021 election, causing Syria to remain in a state of economic downfall.

During this regime, public officials frequently violated private property ownership and were involved in the issue of expropriation. Corruption at the governmental level was prevalent, and the only acquaintance with officials enjoyed the right of private ownership. The political instability due to the corruption, even worsened due to the continuation of the civil war, was what blocked Syria from establishing an open market. Also, due to the severe suppression of private businesses, they were not guaranteed the right to operate individually in terms of finance, becoming an impediment to their further development.

Due to various factors, during the 9-year term (between 2010 and 2019), Syria's GDP declined by more than half of its original by 2019. Hyperinflation, a situation where the prices of goods and services rise uncontrollably over a defined period, is prevalent in Syria due to its heavy reliance on imports – which has been a rising issue in Syria as its major trading partners are going through the economic downfall as well, causing the price for domestic goods to increase uncontrollably.

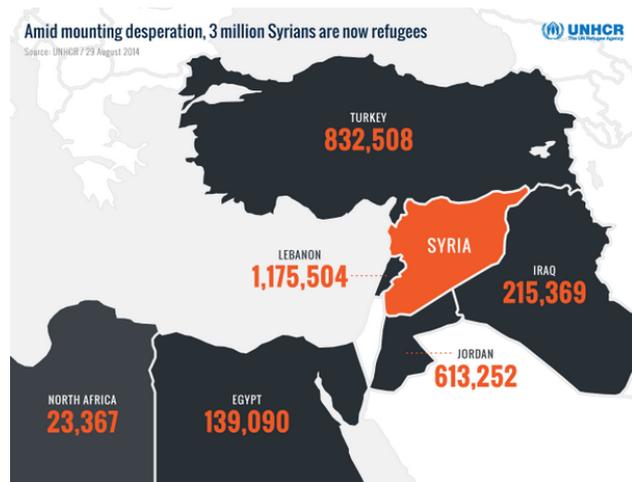


## Problems Raised

### *Unemployment*

Mainly caused by the economic crisis and inflation, many Syrian-owned private businesses and industries have been closed. The economic downturn led over half of the labor force in Syria to be measured as unemployed. This issue of unemployment is fatal to millions of Syrian citizens especially during periods of civil war, as many do not have money to support either themselves or their families. Massive unemployment is causing significant economic insecurity, affecting vulnerable families as they lack access to essentials.

### *Syrian Refugee Crisis*



*Syrian Refugee Map*

The Syrian refugee crisis is the consequence of the Syrian civil war that began on March 15, 2011. The economic downturn in Syria has begun since then, accompanying massive unemployment and hyperinflation, depriving ordinary Syrians of their safety, in terms of both physically and financially. The civil war has provided average people with humanitarian hostilities following the massive breakdown of public infrastructures such as hospitals. As people suffer from the lack of guarantee for their security, mainly due to the massive

unemployment and deterioration in the Syrian economy, millions of Syrians have fled to neighboring countries. This significant displacement of Syrian citizens led to major global refugee issues, its aftermath extending not only in Syria but also to different countries.

## International Actions

### *World Food Programme*

Food insecurity is a critical issue that arises after the economic crisis. To prevent further deterioration of Syria's economy, World Food Programme (WFP) has been providing most Syrians with basic food items to prevent them from suffering from hunger and food insecurity due to food inflation. WFP provides the most vulnerable families, who are highly likely to be affected the most by the economic decline, with basic food necessities and financial aid, so that families can purchase different supplies flexibly accordingly to their needs.



*WFP reaching out to millions of Syrians for assistance*

### *United Nations Security Council (UNSC)*

Syria's economic situation has been violently fluctuating and deteriorating significantly since the beginning of the Syrian civil war, marking its start in March 2011. The Syrian civil war has affected most civilians and its economy adversely, along with rapidly rising prices for basic goods for the citizens. In the effort to cease the war and restore peace in Syria, the UNSC has demanded all parties to cease their attacks against civilians and arbitrary detention and mistreatment done to non-combatants.

### *United States*

The United States is the major financial assistor of Syria in coping with the ongoing civil war and economic crisis. The United States has provided Syria with nearly 16 billion dollars since

the outbreak of the civil war. This financial aid provided by the United States Agency for International Development (USAID) is reaching the majority of the vulnerable Syrian citizens, especially during the period of aftermath of the conflicts. It is the main contributor in restoring the Syrian economy from the post-civil war consequences by reaching out and helping more than 5 million Syrians a month.

## Possible Solutions

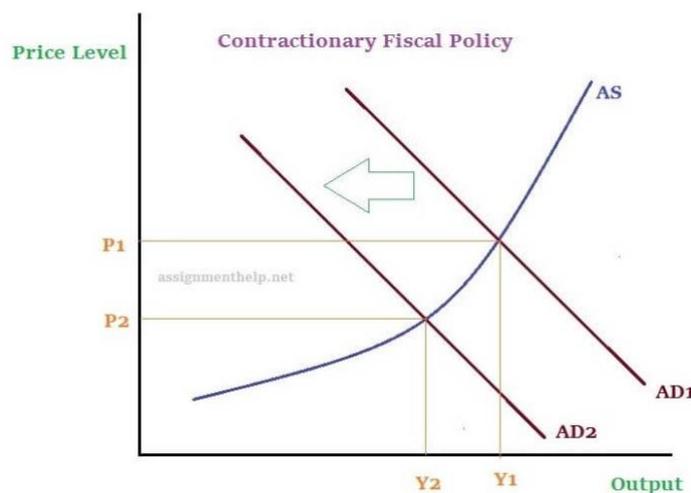
### *Contractionary Fiscal Policy by the Syrian Government*

According to the data revealed in 2020, the inflation rate in Syria has violently risen these past years. The inflation rate in a year, between 2019 and 2020, is 139 percent, along with food inflation of 60 percent in August 2020. These indices indicate the current issue of inflation and the sub-branch of it – food insecurity – that is currently going on in Syria. Typically, the term hyperinflation is used to describe a situation where the rate of inflation increases by more than 50 percent a month. As the rate of increase in inflation rate in Syria clearly exceeds 100 percent, the World Bank has recognized Syria as a country that is undergoing years of extreme hyperinflation. As the cause of subsequent humanitarian consequences of the economic crisis, some measures need to be taken to reduce the excessive inflation rate in Syria.

One possible explanation for the hyperinflation in Syria is the huge amount of subsidies given to private businesses by the government as a seeming solution for the economic downturn. However, too many expenditures by the government, in turn, increases the price of goods and services, leading to the current hyperinflation situation in Syria. To resolve this issue of hyperinflation, the Syrian government should slow down the economy by implementing a contractionary fiscal policy, which is characterized by the government cutting spending or raising taxes. The reduction in the expenditure of the government would result in a decline in the prices of basic goods and services, reducing the rate of inflation.

### *Humanitarian Aids for Recovery*

Primarily due to hyperinflation, many Syrian-owned businesses and industries are going through a severe recession, making them eventually close. Over half of the labor force in Syria is considered unemployed, making many of them live without meeting basic lifestyle requirements, such as food, clothing, and shelter. Also, due to the internal conflict in Syria, many youths are displaced into different countries for the sake of having their safety guaranteed. To resolve the lack of labor force in Syria, there should be enough humanitarian aid provided so that Syria can recover from the aftermath of the ongoing civil war. The aids include recovery of public



*Illustration of Contractionary Fiscal Policy Reducing Price Level*

infrastructures (e.g., hospitals, libraries, public schools), food assistance for civilians, and so on.

### *Financial Aid by UN Nations*

Presently, the Syrian economy is depressed, preventing the Syrians from enjoying their basic needs, such as education, healthcare, and a sustainable diet. As Syria is yet experiencing civil war and lacking enough financial funds for restoring necessary infrastructures, the Syrian government can cooperate with pre-existing organizations and countries in the United Nations (UN) to achieve restoration. Along with donations from UN nations, such as the United Kingdom, the United States, and Canada, and organizations like the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA), the Syrian government can gain enough assets to restore basic infrastructures for its citizens.

This restoration of basic facilities will assist in Syrian economic recovery as it plays role in employment and consumer spending, which boosts the economy of one nation. Infrastructure recovery starts with the fundamentals, the roads, and branches out its influence to different industries (hospitals, public schools, libraries...). The recovery of infrastructures means the reduction of the unemployment rate, encouraging workers to spend their income in the market, eventually stimulating one nation's economy.



*A Worker in the Scene of Infrastructure Restoration*

## **Timeline**

1963 – Socialism becomes the official economic policy of Syria.

2000 – Bashar al-Assad becomes the Syrian president in 2000, succeeding his father.

2011 – Anti-government protest begins in Syria.

2012 – UN General Assembly passes a resolution on the Syrian government, demanding Assad's resignation.

2013 – The internal conflict intensifies within Syria, and the number of affected civilians significantly increases (especially children), leading many to flee Syria.

2014 – Syrian refugees become the world's largest refugee group as millions of Syrians try to escape from the country to have ensured safety, both physically and financially.

2018 – Primarily due to the ongoing conflict and political instability in Syria, its GDP cuts off by more than half of its value in 2010.

2021 May – Following Bashar al-Assad securing his fourth term as a Syrian president for 7 more

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years, routine shortages and inflation of basic goods, including most Syrians' staples, take place, increasing the need for more humanitarian assistance.

2021 – Syria's economic output declines by 60 percent along with currency depreciation.

Approximately 90 percent of the population in Syria lives below the standard of poverty according to the UN Office for the Coordination of Humanitarian Affairs (OCHA). Due to the consequence of the outbreak of COVID-19 combined with the impact of the war in Ukraine, Syria's real GDP further declines by 2.1 percent in 2021.

### **Glossary**

*Hyperinflation:* A term that is used when the inflation rate exceeds 50 percent. This type of inflation is usually caused by the rapid growth of the supply of money, typically by the government of a nation.

*Contractionary Fiscal Policy:* When the government either cuts its spending or raises taxes to contract the economy and the money supply cycle.

*Humanitarian Aid:* Assistance that is used to relieve suffering during an emergency.

*Private Property:* Ownership of property by private sectors – practically anyone or anything other than the government.

*Subsidies:* A sum of money granted by the government or a public body to assist an industry or business so that the price of goods or services may remain low or competitive.

*Expropriation:* The action by the state or authority of dispossessing someone's property.

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