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Impacts of Civil War: Reshaping Syrian Economy

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Abstract:

The Syrian Civil War, beginning in 2011, has inflicted severe economic consequences on Syria and its neighboring regions. This conflict has led to a sharp decline in GDP, soaring unemployment rates, and widespread poverty due to the destruction of infrastructure and disruption of economic activities. Internally, millions have been displaced, straining resources and exacerbating humanitarian challenges. Regionally, the conflict has destabilized neighboring countries, affecting trade and security. Globally, it has impacted energy markets and posed geopolitical risks. Reconstruction efforts face immense challenges, requiring substantial investment and international cooperation. Addressing these economic impacts necessitates not only humanitarian aid but also sustained efforts towards stability and development in Syria and the broader Middle East region.

Keywords: Syrian Economy, Middle East Region, Humanitarian Response Plan (HRP), Geopolitical Risks, Financial Mismanagement, International Cooperation, Mobility of Displaced Syrians.

Introduction:

The Syrian Civil War, which erupted in 2011 amid the wave of Arab Spring uprisings, has evolved into one of the most devastating conflicts of the 21st century. Beyond its immediate humanitarian toll, the war has wrought profound economic consequences on Syria and its neighboring countries, as well as broader implications for

regional stability and global economics. This introduction provides an overview of the economic impacts of the Syrian Civil War, examining its effects on GDP, employment, poverty levels, infrastructure, and international trade. It also explores the challenges of reconstruction and the critical role of humanitarian assistance in addressing the ongoing crisis. Understanding these economic dimensions is crucial for comprehending the full scope of the Syrian conflict and for guiding future efforts toward recovery and stability in the region.

The Syrian civil war, as a result of pro- democracy protests escalating into a full-scale conflict, has not only ravaged the country politically and socially but has also inflicted severe economic devastation. This conflict has become one of the most protracted and complex humanitarian crises of the 21st century, with implications extending far beyond Syria's borders. From its outset, the war has profoundly impacted Syria's economy, plunging the country into a deep recession characterized by skyrocketing inflation, widespread unemployment, and a sharp decline in GDP. The destruction of critical infrastructure, including schools, hospitals, and transportation networks, has crippled economic activities and hindered prospects for recovery. Moreover, the displacement of millions of Syrians internally and abroad has strained neighboring countries and created a massive humanitarian burden.

In addition to its domestic repercussions, the Syrian civil war has had ripple effects across the Middle East and beyond. Regional instability, exacerbated by the influx of refugees and the proliferation of extremist groups, has heightened geopolitical tensions and posed challenges to global security. International responses, including sanctions and aid efforts, have shaped the economic landscape of Syria and influenced prospects for peace and stability.

This paper explores the multifaceted economic impacts of the Syrian civil war, aiming to provide a comprehensive understanding of how this conflict has reshaped Syria's economy, affected regional dynamics, and influenced global policy responses. By examining key sectors, macroeconomic indicators, and socio-economic consequences, it seeks to illuminate the complexities of recovery and reconstruction in a post-conflict scenario. Furthermore, it considers the role of international actors in mitigating economic hardships and fostering sustainable development in Syria and the broader region.

Through a detailed analysis of economic data, sector-specific challenges, and policy implications, this study contributes to a deeper appreciation of the interconnectedness between conflict, economics, and global stability in the context of the Syrian civil war.

Present Scenario:

As of the present day, the Syrian Civil War has entered its second decade with significant ongoing impacts both within Syria and across the broader Middle East region.

The conflict remains dynamic with multiple factions controlling different parts of the country. The Syrian government, backed by Russia and Iran, controls much of western Syria, while the north and east are largely controlled by Kurdish-led forces and rebel groups. Idlib province remains a stronghold for various rebel factions. The humanitarian situation remains dire, with millions of Syrians displaced internally and externally. Access to basic services such as healthcare, education, and clean water is severely limited in many areas. Syria's economy continues to suffer from severe contraction, high unemployment rates, and widespread poverty. Infrastructure remains damaged, hindering economic recovery and reconstruction efforts.

Neighboring countries, particularly Turkey, Lebanon, Jordan, and Iraq, continue to host millions of Syrian refugees, straining their resources and economies. The conflict has drawn in regional and international actors, exacerbating tensions and affecting regional stability.

Competing interests among various external powers continue to influence the course of the conflict. The conflict has implications for global security, including the threat posed by extremist groups operating within Syria and the potential for spillover effects into neighboring countries and beyond.

International humanitarian organizations continue to provide aid to millions of Syrians in need, although access to some areas remains challenging due to security concerns. Efforts to rebuild Syria's infrastructure and economy face significant challenges, including financing, political stability, and the complexity of coordinating reconstruction efforts in a conflict-affected environment.

Various international efforts have been made to facilitate a political resolution to the conflict, including the Geneva peace process and talks mediated by Russia, Iran, and Turkey. However, progress towards a sustainable peace remains elusive amid ongoing violence and political stalemates.

In summary, the present scenario of the Syrian Civil War reflects a complex and protracted conflict with enduring humanitarian, economic, and geopolitical repercussions. While there have been efforts towards addressing the crisis, achieving a lasting peace and rebuilding Syria remains a formidable challenge requiring sustained international engagement and cooperation.

Impacts of Civil War:

The Syrian Civil War has had a wide-ranging impact across multiple dimensions, affecting not only Syria itself but also its neighboring countries and the broader international community.

The devastation to the Syrian economy from 10 years of violence cannot be underestimated. Targeted attacks on civilians and civilian infrastructure, including attacks on markets, hospitals, and schools in rural and urban areas, have led to infrastructure and loss of life coupled with years of economic negligence have left the Syrian economy in tatters. Economic disorganization has hurt the Syrian economy much more than infrastructure destruction

According to the World Bank, the Syrian economy has shrunk by more than 60 percent since 2010, and the Syrian pound has crashed. Pre-war, the Syrian pound traded near 50 SYP to the dollar. As of January 2021, it was formally trading at over 1,250 SYP and informally at over 3,000 SYP. This equates to a 300 percent inflation rate increase on consumer goods.

Syria’s economic crisis is not entirely due to its own economic malpractice and corruption in the system. In fact, the ongoing Lebanese cash crisis has accelerated Syria’s economic collapse. After years of anti-government protests, political and financial mismanagement and corruption, and a banking crisis caused by spiraling debt, Lebanese banks trapped Syrian cash. In 2020, the Lebanese central banking authorities put restrictions on the amounts of hard cash and cash transfers individuals and businesses could take out or process. This put enormous strain on the failing Syrian government’s economic policy and the private sector, which for decades has been linked to Lebanese financial institutions. While not explicitly linked, the run on Lebanese banks in 2020 led to a 200 percent increase in the inflation rate of the Syrian pound. More importantly, the lack of cash in Lebanon resulted in the Syrian government having to navigate a drastically reduced available national budget to continue subsidizing the economy.

A secondary impact of the collapsing Syrian pound and cash crisis was the pinch on employment. Even pre-war, the Syrian employment outlook was less than rosy, with 8.6 percent of Syrians out of work and 20.4 percent of youth unemployed. Additionally, the war completely gutted the Syrian middle class, which comprised 60 percent of Syria’s population in pre-war years but represents just 10 to 15 percent today. The agriculture sector took the biggest hit. Many displaced populations that relied on agriculture prior to the war now seek informal work on farms in nearby host communities to financially support their families.

However, there are very limited informal or formal employment opportunities for people inside displacement camps. The Covid-19 pandemic is only accelerating the decimation of the informal work sector in Syria, particularly in the hard-hit northwest vulnerable households are caught in the middle of a financial crisis caused by a rapidly depreciating currency and lack of available jobs.

This means it is incredibly hard for Syrian families to provide for themselves, particularly amid growing food insecurity. Reports from December 2020 describe families waiting for hours in bread lines, causing children to miss school or caregivers to miss work in order to find loaves of bread.

On top of the strain on families' ability to secure basic food rations and household items, the economic impact of the war continues to drive serious child protection concerns, including negative impacts on education. Parents are forced to remove children from school due to the inability to pay fees, and teachers are not receiving their salaries. Some children go to schools in the displacement camps but arrive covered in mud, having walked miles upon miles to attend. Many girls who drop out of school are severely impacted by child marriage.

One particularly heartbreaking story reported by World Vision is of a single mother in northwest Syria with two exceptionally bright girls in middle school. Due to cultural customs, when their father died, their mother remarried their deceased father's brother. After their new father and mother had two boys, the stepfather began mentally and physically abusing the two girls and their mother. The stepfather eventually took the two bright girls out of school due to the personal and financial burden they imposed and forced them into child marriage. Unfortunately, stories like this are very common. The overlap between forced displacement, economic fragility, and negative coping strategies is keenly felt in places like northwest Syria.

Vulnerable Syrians continue to bear the brunt of ongoing crises, from the outbreak of the conflict 10 years ago, to the horrible levels of death, destruction, and economic collapse today. Most often, this drastically impacts the future for innocent children. While the conflict itself has done irreparable physical damage to communities, families, and children, the economic crisis has also caused additional hardships.

The war has led to one of the largest refugee crises in recent history, with millions of Syrians fleeing their homes either internally or seeking refuge in neighboring countries and beyond. Hundreds of thousands of people have been killed or injured, and many more have been subjected to human rights abuses and atrocities. Syria's GDP has plummeted since the onset of the conflict, with estimates of economic contraction ranging from 60% to 80%. Unemployment rates have soared, leaving a significant portion of the population without stable incomes or livelihoods. levels have drastically increased, as households struggle to meet basic needs amid economic instability and destruction of infrastructure. Vital infrastructure such as hospitals, schools, roads, and utilities has been extensively damaged or destroyed, hindering recovery and reconstruction efforts. Access to essential services like healthcare and education has been severely disrupted, impacting the well-being and future prospects of Syrians, especially children Neighboring countries, particularly Turkey, Lebanon, Jordan, and Iraq, have absorbed millions of Syrian refugees, straining their resources, infrastructure, and economies.

The conflict has created instability in the region, contributing to heightened tensions and security challenges across the Middle East. The Syrian Civil War has sparked global humanitarian responses and diplomatic efforts, yet challenges persist in achieving a sustainable peace and rebuilding Syria. The conflict has disrupted energy infrastructure and affected oil and gas production, impacting global energy markets. Regional trade routes have been disrupted, and foreign direct investment in Syria and neighboring countries has declined significantly.

In summary, the Syrian Civil War has had profound and multifaceted impacts, exacerbating humanitarian suffering, destabilizing the region, and leaving lasting scars on Syria's economy and society. Addressing these challenges requires sustained international cooperation, humanitarian aid, and efforts towards inclusive and sustainable peacebuilding and reconstruction.

Reshaping the Syrian Economy:

A large-scale refugee return to Syria will fundamentally be different than the selective returns so far. The future mobility of Syrian refugees could be different from their past mobility. In many ways, the return that has taken place so far has been undertaken in specific circumstances— that is, during an active conflict—with specific motives like protecting property. Going forward, however, both the circumstances and motives are likely to be different. To capture these concerns, the analysis next considers scenario-based simulations. analysis next considers scenario-based simulations.

Simulations confirm the importance of security and service provision in Syria for the return of the Syrian refugees in the future. If the insecurity index is reduced from 1.40 now to 0.07 in five years, instead of 0.15 and if 30 percent of the infrastructure is rebuilt instead of 16 percent, then returns would be 4.9 percentage points higher than in the baseline environment by the fifth year. In contrast, if the insecurity index decreases to only 0.54 and only 5 percent of the infrastructure is rebuilt then returns would be about 9.8 percentage points less than the baseline.

Service restoration is more effective in mobilizing refugees when security is less of an issue. To better understand the distinct roles played by improving security conditions and service restoration, these effects were introduced separately. When only security improvements are considered, the optimistic path features 1.9 percentage points more returns than the baseline environments in five years. This ratio more than doubles to reach 4.9 percentage points when service restorations are involved. In comparison, the gap between "security only" and "security + service restoration" cases are smaller when the pessimistic scenario is compared to the baseline scenario. The pessimistic insecurity path, by itself, reduced returns by 5.3 percentage points as compared to baseline path. When differences between service restoration rates are also accounted for, this gap widens to 9.8 percentage points, nearly double. Thus, the difference-making potential of service sector restoration goes together with improvements in security.

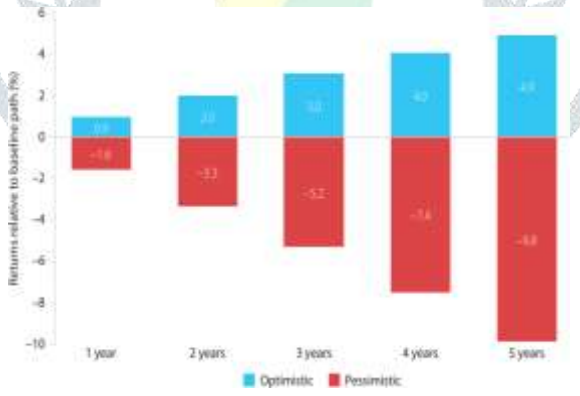

Figure 1. Return dynamics, percentage points difference with baseline

Source: The Mobility of Displaced Syrians (2019)

Maximizing returns and maximizing welfare are different objectives, and there are trade-offs between them.

Simulations show that, on average, mobility subsidies are the most effective in mobilizing refugees, but the least desirable from a welfare perspective. Returns under the subsidy scheme can exceed those under the service restoration scheme by about 29 percentage points, 45 percentage points, and 60 percentage points under pessimistic, baseline, and optimistic environments, respectively.

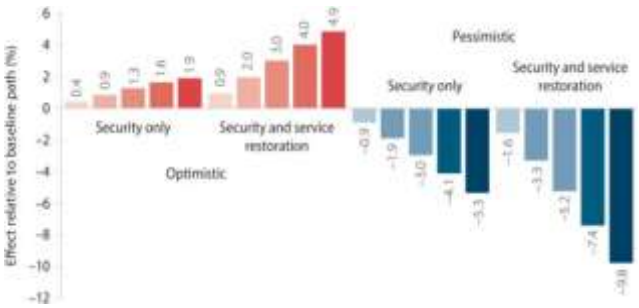

Figure 2. The effect of service restoration on refugee returns

Source: The Mobility of Displaced Syrians (2019)

Intuitively, for refugees, subsidies provide a more direct, exclusive, and thus larger benefit associated with returns. In comparison, the benefits of service restoration are shared by all Syrians and, thus, diluted from the refugee's perspective. The difference between the two schemes is the most prominent in the optimistic environment, where a larger financial resource is either shared among returnees (subsidies) or diluted by means of service restoration.

Going forward, the economic and political trajectories of the Mashreq countries will remain intertwined. Future developments in Syria are likely to influence the economic and social outcomes in other Mashreq economies. An economic recovery fueled by a credible political resolution and subsequent improvements in security and service access conditions in the country would have significant positive repercussions in the region.

The TOW estimated in 2017 that, with continued conflict, the real GDP in Syria would continue to shrink, although at a lower rate than before as the economy has already been highly depressed. Looking ahead, the economic recovery in Syria is expected to be slow. To study these dynamics, the Mobility of Displaced Syrians (MODS) report developed a bottom-up scenario-based approach. To avoid making strong, top-down assumptions regarding the complex and unpredictable political economy dynamics surrounding the Syrian conflict, this approach-built scenarios for two prominent pull factors: security and infrastructure.

In order to achieve this, eight underlying conditions political influence/control, administrative capacity, social tensions, reconstruction priority, rule of law, legal/procedural complexity of return, financial capacity, and the region's connectivity with other regions were analyzed for every governorate in Syria. By using observations and expert assessments regarding these conditions, three possible future paths for security and infrastructure were generated for each location:

• Baseline environment: The insecurity index decreases to 0.15 in 2023 (it was 1.4 in 2017). In the meantime, 16 percent of the currently damaged infrastructure is rebuilt or fixed in the entire country, but the reconstruction ratio varies from 3 percent to 32 percent in different areas.

• Optimistic environment: The insecurity index decreases to 0.07 by 2023, and about 30 percent of the currently damaged infrastructure is rebuilt or fixed during that period. With a greater amount of rebuilding, the reconstruction ratio is more divergent across different locations than the baseline: 5 percent in the lowest case and 48 percent in the highest.

• Pessimistic environment: The insecurity index decreases to 0.54 by 2023. The average reconstruction ratio remains at 5 percent of the current damages across the country, with significant disparities between the highest reconstruction at 14 percent and the lowest at 2 percent.

Way Forward:

However, there are ways the international community and humanitarian actors can be part of the solution moving forward. camp settings. Cash programming is effective and efficient and reinforces existing economic activity. Donors should emphasize programs that prioritize sustainable livelihood and food security interventions. Additionally, because the impacts of the economic collapse have had detrimental impacts on young children, the United States should prioritize sustainable and adequate funding to address ending forced child marriage and all other forms of violence against children in northwest Syria by fully funding the UN Syria Humanitarian Response Plan (HRP) that supports those programs. Finally, the United States and other donors should review existing sanctions regimes to ensure that sanctions meant to target individuals responsible for human rights violations do not inadvertently impact the livelihood and opportunities of innocent civilians.

Conclusion:

The Syrian Civil War has inflicted profound and enduring impacts on Syria, its neighboring countries, and the broader international community.

The war stands as a stark reminder of the devastating human, economic, and geopolitical toll of protracted conflicts. As efforts continue to mitigate the immediate impacts and work towards a sustainable peace, it is imperative for the global community to uphold humanitarian principles, support humanitarian assistance, and pursue diplomatic solutions to bring an end to the suffering of the Syrian people and foster stability in the region. The United States and other donors should review existing sanctions regimes to ensure that sanctions meant to target individuals responsible for human rights violations do not inadvertently impact the livelihood and opportunities of innocent civilians.

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