The Syrian economy is steadily headed for ruin

The decision regarding chemical weapons opens up a certain possibility of normalising the overall situation in Syria. Although, it is still too early to say that Syria has reached the point of no return in regulating the whole issue as the future of the country is still up in the air. On the contrary, her future severely depends on the condition of the Syrian economy, and one cannot hope to overcome the economic decline with a single signature from the president’s quill, as it happened in the case of the chemical weapon disarmament.

The war with the opposition quickly led the country towards wide-spread destruction of its production forces and this process is far from over. On the contrary, it is currently gaining momentum. There is no doubt that its inertia will be felt for a very long time to come and will severely affect the recovery of both the economy and the former relationships within society. It is clear that the goals and objectives of the bygone days will be put aside, while the planned transition from a “recovery movement” of Assad the elder to the “socially-oriented market” of Assad the younger will remain incomplete. Although, it is quite possible that it is specifically this evolution that could be effective if executed by Syria, as opposed to the market models of the IMF and World Bank which, strictly speaking, were the cause of the Arab Spring. However, caution and patience with reforms that are inherent for the entire Arab world turned out to be excessive in the case of Syria, and in the end this, along with other circumstances, led to the situation exploding.

Essentially, Syria has now directly confronted threatening trends such as deindustrialisation as well as a sharp decline in competitiveness and employment. These phenomena are further aggravated by the crisis in the financial and credit system, in the services sector and in other industries within the economy. A significant part of the agrarian sector, especially food production, is also facing exceptional difficulties.

Various regressive tendencies have been quite explicitly confirmed. They can be seen even from the fact that the contribution of agriculture within the country’s GDP has presently increased from 17% to 27% in comparison with 2010. These figures, naturally, do not indicate an increase in production within the agricultural sphere but instead point to the decline of the industrial sector.

The declines across all indicators are occurring as a result of the manifold reduction in areas of capital investment due to loss of stability, the destruction of production facilities and the drain of private savings which has reached its peak. Essentially, due to the direct destruction of physical assets and the looting of material assets, government losses exceed $41 billion and amount for half of all the economic losses. These are practically irrecoverable losses, incurred in the most important economic industries and enormous new investments will be necessary to recover them to at least their former state. Due to obvious reasons, the issue of searching for these funds is not being addressed yet. However, the evidence that they will be very difficult to attract can be seen in the fact that public investments have declined by 75% over the last two years, while private investments “plunged” by 80%. Furthermore, there have been significant changes in the distribution of investment flows. A growing part of them, valued at almost $5 billion, is being redirected towards military needs. Overall, the loss of capital over the last two years amounts to a bit under $38 billion and accounts for half of the damages incurred.

According to some estimations, at the present time the combined Syrian economic losses amount to over $85 billion,
which is equal to roughly 150% of the GDP in 2010. However, in reality this figure could be a lot bigger. The overall losses of the “springtime” Arab nations are valued at around $700 billion. If this figure is to be taken as the mean, Syria’s portion could, evidently, end up being grossly underestimated. Yet Syria is the only country that has been subjected to mass destruction. This is why her contributions to the overall amount of losses incurred could end up being a lot more than those of her fellows in misfortune. At any rate, experts agree that no less than 30 years will be required to overcome such conditions, a timeline that was not predicted for any of the revolutionary Arab countries.

The overall decline of the economy has led to a formidable decrease of practically all important macroeconomic indicators. To top it all off, Syria’s exports have decreased by 75% while imports decreased by 60% while the constriction of the commodity exchange is the direct consequence of the depleted financial capabilities of the Syrian government.

The growing destructive phenomena have increasingly higher chances of turning the macro economy into a category of negative figures. Syria has almost always been able to keep its deficit at manageable levels. However, right now, the deficit has increased up to 65% of the GDP and has reached a lever never before seen in Syria. It is virtually certain that the debt will further increase because the most important sources of capital accumulation from oil and the industrial sector have been lost, suffering from sanctions and serious disruptions as a result of the armed opposition. Among everything else, the country’s tax revenue fell sharply as a result of the destruction of the tax base caused by the shortage in the number of jobs, the decreased private consumption and the overall collapse of economic activity.

Because the national replenishment mechanism is a complex system, it is thus affected, especially during times of extraordinary developments, from many sides at once. As such, Syria’s currency reserves have fallen from $23 billion to $2 billion. Further developments down this path threaten to completely devastate the treasury, which means a dead end for the country.

These and other problems are difficult to solve by one’s own strength, especially if one is to account for the fact that Syria’s prosperity has always been more than just moderate. There is no place for her to borrow funds from in order to rebuild the economy. At the same time, foreign loans can only be negotiated under choking conditions; it would be a good thing if they were only economic and not political. In seeing all of this, it is not difficult to imagine that the Syrian government will face new trials which is extremely painful for its citizens to accept, given that there is no end in sight for the present tribulations either.

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