

Syrians are hurting, but regime stays strong against economic attacks

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Sep 23, 2013

In the early days of the Syrian uprising, foreign leaders opposed to Bashar Al Assad's regime sought to use economic measures to force his regime to compromise with the opposition..

The United States and European Union imposed a raft of sanctions on Syrian politicians and their families, dramatically reducing their ability to operate in the international banking system. They also blocked the sale of Syrian oil in their markets, hurting government revenues, about 20 per cent of which was from oil.

But two-and-a half years into what has become a full-fledged civil war, those measures have failed to significantly affect the regime's power. The economy may be in tatters, but analysts say Mr Al Assad's government has managed to reach a position of relative stability thanks to support from allies, monetary policy tools, smuggling and holding on to natural-gas fields, vital for generating power and keeping factories running.

In fact, the Syrian government has earmarked 50 billion Syrian pounds (Dh918 million) to be spent on reconstruction next year, the prime minister told the pro-regime Al Watan newspaper on Monday.

The economic resilience of the Syrian regime highlights just how difficult a task the opposition and their supporters face to unseat Mr Al Assad. Not only are his military resources vastly superior, but he has managed to largely shield himself and his government from economic attacks.

"Everyone was expecting that a collapse of the economy would have a big impact on the regime, but we are seeing a repeat of history," said Jihad Yazigi, a political economist who runs the website SyriaReport.com. "If you look at Iraq or Zimbabwe, where there was a huge destruction of economic wealth and sanctions, they were able to continue operating for years without the economy becoming a critical issue.

“I think the sanctions were very important, but we are now learning that they are having few impacts on the regime.”

That is not to say the situation on the ground is getting better. It is getting much worse.

“Syrians are becoming more impoverished by the day,” Mr Yazigi said.

Faced with growing joblessness and desperation, more than two million people have fled to Lebanon, Turkey and Jordan to live as refugees.

For those who stayed, basic commodities have become much more expensive. A bag of bread can cost as much as 200 Syrian pounds, despite a government-mandated price of 15 pounds. Syria’s General Labour Union says that a quarter of the work force are without jobs. Others are getting by on very little.

“Syrians live on God’s blessings these days, not on our salaries,” said Iyad, a government employee, 40, from Midan in Damascus, once firmly middle class but now struggling to get by.

A father of two young children, Iyad and his wife – who also works for the government – now cannot live in the house they took a mortgage to buy three years ago because of fighting in the area.

Most of the 42,000 pounds they earn each month is spent on rent, paying off their loans and meeting the spiralling costs of living.

Nappies, which cost 375 pounds before the uprising, now cost 2,800 pounds a pack, while powdered milk for the children, once 1,000 pounds a tin, now costs four times as much.

While the equivalent dollar prices have not changed much – or in some cases are even lower than they were – Syrians are paid in local currency and, therefore, have to endure the full price rise.

“Prices have gone up four or five times for most things and while my salary has doubled in that time I actually earn less – I used to earn the equivalent of \$240 a month, but now my salary is reduced to \$110 because of inflation,” said Iyad.

“There are lots of poor people now in Syria, the middle classes have joined the poor while the rich have left or sent their money outside.”

The overall economy is expected to contract by 13.9 per cent this year, according to the economic consultancy Business Monitor International. The impact will be felt most strongly by civilians, whose purchasing power has been slashed by war-time recession.

The Syrian government, meanwhile, has managed to avoid being crippled by the economic situation, though it has faced leaner times because of rebel advances in wheat-growing areas in the north-east of the country and the capture of oil wells in the eastern province of Deir El Zour.

Buoyed by its allies Iran, Russia and China, who have refused to ostracise the Assad regime despite international pressure, the Syrian government has been able to meet its government payroll, continue subsidising food and fuel, and buy weapons to fight the rebels. The three allies are providing about \$500 million a month in oil and credit, Syria's deputy prime minister for the economy, Kadri Jamil, told the Financial Times in June.

"As long as Russia and Iran are on board, the regime can survive until whatever moment their supporters see as the end game," said David Butter, who studies Syria's economy at the think tank Chatham House in the UK.

"This is basically a war economy now," he said. "The weapons supplies are still coming in. Basic fuel and food supplies are still there."

The exodus of Syrians has also provided a respite to the government because international aid agencies and foreign governments have taken responsibility for their welfare, Mr Butter said.

Syria's central bank also appears to be rapidly increasing the money supply to enable government salaries to be paid, according to Steve Hanke, a professor of applied economics at the Cato Institute and director of its Troubled Currencies Project.

The result is an annual inflation rate of about 193 per cent as of September 16, according to Mr Hanke's estimate, based on data from Syria's currency black market. The Syrian government says the inflation rate is 40.2 per cent.

The high inflation rate is hitting Syrians hard, but also allowing the government to keep paying soldiers.

"The Syrian government is basically funding its budget through foreign gifts from its allies and printing money," he said. "With those two tools, it can last a long time."