

# ARAP KRİZİ'NİN SURİYE EKONOMİSİNE ETKİLERİ

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## Öz

2010 yılında Tahrir meydanında başlayan olaylar ilk olarak yıllardır barışa ve huzura muhtaç bir şekilde yaşayan Orta Doğu halkları için bir bahar şeklinde nitelendirilerek Arap Baharı olarak adlandırılmıştır. Ancak geçen zamanla birlikte yaşananların bahar olmadığı anlaşılmıştır. Bu sebeple Arap Krizleri olarak adlandırdığımız bu olaylar, bölgede bulunan birçok ülkeye, Tunus'ta başlayıp ve sırasıyla Libya, Bahreyn, Yemen, Ürdün, Mısır ve Suriye'ye, sıçramıştır. Bu krizlerin birçoğu sona ermişken, Suriye'deki kriz devam etmektedir. Birçok devlet ve devlet dışı aktörün bulunduğu bölgede yaşanan terör olayları ülkenin ekonomisini de oldukça olumsuz bir şekilde etkilemiştir. Bu çalışmada, Arap Krizleri ile başlayan ve hem devlet terörünün hem de devlet dışı aktörlerden kaynaklanan terör olaylarının neticesinde kaydedilen ekonomik göstergeler incelenerek ve literatürden faydalanılarak terör ile ekonomi arasındaki bağlantı irdelenecektir.

**Anahtar Kelimeler:** Terörizm, Ekonomi, Uluslararası Politik Ekonomi, Suriye, Arap Krizi.

## EFFECTS OF ARAB CRISIS TO THE SYRIAN ECONOMY

### Abstract

The events, which initiated in year of 2010, earlier qualified as spring for Middle Eastern people who indigent to peace and serenity for decades, and therefore named as Arab Spring. However, day by day, it is understood that events do not related with the any kind of spring, so that we identify the case as Arab Crisis. The crisis had started in Tunisia and then spread to Libya, Bahrein, Yemen, Jordan, Egypt and Syria. Many of the this series of crisis ended, except Syria. The events in the area, where include a lot of actors as state and non-state, affected negatively country's economy. In this paper, economic indicators which are result of the Arab Crisis and terrorist activities, that are made by both regime and sub-state groups, in the country will be examined and correlation between terrorism and economy will be scrutinized.

**Keywords:** Terrorism, Economy, International Political Economy, Syria, Arab Crisis.

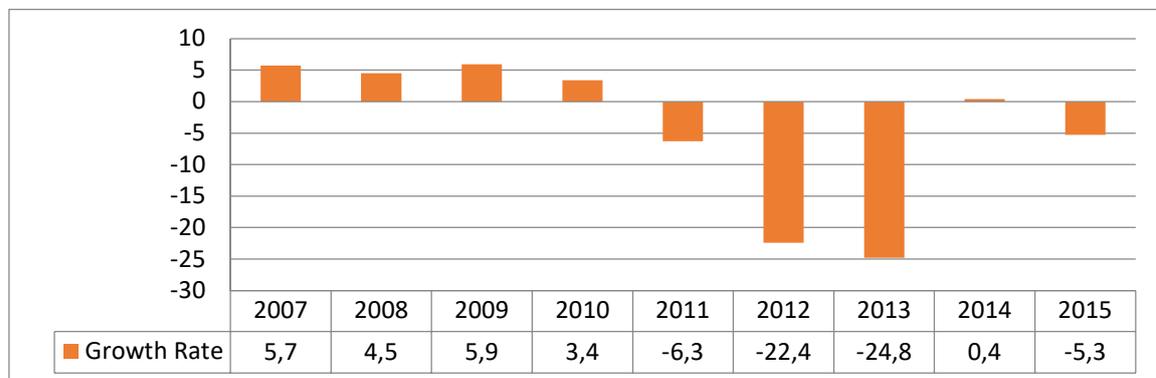
## INTRODUCTION

By year of 2010, Middle East and North Africa region entered into new political instability era because of the occurring protests. These protests called as Arab Spring in the Western literature, however, it is not related with spring in any aspect, since events do not consist peace, welfare and order in the region. Therefore, these events, for us, should be named as Arab Crisis. This series of crisis has arisen in Libya, Bahrain, Yemen, Jordan, Egypt and Syria respectively. All these countries have been shattered both in political and economical terms due to warfare situation, and many leading great powers have interfered to struggles. Disputes had ended, or some made events end, in these countries except one of them, Syria. In Syria, local people demanded radical reforms, that aims to increase welfare of their living standards, from Syrian government which ruled by Ba'ath leader, Bashar El Esad. However, these demands did not actualized in real manner by the regime and occurred struggles made living standards in the country worse. In this study, it is tried to be analyzed economic data via terror in the region, which are financial issues and energy relations, of Syria, where the most conflictual side of the Arab Crisis, and having high scores in terrorism index since events started.

## ECONOMIC DATAS OF SYRIA SINCE INITIATION OF ARAB CRISIS

Economy consists of many variables, and due to that, it is hard to balance its position at good point. Variables which effects economies mostly divided into two as endogenous and exogenous variables. While endogenous variables are determined by inside factors, exogenous variables are designated by outside factors (Parker, 2012:5). In fact, all kind of unexpected circumstances create a risk for national economies. Nevertheless, if the reasons of these conditions are political instabilities and struggles which occur due to both endogenous and exogenous factors, national economies mostly enter into deadlock. Syria is good instance for this condition. Due to the crisis and civil war, which includes many regional and international actors such as US, Russia, Turkey, Iran, ISIS, opposition groups, Syrian economy has been experiencing one of the its worst days in own history nearly for seven years.

**Figure 1:** Syrian Economy Annual Growth Rates 2007-2015



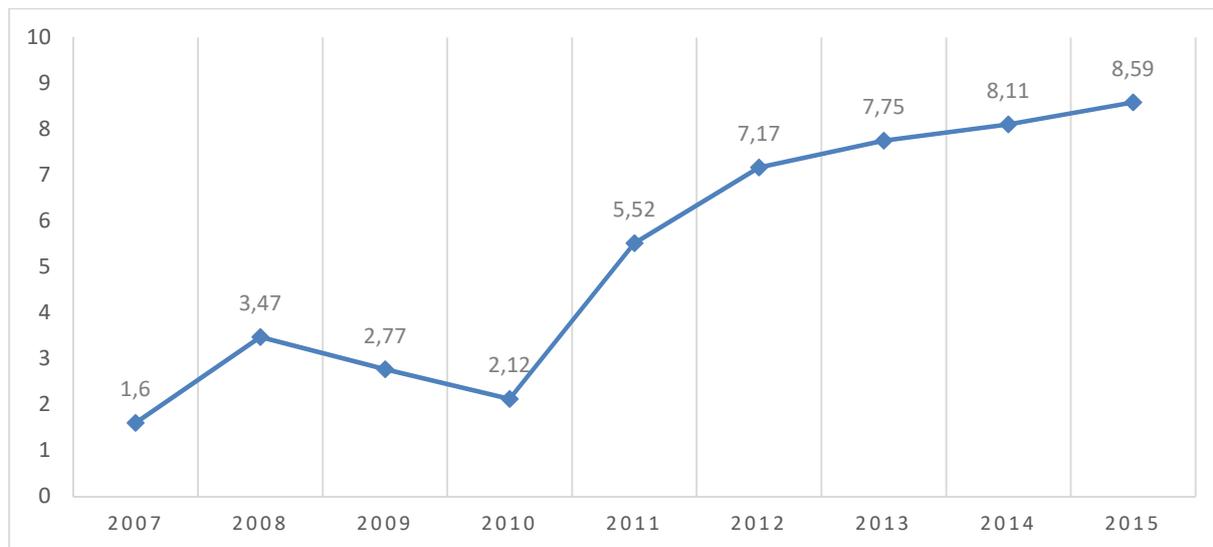
**Source:** Country Report Syria, [www.tradingeconomics.com](http://www.tradingeconomics.com)

Syria's economic growth rates since beginning of the crisis are in extremely cautious situation as seen on Figure 1. Before the crisis, Syiran economy had average five per cent development rates annually. However, in the first three year of the civil war, it reached up to 25 per cent negative growth/narrowing rates. The reasons of the occurrence in this circumstances are various. Terrorism, withdrawal of investment from country, inflation rates, decreasing in population, that also means decline in labour power, and losing control of energy flow are some of them.

## **ECONOMY AND TERRORISM**

The concept of terrorism had emerged after struggles between the Roman and the sicarii in the BC 7366 (Dedeoğlu, 2003: 315). Nevertheless, the concept gained its modern meaning within the assassinations led by Hasan Sabbah in the Middle East, which actualized in the 13th century (Akgün, 2006: 410). Terrorism affects every aspects of humanbeing's Daily life and states' policies, such as economic production, welfare level, individual and national security.

Terrorism has an influence on economy in various ways due to leading to direct economic devastation, increasing budget for ammunition, uncertainty in market, creation of risky situation, withdrawal of foreign direct investments and so on. There are different approach toward emergence of terrorist activities' impacts on the national economies. According to theory of economic opportunities, if a country's economy growth steadily and fastly, there occurs new job opportunities which extend to disadvantaged people in society that reduce possibility of emergence of terrorist activities. Thus, people who could create risky situations, would obtain to participate in the economy, by producing, buying and selling goods and services (Enders and Sandler, 2006). For theory of social cleavages, members of society always benefits from economic development unequally. Because of that, while some people reap yield of the economic growth, others faces disadvantages of the situation (Lijphart, 1971). So that, there is a risk about occurrence of the unrest in the society which could transform into terrorist movements. In other words, in some cases, economic growth can lead to terrorism by the losers of society in order to acquire profits of the development and to end exploitation of the rich people (Caruso and Schneider, 2011). Moreover, theory of hard target claims that when states able to provide security better and become more and more richer, the number of suicide attacks, which can organize speedily, increases (Berman and Laitin, 2008: 1994).

**Figure 2:** Global Terrorism Index 2007-2015

**Source:** Global Terrorism Index 2016, Institute of Economic and Peace

In Syria, it could be said that theory of social cleavages is valid, due to the fact that according to opposition groups, Assad regime pursues policies in favor of Shi'ite section of the society. However, this is not only reason of the crisis in the area. There are many actors as state and non-state level, at home and on abroad such. Terrorism, whereas on domestic level distorts market activities such as consumption, production and investments, and government spendings and saving; on international level leads to diversion of trade and capital flows, rising of military spending and level of bilateral relations (Abadie ve Gardeazabal, 2008). On account of that, investment toward economy, production, education, infrastructure etc. decreases. According to a report which is published by Institute of Economic and Peace, terrorism index ratios of Syria are at high ratio. Terrorism index rating indicates direct and indirect influences of terrorism, containing its impacts on psychological traumas, lives lost, property detriments, by numerizing in between score of 0 and 10, as from no impact to highest impact (Institute of Economics and Peace, 2016).

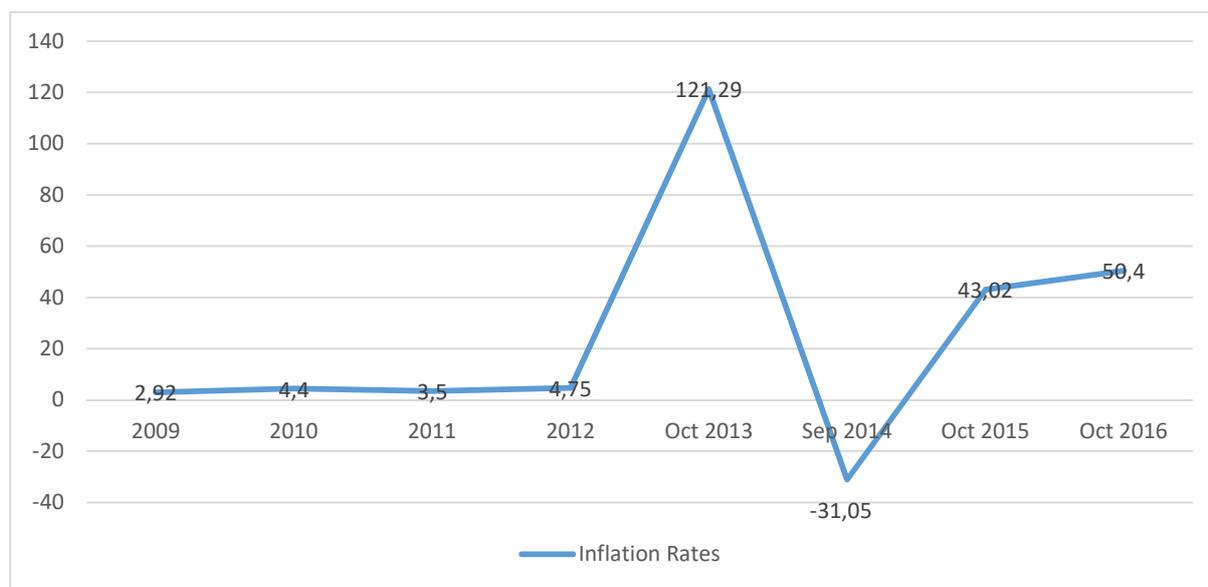
### Arm Deals

In this framework, it is clearly seen that, in Syria, effects of terrorism extremely at high ratios. This situation leads to spill over effect that influence many areas. At first, arm trade level has been increased due to the Arab Crisis. Since the beginning of the events, ammunition sale amounts has reached to great grades. It could be discussed which actor in the region main decision maker or at dominant position. However, it is unarguable that all major powers, who are able to sell ammunition, are in profit status. Along with the beginning of the crises in the Middle East and North Africa region, arm trade amounts reached to highest rates since the World War II. Between years of 2012 and 2015, leading major ammunition suppliers of the international arena has actualized arm trade at great deals. During this period, US \$126billion, Russia \$52,5billion, China \$17,1billion, France \$29,2billion, Germany

\$15,9billion, Britain \$10,8billion, Italy \$5,5billion worth military equipments had sold to the crisis region (SIPRI, 2017). Syria is an important arm receiver, although its terrible economic indicators. As an illustration, on the one hand Russia has sold approximately 10 per cent of its arm industry to Syria by increasing amount from \$2,1billion to \$4.7billion worth; on the other hand, US boosted its arm exports up to the ratio of %21.

## Inflation

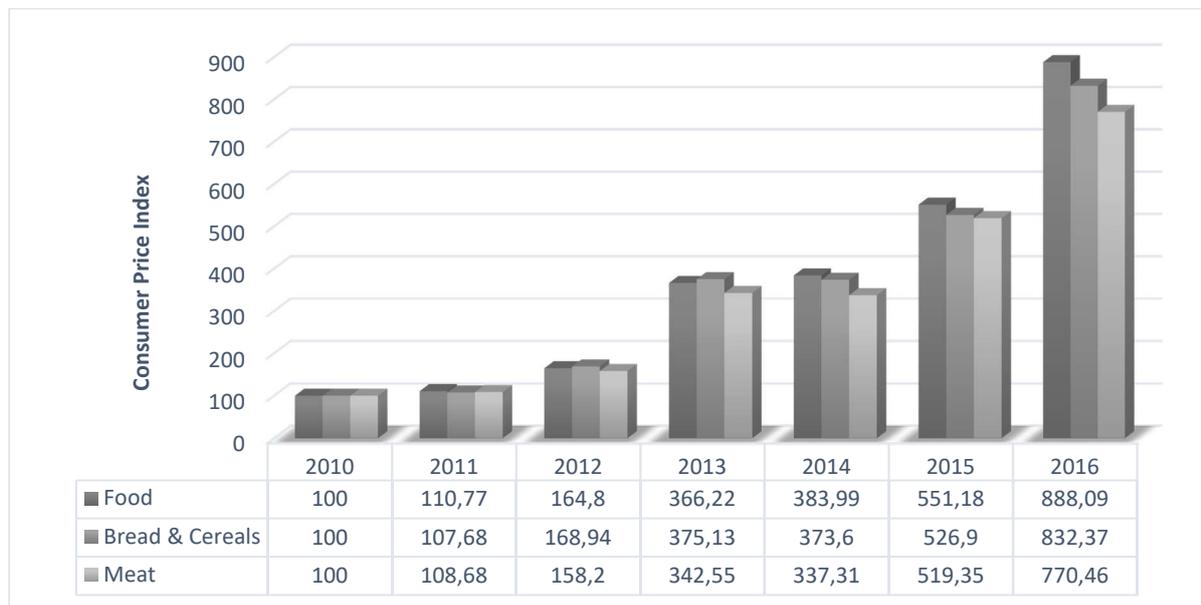
**Figure 3:** Inflation Rates of Syria 2009-2016



**Sources:** Central Bureau of Statistic Syrian Arab Republic, Trade Economics, World Data

Second effect is inflation rates. Throughout crisis in the country which still continues, prices of the goods and products has been increasing day by day. As seen Figure 3 on the above, Syrian economy is in fluctuation status. Before the civil war, the country had average 3-5 per cent annual inflation rate, but, along with the instabilities and struggles these ratios had reached to 121 per cent in 2013, downed to -31 per cent in 2014 and standardized nearly at 50 per cent in years of 2015 and 2016 (Central Bureau of Statistic Syrian Arab Republic, 2017). This condition is also valid for the agricultural products. The number of the Syria's collection center for the goods was 140 before the events, this number fallen to 31 in 2014, then to 22 in 2015 (El Dahan, 2016). Due to the civil war planting area had narrowed from 3,125 million hectares which was in 2010, to 2,38 million in 2015, then to 2,16 million in 2016 (El Dahan, 2016). As a result, third planting area destructed due to the conflicts. Besides that, financial cost of loss in agriculture sector in Syira is \$16billion between 2011-2016. While total damage and loss in crop production is \$7.2billion, cost of damage and loss in livestock sector is \$5.5 billion (Food and Agriculture Organization of United Nations, 2017:5-9). As a natural result of that, food prices has perpetually been ascending day after day.

**Figure 4: Food Inflation in Syria**



**Source:** Food Inflation Rates in Syria, 2010-Based CPI, Central Bureau of Statistics, Syria Arab Republic

According to official Syrian Central Bureau of Statistics, food prices in the country, throughout the crisis, has multiplied approximately 4-times in 2014, 5.5-times in 2015 and 9-times in 2016. This situation had engaged attention of international society and UN prepared programmes toward Syrian food crisis as seen in the below at Table 1.

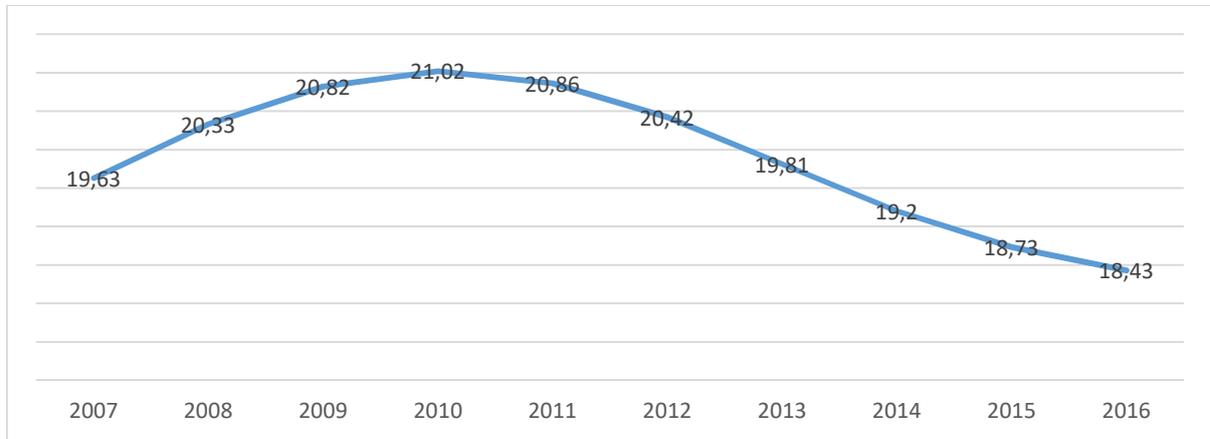
**Table 1: FAO of UN Food Programmes Toward Syria Arab Republic**

Type of Programme	Title	From-To	Total Budget
<b>Technical Cooperation Programme</b>	Strengthening of Food Security Information and Early Warning Systems affected by the Protracted Syria	2017-2019	\$400,000
<b>Trust Funds</b>	Emergency agriculture and food security assistance to crisis affected people in Syria	2017-2018	\$1,000,000
<b>Trust Funds</b>	Technical Cooperation for Long-Term Capacity Building of Syrian Experts - Training for All	2017-2018	\$420,531
<b>Trust Funds</b>	Emergency agriculture and food security assistance to crisis affected people in Syria	2016-2017	\$1,500,000
<b>Trust Funds</b>	Prevention and Disposal of POPs and Obsolete Pesticides in Syria	2010-2017	\$975,000

**Source:** Food and Agricultural Organization of UN, Country Profile Syria, www.fao.org

## Labour Power

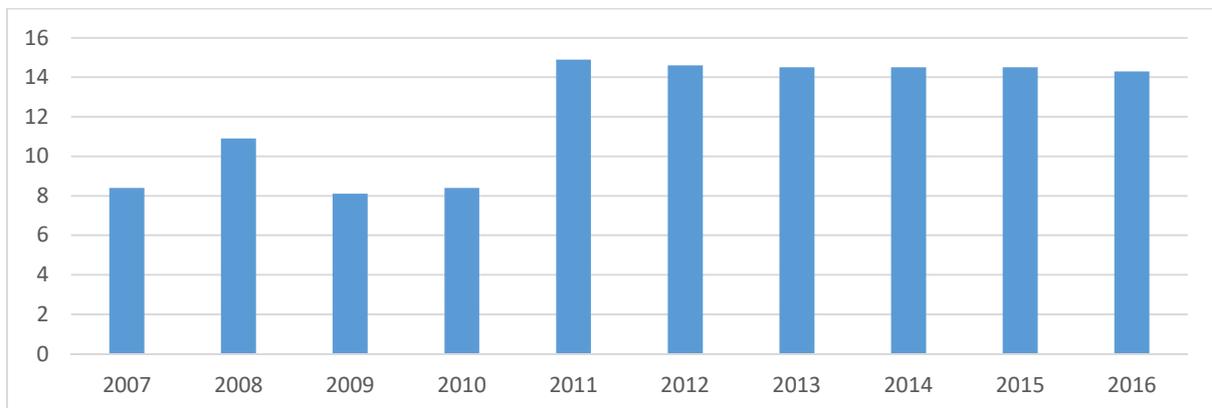
**Figure 5:** Syria's Population 2007-2016



**Source:** Population of Syria between 2007-2016, World Bank Open Data, data.worldbank.org

Another factors which lead to this situation and result of terror issue are loss of population and rise of unemployment rates. Number of population in Syria decreased from 21 million to 18,4 million. Main reasons of that are deaths and migration. On the one hand number of deaths in the land reaches to 2 million, on the other hand Syria has become biggest emigrant country in the World that number of Syrian refugee surpassed 5,5 million (UJN ve Google, 2017). This also influenced the unemployment in the country that before the crisis, it was at 8 per cent, along with the crisis ratio has exceeded 14 per cent that is nearly equal to 866 thousands manpower (Central Bureau of Statistic Syrian Arab Republic, 2017). Therefore production capacity of the country diminished.

**Figure 6:** Unemployment Rate in Syria 2007-2016

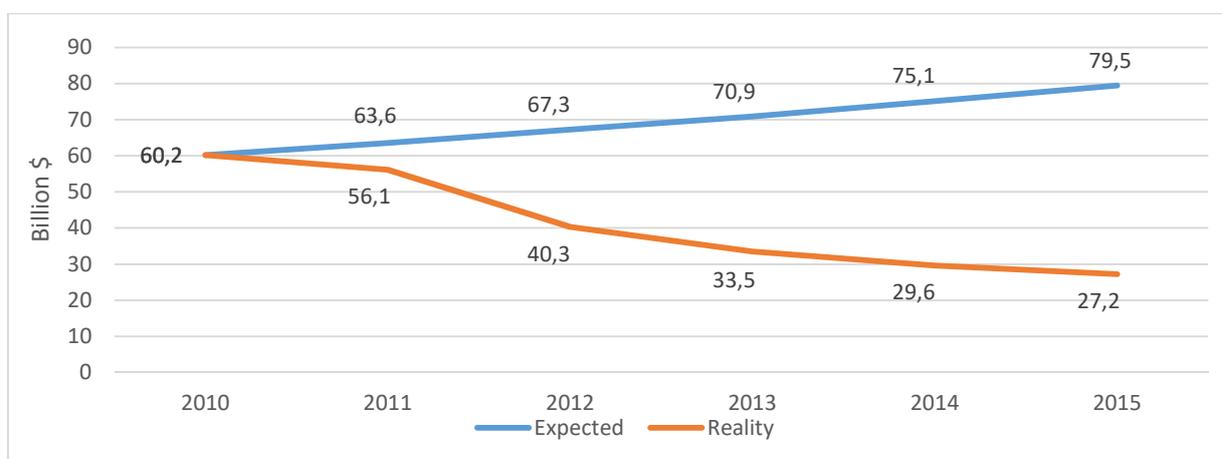


**Source:** Unemployment Rates in Syria, Central Bureau of Statistic Syrian Arab Republic.

## GDP

Fourthly, impact of the crisis occurred in GDP rates. On the one side, withdrawal of foreign investment that just US withdrawal from Syrian banks, by the end of 2012, was nearly 100 billion Syrian Pounds, in other words \$10 billion (Syrian Center for Policy Research, 2016). On the other side, according to Syria State Planning Commission report, target of the country GDP was to reach \$80 billion in 2015, however, in reality GDP amount is \$27 billion. Between years of 2011 and 2015 cumulative losses of Syria is \$259.6 billion, \$169.7 billion in GDP and \$89.9 billion in capital stocks (UN ESCWA, 2016: 4).

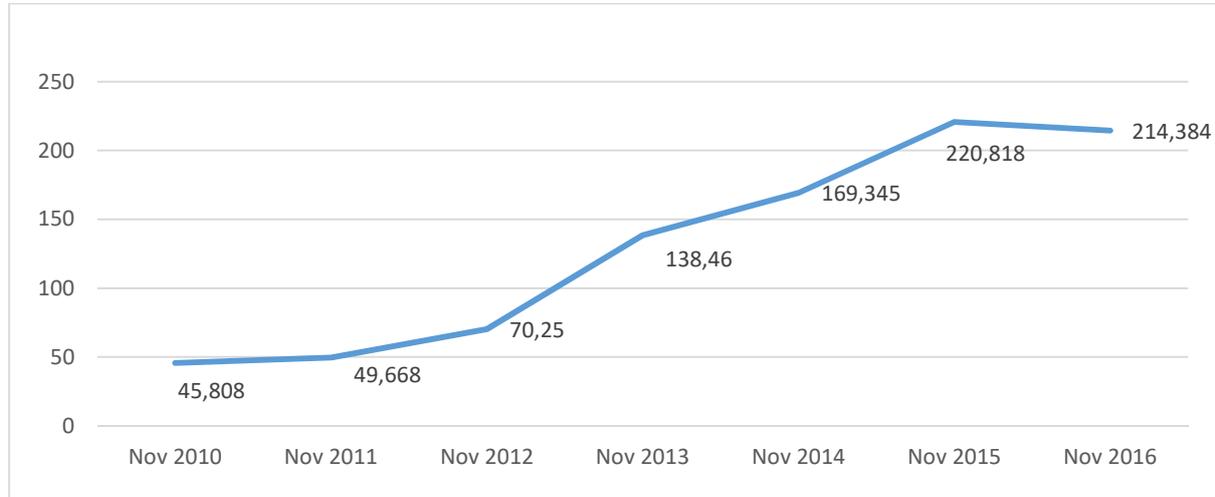
**Figure 7:** GDP Loss of Syria 2010-2015



**Source:** GDP Loss of Syria 2010-2015, Syrian Center for Policy Research, <http://scpr-syria.org>

In addition to occurrence of GDP loss, there are two other elements, which are also consequences of civil war, exchange rate and energy flow. Syrian pound has been losing its value international market since 2010. At just before the beginning of the Arab Crisis, Syrian pound was equal to 45 US dollar, but now, it nearly 5 times lost its purchasing power and this is one of the important factors in negative economic growth and loss of GDP. If the value of the Syrian pound became at same worth, GDP loss of the country wouldn't be as much as now.

**Figure 8:** Exchange Rate Syrian Pound/US Dollar

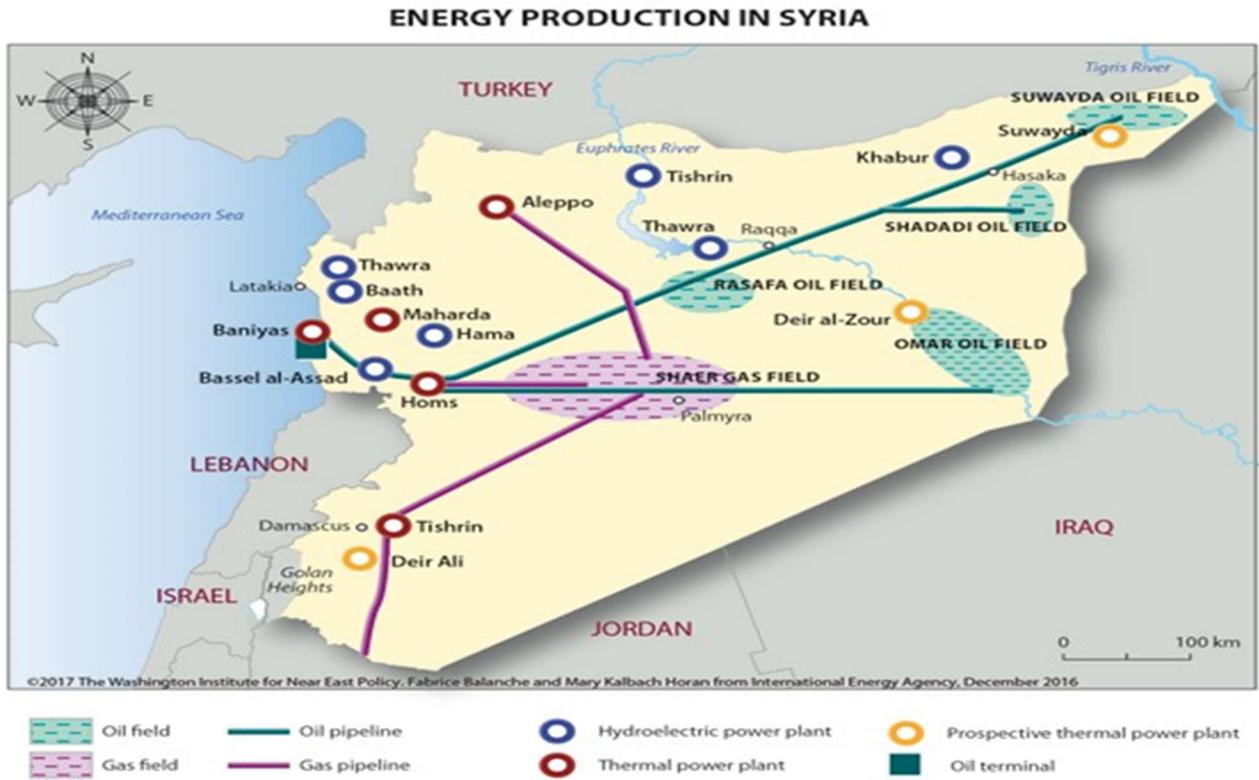


**Source:** Value of Syrian Pound against US Dollar, [tradingeconomies.com](http://tradingeconomies.com)

### Energy

In aspect of energy issue, Syrian energy flow has lost its sustainability, credibility and security. The country has oil and gas resources which can not be underestimated level. That's why, global and regional actor interested in the area and aims to increase their economic and political power in international arena by controlling energy flows and reserves around the country. While proved oil reserves in Syria are 2.5 million barrels that is %01 of the world share, proved gas reserves are 300 million cubic meter that is equal to %02 of the world reserves (BP, 2017: 16-28).

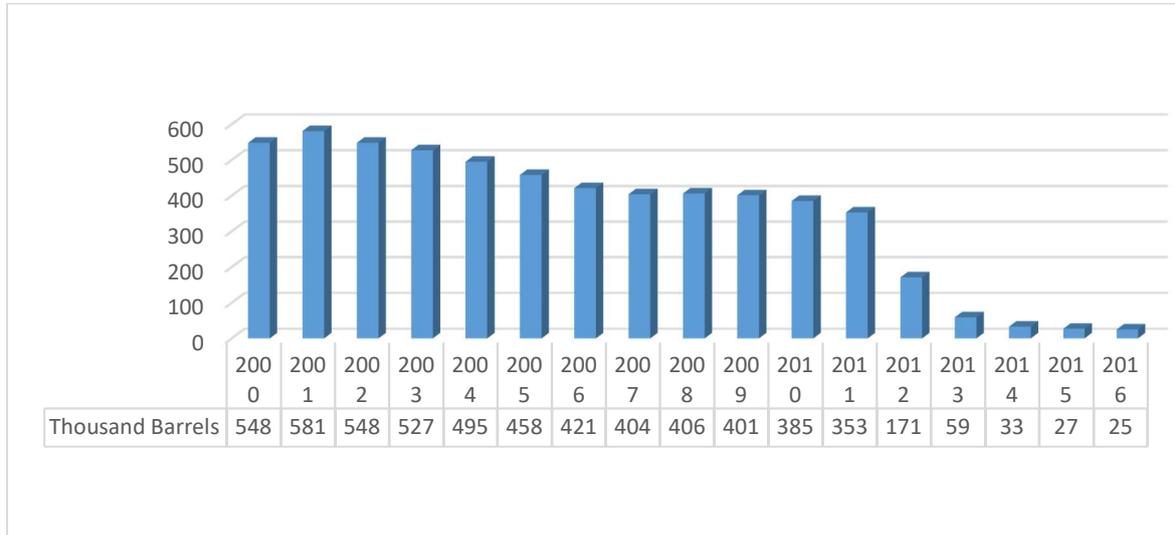
**Map 1:** Energy Production in Syria



**Source:** Energy Production Areas in Syria, Washington Institute For Near East Policy

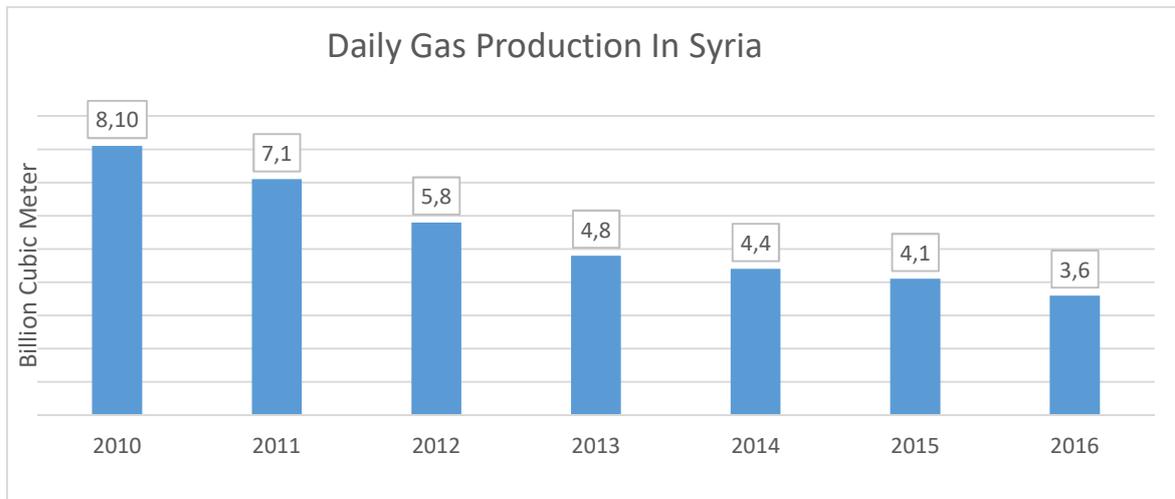
Because of the terror in the land, Syria has lost its supremacy on oil and gas production centers which are captured by Daesh and the other terrorist groups like YPG. Therefore, on the one hand daily oil production of Syria had fallen to 25 thousand barrels in 2016, from 385 thousand barrels before the events; on the other hand Daily gas production narrowed nearly %55 and downed from 8.1 bcm to 3.6 bcm. Moreover, over production of oil by Daesh and insecurity in main petro areas led to decreasing of barrel prices from \$110 to \$40 between years of 2012-2015.

**Figure 9:** Daily Oil Production of Syria 2000-2016



**Source:** Daily Oil Production Syrian Arab Republic, 2000-2016, BP Annual Reports 2006-2017

**Figure 10:** Daily Gas Production in Syria

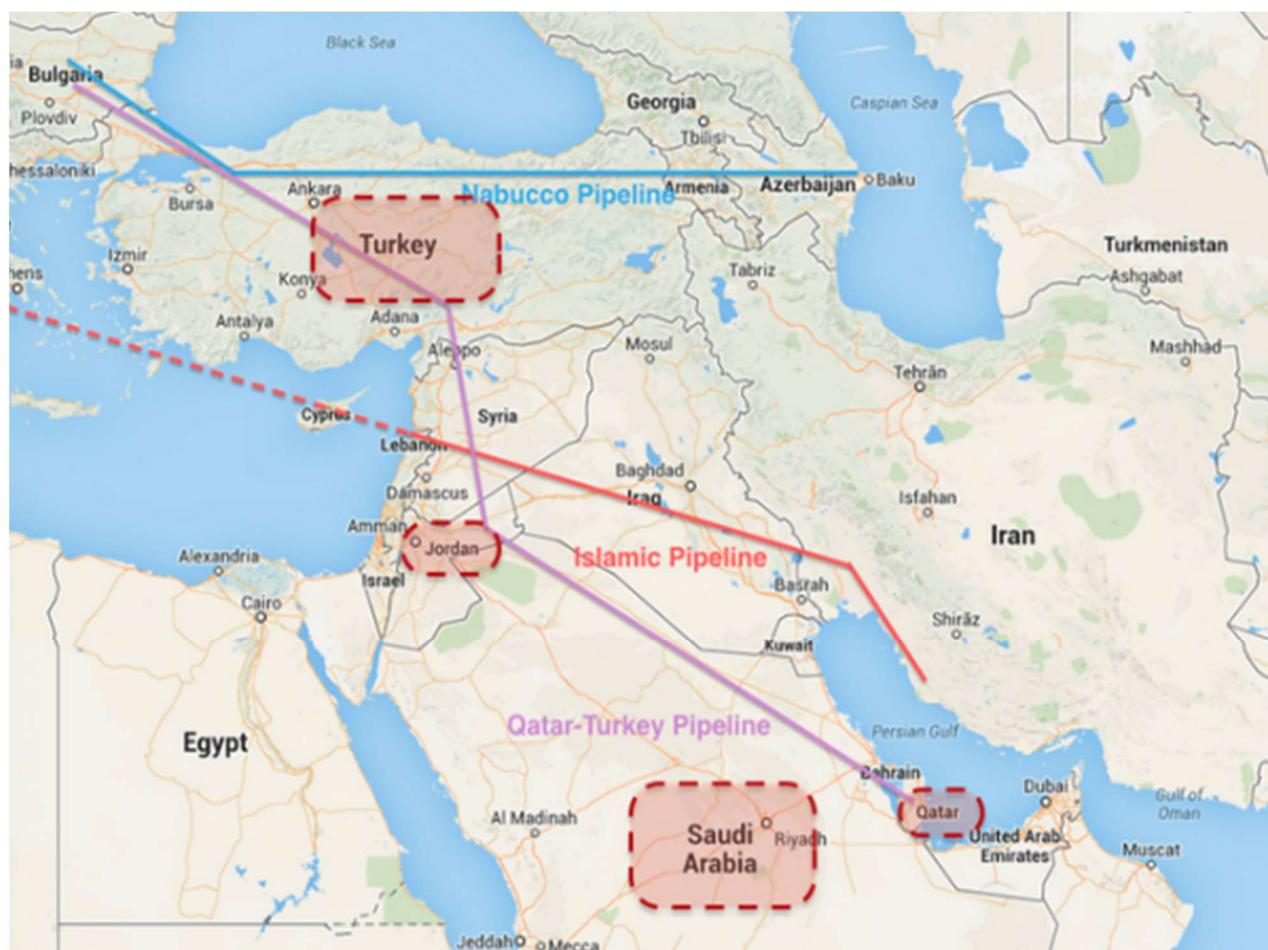


**Source:** Daily Gas Production in Syria 2010-2016, BP Statistical Review of World Energy Reports 2010-2017.

According to Russia and China, Arab Crises are planned by The USA in order to capitalize oils and gases in the MENA region for its own interests. In this frame work, for them, victory of opposition groups in the country also means victory of the US. Therefore, Russia and China has been supporting Esad regime for their own interests. In Russian aspect, Syria is only ally in the region that Putin and Esad have close relationship each other, and Russia has Tartus naval base in Syria which is only direct link of Russia to Mediterreanean Sea. On the other side, main motive of China is to prove its power that is not only in economical manner, but also in political means. In this direction, China tries to play decisive role in Syrian issue especially in energy matters, such as

aims to link Syrian oil to its New Silk Road Project which is crucial for China to supply energy for own need and expand its productions to new markets. In this framework, Assad regime cooperates Russia and China. In 2009, Syria denied the pipeline project which goes through Qatar, Saudi Arabia, Jordan, Syria, Turkey and arrives to final destination Europe over Greece and Italy. Western led Project had aimed to bypass Russia and to decrease role of Iran who is Shi'a religion-based partner of Assad in the regional energy flow. Instead of that, in 2012, Syria accepted the project led by Russia and Iran. This pipeline intends to follow the route that Iran, Iraq and Syria, respectively, which is also named as Shiite pipeline (Engdahl, 2015).

**Map 2:** Routes of Qatar-Jordan-Syria-Turkey Pipeline and Iran-Iraq-Syria Pipeline



**Source:** Routes of Qatar-Jordan-Syria-Turkey Pipeline and Iran-Iraq-Syria Pipeline, oil-price.net

## CONCLUSION

Economy consist of many tools and is effected by many variables. These variables divide into two in general as endogenous and exogenous variables. Some phenomenons that place in both, such as terror and civil war. Events in Syria are good example for this situation. Along with initiation of The Arab Crises, Syrian economy has been collapsing from day to day. According to

terrorism index, score of the country is over 8.5 out of 10. As a natural result of that like in political manner, economy of state falls into terrible situation. Due to the crisis and terrorist activities, in Syria there are negative growth, hyper inflation, food crisis, unemployment and manpower problem, refugee crisis, GDP loss, decreasing value of national money in international exchange market, loss of energy centers and insecurity and unsustainability in energy flow.

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