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# Preliminary reading of Syria's post-Assad economic Trends

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## Abstract

Syria's post-Assad economic landscape is marked by extreme fragility, deep structural damage, and cautious signals of recovery. The transitional authorities, though politically constrained and still influenced by remnants of the former Hay'at Tahrir al-Sham (HTS) leadership, have taken initial steps toward economic reform. These include lifting subsidies, introducing more liberal trade policies, and attempting fiscal restructuring. However, many of these measures have faced delays in implementation, public backlash, and structural obstacles such as a severe cash shortage and institutional dysfunction.

The broader economic crisis is the result of multiple factors: war-related destruction, capital flight, Western sanctions, and the collapse of Lebanon's banking sector. Stabilization efforts are urgently needed. Short-term priorities include ensuring access to basic goods, increasing purchasing power, and stimulating production. Yet, the government's limited capacity continues to hinder progress. Planning for reconstruction is further complicated by persistent banking sanctions, ambiguous property rights, and a shortage of skilled labor.

Despite these challenges, there are signs of cautious optimism. Renewed investor interest, the return of diaspora capital, and a recent agreement with the Kurdish-led SDF suggest a potential for political and economic integration. This paper offers a preliminary assessment of Syria's evolving economic trajectory and argues that, while progress will be slow and contested, the path to recovery has begun.


## When Assad fell

Syria's macro-economic situation at the fall of the Assad regime was disastrous and reflected the multiple consequences of the war that ravaged the country over the past fourteen years.

While data is scarce some indicators reflect the depth of the crisis Syrians are going through. The vast majority of the population lives under the poverty line – some estimates put the number at up to 90 percent – and gross domestic product is only a fraction of what it was in 2010. A recent World Bank report measured the country's GDP, using nighttime light data, at some USD 6.2 billion[1], which would be equivalent to around 11 percent its 2010 level. This is lower than other estimates for the decline of GDP – ESCWA, a UN agency, estimates that GDP declined by 'only' 64 percent since 2011[2] for example - and most likely to be incorrect, because none of the main sectors of activity (oil, electricity, agriculture) has fallen by that

[1] Syria Economic Monitor, Spring 2024, 24 May 2024, The World Bank, https://documents1.worldbank.org/curated/en/099515505222471242/pdf/IDU-2e419274-42fc-4ff3-baf4-1ef0c0aef81c.pdf

[2] Syria at the crossroads: Towards a stabilized transition, January 2025, ESCWA, http://www.unescwa.org/sites/default/files/pubs/pdf/syria-crossroads-stabilized-transition-english_0.pdf

much, but in any case, there is no doubt that Syria's economic output has decreased dramatically and will need years to recover.

Even though many analysts systematically tend to blame sanctions for almost every economic ill, many other factors played as important a role in the current situation, in particular the massive physical destruction caused by the war: buildings, roads, bridges, factories, irrigation canals, power stations, oil fields, water and gas treatment plants, etc.

The destruction of the economy also stems from the massive diversion of public funds—whether for productive investment, subsidies, or operational expenditures—towards war spending. Other factors include the fact that capital and people fled the country; and that the country fragmented into various zones of control, further increasing transport and distribution costs. Another significant event of the past decade, which revealed the interdependence between the Syrian and Lebanese economies, was the collapse of the Lebanese banking sector at the end of 2019, which dragged the Syrian economy down with it. For the Syrian economy, there is a clear distinction to make before and after 2019. In future years, with more hindsight, when the various factors leading to the fall of the Assad regime are analysed, it wouldn't be surprising if the collapse of Lebanon's banking system is seen as the start of the Syrian regime's unravelling—or at least the acceleration of its disintegration. The consequences of the Covid-19 of course also accelerated the economic meltdown. Economic predation, particularly from the presidential palace, which increasingly accumulated economic wealth, even at the expense of regime partners, further squeezed economic opportunities, frightened any remaining potential investors and further contributed to the deterioration in the economic situation.

And of course, western sanctions played an important role, particularly U.S. sanctions on the Syrian banking sector (which are essentially the only ones that really matter, as has become clear now that Europeans are beginning to lift theirs).

## The first 100 days

The first three months of rule by the HTS government were marked, unsurprisingly, by numerous challenges, particularly as Damascus' new rulers appeared as surprised as anyone else by their rapid success. While priority was given to security measures, economic decision-making often appeared chaotic. The interim government, which was a copy of the Syrian Salvation Government ruling Idlib, announced a variety of measures, of which it implemented only a small part, or which it quickly reversed. Hence, the government fully liberalised foreign trade allowing an influx of very cheap Turkish goods, before an uproar from local manufacturers forced it to backtrack; it then announced that it wanted to sell state-owned companies before announcing that after all it would build partnerships with the private sector rather than sell the companies; barely a few days after Damascus was taken, a salary increase of 400 percent for civil servants was announced, but the decision has not been implemented to this day, because the government does not have the money to finance the measure.

What the new authorities have made clear is that they are in favour of a liberal economic model. As a symbol of this, almost immediately after the fall of the regime, they lifted subsidies on all oil products. The measure led to an increase in the cost of transport, meaning in the cost of all goods, with the Syrian Center for Policy Research3 estimating the monthly impact on inflation at 15.1 percent – if the measure had not been adopted, prices were expected to decline by some 2.5. At the same time, however, the lifting of subsidies ensured that there were no more shortages of any oil products in the market.

[3] Monthly Bulletin for Consumer Price Index and Inflation in Syria - December 2024, The Syrian Center for Policy Research, https://scpr-syria.org/wp-content/uploads/2025/03/Monthly-Bulletin-Issue-10-2024-En.pdf

## Short-term priorities

The month of March saw several political developments that taken together seem to mark the real beginning of the post-Assad era: an agreement between the government and the Kurdish-led SDF which has reduced significantly the risks of an Arab-Kurdish internal conflict; then the adoption of a Constitutional Declaration, which give some mid-term visibility; and eventually, on March 29, the appointment of a new government, which brought in some competent figures. Internationally, a new edition of the annual Brussels conference was held, with renewed commitments from donor countries.

For the new government several short-term priorities can be highlighted.

One of these is the need to ensure that the population has access to basic commodities such as bread, water, medicines, and energy supplies. While most of these commodities and services appear to be available, an inexplicable shortage of cash means that the salaries of many civil servants have not been paid for months and that the private sector (both businesses and employees) is struggling to withdraw cash from banks. The Central Bank of Syria is not communicating on the subject and, unless the problem is resolved rapidly, it risks creating both a social and economic crisis.

Another short-term priority must be an increase in the purchasing power of the population. The announcement by the new authorities that they would increase the pay of civil servants by 400 % was not well-thought and too fast, but it makes sense from both a social and macro-economic point of view. Without a minimal level of purchasing power, Syrians will not be able to consume much, and consumption is a major driver of economic activity.

One more short-term priority must be to kickstart production across all business sectors. This is essential to generate wealth and spread it across society, create more job opportunities, and generate fiscal revenues. Of course, this is the objective of any sound economic policy but restarting activity rapidly is urgent in Syria because the shock created by the fall of the regime combined with the economic crisis of the last years has generated a level of uncertainty and instability that is restraining many investors. The cash shortages witnessed since December 8 are only adding to the problems. For this to happen, improving rapidly the quality of infrastructure and ensuring a steady supply of energy products would be a good starting point. An agreement reached in March with Qatar to supply enough gas to produce 400 MW of electricity will provide some relief, but it is not sufficient. Government services in terms of licencing, business registration and else must also remain smooth. Some Syrian investors are starting to return but the numbers are still too low. The government would be well advised to advertise more the return of some western companies, such as Siemens and Ansaldo, which are involved in maintenance works on the power plants they built in the country – this can serve to other investors as a sign that the business environment in the country has improved.

The government must also generate fiscal revenues. A government without revenues is an impotent government. Taxation will be accepted by the population and businesses provided they are perceived as fair and the services provided by the government improve gradually. The imposition of some customs tariffs is a good start.

Finally, the government, would be well advised to prepare rapidly several scenarios for economic recovery based on what type of western sanctions remain in place. Unfortunately, the likelihood that American sanctions on the Syrian banking sector are lifted anytime soon is low, meaning banking ties between Syria and the outside world will remain restricted for the foreseeable future. What does that mean for Syria’s economic plans for the next few months and years? How does that affect Syria’s development path?

## Reconstruction

Beyond the short-term economic priorities, Syria needs massive investments to meet the needs of its population and economy, which has incurred losses in the hundreds of billions in the past 14 years. So far, the new Syrian authorities have spoken very little about their plans for the long term. Delegations from various UN agencies, including UNDP, as well as from the World Bank have visited Damascus, but discussions do not appear to have addressed long-term plans or funding needs.

In the past years, because there were little prospects of regime change, the western international community, had gradually shifted its traditional discourse about humanitarian aid to talk about "early recovery," while the word "reconstruction" remained taboo, but now the debate about reconstruction is open.

Given that the government is still struggling to meet its short-term priorities, it may sound too early to discuss the issue, but it would be a mistake to ignore the debate about it (what type of reconstruction Syria wants, who will conduct it, what its priorities will be, where the money will go, etc.), because reconstruction will involve such large amounts and will be implemented over such a long period of time that it will necessarily leave a very important economic, political and social mark on Syria for the foreseeable future.

Lebanon's postwar reconstruction, one of whose long-term consequences was the banking crisis of 2019 and its reinforced sectarian political system is a typical example of such a missed opportunity. This is not to suggest that all of Lebanon's economic ills are due to Lebanon's post-war reconstruction plan (Israel's numerous wars on Lebanon, Syria's occupation of the country and Hezbollah creating a state within the Lebanese state, for example, also have their responsibility in the collapse of that country), but to acknowledge its responsibility in the crisis and chaos engulfing it.

In other words, Syria's economic reconstruction plan will have such major consequences that the Syrian authorities would be well advised not to keep the debates over it, and planification for it, behind closed doors or on the tables of technocrats. While Syria does indeed need competent technocrats, it also needs the support of its very influential civil society, and it needs politicians that are accountable.

### *Reconstruction challenges*

The single most serious medium- to long-term challenge for Syria's economic recovery and largescale reconstruction are the sanctions imposed by the United States on the Syrian banking system. The lifting of European sanctions on some business sectors and on the Central Bank of Syria is a positive step and will allow, for instance, infrastructure projects to be funded through European development banks, but commercial banking activity will not resume. To some extent, the U.S. decision will be a consequence of the Israel-Turkish strategic rivalry on Syria, thus not entirely in the hands of Damascus. It must be clear that unless these sanctions are lifted reconstruction will not happen.

Institutional and political instability is another serious challenge. The adoption of a permanent constitution is likely to take up to five years, and until then the political situation may remain unstable. Other factors may contribute to the political and security situation remaining unstable for quite some time including external pressures and competition, particularly between Turkey and Israel, as well as the clear difficulties the new Syrian authorities are still having in maintaining security across the country (as witnessed with the killings in the coastal area early March) and in providing a clear path towards a new social contract for the country (as witnessed in reaching a deal with the Druze in the south or in the regular incidents involving Islamists reported around the country).

Human resources is a challenge which is not often highlighted. While the newly appointed government has some competent technocrats it is at the lower levels of governments but more generally also in the private sector that the country is in shortage of competent

manpower. Unless this is addressed rapidly, a shortage of skilled manpower will weigh on investment and economic reconstruction.

Finally, another major challenge that will weigh heavily on any large reconstruction drive will be the issue of housing, land, and property rights. Syrian land law is a patchwork of regulations stemming from the Ottoman, Mandate, post-independence, and Baathist nationalisation periods. Even before the 2011 uprising, nearly 40 percent of Syrians lived in informal housing, and the situation has only worsened since then. Short-term needs are putting pressures on decision makers, while many decisions on the subject require long-term planning.

## Positive prospects

Despite these numerous challenges, the fall of Bashar al-Assad's regime opens up many possibilities for Syrians and real hope for a better future and the socio-economic situation of Syrians should improve in the coming months and years.

One positive development one can already sense in Damascus is the commitment of many Syrian and regional economic actors. Many are already prospecting and inquiring. Numerous professionals and investors are seeking information on investment opportunities in Syria.

Several investors who lost their assets due to supporting the opposition, for example, have begun to return and reclaim their businesses, and have started their businesses again, such as the Ghreiwati or Ferzat families, while a significant number of diaspora members have returned to the country. The Minister of Economy, for instance, recently told me that some 160 Syrian factories established in neighbouring countries had recently returned to Syria.

On the political front, the agreement signed in March between the government and the Syrian Democratic Forces suggests a willingness to compromise and to integrate the Kurds into the government, as well as to integrate the economic resources of the northeast (oil, gas, wheat, water) into the rest of the country.

More significantly, it is important to remember that barely four months have passed since the fall of the Assad regime and that Syria is therefore only at the very beginning of a process that usually takes a lot of time given how meaningful it is to come out from, and change radically, a 54-year-old political system.

## About the Author

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