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MGIMO UNIVERSITY  
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« \_\_\_\_ » \_\_\_\_\_ 2017

## **The Economic Impact of the Syria Crisis: Lessons and Prospects**

### ***Course Syllabus***

***How to survive confronting an unprecedented symbiosis of civil war and international terrorism challenge: unique Syrian economic experience. Assessment and outlook from a Russian diplomat in Damascus.***

Syllabus developed by Dr. Igor A. Matveev, 2017

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Dr. Igor A. Matveev was born in 1972 in Sochi, Russia. In 1995 he graduated from MGIMO with distinction. In 2003 Matveev defended a doctoral thesis at MGIMO on "Pan-Arabic and National Trends in Syria's Policy towards the Middle East". In 1993-1994 he visited Syria for the first time as an intern.

In 1998-2008 Matveev served as a Russian diplomat in Syria, Russian MFA in Moscow, and the United States. In 2003 he completed the European Training Course at the Geneva Center for Security Policy in Switzerland.

In 2008-2014 he was Deputy Head of the International Relations Department at the Council of Federation, RF Federal Assembly. From 2014 to October 2017 Matveev served as the Head of Trade and Economic Division – Senior Counselor at the Russian Embassy in Damascus, Syria.

Matveev is fluent in Arabic and English.

## Lecture 1. Syrian economy before the crisis. Building a "Modern State" under Bashar Assad's Presidency (2000-2011).

Shortly after succeeding in 2000 his father Hafez Al-Assad as President of Syria Bashar Al-Assad tried to launch new foreign and domestic policies aimed at modernizing state-run economy, reforming "Baathist" political system and establishing "privileged partnerships" with Western countries, mostly the EU-members, as well as enhancing cooperation with the Arab Gulf countries, Turkey, China and India. The major ambitious task, proclaimed by the new Syrian leader, was to create favorable economic climate in order to attract foreign investment and gain access to the XXI century technologies. But all these efforts were jeopardized by the outbreak of social protests in March 2011, inspired by the "Arab Spring".

### Required Reading:

1. Khalid W. Al Wazani. The Socio-Economic Implications of Syrian Refugees on Jordan. Konrad Adenauer Stiftung. Amman, 2014. Chapter II. Syria's Economy: An Overview (ed. 2017). Pages 32-40. [http://www.kas.de/upload/Publikationen/2014/The\\_Socio-Economic\\_Implications\\_of\\_Syrian\\_Refugees\\_on\\_Jordan/The\\_Socio-Economic\\_Implications\\_of\\_Syrian\\_Refugees\\_on\\_Jordan-Chapter2..pdf](http://www.kas.de/upload/Publikationen/2014/The_Socio-Economic_Implications_of_Syrian_Refugees_on_Jordan/The_Socio-Economic_Implications_of_Syrian_Refugees_on_Jordan-Chapter2..pdf)
2. Michael Bishku. Turkish-Syrian Relations: a Checkered History. Middle East Policy Council Journal, volume XIX, Fall 2012, issue 3. <http://www.mepc.org/turkish-syrian-relations-checkered-history>
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4. Phil Sands. New Chapter for Syria-Saudi Relations. The National. July 10, 2009. <https://www.thenational.ae/world/mena/new-chapter-for-syria-saudi-relations-1.525032>

### Additional Reading:

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2. Ahmad Mahmoud. Syria-EU Bilateral Trade Relation. An Empirical Analysis of the Changes in Export Demand between 2006 and 2009. Jonkoping International Business School, May 2012. <http://www.diva-portal.se/smash/get/diva2:542547/FULLTEXT01.pdf>
3. International Monetary Fund. Syrian Arab Republic: 2008 Article IV Consultation - Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for the Syrian Arab Republic. Washington DC, February 2009, IMF Country Report No. 09/55. <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Syrian-Arab-Republic-2008-Article-IV-Consultation-Staff-Report-Staff-Statement-Public-22702>

## **Lecture 2. "Arab Spring in Syria". The outbreak of domestic political crisis and its rapid evolution into hostile war-conflict. Social-economic degradation (2011-2013).**

Massive flash mob street protests in Southern Syria in March 2011 quickly escalated into open hostilities across the country. Free Syrian Army, opposed to the Syrian authorities, gave way to such terrorist radicals as "Jabhat Al-Nusra" and "Islamic State of Iraq and Syria" (ISIS). All these events provoked severe humanitarian crisis, economic and social degradation and full-scale civil war. Millions of Syrians were forced to leave their mother country, fleeing to neighboring states and the EU. The Syrian government lost control over vast territories, including Raqqa, Idlib, Eastern Aleppo and Jobar district in Damascus.

### Required Reading:

1. Impact of the conflict on Syrian Economy and Livelihoods. Syria needs Analysis Project - July 2013.  
ACAPS. [https://www.acaps.org/sites/acaps/files/products/files/23\\_impact\\_of\\_the\\_conflict\\_on\\_syrian\\_economy\\_and\\_livelihoods\\_july\\_2013.pdf](https://www.acaps.org/sites/acaps/files/products/files/23_impact_of_the_conflict_on_syrian_economy_and_livelihoods_july_2013.pdf)
2. Emile Hokayem. The Gulf States and Syria. United States Institute of Peace. Peacebrief 116. September 30, 2011. <http://www.usip.org/sites/default/files/PB%20116.pdf>
3. International Organization for Migration. Syria Overview. <http://iom.int/countries/syria>
4. UNICEF Syria Crisis Situation Report March 2017 - Humanitarian Results. Published on March 31, 2017. <http://reliefweb.int/report/syrian-arab-republic/unicef-syria-crisis-situation-report-march-2017-humanitarian-results>

### Additional Reading:

1. EU-Syria Relations Factsheet. European Union External Action. Bruxelles, 14/07/2016. [http://eeas.europa.eu/headquarters/headquarters-homepage\\_en/6769/EU-Syria%20relations,%20factsheet](http://eeas.europa.eu/headquarters/headquarters-homepage_en/6769/EU-Syria%20relations,%20factsheet)
2. Syria-Trade-European Commission. Trade Picture. European Commission official website. [ec.europa.eu/policy/countries-and-regions/countries/Syria/](http://ec.europa.eu/policy/countries-and-regions/countries/Syria/)
3. Syria: The Worst Humanitarian Crisis of our Time. Amnesty International. April 7, 2015. <http://www.amnesty.org/n/syria-worst-humanitarian-crisis-our-time>
4. Quick Facts: What You Need to Know About the Syria Crisis. Mercy Corps. August 13, 2013, updated March 9, 2017. <http://www.mercycorps.org/articles/iraq-jordan-lebanon-syria-turkey/quick-facts-what-you-need-know-about-syria-crisis>

## Seminar 1. Discussing Lectures 1 & 2.

Worsening civil war conditions multiplied by extremely tough humanitarian crisis and negative effect of anti-Syrian economic sanctions imposed by Turkey, Western and Arab countries delivered a crushing blow to all previous attempts made by President Bashar Al-Assad to build "Modern Syria". His new major task became to avoid by all means socio-economic collapse and military catastrophe.

### Required Reading:

1. Samer Abboud. The Economics of War and Peace in Syria - Stratification and Factionalization in the Business Community. The Century Foundation, NYC, January 31, 2017. <https://tcf.org/content/report/economics-war-peace-syria>
2. Adel Shakeeb Mohsen, Soo Y. Chua, Che Normee Che Sab. Determinants of Economic Growth in Syria between 1980 and 2010. Eurasian Journal of Business and Economics 2017, 10(19). [https://www.researchgate.net/publication/317431372\\_Determinants\\_of\\_Economic\\_Growth\\_in\\_Syria\\_between\\_1980\\_and\\_2010](https://www.researchgate.net/publication/317431372_Determinants_of_Economic_Growth_in_Syria_between_1980_and_2010)

### Additional Reading:

1. Humam Al-Jazaeri, Former SAR Minister of Economy and Foreign Trade. Adverse Consequences of Non-UN Sanctions on the Syrian Economy: an External Sector Approach. Presentation delivered during the Conference organised in Damascus by the British Syrian Society under the title: "The Ramifications of the War in Syria" on October 30, 2016. (To be distributed after Lecture 2).
2. Humam Al-Jazairi. The War in Syria: Challenges and Perspectives. Presentation delivered during the Conference organized in the Damascus University by the British Syrian Society under the title: "The War in Syria: Challenges and Perspectives" on May 24-25, 2017. In English and Arabic. (To be distributed after Lecture 2).

### **Lecture 3. Building an "economy of war" in Syria. Attempts to avoid social, economic and financial collapse. Seeking for foreign donors. (2013-2015).**

Further war escalation accompanied by economic disintegration and emerging of "parallel terrorist economies" in Syria, backed by Turkey and the Arab Gulf countries, forced official Damascus to seek ways of rapid transfer from traditional "economy of peace" into "economy of war". The nightmare of fuel and food deficit together with real prospects of hyperinflation put on the governmental agenda key issues of finding foreign state-sponsors starting from Iran, as well as of closer humanitarian cooperation with the UN.

#### Required Reading:

1. David Butter. Syria's Economy: Picking up the Pieces. Chatham House. The Royal Institute of International Affairs, June 23, 2015. <http://www.chathamhouse.org/news/2015-06-23-syrias-economy-picking-pieces>
2. Anthony H. Cordesman. Syria: The Search for the Least Bad Option. Center for Strategic & International Studies, April 3, 2013. <http://www.csis.org/analysis/syria-search-least-bad-option>
3. Rachel Kreisman. Raqqa and the Oil Economy of ISIS. Atlantic Council, May 15, 2017. <http://www.atlanticcouncil.org/blogs/syriasource/raqqa-and-the-oil-economy-of-isis>
4. Steve H. Hanke. Syria's Other Problem: Inflation. Cato Institute, Washington DC, October 2013. <http://www.cato.org/publications/commentary/syrias-other-problem-inflation>

#### Additional Reading:

1. Hussein Almohamad and Andreas Dittmann. Oil in Syria between Terrorism and Dictatorship. Department of Geography, Justus Liebig University of Giessen, Germany, May 17, 2016. [https://www.researchgate.net/profile/Hussein\\_Almohamad/publication/303325221\\_Oil\\_in\\_Syria\\_between\\_Terrorism\\_and\\_Dictatorship/links/57444ad108ae9f741b3fb56/Oil-in-Syria-between-Terrorism-and-Dictatorship.pdf?origin=publication\\_detail](https://www.researchgate.net/profile/Hussein_Almohamad/publication/303325221_Oil_in_Syria_between_Terrorism_and_Dictatorship/links/57444ad108ae9f741b3fb56/Oil-in-Syria-between-Terrorism-and-Dictatorship.pdf?origin=publication_detail)
2. Haid Haid. The Evolving Economic Model of ISIS Post-Caliphate. Atlantic Council, July 13, 2017. <http://www.atlanticcouncil.org/blogs/syriasource/the-evolving-economic-model-of-isis-post-caliphate>
3. Sylvia Westall and Suleiman Al-Khalidi. Syria ratifies fresh \$1 billion credit line from Iran. Reuters, July 8, 2015. <https://www.google.ru/amp/mobile.reuters.com/article/amp/idUSKCN0PI1RD20150708>
4. Hussein Ibish. What's at Stake for the Gulf Arab States in Syria? The Arab Gulf States Institute in Washington. June 30, 2016. [http://www.agsiw.org/wp-content/uploads/2016/06/Ibish\\_GCCSyria\\_Web.pdf](http://www.agsiw.org/wp-content/uploads/2016/06/Ibish_GCCSyria_Web.pdf)

## Lecture 4. Reaching a turning point in combating terrorism. A full-scale "economy of war" (2015-2017).

Russian (since September 30, 2015) and Iranian direct military involvement in Syrian crisis created completely different environment, enabling the Government of Syria of liberating some of previously lost territories. Successful battle for Eastern Aleppo in December 2016 followed by re-gaining control of Palmyra and finally unblocking Deir-al-Zor has become a turning point in combating terrorism. Another positive step was made in May 2017 in the form of creation of four de-escalation zones by agreement between Russia, Turkey and Iran (in Idlib, Homs provinces, Western Ghouta, located in the Damascus area, and Southern Syria). At the same time the Kurdish factor fully appeared on the Syrian scene.

### Required Reading:

1. The State of the Syrian Economy at the End of 2015. The Syrian Consulting Bureau. Damascus, January 2016. [http://www.scbdi.com/ui/The\\_State\\_of\\_the\\_Syrian\\_Economy\\_at\\_the\\_End\\_of\\_2015.pdf](http://www.scbdi.com/ui/The_State_of_the_Syrian_Economy_at_the_End_of_2015.pdf)
2. Syria's Economic Outlook - Fall 2016. World Bank. <http://pubdocs.worldbank.org/en/925291475460799367/Syria-MEM-Fall-2016-ENG.pdf>
3. Aron Lund. Syria's Kurds at the Center of America's Anti-Jihadi Strategy. Carnegie Middle East Center, December 2, 2015. <http://carnegie-mec.org/diwan/62158>
4. Fadi Esber. De-escalation Zones Offer an Economic Path to Peace in Syria. Assyrian International News Agency, May 13, 2017. <http://www.aina.org/news/20170513162713.html>

### Additional Reading:

1. Mark Lobel (BBC Middle East Business Correspondent). Syria's Economy Cut in Half by Conflict. BBC, June 23, 2015. <http://www.bbc.com/news/business-33244164>
2. Jeanne Gobat, Kristina Kostial. Syria's Conflict Economy. IMF Working Paper WP/16/123, June 2016. <https://www.imf.org/external/pubs/ft/wp/2016/wp16123.pdf>
3. Syria: Reconstruction for Peace. World Bank Middle East and North Africa Region, MENA Economic Monitor. Washington DC, 2016. <http://documents.worldbank.org/curated/en/777291467993169903/pdf/104577-WP-PUBLIC-4-12-16-MEM-SPRING-2016-FINAL-FINAL.pdf>
4. Syrian Crisis - Echo Factsheet. European Commission. European Civil Protection and Humanitarian Aid Operations. September 2017. [https://ec.europa.eu/echo/files/aid/countries/factsheets/syria\\_en.pdf](https://ec.europa.eu/echo/files/aid/countries/factsheets/syria_en.pdf)

## Seminar 2. Discussing Lectures 3 & 4.

The Syrian Government has managed to build a full-scale "economy of war", avoiding hyperinflation and using Iran as the main foreign donor along with UN humanitarian aid and Russian & Chinese ad-hoc assistance. Nevertheless, Damascus failed to overcome economic disintegration. Idlib province stayed out of its control. The US-sponsored Syrian Democratic Forces (mostly Kurdish) launched a successful assault in the Ragga province and other Euphrates areas of vital economic importance, capturing in October 2017 Al-Omar biggest prewar oilfield from ISIS.

### Required Reading:

1. Syria Confronting Fragmentation! Impact of Syrian Crisis Report. Syrian Centre for Policy Research (SCPR). Quarterly based Report (2015). February 2016. <http://scpr-syria.org/download/1269/?v=1480>
2. Anthony H. Cordesman. Constructing a New Syria? The Growing Impact of the Civil War. Center for Strategic & International Studies. Washington DC, September 8, 2015. [https://csis-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/publication/150908\\_Cordesman\\_Constructing\\_A\\_New\\_Syria.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/150908_Cordesman_Constructing_A_New_Syria.pdf)

### Additional Reading:

1. Revised Syria Humanitarian Assistance Response Plan (SHARP). Prepared in coordination between the Syrian Government, United Nations System and other Humanitarian actors in Syria, January-December 2013. [https://docs.unocha.org/sites/dms/CAP/Revision\\_2013\\_Syria\\_HARP.pdf](https://docs.unocha.org/sites/dms/CAP/Revision_2013_Syria_HARP.pdf)
2. Hamoud Al-Mahmoud. The War Economy in the Syrian Conflict: The Government's Hands-Off Tactics. Carnegie Moscow Center, December 15, 2015. <http://carnegie.ru/2015/12/15/war-economy-in-syrian-conflict-government-s-hands-off-tactics-pub-62202>
3. 365 Days of Resilience inside Syria. UNDP Syria Annual Report 2016. April 18, 2017. <http://www.sy.undp.org/content/dam/syria/Reports/UNDP%20Syria%20-%20Annual%20Report%202016.pdf?download>



## Lecture 5. Prospects for postwar social-economic stabilization and "rebuilding Syria" (2017-?).

Taking into consideration all recent positive developments of the military-political situation the Syrian Government declared a new broad national strategy of "Rebuilding Syria". It implies giving "green light" to companies from Russia, Iran, China, India, Czech Republic, Sultanate of Oman, Belarus and other friendly countries. In this context the Syrian authorities organized on August 17-26, 2017 the 59th Damascus International Fair (after a five-year break, caused by the civil war) with 43 countries participating, including companies from the EU countries, Japan and the UAE, despite anti-Syrian sanctions.

### Required Reading:

1. Kamal Alam. The Dragon and the Lion: China's Growing Ties With Syria. Middle East Eye. London, August 2, 2017. <http://www.middleeasteye.net/columns/dragon-and-lion-syrian-chinese-relations-blossom-57414512>
2. Anchal Vohra. Syria hesitant about India's role in reconstruction after Modi's Israel visit. Hindustan Times, August 17, 2017. [https://www.google.ru/amp/m.hindustantimes.com/world-news/syria-hesitant-about-india-s-role-in-reconstruction-after-modi-s-israel-visit/story-qrCg8r1UGcTvtysNknOKK\\_amp.html](https://www.google.ru/amp/m.hindustantimes.com/world-news/syria-hesitant-about-india-s-role-in-reconstruction-after-modi-s-israel-visit/story-qrCg8r1UGcTvtysNknOKK_amp.html)
3. Aniseh Bassiri Tabrizi, Raffaello Pantucci ed. Understanding Iran's Role in the Syrian Conflict. Royal United Services Institute for Defence and Security Studies (RUSI). [https://rusi.org/sites/default/files/201608\\_op\\_understanding\\_irans\\_role\\_in\\_the\\_syrian\\_conflict\\_0.pdf](https://rusi.org/sites/default/files/201608_op_understanding_irans_role_in_the_syrian_conflict_0.pdf)
4. Tom O'Connor. Russia, Iran, other Assad Allies and Enemies Cash in on Success in Syria, but U.S. Left Out. Newsweek, August 17, 2017. <https://www.google.ru/amp/www.newsweek.com/russia-iran-assad-ally-enemy-syria-war-us-651953%3Famp%3D1>

### Additional Reading:

1. Bethany Allen-Ebrahimian. Syrian Reconstruction Spells Juicy Contracts for Russian, Iranian Firms. Foreign Policy, 2017. <https://www.google.ru/amp/foreignpolicy.com/2017/10/20/syrian-reconstruction-spells-juicy-contracts-for-russian-iranian-firms-china-civil-war/amp/>
2. Steven Heydemann. Rules for Reconstruction in Syria. Brookings Institute. Washington DC, August 24, 2017. <https://www.google.ru/amp/s/www.brookings.edu/blog/markaz/2017/08/24/rules-for-reconstruction-in-syria/amp/>
3. Lina Khatib. Syria's Reconstruction: Winners and Losers. Middle East Eye, October 10, 2017. <http://www.middleeasteye.net/columns/syria-s-reconstruction-winners-and-losers-2126199629>

### Seminar 3. Conclusion.

The 2017 victories of official Damascus over ISIS and other terrorist groups in Syria with Russian and Iranian military assistance galvanized broad international and domestic discussions about future socio-economic reconstruction of the country. Yet, its concrete perspectives remain unclear. One of the most important questions is whether the Government re-establishes control over economically important "donor regions" in Eastern Syria, or they remain occupied by the Syrian Democratic Forces leaving the Syrian authorities with "recipient regions", mostly big cities like Damascus, Aleppo and Homs.

#### Required Reading:

1. Calculating the Economic Impacts of the Syrian Conflict. The World Bank (in collaboration with RAND). The online Calculator of Damage. <http://menaviz.worldbank.org/calculator/>
2. Four Perspectives on Syria, Round II. The Century Foundation online discussion, March 30, 2017. <https://tcf.org/content/report/four-perspectives-syria-round-ii/>

#### Additional Reading:

1. Investing in Syria's Future. Assessments. Stratfor Worldview. Austin, TX, February 6, 2017. <https://worldview.stratfor.com/article/investing-syrias-future>
2. Fabrice Balanche. Not Money Alone. The Challenges of Syrian Reconstruction. The Washington Institute, August 9, 2017.. <http://www.washingtoninstitute.org/policy-analysis/view/not-money-alone-the-challenges-of-syrian-reconstruction>