# "Syria at the crossroads: From sanctions and collapse to redevelopment and reintegration", Oped in The National, 18 July 2025

The article titled "Syria at the crossroads: From sanctions and collapse to redevelopment and reintegration" appeared in the print edition of The National on 18th July 2025 and is posted below.

# Syria at the crossroads: From sanctions and collapse to redevelopment and reintegration

### Nasser Saidi

The pre-2011 Syrian economy, while facing structural challenges, was that of a lower-middle-income country with a functioning industrial base, a significant agricultural sector and nascent potential in tourism and services.

That reality was devastated by 14 years of war, violence and sanctions, emerging into a drug-based Captagon economy. Its gross domestic product contracted by more than 50 per cent from its pre-war peak (by 83 per cent if one uses night-time light estimates) between 2010 and 2024.

Half the pre-war population has been forcibly displaced, representing lost generations of economic output and potential. About two-thirds of the current population lives in

poverty (earning less than \$3.65 per capita a day), and more than half the population faces food insecurity.

The directly visible indicator of the devastation was the collapse of the local currency (from 47 Syrian pounds per US dollar in 2010 to 14,800 by the end of 2024), as growing budget deficits were financed by the monetary printing press and people shifted into foreign currencies to hedge against near-hyperinflation.

### How Syria's economy collapsed during the civil war

	2011	2023
GDP	\$67.5 billion	\$9 billion
Annual inflation	5.8%*	140% <sup>(1)</sup> **
Syrian pound vs dollar	45-54 <sup>(2)</sup>	2,512 to 13,046 (2)
Unemployment	8.6%	13.5%
Youth unemployment	21.3%	33.5%
Oil production (barrels per day)	383,000 <sup>(3)</sup>	90,840 <sup>(3)</sup> ***

\*November 2011, \*\*December 2023, \*\*\*Total oil production of which 90% was controlled by U.S-backed Syrian Democratic Forces Source: World Bank (1 - Syrian Centre for Policy Research, 2 - exchangerates.org, 3 - U.S. Energy Information Administration)



\* A Flourish map

The removal of US sanctions and of Syria's "designation as a state sponsor of terrorism" is strategically important. The decision was followed by the EU passing legislation to lift all sanctions, thereby enabling Syria's reintegration into the international economic and financial community.

The Gulf and other Arab countries are steadily bringing Syria back into the fold, restoring long-disrupted economic and financial relations. Saudi Arabia and Qatar have settled Syria's arrears to the World Bank, pledged to fund public sector restructuring and rebuild energy infrastructure, signed agreements for major infrastructure and power projects, and

the resumption of airline services. Iraq has reopened a main border crossing, and DP World has signed an \$800 million deal to develop Tartus Port.

Sanctions removal allowed for Syria's renewed participation in the SWIFT payment system, reactivating formal channels for international trade, remittances and financial flows, delivering a powerful antidote to the scenario of hyperinflation and a dominant illicit sector.

The removal unlocks a multistage recovery process, sequentially addressing the critical deficits in liquidity, capital and strategic infrastructure investment that currently paralyse the country.

## Transparent reforms urgent

However, the success of this pathway will be contingent on the implementation of credible and transparent, domestic, structural and institutional reforms.

Syria needs a comprehensive IMF programme and support from the Arab Monetary Fund and Gulf central banks (possibly through central bank swaps and trade financing lines).

The institutions of the central bank, banking supervision and AML/CFT need to be rebuilt. A new monetary and payment system has to be established.

The banking and financial sector has to be restructured, and banks recapitalised, while allowing for private banks (including foreign) to re-emerge. The Syrian pound should stay floating until macroeconomic stability has been restored, including through fiscal reform and access to international finance for trade.

Importantly, the government and central bank need to rebuild the statistical system for evidence-based policymaking; one cannot govern, reform, regulate and manage what one does not know.

Removal of sanctions will allow transfers and remittances through formal channels from the large Syrian expatriate community, a lifeline for returning families, as well as financing reconstruction of housing and businesses.

Restoring the banking system means less reliance on the use of cash — helping to revive the formal economy as compared to the dominant informal economy, and also combating money laundering and terrorist finance associated with the production and trade of drugs. Remittances and capital inflows would allow the Central Bank of Syria to rebuild its foreign currency reserves, stabilise the forex market and restore monetary stability to control inflation.

The removal of sanctions will also lower the prohibitive risk premium associated with Syria and open the country for the much-needed foreign direct investment to stabilise the economy, and for broader reconstruction funding.

The Damascus Securities Exchange, now operational again, could evolve from a symbolic entity into another channel of financing, allowing the government and Syrian businesses to tap into local and international capital for the first time since 2009.

# Tapping energy potential

The country's substantial, largely unexploited, onshore and offshore oil and gas reserves could become an important source of reconstruction finance and job creation. Strategically and importantly, the removal of sanctions would allow oil and gas pipelines to be reopened, and new ones built; pre-civil war, Syria produced up to 400,000 barrels a day of crude versus between 80,000-100,000 bpd this year.

Reactivating existing wells and oil export infrastructure

could become a major source of revenue and foreign exchange, dramatically improving Syria's fiscal position and its ability to reconstruct the devastated country, and bring in international funding.

New pipelines linking oil and gas from the Gulf (notably Qatar, Kuwait and Saudi) and Iraq to the Mediterranean would provide a strategic alternative to maritime routes through the Straits of Hormuz and Red Sea.

Azerbaijan and Syria signed a preliminary agreement on July 12, pledging co-operation in the energy sector — to enable export of gas from Azerbaijan to Syria, through Turkey — and help in rebuilding Syria's energy infrastructure.

Over the medium and longer term, a new, transformative energy infrastructure and map linking the hydrocarbon-rich regions of the Gulf and Iraq to the Mediterranean coast can be developed: a major building block in stabilising and helping to redevelop Syria.

The lifting of sanctions is a critical initial step supporting Syria in emerging from a vicious cycle of destruction, economic collapse and illicit activity into a virtuous circle of reconstruction, redevelopment, regional and international reintegration.

The realisation of this road map requires a commitment from Syria to undertake essential reforms in governing, the rule of law and institutional transparency. Only then can the country hope to attract and retain the human and financial capital needed to rebuild its economy, regain investor trust, and reclaim its historic role at a vital geostrategic crossroads.

Nasser Saidi is the president of Nasser Saidi and Associates. He was formerly Lebanon's economy minister and a vice-governor of the Central Bank of Lebanon. "Lebanon: a multi-pronged tragedy with unforeseeable consequences", CJBS Perspectives Interview with Dr. Jenny Chu, Sep 2020

How has the Beirut explosion disaster been exacerbated by the global pandemic, economic crisis and the failures in government leadership? What is needed to rebuild Lebanon? Dr. Nasser Saidi shared his thoughts when interviewed by Dr. Jenny Chu as part of the University of Cambridge Judge Business School (CBJS) Perspectives series.

Watch the interview below:

Radio interview with Dubai Eye's Business Breakfast on the Beirut port explosion & the way forward, 6 Aug 2020

Dr. Nasser Saidi spoke with Dubai Eye's Business Breakfast team, sharing his reaction to the blast in Beirut on Aug 4th and the economic challenge facing Lebanon.
Listen to the full radio interview:

# Are mergers the way ahead for the GCC's airline industry post pandemic? Opinion Piece in Gulf Business, Aug 2020

This article appeared in the print edition of Gulf Business, August 2020, which can be accessed <u>online</u>.

Flying together: Are mergers the way ahead for the GCC's airline industry post pandemic?

Cost cutting measures by airlines will not suffice to stem the hemorrhage

Covid-19 has devastated the global aviation industry along with the tourism and hospitality industry. Even though domestic travel resumed in many nations (in Saudi Arabia, US and China among others) and flying restrictions eased (e.g. intra-Europe flights, UAE's Etihad and Emirates are each flying to over 50 destinations), 42 per cent of all global commercial airlines fleet are still grounded, according to research by Cirium [at the time of going to press]. It is little wonder that the International Air Transport Association (IATA) forecast a 55 per cent decline in traffic levels this year. According to IATA, airline passenger revenues are expected to drop to \$241bn in 2020, a 50 per cent decline compared to 2019. This is likely to be an underestimate. Covid-19 has generated the deepest recession in advanced economies since the great depression. Its deadly waves are

still unfolding in Africa and Latin America, destroying demand for travel, with a second wave likely, according to epidemiologists.

Markets have reacted accordingly, with the Refinitiv global airlines price return index down by almost half (as of July 13). By end-June, Zoom's market capitalisation of \$72.44bn was worth more than the combined \$62bn value of AA, Southwest, Delta, United, IAG (BA), Air France-KLM and Lufthansa. In May, Singapore Airlines reported its first loss in its 48-year history, while many airlines are under severe financial stress or have filed for bankruptcy (Latam, Avianca, South African and others), Chapter 11 protection, or are being restructured (Thai). The US provided a massive \$58bn to rescue its airline industry.

To survive the post-Covid-19 world, the aviation sector including airlines, airports and aircraft manufacturers — will have to be restructured. Despite chatter about "travel bubbles" and "immunity passports", experts question whether recovered patients are fully immune. About 33 per cent of respondents to an IATA survey (conducted in the first week of June 2020) suggested that they would avoid travel in future as a continued measure to reduce the risk of catching the virus. For now, one of the major deterrents to travel is the quarantine period: only 17 per cent of the survey respondents were willing to stay in quarantine. If no vaccine is discovered, people will refrain from travelling abroad, with local destinations and road trips preferred. Social distancing will become the norm on flights, reducing available seat capacity by 33-50 per cent, reducing passenger load factors and raising questions about economic efficiency and financial viability.

The triple whammy of lockdowns, low oil prices and financial market turbulence has dealt a severe blow to the Middle East. The lockdown has directly impacted the UAE's trade, tourism, transport and logistics sectors, which lie at the core of its

diversification strategy and its role as a global business hub. Similarly, Saudi Arabia may need to review development plans that include tourism a s kev diversification option. The travel and tourism sectors have been critical to the GCC with the sector contributing \$245bn to GDP (roughly 8.6 per cent) in 2019, while supporting nearly seven million jobs, according to the World Travel and Tourism Council. With more than half of the total GCC population consisting of internationally networked and expatriates, the spillover and multiplier effects to the overall economy from the post-Covid-19 world requires structural adjustment and revision of diversification policies.

The GCC countries — with five airlines each in Saudi Arabia and the UAE, alongside Oman and Kuwait with two airlines each — have rapidly expanded their international networks in recent years. With small domestic markets and populations, the strategy has ended up subsidising foreign travellers. As international and regional travel remains highly restricted, the airlines' revenue streams have all but evaporated. According to the latest estimates from IATA, wider Middle East and North Africa (MENA) traffic is estimated to fall by 56.1 per cent year-on-year in 2020, resulting in a \$37bn loss in net post-tax profit. This will risk over 1.2 million jobs (half of the region's 2.4 million aviation-related employment) and cause a \$66bn shortfall in contribution to the region's GDP. Saudi Arabia, Qatar and the UAE are the most exposed.

How should GCC airlines adjust to the massive loss of revenue? Like other airlines globally, Emirates, which expects at least 18-months for a recovery of travel, has grounded much of its fleet, placed employees on unpaid leave, cut the salaries of its workforce by up to a half, and initiated job cuts to reduce its operating costs of some \$23bn. The CEO of Qatar Airways disclosed an estimated 55 per cent drop in revenues from last year, and stated that about 20 per cent of its

workforce would be cut. Job losses in Saudia are also estimated to be very steep, with the Saudi government providing support by suspending airport slot use rules for the summer season and extending licences and certifications for crew, trainers and examiners. However, the cost cutting measures by the airlines will not be sufficient to stem the hemorrhage.

The majority of GCC airlines are fully government owned. How can they support their airlines? Should the governments consider a bailout? Already, in a bid to tackle the crisis, large stimulus packages amounting to some 18 per cent of GDP are being rolled out across the GCC, including a combination of fiscal measures along with central banks' monetary and credit packages. But with oil revenues accounting for more than 55 per cent of total government revenues in the UAE and over 70 per cent in Saudi Arabia and Bahrain — according to the IMF — the drop in crude prices is being felt strongly. And with the decline in other revenues (including VAT, taxes and fees), a bailout for the airlines — while supportive of the sector — would imply a massive increase in budget deficits. The GCC cannot afford a bailout of their airlines, given the impact of Covid-19 and oil prices on budgets, with the IMF forecasting 2020 average deficits of 10.5 per cent for the region.

### The case for mergers

The alternative and better policy for adjustment is through a combination of consolidation, downsizing and mergers. The UAE, Saudi and other countries should consider merging their airlines, which would achieve large cost savings and optimise revenue streams. Given that the governments fully-own or control the airlines, mergers and consolidation allows for a smoother and less costly adjustment process: no anti-trust considerations, labour disputes or having to realign cultural differences.

The economic rationale behind mergers is multi-faceted: it

allows for (a) economies of scale: given that the airlines' functions and operations (including back office functions, maintenance and support services etc) are largely identical, as are their Airbus and Boeing fleets; (b) cost reductions from the rationalisation of networks — Etihad and Emirates fly to more than 100 destinations in common, leading to cannibalisation and costly competition. A merger would reduce redundant flights and increase passenger load factors while optimising route planning and reducing competition for other passenger and cargo services; (c) more effective and intensive utilisation of existing fleets and airports; (d) scaling down to increase productivity; (e) phasing out airport expansion plans by avoiding duplication of services.

The bottom line is that a restructuring and merger of the flagship carriers within the GCC nations and their low-cost airlines would achieve substantial overall cost savings, strengthen the combined groups, make the merged airlines regionally and internationally more competitive and avoid duplication of costly bailouts at a time when the region lacks the fiscal space.

The aviation industry, with its massive investments in airports, airlines, transport and logistics, has been at the core of the efforts of the GCC countries to diversify their economies through tourism, hospitality, trade and infrastructure services. Covid-19, low oil prices and the global recession are threatening the viability of these diversification strategies. Structural reforms (such as airline mergers and consolidation) and economic policy readjustment will be required for a sustainable post-coronavirus future. The current crisis poses an unprecedented opportunity for consolidation and rationalising of government spending, while also reviewing the structure of state-owned enterprises and government-related entities.

The Brief / Aviation The Brief / Aviation

COMMENT

### Flying together

are mergers the way ahead for the GCC's airline industry post pandemic?

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COST-CUTTING MEASURES MEASURES BY AIRLINES WILL NOT SUFFICE TO STEM THE HEMORRHAGE lines, given the impact of Covid-19 and oil prices on budgets, with the IMF forecasting 2020 average defi-cits of 8.3 per cent for the region.

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# Radio interview with Dubai Eye's Business Breakfast on UK's new finance minsiter & Lebanon's economy, 18 2019

Dr. Nasser Saidi spoke with Dubai Eye's Business Breakfast team on various topics ranging from the UK's new finance minister to Lebanon's ongoing economic worries and also corporate governance issues given recent UAE equity-related news.

the full radio interview Listen to a t

# Radio interview with Dubai Eye's Business Breakfast on Lebanon's economy, 23 Oct 2019

Dr. Nasser Saidi spoke with Dubai Eye's Business Breakfast team on the ongoing protests in Lebanon. Some comments are listed below:

The catalysts for Lebanon's unrest include deep economic-financial-fiscal issues, environmental problems, rampant corruption and lack of trust in the government. The government needs to address multiple issues including reduce public debt, address size of the government/ public sector & pension system, tackle corruption and increase competition among others.

Listen to the full radio interview at <a href="https://omny.fm/shows/businessbreakfast/lebanon-economy-nas-ser-saidi-associates-23-10-2019">https://omny.fm/shows/businessbreakfast/lebanon-economy-nas-ser-saidi-associates-23-10-2019</a>