

## Rebuilding Syria's Economy: From Sanctions to Stabilization and Global Reintegration



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In a compelling article published by the Economist on May 14, 2025, Abdulkader Husrieh, the governor of the Central Bank of Syria, outlines a pragmatic vision for Syria's economic recovery following the anticipated lifting of international sanctions. The piece offers a sobering yet hopeful analysis of the nation's current economic paralysis and a roadmap for systematic transformation aimed at long term stabilization and growth.

The article begins by highlighting the devastating toll Syria's prolonged conflict has taken on its economy. Years of war have destroyed infrastructure, weakened institutions, and effectively severed Syria from global capital markets. Husrieh notes that while humanitarian suffering remains immense, the conflict has also hollowed out the nation's financial backbone. Yet, amid this devastation lies the opportunity to rebuild a more resilient and transparent economic system – one anchored in monetary and financial stability.

A central theme of the article is the continuing impact of sanctions, originally imposed to pressure Bashar al Assad's regime. These restrictions have crippled the Central Bank of Syria's ability to manage the currency, import essentials, and finance public needs. Even after Assad's government collapsed in December 2024, sanctions have remained in place, obstructing financial reform and impeding recovery. The fallout from these limitations are stark: Syria's economy has shrunk by more than 60% since 2011, unemployment has surpassed 24%, and over 80% of Syrians now live below the poverty line. Half the population faces food insecurity, with the World Food Programme (WFP) highlighting the crisis's scale. These internal economic woes have also generated external consequences, threatening financial stability across neighboring countries.

The article gains timely relevance with President Donald Trump's announcement to lift U.S. sanctions on Syria, a move Husrieh sees as a potential turning point. The decision could pave the way for Syria's reintegration into the global financial system. However, he cautions that the effectiveness of this policy shift will depend on how it is implemented within the

American legal framework and by international institutions. For Syria, the lifting of sanctions must be coupled with sweeping internal reforms to ensure credibility and lasting progress.

Husrieh proposes a three pronged strategy for rebuilding Syria's monetary system. First is the modernization of monetary policy. He argues that Syria must shift from reactive decisions to rule-based, transparent frameworks, including the adoption of inflation targeting mechanisms supported by better data and improved central bank independence. In the short term, a credible nominal anchor must be established to stabilize prices and restore confidence in the currency.

Second, he stresses the need to unify Syria's dual exchange rates, official and black market. The gap between these has historically created major distortions in the economy. While unifying them is essential for restoring transparency and functionality in foreign exchange markets, Husrieh warns that the inflation must be handled with caution to avoid runaway inflation.

The third task is to rebuild Syria's financial system by transforming banks from passive depositories into active agents of investment and growth. He calls for reforms aligned with Basel principles to improve governance, asset quality, and capital adequacy, particularly in public sector banks. This would enable banks to finance reconstruction, infrastructure, and long term development while attracting private sector participation.

Regional cooperation also plays a crucial role in this vision. Banks from Saudi Arabia, Turkey and the UAE have already shown interest in investing post sanctions (Interesting to note that KSA and UAE paid all of the \$16.5 billion Syrian debt to the World Bank). Husrieh emphasizes that welcoming credible regional partners and international institutions will be critical to recapitalizing and modernizing Syria's financial sector responsibility.

Moreover, integrating Syria's economy with the global financial system is non-negotiable for sustainable recovery. Husrieh underscores the need for external capital, robust legal protections for investors, transparency in public finance, and anti-money laundering measures. The Syrian diaspora, especially entrepreneurs and investors abroad, are encouraged to contribute through innovative financing tools like infrastructure bonds and investment funds, without fear of political risk.

Husrieh closes by recognizing that Syria cannot walk this path alone. Institutions such as the IMF, World Bank, and Arab financial bodies must be engaged not just for funding but also for capacity building and sound policy design. The recent decision by partners to settle Syria's arrears to the World Bank is cited as a positive signal of support.

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