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THE HISTORY OF THE SYRIAN POUND

The article is devoted to the issues connected with the current financial situation in Syria. The history of the Syrian currency – Syrian pound – is thoroughly considered and presented.

An all - round analysis of exchange rate fluctuations is also illustrated in the given paper together with expectations during the post - crisis period.

Key Words: *Syrian Bank, Syrian pound, Syrian conflict, postwar expectations in Syrian banking system*

Syrian pound (SP) has passed through several stages before the First World War. The first SP has been printed by Syrian Bank (French bank in Syria) in 1919. Each SP was made up of parts called "Groch" so that one lira was equivalent to 100 Grochs.

In 1924 the paper version was entrusted to (Syria and big Lebanon) the Bank, and this situation continued for a period of 15 years.

This version of the paper money was partly covered with gold and Treasury bonds, and later was linked to the French franc, where gold was withdrawn from Syrian banks to French banks, so that the Syrian pound was linked to French francs (during the French occupation of Syria).

In 1941 SP was linked to sterling, and each was equivalent to 8.83 Syrian pounds, at that time.

In 1947 SP was linked to US Dollar, and each was equivalent to 2.19 Syrian pounds.

Syrian currency since independence in 1948 until now

The issue of the Syrian pound stayed linked administratively to France even after Syria's independence in 1948, where the money was issued under the supervision of France by the Bank of Syria and Lebanon and signed by the President boson, but also with a Syrian formal signature.

The last issuance version of money by the above mentioned bank was in 1949.

Syrian monetary authorities passed through many sequential founding stages until 1957, where the first fully independent Syrian pound was issued in 1953 by (Syrian Monetary Agency), and several other versions were issued until the year of 1957 when the SP was issued formally by CBS (Central bank of Syria) and signed by the name of Syrian Arab Republic, and the signature of the Governor (Governor of the Central Bank) and the signature of the Minister of Finance (later was replaced by the minister of economy).

SP stayed was linked to US dollar until August 2007 where it was instead linked to a basket of currencies: (euro, sterling, dollar, yen) with varying weights.

Introduction to Exchange rate regime in Syria:

Before 2006 Syria had used a special kind of exchange rate regime which consisted of three parts as follows:

1. The first part: fixed exchange rate for transactions in the public sector.
2. The second part: fixed exchange rate with a margin of fluctuation in the market (transactions in the private sector).
3. The third part: free exchange rate (floating exchange rate) which is determined by forces of irregular market.

This kind of exchange rate restricted the efficiency of monetary policy and made the role of central bank not useful to determine fixed exchange rate. In this context, the central bank of Syria resorted to create a system of exchange rate proportional to Syrian economy. This system depends on connecting the exchange rate with a basket of currencies which included (US dollar, euro, the pound sterling, Japanese Yen), this system is more effective in developing countries and small economies.

The main objective of this system was clarified by solving the problem of linking the domestic currency with a single global currency. Where the exchange rate varies according to the weights of SDR imposed by IMF.

Therefore, the changing of exchange rate for a global currency in a certain percentage will lead to a change in the exchange rate of domestic currency in a percentage equal to the weight by SDR.

The following exchange rate regime since 2006 has proven its usefulness in maintaining the stability of the exchange rate.

With the numbers that were issued by the Central Bank of Syria we can note the stabilization in the exchange rate as the next schedule shows:

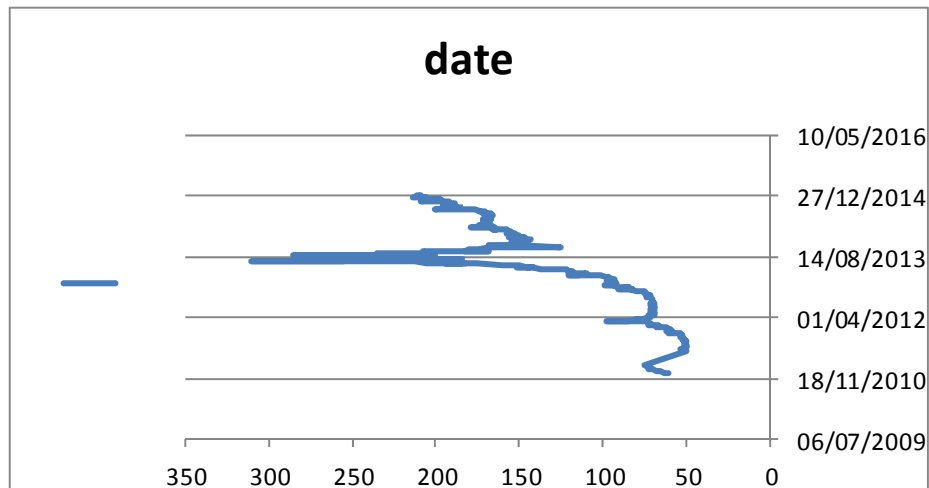
These data represent the exchange rates of major currencies which were traded during the period of pre-Syrian crisis. Volatility of exchange rates has been very limited for the last five years before the crisis, for example the highest

price of selling for U.S dollar ranged between 47.30 and 55.89 at the beginning of the crisis. The lowest price of selling for dollar was arranged between 47.10 and 55.43 at the beginning of Syrian crisis. In the case of highest price the fluctuation was 9SP which reflected the stability at that time.

2007				
Lowest Price		Highest Price		Currency
Purchasing price	Selling price	Purchasing price	Selling price	
47.90	48.20	50.95	51.25	\$
65.64	66.04	71.54	71.94	€
94.48	95.48	103.090	103.59	:
40.23	40.38	44.29	44.44	(
2008				
Lowest Price		Highest Price		Currency
Purchasing price	Selling price	Purchasing price	Selling price	
45.60	45.80	47.90	48.20	\$
57.44	57.74	73.07	73.37	€
66.95	67.35	95.45	95.95	:
41.36	41.51	52.31	52.46	(
2009				
Lowest Price		Highest Price		Currency
Purchasing price	Selling price	Purchasing price	Selling price	
45.39	45.59	47.58	47.78	\$
60.52	60.82	67.94	68.24	€
67.48	67.88	76.93	77.32	:
47.94	48.09	51.51	51.66	(
2010				
Lowest Price		Highest Price		Currency
Purchasing price	Selling price	Purchasing price	Selling price	
45.40	45.60	47.10	47.30	\$
56.22	56.52	66.19	66.49	€
67.14	67.54	75.77	76.17	:
48.34	48.49	57.19	57.76	(
2011				
Lowest Price		Highest Price		Currency
Purchasing price	Selling price	Purchasing price	Selling price	
46.20	46.47	55.43	55.89	\$
60.33	60.94	72.56	73.07	€
71.95	72.67	86.92	87.53	:
55.15	55.70	71.36	71.87	(

Phase of the crisis:

Syrian pound has lost much of its value against other major currencies during the war, where the exchange rate witnessed significant fluctuations influenced by the events, news about political and security situation. In this context the exchange rate reached 315 Syrian pounds per 1 dollar in the black market (irregular market) thus the Syrian domestic currency decreased six times compared with its price before the crisis (150 Syrian pound per 1 dollar).



The following chart shows the fluctuation Syrian pounds during the times of crisis:

1. The dollar exchange rate was stabilized for several years before the beginning of the crisis as a value equal (47-55) per one dollar, as a result of economic stability.
2. The price rose during the years 2011-2012 gradually up to 100 Syrian pounds as a result of the deterioration of the political situation and increasing the budget deficit.
3. With the beginning of 2013, the price of US dollar was rising and suddenly jumped to 315 Syrian pounds on 07.09.2013 per 1 dollar synchronizing with campaign of news about the possibility of an American air strike against Syria outside the framework of the United Nations.

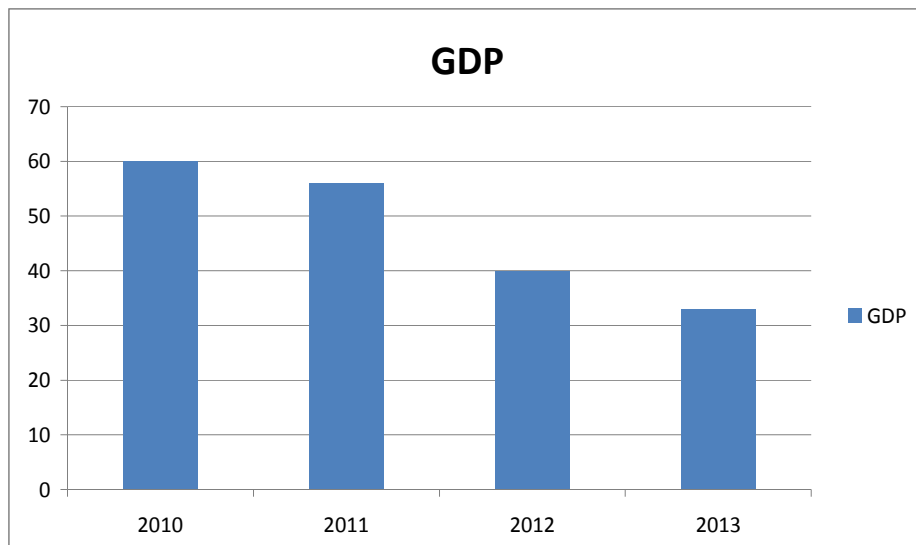
Due to an increase in balance of payments deficit as a result of declining domestic production and therefore declining exports and this in turn led to an increase in import demand to cover the basic needs of the economy, which increased the demand for foreign currencies for the purpose of import and thus as a result exchange rates increased. Also because of the worsening of economy and stopping the income that was generated by sectors such as agriculture, industry, tourism and export due to the economic sanctions imposed by Arab countries, the European Union, USA, and Japan, exchange rates continued to go up and also because of speculation by currency traders in Syria and

neighbor countries (Lebanon - Jordan - Saudi Arabia - Gulf Arab states), mainly by creating a huge imaginary request on the dollar as an additional factor for weakening the currency which led to the flow of an important part of capital outside Syria.

According to the report issued by the Prime Minister of Syria, the Syrian economy's losses were as follows: until 2013 48 companies of public sector had stopped working, Losses of the private sector caused the stoppage /1014/ entity evaluated /231/ billion Syrian pounds. Decline in the tourism sector with a percentage 95% was evaluated as a /330/ billion Syrian pounds. Health sector losses amounted /100/ billion Syrian pounds (41 hospitals were destroyed, 674 health centers and 416 ambulances also destroyed)

The oil sector also declined clearly where the imports of petroleum products reached 95% (while Syria was one of the Petroleum Exporting Countries before 2011.

4. The figures in the reports of "Economic and Social Commission for Western Asia" in the United Nations (ESCWA) spoke that 2013 was the worst year because Development indicators in Syria decreased. It was associated with the expansion of the armed conflict, and increasing numbers of displaced people inside and outside the country. This was reflected on the production level, which was reduced consistently, that was obvious through the lack of goods and services and the high prices of local products, and the deterioration of the Syrian pound exchange rate against foreign currencies, in addition to expanding margins and controlling the rate of exchange by the black market which resulted to increased prices of imported goods. ESCWA estimated that the value of GDP in 2012 dropped by 28.2%, in 2013 16.7% and is expected to be about 4.68% in 2015. This means that the real GDP (at constant prices of 2010) was reduced from \$ 60\$ billion in 2010, then to \$ 40 billion in 2012, and 33 billion in 2013.



The total losses of real GDP (according to prices of 2010) during the past three years were about 70.67 billion dollars, as well as prices rose by 173% during the period between 2010 and 2013 according to ESCWA.

5. In this period a parallel market (black market - irregular) has emerged and become a key player in determining the exchange rate, while the role of the Central Bank of Syria declined as a key player. The Guardian (British newspaper) predicted that Syrian pound exchange rate would collapse up to 500 pounds per one dollar, but that did not happen.
6. Central Bank of Syria resorted to decisive actions, including:
 - The intervention in exchange market by selling dollars in the market at prices close to the black market prices and then gradually reduced price of dollar but it's not sufficient strategy in the long run.
 - Use of the Syrian government to issue a presidential decree prohibiting trading foreign currencies for the purpose of profit.
 - The reduction of the role of the exchange companies and tightened control on it and replaced it by licensed banks (public and private).
 - Syria received funding in foreign currency from a number of friendly countries such as Iran and Russia, which confirms that all official statements do not use the Syrian reserves of foreign exchange or gold. This confirms that the sources of funds used by the Central Bank are external.
 - lose all offices and exchange companies contrary to regulations.
7. After these procedures the Central Bank of Syria regained its role in controlling as a key player in internal exchange market, also after these procedures a sudden rise in the exchange rate was obtained as a result of rumors, speculation factors, and psychological factors associated with the political situation. But the bank has always intervened to gain back what it had.

Expectations of the post-crisis:

In case of the end of the crisis Syria is going to reconstruct and advance again, this will require the import of what it takes to rebuild it, that means more demand for dollar and other foreign currencies to fund the procurement, as a result more pressure will be generated on the domestic currency leading to the increase in the price of dollar. (This hypothesis will be achieved if the finance was from local resources).

In case of continuing the crisis without any support by friendly countries:

- here the expectation tends to be the floating exchange rate or
- dollarization the Syrian's economy as in Lebanon, but this situation is not realistic enough because Russia would block any attempt to do it.

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ՀՊՏՀ գործարար կառավարման
մասնագիտության մագիստրանտ

Սիրիական ֆունտի պատմությունը. Հոդվածը վերաբերում է Սիրիայի ֆինանսական հիմնախնդիրներին: Մանրամասն ներկայացվում է սիրիական արժույթի՝ սիրիական ֆունտի պատմությունը: Բազմակողմանի վերլուծության են ենթարկվում փոխարժեքի տատանումները, ինչպես նաև հետաճգնաժամային սպասումները:

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Магистр по специальности
“Делового управления” АГЭУ

История сирийского фунта. Статья посвящена проблемам, связанных с финансовой ситуацией в Сирии. Подробно представлена история сирийской валюты – сирийского фунта. В статье приводится всесторонний анализ колебаний обменного курса, а также ожидания связанные с посткризисным периодом.