



Committee: Economic & Social

Question of: Economic Recovery of Countries affected by Terrorism in the Middle East

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Introduction:

Since the rise of the Arab spring, the countries affected by those political conflicts, have suffered severe damage to all parts of their economy. St. Louis Fed already stated in 2009 that one transnational terroristic incident on a million inhabitants in a developing country reduced the domestic growth rate by 1.4%. Countries like Kazakhstan and international organizations as the European Union, the World Bank, IMF or the Organization of Islamic Cooperation have donated countries

Countries affected:

- Syria
- Yemen
- Egypt
- Iraq

The Issue:

The rise of the Arab spring and the Islamic State destroyed many parts of the Middle East economy. Research showed that terrorist organizations such as the Islamic State finance their weapons and most other parts of the organization by occupying large parts of countries major industries such as oil or agriculture. The Islamic State and Al-Qaida of Iraq don't take over businesses or factories actively but tend to raise tax in controlled regions. According to US Treasury data, the Islamic State earns approximately \$350 million annually. Taxes have been levied against agriculture, on salary payment, on goods shipped through IS-held territory, on market stalls, and on oil sales. Tax payments are considered as *zakat*, which is the mandatory Islamic form of alms-giving. However, there are also cases of direct approach on local industry through an own ministry department (namely Diwan al-Rikaz). In 2014, the own economical approach of the Islamic state on oil and mineral industry made approximately 27% of their respective revenues. There is also a high number of Islamic State controlled hospitals, hydroelectric dams or water supply in Syria and Yemen.

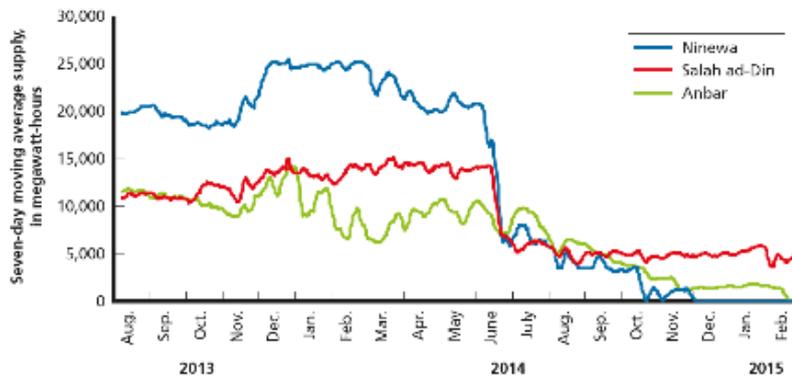
A number of bad influences on the regional economy in the middle east has been made by terroristic organizations, mainly through the overwhelming number of people leaving the are due to IS caused or IS affected violence which left many jobs left with no replacement. Inflation and supply concerns have also made a huge impact on the economy. The inflation of food prices in the areas of

Ramadi, Anbar or Sala ad-Din where the number of direct confrontations between IS fighters and the military are extreme.

The Islamic state uses a clear method on suppression and violence to keep economic factors short-term sustainable and their potential upright. An insight research report of the RAND cooperation states that violence has less to do with establishing a well-functioning city economy than with suppressing potential resistance. After this initial phase, however, ISIL largely seeks to transition from this violence toward more traditional forms of governance and bureaucratic control. One of the more-compelling documents captured from the Islamic State to date lays out the group’s strategy in governing areas it eventually conquers. All actions in the economical part of the organization are strictly under the mindset and preparation of the Sharia. Sector specifically, IS controls about 40% of Syria’s wheat production and 33% of Iraq’s wheat production. In Iraq, they also conquered a high amount of wheat stock from the government. The impact on electricity and power grid have also been dramatic as seen in the chart below.

Since early 2014, the western powers, in form of International military interventions, have increased their supports for local governments, for example Iraq, at the battle of Mosul. Since then, the size of IS controlled regions have dropped sufficiently and the economical power of IS has therefore been reduced sufficiently. Three years later, the western powers, Russia and the Kurdish army were able to win important strategic cities such as al-Raqqa or the Syrian capital Damascus. In other countries such as Egypt of Yemen, the situation remains less stable but improved in 2018 than in previous years.

Figure 2.1
Power Supply in Provinces Affected by Islamic State Control, 2013–2015



SOURCE: Andrew Shaver and D. Ensign, "Lights Off in the Islamic State: What Electricity Tells Us About ISIS' Rule," *Foreign Affairs*, 2015.

Key Events

Event/Date	Explanation
June 2014	The Islamic State (then called ISIS) gains control over Mosul, a major economic centre of Iraq.
July 2014	The new founded caliphate Islamic State seeks control over Syria's largest oilfield and kills dozens of workers.
May 2015	Ramadi, west Iraq's largest city gets overwhelmed by IS militants. Hundreds of civilians are killed during the fights.
October 2016	The extremely bad conditions on the labor market due to terrorism and the civil war, and the resulting low financial power of individuals in Yemen cause the outbreak of Cholera.
October 2017	The Islamic State loses control over its capital Raqqa against the US-led military intervention. Reconstruction of the regional infrastructure only begins slowly.
November 2018	The UN and the UNSECO present a framework for the future reconstruction of Mosul's economy, culture and infrastructure.

Previous Attempts to Solve the Issue

Most attempts to solve the given issue involved military actions mainly as the war between IS and its counterparties was to be solved in advance to primarily focus on the reconstruction of destroyed villages, townships and cities.

Egypt has rescued itself from a major macroeconomic downturn after the Revolution ended in mid-2011 with a \$12 billion loan by the IMF. However, Egypt's economy has suffered extremely and the rate of unemployment especially in the youth.

Iraq's economy consists to 99,7% out of its prospering oil industry. Between 1995 and 2003, the UN helped the country's problems importing food and medicine due to economic sanctions by allowing Iraq to sell oil on the world market for food and medicine. Over \$53 billion of oil were sold during the given time period, in exchange Iraq received \$46 billions of humanitarian aid. The program has been stopped even though it has been called a success by the United Nations. There have been numerous rumors and investigations due to possible cases of corruptions.



Sustainable investments from developed countries into the Middle East region could and probably will result in a huge amount of cash which can hardly be paid back to the respective lenders.

Possible Solutions

- In Syria, unlike in Iraq, power is not centrally controlled. Instead, most ISIL held areas rely heavily on hydroelectric plants at key dams along the Euphrates River. Contestation of these dams has led to significant reductions in access to electricity. As an example, reports from August 2015 suggested that residents of Raqqah had access to only two to four hours of electricity per day despite their reliance on hydroelectric generation facilities fully controlled by IS.
- Leaders of countries affected by terrorism such as Iraq or the Kingdom of Jordan are open to receive help from the western world which should promote greater economic interaction and cooperation with oil producers to invest in the prosperity of poorer neighboring countries which are affected by terrorism, and by offering Middle Eastern states better access to Western markets.
- Revising the educational system from primary schools to high schools and universities to meet the vision and standards of the respective countries in the affected region to support the country's economic situations and long-term visions.

Bibliography

The bibliography must be created using www.easybib.com. This website is really easy to use: copy the URL of the webpage and post it onto their bar. They will gather all the information which can be later completed by yourself. All you have to do afterwards is paste the citation onto your report.