



Doing Business In the Syrian Arab Republic: A Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In the Syrian Arab Republic](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

Chapter 1: Doing Business In Syria

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

Market Overview

[Return to top](#)

Syria, a country the size of North Dakota, is rich in history, culture, and resources, but has an economy desperately in need of reform following decades of failed state planning and mismanagement. Syria is a lower-middle income developing country, with a population of approximately 18.9 million and annual per capita income of USD 1,221 (according to the Syrian government, or SARG) or USD 1,176 (according to the IMF). Proposals to reform the heavily state-controlled and stagnant economy have been only partially implemented, and economic growth has not kept pace with population growth and resulting increases in the labor force. While Syria's final GDP growth rate for 2006 was projected to be 3.2 percent by the IMF, its population has been growing at an average rate of 2.7 percent in 2006. Most unofficial sources report that Syria's rate of unemployment is around 20 percent, although official SARG sources report a rate of 9 percent.

The energy sector continues to attract foreign direct investment (FDI) as the price per barrel of oil remains high in the world market. However, despite the government's efforts to encourage further exploration, Syrian oil production is expected to continue to decline in the coming years. Most observers contend that Syria will become a net importer of oil by the year 2010 unless current trends are reversed. Already in 2007 the SARG will spend more on fuel subsidies than it earns in oil export revenue, according to SARG officials. The development of many services, mainly in the banking and tourism sectors, continues to be impeded by the SARG's own policies and mismanagement. Therefore, the contribution of these sectors to Syria's economy in the future remains limited. By the end of 2006, six private banks had opened branches in Damascus and other major cities. Due to Syria's unfavorable regulatory environment, the level of FDI remains low compared to other countries in the region.

The United States Government maintains a range of economic sanctions against the SARG that makes participation in the Syrian economy by U.S. companies extremely difficult. Since 1979, when Syria was added to the State Department's list of State Sponsors of Terrorism, U.S. businesses investing in Syria have not been allowed to utilize OPIC or other U.S. government investment insurance programs, or access financing from the Export-Import Bank, the Small Business Administration, the Commodity Credit Corporation, and the Trade Development Agency. On May 11, 2004 the President signed an executive order implementing the Syria Accountability and Lebanese Sovereignty Act (SAA), which prohibits the export to Syria of all U.S. products, with the exception of foods and medicines and a few categories of goods that the U.S. Department of Commerce may license on a case-by-case basis. The definition of a U.S.

product includes any good produced in or shipped from the U.S., in addition to any good with more than 10 percent *de minimus* U.S. origin content. In addition to U.S. sanctions, Syria has been under mounting international pressure since the United Nations Security Council began its investigation into the February 14, 2005 assassination of former Lebanese Prime Minister Rafik Hariri.

Market Challenges

[Return to top](#)

Even without U.S. economic sanctions, U.S. businesses find the current business environment difficult to navigate and a challenging one in which to succeed. U.S. businesses have listed the following challenges as most acute:

- Antiquated policies and regulations that do not favor free market mechanisms;
- The lack of transparency in implementing laws and regulations and in enforcing contractual obligations, and a dysfunctional judicial system;
- Rampant corruption and cronyism;
- An inadequate banking system that severely limits foreign exchange and project financing; and
- Confusing and inconsistent enforcement of tariffs, customs duties, and taxes for goods and services.

Market Opportunities

[Return to top](#)

U.S. law prohibits the export of most products of the United States, with the exception of foods and medicines that do not need licenses and a few categories of goods that must be licensed. In this environment, the U.S. Embassy will not identify any market opportunities for U.S. businesses and will not actively promote U.S. investment in Syria.

Market Entry Strategy

[Return to top](#)

Pursuant to Executive Order 13338 of May 11, 2004 implementing the SAA, the export of all products of the United States is prohibited, with the exception of food and medicines. In addition, based on the President's exercise of national security waiver authority under the provisions of the SAA, export license applications for medical devices and equipment as defined in Part 772 of the Export Administration Regulations (EAR) and for telecommunications equipment and associated computers, software, and technology will be accepted and reviewed on a case-by-case basis.

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>.

The U.S. Government considers the information contained in this report to be accurate as of the date published. However, **the Department of Commerce** does not take responsibility for actions readers may take based on the information contained therein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3580.htm>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

The Syria Accountability and Lebanese Sovereignty Act (SAA) prohibits the export and re-export of most U.S. products to Syria. Products of the United States are defined as not only any good that is produced in and shipped from the U.S., but also any good that contains more than 10 percent *de minimus* U.S.-origin content regardless of where it is produced.

In implementing the SAA, the President specified that certain items are eligible for export under waiver. These items are food and certain medicines, which do not require an export license, and the following major categories of items, which require licenses for export and are reviewed under a case-by-case basis: (1) controlled pharmaceuticals and medical supplies and devices; (2) telecommunications equipment and associated computers, software and technology; and (3) parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft.

For detailed information on all exempted items and a better understanding of the law, U.S. businesses should contact the U.S. Department of Commerce, Bureau of Industry and Security (BIS). General information about the SAA sanctions can be found on BIS's homepage at www.bis.doc.gov or through the Office of Nonproliferation and Treaty Compliance / Foreign Policy Controls Division at 202-482-4252. U.S. businesses may also contact the Office of Exporter Services at 202-482-4811.

U.S. companies currently doing business in Syria report that confusing regulations and a weak rule of law make the environment difficult. As a result, businesses should consider hiring a local attorney to help circumvent bureaucratic roadblocks and explain the regulations and legal environment.

A partial list of Syrian attorneys, current as of May 2006, who provide services to foreigners, is included below. The list covers Damascus and the major cities of Aleppo, Homs, Hama, and Lattakia. While an attempt has been made in the following list to point out the particular branches of legal work that each attorney generally handles, it should be noted that most attorneys practicing in Syria accept all types of cases.

The United States Embassy in Damascus assumes no responsibility for the professional ability or integrity of the persons or firms whose names appear in the following list. Nevertheless, care and selectivity have been exercised in its preparation.

DAMASCUS

ABDIN Mohamad, AL-BOUSHI Mohamad Jamal, Bour Said Street, Awkaf Bldg., No. 6, telephone 963-11-221-4798/2774607 (office). Mr. Al-Boushi graduated from Damascus Law School in 1998; practicing since 1999. Mr. Abdin graduated from Damascus Law School in 1950; practicing since 1950. Both lawyers specialize in criminal, civil, banking and commercial cases, and international arbitration. Languages: Arabic, English, and French.

ANBARI Mazhar, EID Mazen Abdallah, Sanjakdar Street, Dassouki Bldg., telephone 963-11-221-7017 (office), fax 332-1695. Mr. Eid graduated from Damascus Law School in 1985; practicing since 1987. Specializes in civil, real estate, and commercial cases. Languages: Arabic, English, French, and German. Mr. Anbari graduated from Damascus Law School in 1948; practicing since 1948. Specializes in criminal and civil cases, insurance, and international arbitration. Languages: Arabic, English, and French.

DIRAWAN Nazmi, EL-ASH'OUSH Seham, Marjeh, Kabbani Bldg., Telephone 963-11-444-5299 (office), fax 444-5299. Ms. El Ash'oush graduated from Damascus Law School in 1988. Practicing since 1988. Mr. Dirawan graduated from Damascus Law School in 1963; practicing since 1966. Both lawyers specialize in civil, commercial, and real estate cases. Languages: Arabic and English.

EL-HAKIM, Yousef and Lina, Victoria Bridge, Mardam Bldg., P.O. Box 5788, fax 963-11-224-4370 (office), telephone 222-3577 (office). Yousef graduated from Damascus Law School in 1995. Got his LLM from the School of Oriental and African Studies (SOAS) in London in 1999. Practicing since 1997. Lina graduated from Beirut Saint Joseph University in 1999. She got her LLM in International Business Laws from London School of Economics in 2001. Practicing since 2003.

MOUSA, Daad, East Tejara, Bldg. No. 57 ground floor, telephone 963-11-445-5479 (office), fax 442-9648, E-Mail dmaktoob@maktoob.com. Graduate of Damascus Law School 1986; practicing since 1986. No specialization, handles all cases. Languages: Arabic, and English.

NOFAL, Samer Thomas, Mazraa, Alakhdar Alarabi Street, P.O. Box 34274, telephone 963-11-444-9696, 445-3222 (office), fax 442-0781 (office). E-Mail stnofal@syrialaw.net. Doctor of Laws (Germany), University of Saarbrucken, Germany; practicing since 1989. Specializes in civil, commercial, real estate, and international laws. Languages: Arabic, German, English, and French.

SARKIS, Fadi, Sarkis Law Office, 7 Fountain, Adel Sharaf Bldg., Floor No. 2, telephone 963-11-231-8240 (office), fax 231-9975, E-Mail sarkislaw@mail.sy. Graduated from Damascus Law School in 1995. LLM from Warwick University in UK in 1996, MPh diploma from University College of London (UCL) in combination with the School of Oriental and African Studies (SOAS) in 1997. Practicing since 1997. Specializes in civil and commercial cases. Languages: Arabic, English, and French.

ALEPPO

SULTAN, Samer, Sultans Law for Consultancy and Advocacy, Al Kawakbi, Chalabi Building, Aleppo 9001, Syria. Tel: +963.21.2277440, fax: +963.21.2278550, email: samer.sultan@sultanslaw.com. Graduated from Aleppo Law School in 1993; practicing since

1994. Received an L.L.M in International Business Law in 1997 from Hull University in Britain. Areas of practice: commercial law, banking, corporate finance and securities, intellectual property and patent, and litigation. Languages: Arabic and English.

HOMS

AMOUDI Mohamad Mounir, AMOUDI Hamed, Plaza Bldg., Hashem Atassi Street, P.O. Box 362, telephone/fax 963-31-223-115. Hamed graduated from the University of Lebanon, Faculty of Law in 2000; Practicing since 2001. Mohamad Mounir graduated from Damascus Law School in 1949; practicing since 1949. Both lawyers specialize in criminal, civil, banking, and insurance cases. Languages: Arabic, French, and English.

TRABULSI, Nazly, Abu El Alaa Al Maari Street, telephone 963-31-224-406 (office). Graduate of Beirut Arab University; practicing since 1990. General practice. Languages: Arabic, English, and French.

HAMA

ALLOUSH, Fathallah, Al Shariaa Street, telephone 963-33-220-271 (office), 963-33-220-053 (home), and in Damascus Fardous Street, Jadet Balkis, telephone 963-11-222-8839, 221-9937 (office), 963-11-224-4826 (fax). Graduate of Damascus Law School in 1955; practicing since 1955. Specializes in civil, banking, and criminal cases. Languages: Arabic and French.

LATTAKIA

MAKHLOUF Hassan, MAKHLOUF Mounzer, P.O. Box 1925, telephone 963-41-478-055, 469-447 (office), fax 463-125 (office). Mounzer graduated from Damascus Law School in 1992; practicing since 1993. Hassan graduated from Damascus Law School in 1960; practicing since 1960. No specialization, handle all cases. Languages: Arabic, French, and English.

J. ABDALLAH, Nazih, Al Mutanabi Street, telephone 963-41-473-777 (office), fax 475-357 (office). Graduate of Damascus Law School in 1963; practicing since 1964. Specializes in civil, commercial and criminal cases. Languages: Arabic and English.

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

The Syria Accountability and Lebanese Sovereignty Act (SAA) prohibits the export and re-export of most U.S. products to Syria. Products of the United States are defined as not only any good that is produced in and shipped from the U.S., but also any good that contains more than 10% *de minimus* U.S.-origin content regardless of where it is produced.

In implementing the SAA, the President specified that certain items are eligible for export under waiver. These items are food and certain medicines, which do not require an export license. The following major categories of items require licenses for export, which are reviewed on a case-by-case basis under a general policy of denial: (1) controlled pharmaceuticals and medical supplies and devices; (2) telecommunications equipment and associated computers, software and technology; and (3) parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft.

For detailed information on all exempted items and a better understanding of the law, U.S. businesses should contact the U.S. Department of Commerce, Bureau of Industry and Security (BIS). General information about the SAA sanctions can be found on BIS's homepage at www.bis.doc.gov or through the Office of Nonproliferation and Treaty Compliance / Foreign Policy Controls Division at 202-482-4252. U.S. businesses may also contact the Office of Exporter Services at 202-482-4811.

Even though investments are not currently banned under the law, U.S. businesses looking to invest in Syria should contact the Office of Foreign Assets Control at the Department of Treasury at www.ustreas.gov/offices/enforcement/ofac for additional clarification.

[Return to table of contents](#)

Chapter 5: Trade Regulations and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

Import Tariffs

[Return to top](#)

The Syrian Arab Republic is signatory to the Greater Arab Free Trade Agreement (GAFTA), which took effect on January 1, 2005, and a Free Trade Agreement with Turkey, which entered into force on January 01, 2007. GAFTA eliminated import tariffs on goods from Arab states. The FTA with Turkey will eliminate tariffs on Turkish goods over a 3-to-12 year period. Syria also has initialed an Association Agreement with the European Union (EU), but a final signature on this agreement, is still pending. With an eye to eventual WTO membership, the Syrian Ministry of Economy and Trade established in October 2006 an office of administration for the WTO which is responsible for all trade issues related to accession. The SARG is working to harmonize its import tariffs and customs duties and bring them into compliance with WTO standards. However, most goods from countries with which Syria does not have a free trade agreement are subject to progressive tariff rates that start at 1 percent and reach a maximum of 60 percent of the value of the good, depending in part on the government's view of the necessity of the product.

Trade Barriers

[Return to top](#)

Syria has a number of non-tariff trade barriers that include a non-convertible currency, an inadequate banking system, and cumbersome and confusing government regulations. For a more comprehensive understanding of non-tariff trade barriers, please refer to Chapter 6: Investment Climate.

Import Requirements and Documentation

[Return to top](#)

In order to import goods into Syria from countries other than Turkey and members of the GAFTA, importers must present the following documents: (1) a bill of lading;

(2) a valid import license; (3) a packing list in triplicate; (4) a certificate of origin in triplicate; (5) a letter from the corresponding bank; and (6) a commercial invoice in triplicate describing the type of goods imported, price, basic specifications, and method of payment used. All documents must be certified by the Syrian Chamber of Commerce (or any Arab/Foreign Chamber of Commerce) and the Syrian Embassy in the country of origin, or by another Arab Embassy in that country, in the absence of a Syrian Embassy. Obtaining an import license is required for all imported items **except for raw materials**.

Payment by means of documentary letter of credit has been implemented for commercial transactions. The exporter is required to include two statements on the invoice: (1) whether the exporter has an agent in Syria, and (2) whether the company is in compliance with the Arab League Boycott of Israel.

Syria enforces the Arab League Boycott of Israel. Goods of Israeli origin may not be imported into Syria. U.S. exporters are advised to obtain competent advice regarding U.S. anti-boycott regulations before proceeding. One excellent source of such information is the U.S. Department of Commerce, Office of Anti-Boycott Compliance, Telephone: 202-482-2381; Fax: 202-482-0913.

U.S. Export Controls

[Return to top](#)

The Syria Accountability and Lebanese Sovereignty Act (SAA), implemented on May 11, 2004, prohibits the export and re-export of most products of the United States to Syria. Products of the United States are defined as not only goods that are produced in and shipped from the U.S., but also goods that contain more than 10 percent *de minimus* U.S.-origin content regardless of where they are produced.

In implementing the SAA, the President specified that certain items are eligible for export under waiver. These items are food and certain medicines, which do not require an export license, and the following major category of items, which require a license. The U.S. Department of Commerce may consider licenses for export on a case by case basis for: (1) controlled pharmaceuticals and medical supplies and devices; (2) telecommunications equipment and associated computers, software and technology; and (3) parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft.

In calendar year 2006, the Bureau of Industry and Security (BIS) at the U.S. Department of Commerce processed 270 license applications, of which 185 were approved, 71 were returned without action, and 14 were denied. The majority of applications (over 135), with the greatest dollar value, were for medical supplies and devices. Applications for telecommunications equipment (over 30) accounted for most of the remainder. Of the applications returned without action, most were returned because the application forms were incomplete. The denials were for applications to export items that did not qualify for a waiver under the SAA.

To gain a more detailed understanding of the law, U.S. businesses should contact the U.S. Department of Commerce, Bureau of Industry and Security (BIS). General information about the SAA sanctions can be found on BIS's homepage at www.bis.doc.gov or through the Office of Nonproliferation and Treaty Compliance / Foreign Policy Controls Division at 202-482-4252. U.S. businesses may also contact the Office of Exporter Services at 202-482-4811.

Temporary Entry

[Return to top](#)

The Syrian government grants temporary entry, free of customs duties and taxes for the following:

1.- *Foreign Projects*: A foreign company executing a project in Syria is entitled to temporarily import any equipment necessary for the completion of the project. When the work is completed, the company must then re-export all equipment and vehicles. However, companies have experienced difficulties re-exporting equipment, especially computers and vehicles.

2.- *International Organizations*: International organizations are entitled to import vehicles, furniture, and other necessary equipment, duty-free, on the condition that all imported goods be re-exported.

3.- *Tourists*: Tourists are entitled to bring in passenger vehicles for personal travel for a period of 3 months, subject to a one month extension.

4.- *Trade Shows*: Trade show participants may temporarily import goods for display, but must re-export them at the conclusion of the event. Occasionally, the Syrian authorities permit the permanent importation of goods that are displayed during the government-organized annual Damascus International Fair.

5.- *Export manufacturers*: Under a special procedure, local manufacturers are granted temporary entry permit for raw materials duty-free if the resulting manufactured products are wholly intended for export.

6.- *Projects under Investment Law No. 10*: Investment Law No. 10 permits investors duty-free import of machinery, capital equipment, and supplies needed for special projects. Customs duties are imposed on all raw materials for manufacturing. However, in late 2005 the government reduced the duties imposed on certain raw materials to 1 percent

Labeling and Marking Requirements

[Return to top](#)

Medicines, food, dairy, garments, and other consumer products must be labeled. The labeling should include: name of producer/exporter, ingredients, date of manufacturing, date of expiration, as well as the country of origin. Medications also require a batch number. The Ministry of Economy and Trade has enforced the labeling for products

designed for local consumption, according to the international standards. In accordance with pending and completed Free Trade Agreements, Syria is working to implement more updated labeling and marking requirements on both imported and exported goods, to bring its requirements in line with WTO standards.

Prohibited and Restricted Imports

[Return to top](#)

On June 01, 2006, the Ministry of Economy and Trade issued a document, called the “negative list”, which includes all prohibited imports. In keeping with the government’s intention to liberalize trade, some goods are expected to be taken off the negative list in early 2007. For more information on the items prohibited from being imported, please check the (Arabic language only) provided website for the negative list, which is <http://www.syrecon.gov.sy/servers/gallery/20061122-093217.pdf>. It is important to note that only the government can import alcoholic beverages and cigarettes for sale on the local market. Trade liberalization has reduced the list of prohibited imports for members of GAFTA.

Customs Regulations and Contact Information

[Return to top](#)

Mr. Basel Omar Sannoufeh
Director General
Baramkeh, Damascus, Syria
Telephone: +963 11 – 2127900, 2125751, 2126901, 2129137, 2127902/3
Fax: +963 11 – 2132577, 2126921

For additional information, please check the under-construction website for Syrian Customs, which is <http://softsols.mysite4now.com/customs2006/>.

Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Product Certification](#)
- [Labeling and Marking](#)

Overview

[Return to top](#)

Syria has a complex bureaucratic standards system that involves 10 different agencies and 7 ministries. As a member of the International Organization for Standardization (ISO), Syria incorporates many of the international norms within the local system.

While the regulations are well developed, enforcement is not as consistent, with some products and producers enjoying looser enforcement than others.

Standards Organizations

[Return to top](#)

The primary responsibility for drafting and enforcing standards falls to the Commission for Standards and Measurements under the Ministry of Industry. However, many other agencies and ministries are involved, depending on the commodity in question.

Product Certification

[Return to top](#)

Locally produced goods, both for the domestic and export market, are required to certify compliance with local standards. Imports can be subject to government testing to check for compliance.

Labeling and Marking

[Return to top](#)

All products must be properly labeled, including information on the producer, the ingredients/components, the weight/size, the production license number, the country of origin, and production and expiry dates in Arabic. For measurements, Syria uses the metric system.

Trade Agreements

[Return to top](#)

As of January 1, 2005, the Greater Arab Free Trade Agreement (GAFTA) came into effect and customs duties have been eliminated between Arab states. In addition, Syria has signed a free trade agreement with Turkey, which entered into force on January 01, 2007. Although Syria has begun to take some measures to meet the requirements of its association agreement with the EU, initialed in October 2004, these reforms are far from complete and the EU agreement remains unratified. For instance, Syria lowered its tariff rate on new automobiles over 60 percent in 2005 in order to comply with the Association Agreement's timetable for tariff reduction. In addition, a new customs law was issued on July 01, 2006. According to this law, all items are now subject to 50 percent or less customs duties, except for cars with capacity in excess of 1,600 CC, which are subject to 60 percent customs fees. Syria also applied in 2001 for membership in the WTO but its application has not yet been processed. In spite of that, the SARG has begun the process of bringing its system into compliance with WTO standards.

Web Resources

[Return to top](#)

For more details on the Syria Accountability Act, please visit:
http://www.bis.doc.gov/Licensing/SyriaImplementationMay14_04.htm.

For more details on the activity of the Economic/Commercial Section at the U.S. Embassy in Damascus, please visit:
<http://damascus.usembassy.gov/com.html>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)

Openness to Foreign Investment

[Return to top](#)

Designated by the U.S. government as a state sponsor of terrorism, Syria has been listed on the U.S. Department of Commerce Control List (CCL) and has been subject to Export Administration Regulations (EAR) for nearly thirty years. All dual-use goods and advanced technology items have been controlled and/or restricted from the Syrian market since 1979. These restrictions were enhanced through the implementation of economic sanctions under the Syria Accountability Act (SAA) of May 11, 2004. As currently implemented, the SAA does not ban U.S. investments. However, the current ban on the export of almost all products of the United States has made investments by U.S. businesses more difficult to carry out, and the President has the authority to extend implementation of the SAA to ban all U.S. business and investment activity in Syria at any time.

SAA sanctions are in addition to restrictions under the Grassley Amendment that prevents U.S. corporations from taking advantage of foreign tax credits for taxes paid in Syria. Furthermore, the President has designated more sanctions under the International Emergency Economic Powers Act (IEEPA) and Section 311 of the USAPATRIOT Act regarding financial transactions with the Commercial Bank of Syria. As a result, the transfer of U.S. dollars to and from Syria has become difficult, making investments that much more challenging to execute. As of the end of December 2006, a number of U.S. corporations, notably in the oil and gas sector, made the decision to divest and cease their activities in Syria.

Syrian officials and ministers routinely stress publicly the need for economic reform in order to attract foreign direct investment and thus stimulate economic growth and

increase employment. Announced liberalizations are often, however, rescinded or contradicted by other government officials, sometimes at the expense of private companies that have made business decisions based on government commitments subsequently annulled. Although a bloated bureaucracy, corruption, and the lack of an independent judiciary are still significant impediments to business, in 2006 the SARG did issue laws and decrees in the fields of banking, insurance, and trade that continue its slow and halting effort to reform the country's economy.

Investment Law No. 10 (1991) and its amending Decree No. 7 (2000) were efforts to encourage foreign direct investment in Syria; unfortunately, the lack of definitive decision criteria, by which the Higher Council for Investment made decisions in their monthly meetings to screen applications, left the process open to political pressures, lobbying and corruption. This first attempt at reform brought long delays and was seriously lacking in many areas. The result is that, in application, Investment Law No. 10 has fallen far short of its goal of making Syria a more attractive investment venue.

Because of the failure of Investment Law No. 10 to spur foreign direct investment, the SARG announced on January 27, 2007 a new investment law. Decrees Nos. 8 and 9 are advertised as addressing problems encountered under the prior system, but only time and experience will tell how they will actually be implemented; official implementation instructions from the SARG had not been issued as of February 2007. The information below regarding policies and procedures under the new law is therefore untested in actual practice, which should be factored into business decisions regarding Syria.

Decree No. 8 is supposed to enable investors, whether Syrians, Arabs or foreigners, to own or lease the land required for their projects, and provides for free repatriation of profits, dividends and invested capital, on condition that all tax liabilities have been met. If a foreign investor encounters obstacles in setting up a project, and decides to withdraw within six months of receiving a license, all capital invested up to that point may be freely repatriated, according to Syrian officials. Foreign staff will be entitled to repatriate up to 50 percent of their net income and 100 percent of any end-of-service benefits. Furthermore, Decree 8 exempts investors from paying customs duties on equipment imported to set up their projects, but they are liable to standard corporation taxes, which fall under the jurisdiction of the 2006 Tax law. Most sectors are open for private investment under Decree 8, except for tourism, which remains covered by separate legal and tax frameworks.

At the same time, the SARG passed Decree 9 of 2007 stipulating the formation of the Damascus-based Syrian Investment Authority (SIA). The SIA is to work under the Prime Minister but, as noted above with the new investment law, no implementing instructions have yet been issued for Decree 9. Once implementing instructions are published, the SIA is to assume the function of approving projects and annulling licenses for those projects not implemented within the required timeframe. The SIA will meet at least bi-weekly, and the goal is to reduce the review process to two weeks from application to decision. Sources say the SIA members will include the Prime Minister; a Chairman and a Director General, each of whom will be appointed by the Prime Minister; three Directors from the HCI; and three private sector representatives. The HCI will now only meet twice per year to review general investment policies.

Decree 8 also allows preexisting investment licenses (under the old Law 10 and Decree 7) to continue unchanged.

Despite this recognition by the SARG of changes needed in the investment climate, both foreign and local business leaders continue to cite three main obstacles to growth in investment. First, the banking sector is inadequate to meet the financing needs of not only multinational corporations, but also local enterprises. Second, the lack of rule of law makes contractual obligations optional at best and impossible to enforce at worst. Finally, the lack of transparency and accuracy in laws and regulations, particularly when dealing with government-affiliated entities, leads to a climate of confusion, intimidation, and corruption.

Foreign investors often are hampered by a lack of awareness throughout the tendering process and complain that winning bids are often based more on contacts and relationships than the actual merits of a proposal. Certain ministers in the government have acknowledged this problem within the last few years and have tried unsuccessfully to address it. Similarly, in the judicial system, judgments are subject to external pressures that make it difficult for businesses to ensure that contracts are binding.

All government officials continue to reject on ideological grounds – or over unstated pragmatic fears of dramatic rises in unemployment - the privatization of state enterprises and government officials continue to explicitly state that no privatization will take place during the current Five-Year Plan, which runs through 2010. In spite of these ideological beliefs, the government seems intent on identifying ways to make the public sector more profitable by allowing agents to market products abroad, by discussing joint-venture opportunities, by pursuing ISO certification, by offering public companies for private investment, and by freeing selected ventures on an experimental basis from certain restrictive laws on labor and wages. Despite recent announcements of a movement towards a “social market economy” as well as attempts at reform, the economy remains centrally planned, and uncompetitive public sector companies continue to drain government finances.

In addition to the challenges mentioned above, business contacts highlight the following specific difficulties of doing business in Syria:

- The Syrian government requires import licenses for every item imported, except for raw materials and items imported from Turkey and the GAFTA countries. Likewise, foreign companies must acquire permits for each item of equipment intended for temporary use and subsequent re-export (i.e. drilling rigs) to avoid paying import duties. The validity of these permits can be difficult to extend if the company's service contract expires and the company wishes to keep the equipment in the country for stand-by usage. Delays in the re-export of equipment after a temporary permit expires have resulted in heavy fines.
- Syrian corporate, income, and wage tax liabilities for foreign contractors have been unclear for quite some time, and they continue to complicate the operations of many companies.
- The awarding of contracts is often delayed by the lobbying efforts of influential local business interests and groups. Even in cases devoid of external influence, bureaucrats fear accusations of corruption and abuse, and therefore often require additional reviews

of investment proposals that are not mandated by law and that inordinately delay projects. The Syrian government has reiterated its commitment to increasing the degree of transparency in the process, but foreign and Syrian firms continue to cite problems.

- Employees in the public sector are often unmotivated and unproductive and may demand bribes for required routine services. The average public sector employee earns wages estimated at USD 200 per month. Wages are not keeping up with the rising cost of living so many public employees turn to petty corruption to make ends meet. In addition, labor laws are complex and significantly limit an employer's flexibility to hire and fire employees.

- Syrian property law – at least since the Ba'athists took power in the early 1960s - has been tenant-friendly, which made it difficult for landlords to lease residential properties, negotiate rent rates and evict problem tenants. In addition, at the end of 2004, the government implemented an 18 percent tax on any real estate leased for use by foreign persons or entities. In 2005, however, the SARG began implementing a residential rent law passed in 2000 that affords landlords greater rights and protections. In 2006, the SARG issued a law permitting commercial real estate owners to lease their properties according to contract terms. The law allows the real estate owners to claim back their properties after the contract's period is over. In addition, foreign investors in real estate and the tourist sector have been able to take advantage of decisions of the Higher Council of Tourism that provide foreign landlords with exemptions from labor and tenant laws.

- Rigorous enforcement of the regulations of the Arab League Boycott of Israel leads to numerous difficulties in the importation of needed products or in registering trademarks because the government requires additional paperwork certifying compliance with the Boycott. Providing this paperwork is against U.S. law.

Conversion and Transfer Policies

[Return to top](#)

Under the guidelines of the USAPATRIOT Act, the President has designated the Commercial Bank of Syria (CBS) as an institution of primary money-laundering concern. Consequently, the Secretary of the Treasury issued a decision on March 9, 2006 banning correspondent relations between the Commercial Bank and U.S. financial institutions.

Under current laws, investors are permitted to open foreign exchange accounts with the CBS and the seven private banks, and retain 100 percent of their export revenues. Decree 8, when implemented, is supposed to allow the repatriation of foreign currency profits generated from the import of capital into the country through Syrian banks.

Newly opened private banks can provide the same level of banking services as the CBS, including opening saving/checking accounts and issuing Letters of Credit (L/Cs), provided the money originates from outside the country. In some limited instances, private banks are allowed to issue U.S.-dollar-denominated L/Cs backed by Syrian pounds. All foreign exchange operations must be generated from company exports and transacted through the investor's foreign exchange account at the Commercial Bank of Syria. Recently, the government has allowed private investors to have access to foreign

currency through the CBS to finance the import of raw materials.

Aside from the loosening of controls under the previous Investment Law No. 10 and Decree No. 7, strict foreign exchange restrictions were enforced up until mid-2003. Even though relatively recent legal changes permit the possession of foreign exchange, overseas borrowing and the export of capital still require the approval of the Central Bank. These restrictions, however, are often disregarded. Foreign companies operating outside the parameters of the investment law and its amendment may transfer capital inside Syria only in accordance with special agreements, usually in the form of a Presidential decree. The SARG passed Law 24 in April 2006 permitting the opening of private money exchange companies and offices. To date no private money exchange company has begun operation, although more than 30 individuals have submitted applications.

Outward capital and profit transfers are expected to be permitted to companies licensed under the new Decree 8. Otherwise, they are prohibited unless approved by the Prime Minister or arranged separately, as in the case of production sharing agreements with oil exploration companies. Once implemented, Decree No. 8 is to allow free repatriation of profits, dividends and invested capital, on condition that all tax liabilities have been met. In addition, if a foreign investor encounters obstacles in setting up a project, and decides to withdraw within six months of receiving a license, all capital invested up to that point is to be freely repatriated when Decree 8 goes into effect. Foreign staff will be entitled to repatriate up to 50 percent of their net income, and 100 percent of any end-of-service benefits. In the case of foreign oil companies, "cost recovery" of exploration and development expenditures is governed by formulas specifically negotiated in the applicable production sharing agreement.

Foreign oil partners in production-sharing joint ventures with the state oil company report delays in the recognition of "cost recovery" claims, although payments are eventually approved.

In March 2001 the Syrian government passed Law No. 28, which allows for the establishment of private and joint-venture banks. The law made general provisions for the operations of the banks and set a minimum Syrian ownership requirement of 51 percent. At the same time, a banking secrecy law was also issued that allows for numbered accounts and that restricts asset seizures. To date, seven private banks are operating in the country and are generally able to carry out the same banking operations that are permissible to the Commercial Bank of Syria. In May 2005, a Presidential decree allowed the establishment of Islamic banks in the country; to date, no Islamic bank has opened. The first such bank, al-Sham Islamic Bank, founded by the al-Shall Group for Investment and Consultations (Kuwait), Investment Dar Company (Kuwait), and the Islamic Development Bank (Saudi Arabia), is expected to begin operation in March 2007. In accordance with Syrian laws at the time of their founding, these groups control 49 percent of the new bank's assets; the other 51 percent is held by Syrian investors.

The SARG has been discussing the modification of Law No. 28 to increase allowed foreign ownership of private banks up to 60 percent.

The main period of the expropriation of private property occurred from 1964 to 1966, after the Ba'ath Party seized power on March 8, 1963. During this period, as well as in the late 1950s after Syria's union with Egypt, the government nationalized many private farms and factories without paying any compensation. To the best of the Embassy's knowledge, no one has been compensated for the material losses that occurred as a result of nationalization, although we have heard anecdotal accounts that there were some offers of derisory sums for compensation that landowners rejected out of hand. Between 1967 and 1986, there were fewer cases of expropriation because the government had already seized the most valuable properties, and thus, they spent more time scrutinizing any remaining properties for nationalization. The Embassy does not have any knowledge of private property nationalized after 1986.

Investment laws enacted in 1985-86 for specific sectors, i.e. tourism and agriculture, included clauses that protected against nationalization and expropriation. Decree 7 of 2000 explicitly stated that projects could not be nationalized or expropriated. Likewise, Decree 8 of 2007 explicitly states that projects could not be nationalized or expropriated. Decree 8 has opened many sectors to private investment including electricity generation, infrastructure, environment, and services. Projects in the fields of oil and gas production as well as tourism continue to fall under separate laws.

Despite these protections, rule of law is weak in Syria and the SARG does occasionally seize business property of its political opponents and officials who have fallen out of favor. In early 2006, alleging corrupt practices, the SARG confiscated all residential, commercial and business assets of former Vice President Abdul Halim Khaddam, his wife and all other members of his family, including his children, their spouses and their children.

Dispute Settlement

On June 8, 2005, Syria signed the Washington International Convention on Investment Dispute Settlement. In addition, as a party to the New York Convention on Arbitration, the Syrian government accepts binding international arbitration of disputes between foreign investors and the state in cases where the investment agreement or contract includes such a clause. Otherwise, local courts have jurisdiction. Arbitration cases involving the public sector must be tried by the State Council, which attempts to ensure the integrity of the process; however, they have no authority over the enforcement of their decisions.

A number of U.S. suppliers and companies have asserted claims against state enterprises for non-payment of goods and services delivered. The government has made an effort after 1995 to settle some of these debts on a case-by-case basis. For example, one American supplier finally received payment in 2002 for goods delivered in 1982. Long delays are common in settling disputes through negotiation and arbitration. In the past several years, fewer investment disputes have been filed or brought to the Embassy's attention as U.S. business activity in Syria has decreased steadily over the period.

While property and contractual rights are protected on paper, the government regularly interferes in the judicial process. Judgments by foreign courts are generally accepted only if the verdict favors the Syrian government. Although an official bankruptcy law exists, it is not applied fairly because a creditor's ability to salvage any investment is contingent on the amount of influence he can exert and not on the letter of the law. Monetary judgments, if granted, are made in local currency and cannot be converted to hard currency.

Performance Requirements and Incentives

[Return to top](#)

Investment Law No. 10, its amendment Decree No. 7, and Decree No. 8 do not stipulate formal performance requirements as a condition for establishing, maintaining, or expanding an investment or for access to tax and other incentives. However, the investment Decrees do mandate that investors must make a minimum initial investment, the level of which is set by the SARG on a case-by-case basis, and that they must begin implementing the project within a period of three years or risk losing their investment license. More than 300 licenses were revoked in 2003 and 2004 for projects licensed but not executed. Since 2004, the HCI began to annually review the status of licenses granted and automatically annuls those which were not implemented. The new SIA will assume this license review function.

While investors are not required to hire a fixed number of local employees, the SARG looks more favorably on proposals that include a large element of local labor, that use local raw materials, and that are designed for undeveloped rural areas. As a result, informal guidelines on labor and materials are usually negotiated on a case-by-case basis during the approval and licensing process. Syria's labor laws generally are considered an impediment to foreign investment, although some recent investments in the tourism sector have been able to win exemptions from the SARG. Locals are not required to own shares in foreign investments. However, successful foreign investments usually involve a well-connected local partner who can overcome bureaucratic hurdles that are prevalent in Syria.

For all public tenders, the government requires a bid bond, which is usually 5 percent of the value of the tender. If selected, a performance bond is required, which is usually 10 percent of the value of the contract. Even though these monies are held in the CBS on behalf of the foreign investor, most companies now incorporate the amounts into their overall bid because the monies are rarely, if ever, returned after completion of the contract. In addition to these bonds, the government may also require disclosure of proprietary information before approving a project.

While the Ministry of Economy and Trade has the authority to set prices and/or profit margins on products imported for the local market, they have not usually done so for products brought in through foreign investments. Similar types of incentives, which are outlined in various pieces of legislation, include extended tax holidays, increased flexibility on hard currency, reduced income taxes for share-holding companies, and incentives to promote investments in underdeveloped regions and sectors.

Right to Private Ownership and Establishment

[Return to top](#)

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity after completing sometimes extensive licensing requirements. Moreover, private entities have the right to freely acquire and dispose of interests in business enterprises.

All private investment projects must be licensed. Over the past few years, the Syrian government has opened some sectors formerly reserved for government monopolies to private sector investment. Key sectors opened since 1994 include flour milling, sugar refining, cotton ginning and spinning (if the project is completely integrated to include manufacturing and finishing), and recently, banking, insurance, water bottling, petroleum refining, aviation, and cement production. Nevertheless, state enterprises have a comparative advantage in winning bids due to their connections in the HCI and the new SIA. Several projects that have been approved have not reached implementation because investors have failed to produce the necessary resources and/or found the final conditions of the project unsuitable. The HCI, and now the new SIA, revokes some licenses if the project is not implemented within three years of getting a license.

The standard of competitive equality is not applied to private enterprises competing with state enterprises in a number of important areas. For example, although a number of state banks such as the Real Estate Bank and the Industrial Bank are authorized to loan local currency to help finance private sector project, state enterprises continue to have privileged access to local credit and exclusive access to official loans from the Commercial Bank of Syria. Private companies, however, can sometimes access offshore financing, and if they are located in Syria's free zones, have been able to access financing from the few local branches of private foreign banks. Now that six private banks are operating in the country, additional access to credit may become easier especially once a proposed new law further liberalizing the sector is passed and implemented.

Protection of Property Rights

[Return to top](#)

Violations of Intellectual Property Rights (IPR) are rampant in Syria. Patent, trademark, and copyright laws and regulations are all inadequate. As a result, Syria provides minimal protection for local producers and almost no protection for foreign producers. In July 2002, Syria officially joined the 1967 Stockholm Convention on Intellectual Property Rights. Subsequently, the authorities began to enforce the protection of IPR through raids and confiscations of pirated goods from a number of local vendors and producers. However, direct government action to punish IPR violators ceased by the end of 2003 and the senior official at the Ministry of Culture who was spearheading this effort resigned. In May 2004, Syria became a member of the World Intellectual Property Organization (WIPO), but has not made improvements in IPR enforcement to date.

In late 2005, the Syrian Association for Intellectual Property (SIPA), an NGO, was established with a USD 50,000 grant from the UNDP. In November 2006, the NGO became an observer in the WIPO. SIPA'S main objectives include increasing public awareness about IPR issues and supporting the execution of IPR laws and regulations. Among their activities are a quarterly newsletter; issuance of a geographical indicator list to protect national industries (e.g. Ifrin oils, Aleppo soap); evaluating protection rights in public and private companies (with Ministry of Industry assistance); issuing certificates regarding compliance with non-pirating/counterfeiting laws; and maintaining their website at www.sipa-sy.org.

The Syrian regulatory system is not sufficient to provide the necessary legal framework to actively protect and enforce IPR. The Ministry of Economy and Trade traditionally processes the registration of patents and trademarks, while the Ministry of Culture is responsible for copyrights. Books in English are frequently translated into Arabic and published without any royalties paid to the copyright holder. In addition, music, software, and video CDs, CD-ROMs and DVDs are copied and sold ubiquitously. Film industry contacts estimate that the home video market alone is 80 percent pirated, although the amount of revenue lost to U.S. IPR holders is unknown and very difficult to measure.

While IPR protection is almost non-existent, the protection of real property rights is much more developed, and therefore legally and socially accepted. Since bank financing and mortgage lending does not exist, real estate is bought through cash payments in full or through installments. Property ownership is not transferred until it is paid in full.

Transparency of Regulatory System

[Return to top](#)

The Syrian regulatory system is not transparent on any level. As described by local private business leaders, corruption is endemic at nearly all levels of government. Decisions are made without consulting consumers, producers, or suppliers. Government regulations do not promote competition, either among private firms or between private firms and state enterprises. However, a draft competition law is currently pending at the Prime Minister's office.

To foster competition, the government has informed public sector enterprises that they will no longer be permitted to operate as a monopoly, particularly if private capital, foreign or domestic, can be obtained to finance projects. However, there are no regulatory processes managed by non-governmental organizations or private sector institutions to provide a system of checks and balances on government directives. As a result, legal, regulatory, and accounting systems are incompatible with international standards. Local businesses do not comply with what are perceived to be arbitrary regulations. They also avoid paying taxes because they consider payment as a means of official confiscation of their profits.

Efficient Capital Markets and Portfolio Investment

[Return to top](#)

Syrian government policy does not facilitate the free flow of financial resources. The lack of a fully convertible currency exchange and the absence of a capital market continue to impede both domestic and foreign investment. President Asad issued Decree 55 in October 2006 formally establishing the Damascus Stock Exchange, and has since then named a governing board. However, the exchange is not expected to become operable before the end of 2007.

The government continues to impose strict foreign exchange controls, especially on currency outflows for private sector operations that are not under the legal umbrella of Investment Law No. 10, Decree No. 7 and Decree No. 8. Foreign capital can be brought into the country and can be exchanged for commercial purposes at the daily rate established by the Central Bank of Syria. One-way, non-commercial foreign exchange transactions are currently available at branches of the Commercial Bank at a set rate, which is close to the real or market rate.

Political Violence

[Return to top](#)

Syria is an autocratic police state that severely restricts political dissension. Protests are rare and usually dispersed quickly. The security forces have jailed protestors for indefinite periods of time.

Anti-American sentiment as a result of the war in Iraq, and the international investigation into the 2005 assassination of former Lebanese Prime Minister Rafik Harriri, has led to a heightened level of tension. The U.S. Embassy was attacked, without warning, in September 2006, by a small group of terrorists using automatic gunfire and grenades. They attempted, unsuccessfully, to detonate a vehicle-borne improvised explosive device at the embassy's rear gate. One local guard was seriously injured. A Syrian bystander in addition to one Syria security officer were killed in addition to all four attackers. In the wake of the October 2005 release of the UN investigator's report on the assassination of Harriri, the SARG orchestrated nationalistic protest campaigns near the U.S. embassy. Government-sanctioned "spontaneous" demonstrations occurred against the embassy in December 1998 and in October 2000.

Corruption

[Return to top](#)

Corruption cuts across most sectors of society and affects the legal system as well. Bureaucratic procedures for receiving required documents and for obtaining licenses can cause protracted delays and often involve official approval from many levels within the government. Under-the-table payments are commonplace, as corruption is endemic in

nearly all levels of government.

After 1998, state-run newspapers began publishing articles about the misappropriation of public funds and the lack of probity among public officials. As a result, certain officials were jailed for corruption after an investigation into their abuse of power. Even with these public cases, however, corruption is prevalent, and the SARG often uses its anti-corruption campaigns to target its critics or those who have fallen out of favor. Wages and benefits in the public sector are insufficient to meet the cost of living, thus fringe benefits and excessive "agency" fees are widely tolerated as a means of supplementing income, especially during the procurement, investment licensing, import licensing, and customs clearing processes.

Bilateral Investment Agreements

[Return to top](#)

On August 9, 1976, Syria signed an investment guarantee agreement with the United States that protects investments from nationalization and confiscation. Similar agreements are also in force with Germany, France, Pakistan, China, Indonesia, Russia, Belarus, Iran, Italy, Bulgaria, Ukraine, and Switzerland. In addition, a number of bi-national committees have been established with Arab, Asian, and European countries to explore private and mixed joint ventures, and improve bilateral trade. Syria has signed investment guarantee agreements with Kuwait, the U.A.E, Morocco, Sudan, Yemen, Egypt, Lebanon, Jordan, Tunisia, Algeria, Bahrain, Turkey, and Libya. The U.S does not have a bilateral taxation treaty with Syria.

OPIC and Other Investment Insurance Programs

[Return to top](#)

U.S. businesses are not allowed to utilize OPIC or other U.S. government investment insurance programs because Syria is on the State Department's List of State Sponsors of Terrorism. In addition, the Export-Import Bank, the Small Business Administration, the Commodity Credit Corporation, and the Trade Development Agency cannot extend financing for U.S. business activities. USAID terminated its assistance to Syria in 1983; subsequently, all funds appropriated through the annual foreign operations legislation are banned. While the recently implemented Syria Accountability Act does not currently prohibit investments, the President can decide to ban U.S. investments at any future date. As a result, the U.S. embassy does not actively promote U.S. investment in Syria.

Labor

[Return to top](#)

The SARG reported an unemployment rate of 9.5 percent in 2006. However, more accurate independent sources estimated unemployment as high as 20 percent. It is worth noting that most public sector entities suffer from over-employment, thus rendering a high cost of production and low rate of efficiency. Close to half of the population lives on less than USD 140 per month per household. In May 2005, the UNDP announced that around 20 percent of the Syrian population lives below the poverty line. The

average public sector salary is USD 200 per month, and public sector employees constitute over one quarter of the total labor force. Many public sector employees resort to accepting bribes or taking a second job in order to afford basic commodities.

Compared to the public sector, the private sector offers higher wages and better benefits and usually has been able to recruit and hire more skilled labor. However, recent developments in information technology have outpaced the level of competency among Syrian engineers. Syrian universities continue to teach many technical courses in Arabic and use Soviet-era curriculum that is outdated. However, recently private universities have opened and provide competition for the public institutions. As a result of the deficiencies inherent in the Syrian education system, both private and public sector firms are looking abroad to find qualified technicians for their IT needs. While the public sector is not competitive, the private sector is struggling to compete in the international marketplace for qualified engineers. Syria is continuing to lose a large number of highly-skilled workers who are leaving the country for higher wages abroad.

Government officials acknowledge the fact that the economy is not growing at a pace sufficient to create enough new jobs annually to match population growth. According to official Syrian statistics, the economy grew at about five percent in 2006, although others estimated real GDP growth below three percent. However, during the same year population grew at 2.45 percent. Since 2001, the government has tried a number of initiatives to promote job growth without much success, including job fairs and loans for small and medium sized investment projects.

Independent labor unions do not exist in Syria. The General Federation of Trade Unions (GFTU) is government-controlled and oversees all aspects of union activity.

Foreign-Trade Zones/Free Ports

[Return to top](#)

There are nine existing duty-free zones throughout Syria. The General Organization of Free Zones (GOFZ) has plans to establish an additional four zones on a Build, Operate, and Transfer (BOT) basis. Moreover, GOFZ has licensed the first privately owned and managed free trade zone in the Damascus suburbs for use by the textile industry to produce exports for Europe and the U.S. In May 2000, a free trade zone was inaugurated near the Syrian-Jordanian border as a joint venture between the two countries. The government is preparing international tenders to establish similar zones with Lebanon and Turkey. Both major ports in Latakia and Tartus have free trade areas; however, there are no free ports in Syria.

Both China and Iran announced plans to build free zones in Syria; Iran later dropped this idea in favor of pursuing a regular Free Trade Agreement with Syria, though nothing has been completed. China's free zone in Adra, however, is progressing and is expected to house roughly 200 Chinese companies and act as a gateway to the region for their goods.

News reports also indicate that a new free zone is underway in Hasakeh, near the Syrian-Iraq border.

Official foreign investment statistics by country are not available in Syria. Based on information periodically released by the President of the Higher Council for Investment (HCI), 3,765 foreign and local industrial, agricultural and transportation investment projects at an estimated total capital of USD 24.4 billion have been approved by the HCI since Law No.10's inception in 1991 and through December 2006. However, a large number of these projects have never been realized for a number of reasons, including costs for feasibility studies and project implementation have proven to be higher than initially anticipated by many investors. The HCI has adopted a policy of reviewing the status of projects on a yearly basis and annulling licenses of those projects which are not started within the required period of three years; this function is to be transferred to the new SIA. As for tourism and real estate projects licensed by the Ministry of Tourism in 2005 and 2006, SARG statistics indicate that some USD 1.8 billion were pledged to be invested in the establishment of hotels, tourism resorts, and shopping malls, particularly by Gulf companies including Emaar and Bunyan of Dubai, al-Khurafi of Kuwait, and al-Ta'ef and Balkis of Saudi Arabia. It is worth mentioning that Prince Walid Bin Talal of Saudi Arabia officially inaugurated the 300-room Four Seasons Hotel in March of 2006.

According to government statistics, 217 foreign investment projects were licensed from law No. 10's inception in 1991 through December 2006, excluding joint ventures in the petroleum and tourism sectors. They have a total value of USD 7.1 billion and are mostly in real estate development. Given the historical trend, it is doubtful that the vast majority of these projects will be realized. The largest foreign investors have traditionally been in the petroleum sector and include Shell (UK/Dutch), Total (France), INA Nafta (Croatia), Dublin (Canada), Dove Energy Ltd. (U.K.), PetroCanada, Stroytransgas (Russia), and Gulfsands Petroleum (U.K.). The government began to actively court international energy companies in the late 1980s. By 1990 twelve foreign firms had production or exploration operations in Syria; however, most departed as a result of dry wells, rising costs, and major disagreements with the government over contractual terms and tax liabilities.

The government redoubled efforts to attract foreign energy companies by opening five blocs in 2001 and eleven blocs in 2002 for international tenders. In an effort to reverse the downward trend in production, the government opened additional blocs for international bids in January 2003. As a result, Dublin, IPR (U.S.), Devon Energy / Gulfsands Petroleum (U.K.), INA Nafta, Tanganyika Oil Company (Canada), the Chinese National Petroleum Corporation, and Zarubezhneft (Russia) have all been awarded exploration and/or production sharing contracts. In November 2005, nine additional blocs were opened for exploration resulting in signed contracts and/or production sharing agreements with Shell (UK/Dutch), Maurel & Prom (France), Hunt Middle East (U.S.), Loon (India), Unkradra Oil (Ukraine) and Soyuznaft (Russia).

After the implementation of U.S. economic sanctions in May 2004, a number of major U.S. corporations made the decision to divest and pull out of Syria. These companies include ExxonMobil, Devon Energy, 3M (for household products), Conoco Philips, Marathon, and Veritas.

Other major foreign investors include companies from Russia, China, South Korea, Iraq, India, Lebanon, Germany, Japan, Iran, France, Turkey, Kuwait, the UAE and Saudi Arabia.

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

In March 2006, the Department of Treasury issued a final ruling designating the Commercial Bank of Syria (CBS), along with its subsidiary Syrian-Lebanese Commercial Bank, as a financial institution of primary money laundering concern under Section 311 of the USAPATRIOT Act. This action, completing a process begun on May 11, 2004, bars U.S. banks and their overseas subsidiaries from maintaining a correspondent account with the CBS; it also requires banks to conduct due diligence to ensure the CBS is not circumventing sanctions through its business dealings with them. As a result, many Syrian and foreign investors have been complaining about the difficulty of transferring money from and to Syria. According to the Director General of the Commercial Bank of Syria (CBS), since the final ruling against the CBS was implemented, nearly 20 international banks have decided to end all transactions with the Syrian banking system.

In general, the Syrian economy operates on a cash basis and private traders finance imports either from their own resources, or by resorting to the black market. Major importers dealing with large foreign firms often also have established credit lines with banks outside Syria. Contracts with the private sector are negotiated on an individual basis with little or no interference from the government. All documentary transactions for imports must be done by a letter of credit (L/C) opened at the Commercial Bank of Syria or one of the newly opened private banks. In October 2006, the government decided to allow the CBS and the seven newly established private banks to provide 100 percent of the hard currency that importers need to finance their imports.

How Does the Banking System Operate

[Return to top](#)

Despite the ongoing efforts to upgrade and develop the services of the nascent private banking sector, Syria's banking system remains inadequate for most commercial needs. However, investors are optimistic that private banks are intent on developing their services and seven private banks have opened since detailed regulations were issued in 2002 through Decree No. 24. Additional private banks, including two Islamic banks, are expected to begin operations in early 2007.

Government-owned and operated public banks continue to dominate the banking sector, consisting of the Central Bank of Syria and five specialized banks: the Commercial Bank of Syria, the Agricultural Cooperative Bank, the Industrial Bank, the Real Estate Bank, and the Popular Credit Bank.

According to Syrian banking regulations the Central Bank, the CBS, and the newly licensed private banks may engage in international transactions and hold foreign exchange deposits outside Syria. In February 2006, the Syrian government decided to replace the U.S. dollar with the Euro for export, import and services payment transactions. The public and private banks are also permitted to provide commercial banking services, including letters of credit. An April 2005 decision by the Ministry of Economy and Trade permitted private banks to issue U.S.-dollar letters of credit backed by Syrian pounds for the importation of certain items. Within Syria, the Commercial Bank and the private banks may sell Syrian pounds for foreign currencies, but, with few exceptions, Syrian pounds cannot be sold back to the Commercial Bank. . .

The ability and willingness of retailers to accept credit card payments remains almost non-existent because of the lack of infrastructure. Most locations, other than luxury hotels, which accept credit card payments, have an ad hoc relationship with banks in Lebanon or Jordan and must manually phone in the details of the transaction. This “service” usually entails a surcharge on the value of the goods purchased. Establishments using Point-Of-Sale processing inside Syria use the Real Estate Bank, though most customers still use cash. The security of banking account information is inadequate and there have been several cases where credit cards used for purchases in Syria have been illegally duplicated and fraudulently used. However, with the growth of the private sector banks and reciprocal upgrades in the public sector banks, a growing number of ATM machines are becoming available throughout the country, especially in urban areas.

Foreign-Exchange Controls

[Return to top](#)

On January 13, 2007, the Governor of the Central Bank announced that the unification of the exchange rate entered into effect as of January 01, 2007. The Central Bank is now responsible for setting the daily exchange rate for commercial and non-commercial transactions. The exchange rate applied by the government for import and export tariffs will be set quarterly by the Central Bank, and will be the average of the daily rates announced by the Central Bank during the previous quarter. Limited quantities of foreign currency can be exchanged for Syrian pounds at branches and kiosks of the CBS, as well as at private banks. The Syrian Pound is not a fully convertible currency. Syrians traveling outside of the country may now exchange Syrian Pounds up to USD 3,000 in value from the Commercial Bank or the private banks at the daily exchange rate. The daily exchange rate announced by the Central Bank is currently very close to the black market rate.

U.S. Banks and Local Correspondent Banks

[Return to top](#)

All U.S. banks have terminated their correspondent accounts with the Commercial Bank of Syria. Private banks are in the process of setting up correspondent accounts, usually through their main office in a neighboring country.

Project Financing

[Return to top](#)

ExIm Bank and OPIC financing and insurance are unavailable to U.S. exporters because Syria remains on the list of state sponsors of terrorism. For the same reason, USAID has not been in Syria since 1983. The World Bank Group's IFC, however, has begun to finance private sector projects in Syria. Syria has received some project financing from Japan, the EU, and various Arab national and multinational institutions. This financing includes money for projects improving the potable water delivery system in Damascus, upgrading the national telephone system, constructing electrical power plants and connecting the Syrian electricity grid with neighboring countries, purchasing heavy equipment for land reclamation, constructing roads, constructing hospitals, encouraging environmental awareness, modernizing ports, and restoring archeological and historical sites.

Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

U.S. Treasury Department's Office of Foreign Assets Control:
<http://www.ustreas.gov/offices/enforcement/ofac/>

U.S. Treasury Department's Office of Terrorism and Financial Intelligence:
<http://www.ustreas.gov/offices/enforcement/>

Financial Action Task Force: <http://www.fatf-gafi.org/>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

There are few specific etiquette rules for business contacts. However, it is appropriate for a visitor to wear business attire for official meetings. A business card is needed for first meetings. Meetings with private sector businessmen tend to be less formal. Meetings with government officials, however, observe the rules of protocol.

Travel Advisory

[Return to top](#)

American citizens visiting Syria are encouraged to register at the Consular Section of the U.S. Embassy in Damascus and obtain updated information on travel and security within the country. American citizens should also consult the Department of State's Consular Information Sheet for Syria, the Worldwide Caution Public Announcement, and the Middle East and North Africa Announcement, which are located on the Department's Internet website at <http://travel.state.gov>, or on the U.S. Embassy's website at <http://usembassy.state.gov/damascus>.

Political developments and security in the Middle East sometimes change quickly. The Embassy was attacked, without warning, in September 2006, by a small group of terrorists using automatic gunfire and grenades. They attempted, unsuccessfully, to detonate a vehicle-borne improvised explosive device at the rear gate. One local guard was seriously injured and there was at least one Syrian fatality in addition to the killing of the four attackers. Since the attack, the Embassy has taken additional measures to improve its security posture.

In February 2005, the former Prime Minister of Lebanon was assassinated in Beirut, prompting the U.S. to recall its Ambassador to Syria for consultations. There are no plans to assign a replacement, reflecting the ongoing difficulties in U.S.-Syrian relations. Government-sanctioned demonstrations have occasionally included expressions of anti-American or anti-Western sentiment. Violent mobs attacked three Scandinavian embassies in February 2006.

In general, Americans in Syria should vary their schedules, avoid large crowds and gatherings, and report suspicious incidents to the Regional Security Officer. They should also avoid electronic financial transactions and should not carry valuables or large amounts of cash in crowded shopping districts. Visitors should also read and follow the guidance in the latest public announcements and State Department travel advisories for Syria.

Visa Requirements

[Return to top](#)

A passport and a visa are required. Americans may enter Syria for up to 15 days without a visa if they have a pre-arranged program with a Syrian travel agent and a representative of the agent meets the traveler at the port of entry. Otherwise, visas must be obtained prior to arrival in Syria. The government of Syria does not allow persons with passports bearing an Israeli visa or entry/exit stamps to enter the country. Dual national males are subject to the requisite Syrian military services.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

The Embassy of the Syrian Arab Republic in the United States:

2215 Wyoming Avenue, N.W.

Washington, D.C. 20008

Telephone: 202-232-6313; Fax: 202-234-9548

<http://www.syrianembassy.us>

Telecommunications

[Return to top](#)

Local cell phones can be purchased through two providers, SyriaTel or Areeba, along with phone cards for temporary use while in Syria. Prices for phones start at around USD 40, and SIM cards can be purchased for around 400 Syrian Pounds (SYP), approximately USD 8. There are many different types of prepaid phone cards and they range in price from 160 SYP (~USD 3) for around 16 minutes of local calls, or 5 minutes of international calls over 8 days, and 2,600 SYP (~USD 52) for around 260 minutes of local calls, or 80 minutes for international calls over 3 months.

Internet connections are available at five star hotels in Damascus and in internet cafés, where connection speed can reach 2 MB.

Transportation

[Return to top](#)

SAA sanctions prohibit Syrian commercial airlines from flying into U.S. airspace. U.S. and Syrian airlines do not have bilateral transit agreements. Some major European airlines have regular flights into and out of Damascus. Some also have regular flights to Aleppo as well. The list of airlines with regular flights to and from Syria includes Air France, British Airways, Austrian Airlines, Alitalia, Royal Jordanian, Emirates, Gulf Air, Qatar Airlines, Turkish Airlines, and Syrian Arab Airlines.

Syrian Arab Airlines' fleet is comprised of twenty-year old and poorly maintained Boeing and somewhat newer Airbus planes. While they are attempting to upgrade their fleet, the current environment has limited their options. As a result, their previously poor service record is becoming even worse with resulting implications for safety.

Road travel is possible throughout most of Syria, particularly on the highways that connect the major cities. Gasoline is available on the highways and in all cities and towns. Unleaded gasoline is available in Damascus and the major cities. Road markings and rules are not adhered to, and vehicles often drive without lights, making driving conditions hazardous, especially after sunset.

Language

[Return to top](#)

Arabic is the official language of the Syrian Arab Republic. Kurdish, Armenian, Aramaic, and Circassian are spoken in various parts of Syria. Most business executives speak French and/or English. However, knowledge of Arabic or the assistance of a translator is valuable for conducting business.

Health

[Return to top](#)

Hospital facilities in Damascus are not up to U.S. or European standards and facilities outside Damascus are extremely limited. However, there are private clinics in Damascus run by American or European-trained doctors that provide quality care with new equipment. Doctors and hospitals often expect immediate cash payment for health services, and U.S. medical insurance is not always valid in Syria.

Vaccinations are not required for Syria; however, they are recommended. Information on vaccinations and other health precautions may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP

(1-877-394-8747); fax: 1-888-CDC-FAXX (1-888-232-3299); or via their Internet site at <http://www.cdc.gov/>.

Local Time, Business Hours, and Holidays

[Return to top](#)

Syria is two hours ahead of Greenwich Mean Time (GMT) from October 1 through March 31, and three hours ahead during Daylight Savings Time from April 1 through September 30. Syria is seven hours ahead of U.S. Eastern Standard Time (EST).

Friday and Saturday are the weekend days in Syria. All government offices are closed on these two days and are open the rest of the week from 8:00 am to 3:00 pm. However, private companies and most shops are closed on Friday and open on Saturday. Most private offices work from 9:00 am to 2:00 pm, take a break for lunch, and return to work at 5:00 pm until 9:00 pm.

Public Syrian (SY) and American (U.S.) Holidays (2007) when the U.S. embassy will be closed:

<u>DATE / DAY</u>	<u>HOLIDAY</u>
December 31-January 2, Sun-Tues*	Al-Adha Holiday (SY)
January 1, Monday	New Year's Day (SY and U.S.)
January 14, Sunday	Birthday of Martin Luther King, Jr. (U.S.)
February 18, Sunday	Presidents' Day (U.S.)
March 21, Wednesday	Mother's Day (SY)
April 8, Sunday	Easter (Catholic/Orthodox) (SY and U.S.)
April 17, Tuesday	Evacuation Day (SY)
May 1, Tuesday	Laborers' Day (SY)
May 6, Sunday	Martyrs' Day (U.S.)
May 27, Sunday	Memorial Day (U.S.)
July 4, Wednesday	Independence Day (U.S.)
September 2, Sunday	Labor Day (U.S.)
October 7, Sunday	Columbus Day (U.S.)
October 14 Sunday*	Al-Fitr Holiday (End of Ramadan) (SY)
November 11, Sunday	Veterans Day (U.S.)
November 22, Thursday	Thanksgiving Day (U.S.)
December 19-20, Wed-Thurs*	Al-Adha Holiday (SY)
December 25, Tuesday	Christmas Holiday (SY and U.S.)

* Based on the lunar calendar; exact date determined by the religious authorities.

Temporary Entry of Materials and Personal Belongings

[Return to top](#)

Customs regulations are restrictive and strictly enforced. Personal baggage may be subject, at the discretion of the customs officials, to a thorough search and x-ray both on arrival and departure. Personal belongings can be brought into the country duty free;

however, they must be taken out of the country upon departure. Syrian law contains no limit to the amount of foreign currency that can be brought into Syria; however, the amount of foreign currency upon departure cannot exceed the quantity brought into the country.

An airport departure tax of 200 Syrian Pounds (around USD 4) is currently levied on all travelers upon departure. Foreign travelers within Syria should expect to have their passports checked at all domestic airport arrivals and departures.

Web Resources

[Return to top](#)

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[Return to table of contents](#)

[Return to table of contents](#)

Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

The Embassy of the United States of America, Damascus, Syrian Arab Republic
Telephone: +963-11-3391-4444; Fax: +963-11-3391-3999
Website: <http://damascus.usembassy.gov/>

Economic/Commercial Counselor at the U.S. Embassy: Mr. Todd Holmstrom

Bureau of Industry and Security, Department of Commerce, Washington, D.C.:
<http://www.bis.doc.gov>.

Office of Foreign Assets Control, Department of Treasury, Washington, DC:
<http://www.ustreas.gov/offices/enforcement/ofac>.

Consular Section at the U.S. Embassy:
http://damascus.usembassy.gov/information_for_travelers.html

Syrian Ministry of Tourism: <http://www.syriatourism.org>

There are no independent trade associations in Syria. There are many government-affiliated chambers of commerce, which fall under the umbrella of the Federation of Chambers of Commerce and Industry.

There is no American Chamber of Commerce in Syria.

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 10: Guide to Our Services

Given the official U.S. policy of prohibiting exports of most U.S. goods and the difficulties this poses for U.S. investment, neither the U.S. Embassy nor the Foreign Commercial Service provides trade or investment facilitation services for Syria.

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to the following website: <http://www.export.gov>.

The U.S. Government considers the information contained in this report to be accurate as of the date published. However, the Department of Commerce does not take responsibility for actions readers may take based on the information contained therein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.

[Return to table of contents](#)

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