



Doing Business in Syria: 2009 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Syria

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Market Overview

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The Syrian Arab Republic, 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 19.4 million by the end of 2007, according to the Central Bureau of Statistics. In 2008, the IMF projected a total population of 21.3 million, of which 1.5 million are Iraqi refugees. According to the IMF, the annual per capita income in 2008 stood at USD 1,906. 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 2008 was projected to be 5.2 percent by the IMF, its population grew at an average rate of 2.5 percent in 2008. Most unofficial sources report that Syria's rate of unemployment exceeded 15 percent, although official government statistics reported a rate of 8.1 percent in 2007.

Syria's primary non-Arab trading partners are Italy (\$3.5 billion total volume), France (\$1.2 billion), China (\$1.1 billion) and Turkey (\$1.1 billion). Syria's largest trading partners within the Middle East are Saudi Arabia (\$1.9 billion), Egypt (\$1 billion), Lebanon (\$600 million) and Jordan (\$560 million).

The energy sector continues to attract foreign direct investment (FDI), although FDI has decreased commensurate with the Syria's declining petroleum production. After peaking in the late 1990s at 600,000 b/d, Syrian oil production fell from 400,000 b/d in 2006 to 380,000 b/d in 2007 and 360,000 b/d in 2008. In 2007, Syria became a net-importer of oil as consumption of refined petroleum by-products finally exceeded production. Until May 2008, Syria continued to subsidize the domestic price of diesel, which contributed to widespread smuggling to neighboring countries and placed an estimated USD 3.75 billion burden on the government budget. In an effort to combat diesel smuggling and reduce costs, the SARG cut the diesel subsidy by approximately half. The cut resulted in a 257% increase in diesel prices, which was reflected across the spectrum of goods and services. Official government statistics place the rate of inflation at 14% in 2008, although most economic analysts estimate inflation at between 25-30%.

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 remains limited. In 2007, three new banks started operations in Syria, two of which practice Islamic banking (Cham Bank

and Syria International Islamic bank), bringing the total number of private banks operating in Syria up to nine. However, due to Syria's unfavorable regulatory environment, the level of FDI remains low compared to other countries in the region.

In an effort to modernize Syria's economy, President Asad issued a new commercial law in late 2007 to update the regulations for appraising, selling and obtaining a mortgage on commercial real estate. Additionally, the new law authorizes the maintenance of business accounts in electronic format, and declares documents sent by either fax or telex to be legal. The new law does not contain any articles pertaining to the establishment and regulation of companies, which should be included in an additional new law currently under consideration by the People's Assembly (parliament). Also, the statute does not include any reference to commercial arbitration.

Also under discussion, the SARG announced its intention to enact a Value Added Tax (VAT) in 2009 as one means of increasing revenues, but has yet to solve myriad details associated with implementation. Similarly, President Asad issued Decree No. 60 in 2007, authorizing the Central Bank to issue Treasury Bills. In theory, the SARG would use T-bills to help finance public debt and the instruments would be tradable on a proposed financial securities market. However, both the implementation of a T-bill market and the opening of a Damascus Stock Exchange have been delayed indefinitely for various technical and regulatory reasons.

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.

In 2008, the volume of sanctions-compliant trade between the U.S. and Syria amounted to \$747 million. A breakdown by sector of U.S. trade with Syria is available at: <http://www.census.gov/foreign-trade/balance/c5020.html#2008>

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In addition to the obstacles posed by 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

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U.S. law prohibits the export of most products of the United States, with the exception of foods and medicines that do not require export licenses and a few categories of goods that must be licensed, which are:

- Medical devices (as defined in Part 772 of the Export Administration Regulations (EAR))
- Safety-of-flight related spare parts and components for civilian aircraft
- Telecommunications equipment and associated computers, software and technology

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

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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 the aforementioned five categories. 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 EAR and for telecommunications equipment and associated computers, software, and technology will be accepted and reviewed on a case-by-case basis by the Commerce Department's Bureau of Industry and Security (BIS). U.S. exporters may request an advisory opinion from BIS as to whether or not an export license may be approved by contacting BIS Foreign Policy Division in Washington, DC, at (202) 482-4252.

Specific information on export controls, the EAR, and the SNAP-R export license application process is available at: <http://www.bis.doc.gov/>

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) USATRADE**, 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.

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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>

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Using an Agent or Distributor

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In order to register a local agency for a foreign company, an application must be filed with the Ministry of Economy and Trade accompanied by the following documentation:

- The agency contract, which must include:
 1. The name and commercial address of the company.
 2. The nationality of the company and where it was founded.
 3. The full name and address of the company headquarters (as well as the name and addresses of branches, if the agency includes them)
 4. The type of agency (commission, distribution)
 5. The percentage of commission and the method of determining the agent's financial rights
 6. The subject and category of the agency
 7. The duration of the agency license and renewal procedures
 8. The local agent's name, commercial address, telephone and fax
 9. Region of the agency: Syrian Arab Republic

10. The agency contract must explicitly state that contact with the local agent must be done directly and not through a third-party.
 11. The agency contract must clearly state that the company will not retain any commission due to the Syrian agent abroad and will transfer these commissions through Syrian banking channels.
- The agency documentation should be accompanied by a duly notarized commercial register of the agent.
 - The agency documentation and application must be duly notarized by the following organizations:
 1. The Chamber of Commerce in the applicant company's home country
 2. The Syrian Embassy in the applicant company's home country
 3. The Ministry of Foreign Affairs in Damascus

All documents must be translated into Arabic by a notarized translator.

Establishing an Office

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To open a branch office in Syria, a firm must file an application accompanied by the following documentation with the Ministry of Economy and Trade:

1. Home country documentation of incorporation
2. Documentation outlining the applying firm's internal regulations
3. Financial statements that verify the applicant's capital, including reserves (provided that it is at least SYP 5 million)
4. The company's commercial registration
5. The type of company
6. A declaration of the company's decision to open a branch office in Syria, along with a declaration that this branch will be directly affiliated with the company's headquarters
7. Power of Attorney for the manager of the new Syrian branch granting him/her all managerial, financial, and technical authority in Syria
8. Copies of the applicant company's latest trade balance sheets

These documents must be certified by the following organizations:

1. A chamber of commerce in the applicant company's home country
2. The Syrian Embassy in that country
3. The Syrian Ministry of Foreign Affairs

All documents must be translated into Arabic by a notarized translator.

In December 2008, President Asad issued Law No. 34 which regulates the operations of foreign companies in Syria. The law, which is a modernization of Law No. 151 from 1952, includes changes that enable a foreign company to open a temporary office for the supervision of only one contract, with the option of renewal; to open a representational office solely for promotion of the headquarters company; to establish a regional office in Syria for supervising activities outside of Syria; and to authorize a commercial middleman to sign contracts with public entities on behalf of the foreign company. The paid-up capital of foreign companies wishing to be established under any of these forms must be at least SYP 50 million (approximately USD 1 million).

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Currently, Syrian commercial law does not address the subject of franchising. That said, some foreign clothing stores and restaurants do exist in Syria. Anecdotal reports suggest that these establishments were apparently licensed as "foreign investment" under Investment Law No. 10 (and its corollary, Decree No. 8), rather than as franchises. As an additional obstacle, foreign restaurant franchises face the SARG's "general policy" of "encouraging" restaurants to use local food products, although imported food ingredients are not explicitly banned. This is but one example of the inconsistent application of Syrian laws and the difficulty foreign businessmen will encounter when navigating the many gray areas of SARG bureaucracy.

Joint Ventures/Licensing

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[See Chapter 6: Investment Climate, "Openness to Foreign Investment"](#)

Selling to the Government

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The lack of regulatory transparency and specificity, particularly when dealing with government-affiliated entities, leads to a climate of bureaucracy, confusion, intimidation, and corruption.

Foreign vendors 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.

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 SARG has reiterated its commitment to increasing the degree of transparency in the process, but foreign and Syrian firms continue to cite problems.

Although government officials had previously stated that no privatization of state enterprises will take place during the current Five-Year Plan, which runs through 2010, in 2008 the SARG awarded a contract to privatize the operation of its largest container port in Lattakia. The tendering process was typically opaque and the winning French company may have benefited from having an influential Syrian partner and an improving political relationship between Syria and France. Also in 2008, the SARG awarded a license to a private holding company headed by the Syrian President's cousin to construct the first privately-owned power generation plant in Syria.

Distribution and Sales Channels

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The majority of goods enter Syria via the Mediterranean ports of Lattakia and Tartous. Bulk commodities are generally shipped to Tartous, while both ports are equipped to receive containers. Customs officials at the ports wield considerable authority and may expect bribes to expedite administrative processing. An operational, albeit antiquated, railroad is available to transport goods from the port cities to major population centers. Imported goods also enter Syria via truck across the land borders with Turkey, Lebanon and Jordan. Foreign trucks report significant delays at the border while awaiting police escort to their ultimate destinations. Air freight accounts for a small percentage of total goods entering Syria, primarily fragile technological components or time-sensitive equipment. Damascus International Airport is the main passenger point of entry into Syria, although some regional and European carriers do maintain direct routes to Aleppo.

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Electronic commerce with Syria is complicated by antiquated IT infrastructure, government censorship, and U.S. economic sanctions. With the exception of mobile telephone service, most Syrian IT infrastructure is at least ten years behind that of Syria's regional neighbors. A Syrian law addressing E-Commerce has been drafted and is still in early stages of Parliamentary discussion. Another law dealing with E-signature is currently under consideration by the Prime Ministry. In 2008, the Ministry of Telecommunications announced its intention to introduce the application of E-Government across the Syrian government in partnership with the UAE company GIT.

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The following websites may contain useful information regarding trade fairs, trade promotion exhibitions, and advertising in Syria:

www.arabiangroup.com
www.buildexonline.com
www.simafairs.com
www.syrianfairs.com (Arabic only)

Sales Service/Customer Support

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In a country where technical skills are scarce, companies offering responsive and competent customer services quickly earn a strong reputation which helps to increase sales. Syrians are becoming more aware of the benefits of customer services and after-sales / guarantee services are now available for most products (e.g. air-conditioners, computers, cars).

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights in Syria. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Syria than in the U.S. Third, rights must be registered and enforced in Syria, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Syria. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Syria require constant attention. Work with legal counsel familiar with Syrian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, including:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)

- Biotechnology Industry Organization (BIO)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
 - o For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
 - o For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on www.stopfakes.gov**.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Syria at: **<http://www.buyusa.gov/egypt/en/ipradvisoryprogram.html>**

IPR Climate in Syria

Although Syria has recently taken legislative measures to comply with international standards regarding IPR, foreign businessmen should be aware that the Syrian judicial system is notoriously corrupt and has no experience in prosecuting IPR violations.

To register a trademark in Syria, it may be easier to submit an application with the relevant office in any of the member countries to the Madrid System for International Registration of Trademarks. Syria has been a member since early 2006, and the Madrid System registration procedures are less tedious and more flexible than those inside Syria.

To register a trademark directly with the Syrian government, a foreign company must first appoint a local Syrian agent and then declare its compliance with the Arab League General Boycott of Israel before completing the trademark application.

In addition to being a member of the World Intellectual Property Organization (WIPO), Syria joined the Geneva Act of the Hague Agreement pertaining to the protection of international designs in September 2007 and the treaty entered into force in January 2008. On March 12, 2007 President Asad issued Law No. 8 of 2007, regulating Trademarks, Geographical Indications, Industrial Models and Designs, Unfair Competition and the Protection of Intellectual Property. This law came into force on April 12, 2007.

Due Diligence

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There are practically no government agencies in Syria that can perform due diligence or provide bona fides services on banks, agents, and/or customers. These services are available upon request on a case-by-case basis by private consulting firms. The Economic/Commercial Section of the U.S. Embassy in Damascus maintains a list of private entities that may be able to perform due diligence for U.S. firms.

Disclaimer of Responsibility: The U.S. Embassy in Damascus assumes no responsibility for the professional ability or integrity of the persons or firms whose names appear in the linked document. (Nevertheless, care and selectivity have been exercised in the preparation of this list.)

<http://damascus.usembassy.gov/media/pdf/econcommercial-pdf/private-consulting-firms-operating-in-syria.pdf>

Local Professional Services

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Because Syrian law and Arabic language pose significant obstacle to the conduct of U.S. business in Syria, hiring a local attorney is a sensible and often necessary action. A link to a partial list of Syrian attorneys who provide services to foreigners is included below.

Area covered by list: This list covers the capital, Damascus, and the major cities of Syria, namely Aleppo, Homs, Hama, and Lattakia.

Specialties: While an attempt has been made in the following list to point out the particular branches of legal work, which each attorney generally handles, it should be noted that most attorneys practicing in Syria accept all types of cases.

Collection Agencies: There are no firms or individuals operating as collection agencies in Syria; however, most of the attorneys listed handle collection cases.

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<http://damascus.usembassy.gov/media/pdf/econcommercial-pdf/partial-list-of-syrian-commercial-attorneys.pdf>

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Ministry of Economy and Trade: [http:// www.syrecon.org](http://www.syrecon.org)

Ministry of Industry: [http:// www.syrianindustry.org](http://www.syrianindustry.org)

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

Ministry of Petroleum and Mineral Resources: <http://www.mopmr-sy.org>

Ministry of Transport: <http://www.mot.gov.sy>

<http://www.syriainvestmentmap.org/Introduction.htm>

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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) Foreign Policy Division at (202) 482-4252.

Specific information on export controls, the EAR, and the SNAP-R export license application process is available at: <http://www.bis.doc.gov/>

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) USATRADE, or go to the following website: <http://www.export.gov>

Even though investments are not currently banned under the law, U.S. businesses considering investment in Syria should contact the Office of Foreign Assets Control at the Department of Treasury at: <http://www.ustreas.gov/offices/enforcement/ofac>

Further details and source documents regarding sanctions are available at the U.S. Embassy Damascus website (Trade and Commerce) at: <http://damascus.usembassy.gov/trade-and-commerce.html>

It is worth mentioning that the President of the United States retains the authority to enact additional sanctions under the SAA at any time that could prohibit American citizens from investing in Syria above a designated threshold amount.

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Corn	2006	2007	2008 (estimated)
Total Market Size	1,500,000 MT	1,550,000 MT	1,900,000 MT
Total Local Production	150,000 MT	150,000 MT	150,000 MT
Total Exports	0	0	0
Total Imports	1,350,000 MT	1,400,000 MT	1,750,000 MT
Imports from the U.S.	1,000,000 MT	1,300,000 MT	1,500,000 MT

(Source: U.S. Department of Agriculture)

Corn will continue to be the leading imported agricultural commodity from the United States. Due to limited domestic production and increasing demand for both feed and the production of starch and glucose, corn imports are forecast to grow in the foreseeable future. Between 2006 and 2008, the value of the imported corn increased sharply as the price per metric ton nearly doubled in the global market.

Soybeans	2006	2007	2008 (estimated)
Total Market Size	260,000 MT	310,000 MT	710,000 MT
Total Local Production	10,000 MT	10,000 MT	10,000 MT
Total Exports	0	0	0
Total Imports	250,000 MT	300,000 MT	700,000 MT
Imports from the U.S.	240,000 MT	170,000 MT	600,000 MT

Syrian soybean consumption rates have increased significantly in recent years due to the sharp increase in domestic soybean crushing capacity. Consequently, demand has increased for soybean by-products, particularly soybean meal that is used as a protein ingredient in poultry feed. Soybean oil is also marketable in Syria as a low-cost alternative to olive oil for human cooking. The value of soybean exports to Syria increased concurrently with the increase in the international price per metric ton from 2006-2008.

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Due to the on-going desertification of Syria's rain-fed agricultural lands and increasing cost of irrigation, Syria's reliance upon imported agricultural products is expected to grow. While Syria remains a relatively poor country, the economy's overall growth may increase the average Syrian's standard of living which would enable greater consumption of animal proteins. Consequently, animal husbandry – particularly poultry production – is expected to increase, with a concomitant increase in demand for imported feed and stock.

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Annual cotton, grain and feed, and tree nut reports are available at the U.S. Embassy Damascus Agricultural Section website: <http://damascus.usembassy.gov/agri.html>

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Import Tariffs

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(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. In 2007, the SARG harmonized its import tariffs and customs duties to bring them into compliance with WTO standards. Most goods from countries with which Syria does not have a free trade agreement are still 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. However, the Ministry of Economy and Trade started the liberalization of import in 2007 and the number of banned goods has been greatly reduced.

Trade Barriers

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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.

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. The Ministry of Economy regularly bans foreign companies from operating in Syria because of their alleged ties with Israel. The "blacklist" includes Merrill Lynch, one of the world's leading financial management and advisory companies, and Geo-Technology Limited, a Dutch oil engineering firm. 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.

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.

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) Foreign Policy Division at (202) 482-4252.

Specific information on export controls, the EAR, and the SNAP-R export license application process is available at: <http://www.bis.doc.gov/>

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) USATRADE**, or go to the following website: <http://www.export.gov>

Further details and source documents regarding sanctions are available at the U.S. Embassy Damascus website (Trade and Commerce) at: <http://damascus.usembassy.gov/trade-and-commerce.html>

Temporary Entry

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

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. For joint projects with the SARG, the international organization must transfer ownership of the vehicles, furniture and equipment used in that project to the public entity in charge of the project.

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

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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

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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 were taken off the negative list in early 2007 as the Ministry of Economy and Trade issued new lists of liberalized imports on almost a bi-weekly basis. The previous 73-page "negative list" was reduced to just seven pages dealing with items that pertain to security, health, ethics and religion. In past years, only the government was permitted to import alcoholic beverages and cigarettes for sale on the local market. However, on November 21, 2007, the Ministry authorized the private import of the following alcoholic beverages as shown below with their Harmonized System code:

- 2204: wine of fresh grapes, grape must nesoi.
- 2205: vermouth & other wine of fresh grapes spec flavored
- 2206: fermented beverages nesoi (cider, berry, mead etc)
- 2208: ethyl alcohol, undenat, und 80% alc, spirit bev, etc

In May 2008, the Ministry of Economy and Trade announced that it had completed the liberalization of the country's import trade. Trade liberalization has reduced the list of prohibited imports for members of GAFTA. For more information on the items prohibited from being imported, please check the (Arabic language only) provided website for the negative list at:

<http://www.syrecon.gov.sy/servers/media/20080505-043418.pdf>

Customs Regulations and Contact Information

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Mr. Nabeel Al Siyouri

Director General

Baramkeh, Damascus, Syria

Telephone: +963 11 – 2127900, 2125751, 2126901, 2129137, 2123937, 2127902/3

Fax: +963 11 – 2132577, 2126921

For additional information, please check the under-construction website for Syrian

Customs: <http://www.customs.gov.sy>

Standards

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Overview

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Syria has a complex bureaucratic standards system that involves ten different agencies (depending on the nature of the product) and seven ministries, supervised by the Commission for Standards and Measurement under the Ministry of Industry. 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

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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.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Although Syria is preparing to re-submit its application for admission to the WTO, as of 2009 it is not a member.

Product Certification

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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

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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. Specific labeling requirements differ according to the product in question. For measurements, Syria uses the metric system.

Trade Agreements

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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 measures to meet the requirements of an association agreement with the EU, initialed in October 2004 and again in December 2008, the EU agreement remains unratified. 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 customs system into compliance with WTO standards. Towards that end, the Prime Minister issued Decision No. 1006 in 2007 to establish the formation of four committees to prepare for WTO acceptance: the general preparation committee, the trade committee for merchandise, the trade committee for services, and the committee for the protection of intellectual rights. Also, the WTO directorate under the Ministry of Economy and Trade is preparing a Memo of Foreign Trade Regime (MFTR) for submission to the WTO in 2008.

Web Resources

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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/trade-and-commerce.html>

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Openness to Foreign Investment

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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. Therefore, since the end of 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, rampant corruption, and the lack of an independent judiciary are still significant impediments to business, in 2008 the Syrian Arab Republic Government (SARG) did issue new laws in the fields of investment, intellectual property rights (IPR), finance, real estate and trade that continue its slow and halting effort to reform the country's economy. Continued political instability in Syria's neighboring countries, however, as well as the international financial crisis, discouraged significant foreign investment.

Investment Law No. 10 (1991) and its amending Decree No. 7 (2000) were the SARG's initial attempts to stimulate foreign direct investment in Syria; unfortunately, the Higher Council for Investment's (HCI) lack of definitive criteria for adjudicating foreign 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. Consequently, due to poor implementation, Investment Law No. 10 fell short of its goal of making Syria a more attractive investment venue.

To address the shortcomings of Investment Law No. 10, the SARG announced Decrees Nos. 8 and 9 on January 27, 2007, which resulted in a dramatic increase in the number of HCI-approved projects in 2007 and 2008 compared to previous years. Decree 8 allows preexisting investment licenses (under Law 10 and Decree 7) to continue unchanged.

Decree No. 8 is designed 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. Foreign staff will be entitled to repatriate up to 50 percent of their net income and 100 percent of any end-of-service benefits.

Additionally, 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. However, if investors chose to establish their projects in remote areas or in one of Syria's industrial zones, they are eligible for tax deductions. Decree No. 8 offers additional tax deductions for projects that create a high number of new jobs, as well as projects with many shareholders.

Most sectors are open for private investment under Decree 8, except for cotton ginning, water bottling, and cigarette production. Tourism and real estate investments are covered by separate legal and tax frameworks and governed by the Ministry of Tourism. Oil and gas projects and salt mining must be coordinated directly through the Ministry of Petroleum, while the Ministry of Finance governs the establishment of all banks and insurance companies.

As a corollary to Decree 8, the SARG also passed Decree 9 of 2007 stipulating the formation of the Damascus-based Syrian Investment Commission (SIC). The Higher Council for Investment (HCI) will meet only twice per year to review general investment policies, but will delegate operational decision-making to the SIC. The SIC, under the auspices of the Prime Minister's office, has the overall responsibility for supervising national investment policies, developing and enhancing the investment environment in Syria, providing data and statistics to investors, approving projects and annulling licenses for those projects not implemented within the required timeframe.

Decree 9 also charged SIC with providing one-stop-shopping service to potential investors in order to speed the processing of investment applications and help reduce bureaucratic hurdles. SIC officially inaugurated its one-stop investment center in early December 2008. As part of its menu of services, the one-stop center offers an "Investment Map" of Syria that was produced with the assistance of the United Nations Development Program (UNDP). The map reportedly provides detailed information pertaining to laws and regulations governing investment in Syria, as well as a list of established investment projects and continuing investment opportunities.

The SIC is supposed to meet at least bi-weekly to reduce the review process time to two weeks from application to decision. The SIC board members are appointed by the Prime Minister and include a Chairman, Director General, Deputy Director General, Deputy Ministers of Finance, Local Administration and Environment, Economy and Trade, Agriculture, Transport, Industry, Tourism, Social Affairs and Labor, Housing and Construction, and State Planning Commission as well as a representative from each of the Federation of the Syrian Chambers of Industry, the Federation of the Syrian Chambers of Commerce, the Federation of the Syrian Chambers of Agriculture, and the Federation of the Syrian Chamber of Maritime, Director of Legal Affairs at SIC, Director of the One-Stop-Shop, and the Director of Marketing.

According to Decree 9, HCI members will include the Prime Minister; Deputy Prime Minister for Economic Affairs; Ministers of Finance, Local Administration and Environment, Tourism, Agriculture, Social Affairs and Labor, Economy and Trade, Housing and Construction, Transport, and Industry, the Head of the State Planning Commission, as well as the Chairman of the SIC and its Director General.

Despite the government's recognition of the need to change Syria's 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 inherently uncertain and potentially impossible to enforce. Finally, the lack of regulatory transparency and specificity, particularly when dealing with government-affiliated entities, leads to a climate of bureaucracy, 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.

Although government officials had previously stated that no privatization of state enterprises will take place during the current Five-Year Plan, which runs through 2010, in 2008 the SARG awarded a contract to privatize the operation of its largest container port in Lattakia. The tendering process was typically opaque and the winning French company may have benefited from having an influential Syrian partner and an improving political relationship between Syria and France. Also in 2008, the SARG awarded a license to a private holding company headed by the Syrian President's cousin to construct the first privately-owned power generation plant in Syria.

Despite recent legislative attempts at reform, the economy remains centrally planned, and uncompetitive public sector companies continue to drain government finances. While government officials publicly reject the notion of privatizing state enterprises on ideological grounds, such positions likely reflect their unstated pragmatic fears of a dramatic increase in unemployment.

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

- The SARG requires import licenses for every item imported, except for raw materials and items imported from Turkey and the GAFTA (Greater Arab Free Trade Agreement) 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 SARG has reiterated its commitment to increasing the degree of transparency in the process, but foreign and Syrian firms continue to cite problems.
- Public sector employees may demand bribes for required routine services. The average public sector employee earns wages estimated at USD 215 per month. Public sector wages have not kept up with rising inflation, so many public employees have turned 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 reclaim their properties after the contract's term of validity has expired. In addition, foreign investors in real estate and the tourism 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.

In June 2008, the SARG issued Law 11 regulating property ownership by non-Syrians. The law's objective is to facilitate foreign ownership of residential property as a means of stimulating greater overall foreign investment. Law 11 was followed quickly by Law 15 in July 2008, which established a Real Estate Development and Investment Authority which is specifically empowered to encourage investment in the real estate sector. Despite these steps, foreign individuals and companies are allowed to rent offices and residences for a maximum period of 15 years, which is not renewable.

- Enforcement of the Arab League Boycott of Israel (dating from 1967) may lead to difficulties in the importation of needed products or in registering trademarks because the government requires additional paperwork certifying compliance with the boycott. U.S. law prohibits companies from providing this paperwork. Anecdotal reports indicate the SARG has occasionally waived its requirement for boycott compliance certification in order to facilitate business with large U.S. companies.

Conversion and Transfer Policies

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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. Although the U.S. Treasury sanction only targets CBS, many U.S. and European banks subsequently cut off correspondent banking relationships with all Syria-based financial institutions.

In March 2001, the SARG passed Law No. 28, which authorized the establishment of private and joint-venture banks. The law made general provisions for the operation of private banks and set a minimum Syrian ownership requirement of 51 percent. At the same time, a banking secrecy law was also issued that authorizes numbered accounts and restricts asset seizures. To date, eight private traditional 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 with a minimum of 51 percent Syrian ownership. At present, two Islamic banks are operating in the country while the third, al-Baraka Islamic Bank, is scheduled to begin operations in early 2009.

Upon the advice of the IMF, the SARG is deliberating an amendment to Law No. 28 that would increase allowable foreign ownership of private banks from 49 to 60 percent.

Under current Syrian laws, investors are permitted to open foreign exchange accounts with CBS and the ten existing private banks, and may retain 100 percent of their export

revenues. Decree 8 allows the repatriation of foreign currency profits generated from the import of capital into the country through Syrian banks only.

Newly opened private banks can provide the same level of banking services as 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.

In 2006, the government allowed private investors to have access to foreign currency through CBS to finance the import of raw materials. In 2007, the SARG authorized foreign investors to receive loans and other credit instruments from foreign banks, and to repay them as well as any accrued interest from the proceeds of their projects using local banks. In February 2008, the SARG permitted investors to receive loans in foreign currencies from local private banks provided that the loans are used to finance capital investment, particularly the import of machinery and production equipment. Debtors are free to repay their loans from their foreign currency accounts in Syria or abroad or by purchasing foreign currency from the lending bank.

Aside from the loosening of controls under the previous Investment Law No. 10 and Decree No. 7, strict foreign exchange restrictions were enforced until mid-2003. Even though relatively recent legal changes permit the possession of foreign currency, 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 which permits the operation of private money exchange companies, provided such operations are licensed. To date, ten private moneychangers have received licenses to operate, although many more continue to operate illegally on Syria's vast black market.

Outward capital and profit transfers are permitted to companies licensed under 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. Decree 8 allows 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. 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 expenditure 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 February 2007, the President issued Decree 15 permitting the establishment of financial, banking and social institutions that provide micro-financing and insurance to small investment projects. These institutions target clients in the suburbs and the rural areas, and are expected to provide loans as small as \$100. Anyone with the required minimum capital of \$5 million may open such an institution, though foreigners must first

obtain approval from the Prime Minister. The First Microfinance Bank (FMB), as the bank is named, started operations in November 2008.

Expropriation and Compensation

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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 brief 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 expropriation and nationalization. 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 opened many sectors to private investment including petroleum refining, electricity generation, cement production, sugar refining, infrastructure, air transportation, environment, and services. Projects in the fields of oil and gas production, banking and insurance, and tourism and real estate continue to be regulated under separate, specific laws. In late 2008, the SARG authorized the private sector to invest in salt extraction and mining projects subject to licensing by the Ministry of Petroleum and Mineral Resources.

Despite these protections, the rule of law is weak in Syria and the SARG does occasionally seize the property and business interests of 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. In early 2008, the Ministry of Finance seized the assets of the board members of al-Nama' Company due to corruption and misleading information.

Dispute Settlement

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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 SARG 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 to enforce their decisions.

In March 2008, the SARG issued the country's first Arbitration Law No. 4. Law 4 authorizes the establishment of an official arbitration center in Syria, which will be registered with the Ministry of Justice and include a registry of accredited arbitrators. According to the law, public sector entities are permitted to resolve disputes through arbitration.

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 and 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

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Investment Law No. 10 and its amendment, Decree No. 7, did not stipulate formal performance requirements as a condition for establishing, maintaining, or expanding an investment or for determining eligibility for tax and other incentives. Decree No. 8, however, raised the minimum investment capital from USD 200,000 to USD 1,000,000 if the investment projects are located in greater Damascus, Aleppo, Homs, Lattakia, Tartous and Hama and to USD 600,000 if the projects are located in the rural areas of Dayr al Zur, Hasakeh, Dar'a, Quneitra, Idleb, and Sweida. Furthermore, Decree 8 offered tax deductions if investors chose to locate their projects in remote areas or in one of Syria's industrial zones. Finally, Decree No. 8 offered additional tax deductions for high job-creation projects as well as for share-holding projects.

All three investment decrees do mandate that investors must begin implementing the project within a period of three years or risk losing their investment license. According to official sources, 40 percent of all licensed investment projects are never completed due to financing and other technical problems. More than 60 licenses were revoked in 2008 for projects that were either not executed during the required timeframe or because the investors had requested revocation. Since 2004, the HCI began to annually review the status of licenses granted and automatically annul those which were not implemented. The new SIC now assumes 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. Foreign investors are not required to partner with a Syrian citizen. However, successful foreign investments usually involve a well-connected local partner who can overcome bureaucratic hurdles, frequently by bribing the appropriate official.

For all public tenders, the SARG requires a bid bond, which is usually five percent of the value of the tender. If selected, a performance bond is required, which is usually ten percent of the value of the contract. Even though these monies are held in 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 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

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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 SARG has opened most 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), banking, insurance, electricity generation, petroleum refining, aviation, cement production and salt mining. Nevertheless, state enterprises have a comparative advantage in winning bids due to their connections in the HCI and the new SIC. 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 SIC revoke licenses if the project is not implemented within three years of receiving 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 projects, state enterprises continue to have

privileged access to local credit and exclusive access to official loans from the Commercial Bank of Syria. In previous years, private companies could sometimes access offshore financing, and if they were located in Syria's "free zones," could have been able to access financing from the few local branches of private foreign banks operating in the free zones. However, in December 2007, the Central Bank of Syria gave the six Lebanese banks operating in "free zones" the option of either ceasing operations within six months or becoming branches of onshore banks. This action aimed to ensure that all banks in Syria operate under uniform regulations monitored by the Central Bank.

Protection of Property Rights

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Violations of intellectual property rights (IPR) are rampant in Syria. Patent, trademark, and copyright laws 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 March 2007, the SARG passed Law No. 8 regulating trademarks, geographical indications, and industrial models and designs. Syria officially joined the Geneva Act of the Hague Agreement pertaining to the protection of international designs in May of 2008.

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

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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.

In April 2008, the SARG issued Law 7, the first Syrian legislation addressing Competition and Anti-Trust. The law establishes a Competition Authority to be managed by a Competition Council that will statutorily be empowered to ban or permit mergers and to impose fines. Law 7 states that prices will be defined by free competition, that cartels are prohibited, and that economic entities will be prevented from abusing their dominant positions in the market. It is not clear how the Competition Council will enforce Law 7, as enforcement would be financially detrimental to many senior regime officials and prominent business elites.

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

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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. However, to attract investment and to ease access to credit, the SARG issued Decree 4 in 2007 allowing investors to receive loans and other credit instruments from foreign banks, and to repay the loans and any accrued interests through local banks using project proceeds. Furthermore, in February 2008, the SARG allowed investors to receive loans in foreign currencies from local private banks to finance capital investment and in particular the import of machinery and production needs. Debtors are free to repay their loans from their foreign currency accounts in Syria or abroad or through the purchasing of foreign currency from the lending bank.

In October 2006, President Asad issued Decree 55 formally establishing the Damascus Stock Exchange (DSE), and has since named a governing board. However, technical and regulatory difficulties caused the delay in the opening of DSE, now scheduled to start on March 8, 2009.

The government continues to impose strict foreign exchange controls 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 CBS at a set rate, which is close to the real or market rate.

Political Violence

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Syria is an autocratic police state that severely restricts political dissension. Protests are rare and usually dispersed quickly. Syrian security services routinely jail protestors and outspoken political opponents for indefinite periods of time. In February 2008, a senior Hizballah operative was assassinated by a car bomb in a residential neighborhood of Damascus. In August 2008, a Syrian military officer was assassinated by a sniper in the coastal city of Tartous.

Anti-American sentiment has risen as a result of the war in Iraq, the Israeli-Hizballah war of 2006, and on-going Israeli military operations in Gaza. In September 2006, the U.S. Embassy was attacked without warning 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, one Syrian security officer, and all four attackers were killed in the ensuing gunfight. Government-orchestrated demonstrations involving thousands of Syrians damaged Embassy property in December 1998 and in October 2000.

Corruption

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Syria was ranked 147 out of 180 countries in the London-based Transparency International's 2008 corruption perception index. This poor placing is getting steadily worse, falling from 93rd in 2006 to 138th in 2007. Of the Arab countries, only Sudan and Iraq had lower rankings in 2008.

Corruption cuts across most sectors of Syrian 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, a number of 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.

In an effort to reduce public graft, the President issued Decree 22 in April 2008 subjugating any embezzlement or corruption to the Economic Punishment Law and increasing the penalty from five to ten years of imprisonment.

In February 2008, President Bush issued Executive Order 13460, which authorizes the U.S. Treasury Department to sanction individuals or entities found to be engaging in, facilitating, or profiting from official corruption with the government of Syria. Subsequently, the Treasury Department used this E.O. to designate Rami Makhlof, Syria's most prominent businessman and President Asad's first cousin. The designation prohibited American individuals and companies from transacting business with Makhlof. In July 2008, the Treasury Department listed two companies owned by Makhlof, SyriaTel and RAMAK, as "blocked properties." SyriaTel is the largest mobile phone provider in Syria and RAMAK is a chain of duty free shops present at Syria's land border terminals and airports.

Bilateral Investment Agreements

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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, Switzerland, Pakistan, China, Indonesia, Russia, Belarus, Iran, Italy, Bulgaria, Ukraine, Romania, Kuwait, the U.A.E, Morocco, Sudan, Yemen, Egypt, Lebanon, Jordan, Tunisia, Algeria, Bahrain, Turkey, Cyprus, Greece, Senegal, Ukraine, Tajikistan, India, Nigeria, Korea, Serbia and Libya. 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.

The U.S does not have a bilateral taxation treaty with Syria.

OPIC and Other Investment Insurance Programs

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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

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The SARG reported an unemployment rate of 8.1 percent in 2007. However, more accurate independent sources estimated unemployment as high as 25 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 150 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 215 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. In recent years, a few 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 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 six percent in 2008, although others estimated real GDP growth below three percent. However, during the same year population grew at 2.45 percent. Since 2001, the SARG 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

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There are eight existing duty-free zones throughout Syria. Through 2008, the total investment in Syria's free zones reached USD 677 million, with 73 foreign investment companies operating there.

The General Organization of Free Zones (GOFZ) has plans to establish four additional public free zones in Homs, Dayr al Zur, Idleb, and the port of Tartus. 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 Lattakia 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 an Iranian FTA has yet to be concluded. "China Town," designed to house roughly 200 Chinese companies and act as a gateway to Syria for Chinese goods, was officially inaugurated in the Adra free zone in July 2008. Recently, a Syrian investor, in cooperation with Persian Gulf partners, obtained preliminary approval for the establishment of a private free zone in al-Tanf border area in Dayr al Zur to promote trade with Iraq.

Foreign Direct Investment Statistics

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Official foreign investment statistics by country are not available in Syria. 2008 witnessed the licensing of 211 local and foreign investment projects at an estimated total capital of USD 11.3 billion. Of those 211 projects, 41 account for foreign investment amounting to some USD 8.36 billion. Spending on equipment imported for these projects, which are expected to create more than 22,752 new job opportunities, is estimated at USD 58 million. To accommodate these investments, eight new industrial zones have been approved with investment costs exceeding USD 40 million. The HCI and SIC have adopted a policy of reviewing the status of projects on a yearly basis and annulling licenses of those projects which are not implemented within the required period of three years. Accordingly, more than 60 licenses were revoked in 2008 for projects licensed but not executed.

In 2008, the Ministry of Tourism licensed several new tourism and real estate projects. Led by Gulf companies, including Emaar and Bunyan of Dubai, al-Khurafi of Kuwait, and al-Ta'ef and Balkis of Saudi Arabia, over USD 1.3 billion were pledged to be invested in the establishment of hotels, tourism resorts, and shopping malls. Among the major tourism projects launched in 2008 are two resorts in Lattakia. The Qatari al-Diyar company's investment is estimated at USD 350 million, while the Russian Intourist Sinara's is valued at USD 40 million. In Damascus, the Swiss Movenpick hotelier and American Holiday Inn are exploring USD 28 million and USD 35 million ventures, respectively, although ground has yet to be broken on either project.

According to government statistics, 222 foreign investment projects valued at USD 7.12 billion were licensed from 1991-2006, excluding joint ventures in the petroleum and tourism sectors. Major foreign investors include companies from Turkey, Germany, Russia, Iran, Switzerland, the U.K., the U.S., France, Cyprus, Spain, China, Canada, South Korea, Belgium, Pakistan, Brazil, Venezuela, the Netherlands, Malaysia, Italy,

Austria, Sweden, India, Saudi Arabia, Kuwait, Jordan, Lebanon, Iraq, Egypt, the UAE, Algeria, Bahrain, Qatar, Libya, and Morocco.

The largest foreign investors are 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), Unkranadra Oil (Ukraine) and Soyuznaft (Russia). In 2007, GroundStar (Australia) was awarded exploration rights to two additional blocks in southern Syria.

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. In April 2008, the American oil field services firm Weatherford also ceased all of its Syrian operations.

Web Resources

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Transparency International Corruption Index:

http://www.transparency.org/policy_research/surveys_indices/cpi/2008

<http://www.syriainvestmentmap.org/Introduction.htm>

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How Do I Get Paid (Methods of Payment)

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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 new private banks. In October 2006, the government decided to allow the CBS and the ten newly established private banks to provide 100 percent of the hard currency that importers need to finance their imports. As of January 2008, foreign investors are permitted to receive loans and other credit instruments from foreign banks and financial institutions using a local bank as an intermediary. Investors are required to repay the loan and the accrued interest, however, through the local bank. In February 2008, the SARG authorized investors to receive loans in foreign currencies from local private banks provided that the loans are used to finance capital investment, particularly the import of machinery and production equipment. Debtors are free to repay their loans from their foreign currency accounts in Syria or abroad or by purchasing foreign currency from the lending bank.

How Does the Banking System Operate

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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 ten private banks, including two Islamic banks, have opened since Decree 24 was issued in 2002.

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. In 2007, the Central Bank of Syria announced the establishment of a clearing house for Euro and U.S. dollar transactions in order to reduce the time and cost of inter-bank transactions.

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 retailers that accept credit card payments (with the exception of luxury hotels) 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 has improved in recent years with the development of private banking, although there have been cases where credit cards used for purchases in Syria have been illegally duplicated and fraudulently used. 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

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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

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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 headquarters in a neighboring country. Private banks in Syria report that finding correspondent banks is difficult due to the stigma associated with U.S. sanctions against the Commercial Bank of Syria, but not impossible.

Project Financing

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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

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Link to U.S. Government report on money laundering in Syria:
<http://www.state.gov/p/inl/rls/nrcrpt/2008/vol2/html/100809.htm>

Link to U.S. Treasury Department designation of Commercial Bank of Syria:
<http://www.fincen.gov/noticeoffinalrule03152006.pdf>

Link to the U.S. Treasury Department Office of Foreign Assets Control (OFAC):
<http://www.treas.gov/offices/enforcement/ofac/>

Link to Investment Map:
<http://www.syriainvestmentmap.org/Introduction.htm>

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Business Customs

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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

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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>.

Visa Requirements

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To enter Syria, U.S. citizens must have a valid Syrian visa. Instructions for applying for a Syrian visa are provided below:

1. Passports must be submitted to the Syrian Embassy in Washington or to one of the Honorary Syrian Consulates in California, Texas, or Michigan. Two visa forms must be submitted with the passport along with two photos of the applicant.
2. Visa fees must be paid by MONEY ORDER ONLY. Note: *Other types of payment will not be accepted.*

3. Visas are valid for three months from the date of issuance.
 4. Visa fees for either one, two or multiple entries are as follows:
 - American Citizens: \$131
 - Non-United States passport holders please call the Syrian Embassy at 202-232-6313x106 for more information.
 5. Please include a self-addressed return envelope (FedEx or Express mail).
 6. The Consular Section of the Syrian Embassy in Washington accepts visa application forms submitted in person from 9:15 AM to 3:15 PM Monday through Friday.
- * Any passport must be valid for six months on submission.

Website

Syrian Embassy in Washington (Consular Section):

<http://www.syrianembassy.us/consularsection.htm>

Link to Syrian visa requirements:

http://www.syrianembassy.us/syrian_visa_requirements.htm

U.S. Companies that wish to invite foreign businesspersons to the United States should be advised that Syrian citizens may require from two weeks to six months to obtain a U.S. visa. For more information on obtaining a U.S. visa, please refer to the website of the Consular Section at U.S. Embassy Damascus:

<http://damascus.usembassy.gov/visas.html>

Telecommunications

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Some foreign mobile phones, particularly those using GSM providers located in other Arab countries, will function in Syria. Personal Digital Assistants (PDAs) such as Blackberry, however, are not compatible with the local GSM network.

Local cell phones can be purchased through two providers, SyriaTel or MTN, 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. Prepaid phone cards can be purchased for around SYP 200 (USD 4). Prepaid vouchers range in price from SYP 78 (for 100 units over five days) to SYP 2000 (for 2600 units over six months). Local calls cost 8 units per minute (mobile to mobile) or 10 units per minute (mobile to fixed line). International calls to the U.S. cost 37 units per minute.

Internet connections are available at five star hotels in Damascus, most "brand-name" coffee shops, and in internet cafés, where connection speed can reach 3.5 MB. Both GSM service providers, SyriaTel and MTN, offer "third generation" (3G) wireless modems of Chinese origin and subscription internet service. The modems sell for approximately USD 200 and subscription rates vary according to quantity of usage.

Foreign customers should be aware that internet speeds slow significantly below 3.5 MB during peak usage hours, and foreigners may be subjected to an additional “deposit” when purchasing modems. Many networking and shopping websites, such as Amazon.com and facebook.com, are blocked by the Syrian government.

Transportation

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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 and Lattakia as well. The list of airlines with regular flights to and from Syria includes Air France, BMI Airways, Austrian Airlines, Alitalia, Royal Jordanian, Emirates, Gulf Air, Qatar Airlines, Turkish Airlines, Lufthansa, Sama Air, Air Arabia, Jazeera Airways, Oman Air, Czech Airways, Sudan Airways, Maldives Airlines, Cyprus Airways, Tunisian Airlines, Saudi Airlines, Libyan Airlines, Egypt Air, Yemen Airways, Etihad Airlines, Soviet Airflut and Syrian Arab Airlines.

As of 2009, Syrian Arab Airlines is currently operating just five Airbus A320s due to difficulties in obtaining necessary spare parts. While the airline is attempting to upgrade the fleet with newer aircraft, the continuing political environment has limited their options. As a result, Syrian Arab Airlines' performance record is suffering 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

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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

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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. Generally speaking, however, medical treatment and medication are quite inexpensive relative to comparable care in the U.S. or Europe.

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

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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 3:30 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 (2009) when the U.S. embassy will be closed:

<u>Date /Day</u>	<u>Holiday</u>
January 1, Thursday	New Year's Day (US)
January 18, Sunday	Birthday of Martin Luther King, Jr. (US)
February 15, Sunday	Presidents' Day (US)
March 8, Sunday	Revolution Day (SY)
March 9, Monday	Prophet's Day (Mawlid An-Nbi) (SY)*
April 12, Sunday	Catholic Easter Day (SY)
April 19, Sunday	Orthodox Easter Day (SY)
May 06, Wednesday	Martyrs Day (SY)
May 24, Sunday	Memorial Day (US)
July 4, Saturday	**Independence Day (US)
September 6, Sunday	Labor Day (US)
September, 20-22 Sun-Tues	Al-Fitr Holiday (End of Ramadan) (SY)*
October 11, Sunday	Columbus Day (US)
November 11, Sunday	Veterans Day (US)
November 26, Thursday	Thanksgiving Day (US)
November 8-10, Sun-Mon	Al-Adha Holiday (SY)*
December 24, Thursday	Christmas Holiday (US)

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

** Holiday will be observed on Sunday, July 5

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.

A departure tax of 1500 Syrian Pounds (around USD 30) is currently levied on all travelers upon departure from a Syrian airport, and 500 SYP (USD 10) upon departure from a land border. Foreign travelers within Syria should expect to have their passports checked at all domestic airport arrivals and departures.

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Chapter 9: Contacts, Market Research, and Trade Events

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

Contacts

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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 Section of the U.S. Embassy
Telephone: +963-11-3391-4175
Website: <http://damascus.usembassy.gov/trade-and-commerce.html>
E-mail: damascuseca@state.gov

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

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>.

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

Syrian Ministry of Economy and Trade: [http:// www.syrecon.org](http://www.syrecon.org)

Syrian Ministry of Industry: [http:// www.syrianindustry.org](http://www.syrianindustry.org)

Federation of Syrian Chambers of Commerce: [http:// www.fedcommsyr.org](http://www.fedcommsyr.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

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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.

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Chapter 10: Guide to Our Services

Due to the imposition of trade and financial sanctions against Syria, the Commercial Office at the U.S. Embassy in Damascus, Syria:

- Enforces the implementation of sanctions by explaining American export regulations and licensing processes to Syrian importers.
- Conducts post-shipment verification, as requested by the Department of Commerce, to verify that Syrian importers of U.S. origin products are complying with the conditions of the export license.

The Commercial Office provides advice and assistance to American companies by offering the following services:

- Briefing American companies on Syria's current economic and political environment.
- Helping American companies access appropriate Syrian government officials and resources.

Please note that since the imposition of trade sanctions in 2004 under the Syrian Accountability Act, the Commercial Office suspended the following services:

- Alerting American companies to trade and investment opportunities.
- Advising U.S. companies on best strategies for entering the Syrian market.
- Sharing information on the commercial agenda and strategies of foreign companies and governments.

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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>

To the best of our knowledge, the information contained in this report is 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 herein. 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.