

U.S. - Syrian Economic Relations

U.S.-Syrian economic relations have fluctuated over the last sixty years. Economic ties grew after Syria's independence in 1945, but were severed after the 1967 Arab/Israeli war. The U.S. Embassy in Damascus was closed and economic relations impeded until 1974 when the countries resumed diplomatic relations following the completion of the Syrian-Israeli engagement agreement. Upon resumption of relations in 1974 USAID managed a robust U.S. economic assistance program; including, agricultural sector assessments, rural electrification programs, and a potable water delivery system for Damascus. The USDA Commodity Credit Corporation (CCC) was also active in concluding agreements for supplying Syria with certain agricultural products with easy terms through the PL 480 program.

Syria has been on the U.S. list of state sponsors of terrorism since the list's inception in 1979, subjecting Syria to legislatively mandated penalties, including export sanctions and ineligibility to receive most forms of U.S. aid or to purchase U.S. military equipment. Nevertheless, until 2003, the United States was one of the top five suppliers of goods to Syria, with U.S. exports to Syria totaling US\$214 million, and Syrian exports to the U.S. totaling US\$246.1 million in 2003. Major U.S. exports to Syria at that time were corn, machinery, spare parts, computers, and oil exploration and drilling equipment.

However, as a result of Syria's ongoing support for terrorism, involvement in Lebanon, weapons of mass destruction programs, and the destabilizing role it is playing in Iraq the Bush Administration imposed additional trade sanctions under the Syrian Accountability and Lebanese Sovereignty Act (SAA) in May 2004. The SAA imposed the prohibition of all exports to Syria containing more than 10% of U.S. components, except for food and agricultural products (mainly corn, soybeans, and soybean meal), and in some cases communications equipment, and medical equipment and supplies. Since the implementation of the SAA, U.S. - Syrian economic relations have deteriorated. U.S. exports to Syria decreased to US\$155 million in 2005, and most large U.S. companies have divested their business interests in Syria.

Syria holds some future potential interest for U.S. business as a regional transshipment hub, and an alternate export corridor for Iraqi oil and gas, but first its government must address the overarching concerns articulated in the SAA: weapons of mass destruction, support for regional rejectionist groups, and destabilizing policies in Iraq and Lebanon.