Economist on the price of Gasoline in Syria

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The government has hiked the price of gasoline by 20% amid growing controversy over a broader plan to phase out fuel subsidies, which now exceed 10% of GDP. The gasoline price increase went into effect, with no prior warning, on November 1st, with the price of a litre going up to S£36 (US$0.75) from S£30. However, the government is still deliberating whether to go ahead with the previously announced plans for much steeper increases in prices for gasoil and other products that account for a much larger proportion of total fuel consumption and which attract much larger subsidies.

Gasoline prices in Syria are in fact relatively high by regional standards—a point made in numerous comments on news websites, noting that that the price of petrol in Gulf Arab states such as Saudi Arabia and the UAE, where many Syrians go to find work, is substantially lower. By contrast gasoil/diesel, which accounts for more than 50% of Syria's total petroleum products consumption and which is sold domestically at a fraction of the world market price. The planned attack on subsidies includes a proposal to increase the price of gasoil by 71% from S£7/litre to S£12/litre from January 1st. The price of cooking gas is also supposed to go up to S£250 per canister, compared with S£145 at present. The price of industrial fuel oil was increased in 2004, and would rise by a further 25% to S£7,500 per tonne. The government has proposed to compensate some 3.5m families, identified as being in lower income brackets, through providing an annual cash benefit of S£12,000.

Baathist rumblings

As the deadline for applying the new fuel price increases approaches, the plans have attracted a welter of criticism in sections of the Syrian press, reflecting unease within the ruling Baath party and, it is presumed, among well-connected business interests who profit hugely from the current situation owing to the lucrative smuggling opportunities that it affords. Certain members of the government, led by the (non-Baathist) deputy prime minister for economic affairs, Abdullah al-Dardari, have argued forcefully in favour of acting promptly to tackle the fuel subsidies problem, which is becoming worse as Syria's dependence on imports increases as a result of the decline in its own oil production. Mr Dardari has, as a result, become something of a hate-figure for critics of the plans to hike fuel prices. The affair is set to become a critical test of the leadership of Syria's president, Bashar al-Assad, who may ultimately have to choose between the party hierarchy and his inner political circle on the one hand and his economic reform team on the other.

Refinery hopes

In the long term, Mr Dardari has pinned hopes on foreign investment in new refineries in Syria to address the problem. An agreement was signed at the end of October with Venezuelan, Iranian and Malaysian companies for the construction of a refinery outside Homs with the capacity to process 140,000 barrels/day of crude, half of which would come from Syrian fields and the remainder from Iran and Venezuela. More than half of its production would be gasoil. A similar deal is set to be signed with Noor Investments of Kuwait to build a refinery near Deir ez-Zour, to process Iraqi crude. Financing these projects, which will each cost at least US$2.5bn, will pose a major challenge, however.