

Most Important News – March 2006

Throughout the month of March, the SARG continued using its control of the press to reassure the public that it is successfully and smoothly managing the economy. Government dailies insisted that the country is still free of Avian Influenza (AI); highlighted the success of the concerned authorities in thwarting smuggling operations; trumpeted the decision to convert all financial transactions from USDs to Euros thus pre-empting 311 sanctions under the USA Patriot Act against the Commercial Bank of Syria; and continued to report on a significant increase in foreign direct investment. In addition, media reflected the nervousness and discontent of average Syrians with the inability of the SARG to bridle the continuing increase in the prices of basic commodities. Unlike February when local media reported extensively on Syrian-Iranian relations, Syrian press this month had only a passing article about an annual economic meeting. End summary.

1- Avian Influenza (AI): In March, the government-controlled press adopted a new strategy to lower the profile of AI in an effort to decrease the losses of the poultry sector. In early March, there were almost daily front-page articles covering the updates of AI and reassuring the public that the country remains free of the disease. Press articles blamed statements by unspecialized people that caused fear among the public and led to the public refraining from eating chicken and eggs. Government press encouraged the public to eat poultry products and reiterated that the disease is not contagious and the virus is killed at 70 degrees centigrade. Still, articles indicated that poultry consumption decreased by 89% while eggs consumption decreased by 83%, thus causing a loss of about \$150 million in less than three months. Local dailies highlighted the visit of the World Health Organization's representative to the southern border crossing reporting his confirmation that Syria is still free of the AI disease and that all preventive and precautionary measures were meticulously taken by the concerned authorities. Later in the month, the number of articles related to AI noticeably decreased and appeared in back pages. Dailies warned against the negative economic impact of AI on domestic producers, expecting losses in this sector to exceed \$500 million during 2006 if the situation prevails. Press reported that the Prime Minister sent instructions to the Ministry of Finance to exempt poultry producers from 2005 and 2006 taxes.

2- Syria and Iran: Dailies in early March reported that the Syrian-Iranian joint Petroleum Committee met soon after the conclusion of the Damascus Supreme Committee's meetings to follow up on the potential "strategic" oil and gas pipeline projects in cooperation with the government of Iraq. Articles that appeared in the local press later in the month reiterated the MOUs signed in numerous fields during the February Supreme Committee's meetings.

3- Currency: The topic of recovering and stabilizing the value of the Syrian pound, presently at 52.60 SP/USD on the black market, continued to be daily news in the state-owned press. Articles reflected confidence in the strength of the currency as well as the Syrian economy. Press reports expected the value of the Syrian pound to improve further when the tourism season begins in the country in late May, which historically causing the demand for Syrian Pounds to increase. Government dailies gave front-page coverage to the Parliament's ratification of the "Money Exchange Law" and praised the relevant authorities for this further step on the path of financial and banking reform which would eventually lead to the abolishment of the black market. Local press rebuffed the U.S. Treasury's decision to end dealings with the Commercial Bank of Syria as being politically motivated and claimed that the Neo-Conservatives were behind the decision. A large number of articles were published on the subject, most of which repeated a common theme: the sanctions did not affect the value of the Syrian pound and praised the SARG's decision to use Euros instead of dollar by all public entities for all foreign currency transactions and budget calculations. The press described the conversion as a wise move to protect the economy from US trade and financial sanctions, especially since Europe is Syria's main trade partner and donor. Quotes of SARG's officials in the press commenting on the sanctions against the CBS emphasized that Syria is able to confront and withstand the sanctions.

4- Prices: Government-controlled media harshly criticized the continuous increase in the prices of imported as well as of locally manufactured commodities in the market and called the phenomenon "Price Influenza". There were daily editorials and articles describing the price hike and asking the relevant authorities to

intervene. State-owned press reflected massive discontent among the people who asked the government to curb inflation. The SARG responded by permitting the import of red meat and prohibiting the export of sheep thus trying to stabilize the prices of this commodity in the market. In addition, front-page coverage was given to the Ministry of Economy and Trade's decision setting the prices on children wear. Articles commented that the government should have set the prices of more important items such as rice and sugar. Al-Mal, a private magazine owned by engineer Nabil Sarrouf, a private businessmen, described the recent increase in public sector wages as "embarrassing" and caused the poor to become poorer. The article argued that the situation would become worse when the government increases the price of diesel, currently a heavily subsidized item.

5- Smuggling: Throughout the month of March, the SARG continued to use its press to confirm that it has been successful in thwarting commodity smuggling attempts across all of its borders. Media reported that customs authorities had stopped several attempts to smuggle gold, cigarettes and television sets into Syria from Turkey and Lebanon. Articles also highlighted instances in which customs officials had prevented operations to smuggle diesel to Lebanon. However, at the end of the month, al-Thawra published an article admitting that, despite the strict measures imposed against smuggling, illegal diesel trade to Lebanon continued via trucks and pipelines extended between the villages across the borders. Press articles blamed the economic hardships which spur border town residents to continue engaging in smuggling operations. According to press reports, armed clashes with the smugglers resulted in the death and injury of several customs agents.

6- Foreign direct investment (FDI): Articles in the state-owned press continued to claim Syria's investment climate is strong. Government dailies trumpeted the inauguration of the Four Seasons hotel in Damascus by President Asad and Prince al-Walid Bin Talal. All the dailies had front-page coverage of the inauguration ceremony during which Prince al-Walid was quoted as saying, "despite U.S. pressure to isolate Syria, our investments represent a clear message of support". Press articles reported al-Walid's plans to establish several investment projects in the fields of tourism, agriculture, and industry in several Syrian cities. In addition, Tishrin newspaper interviewed the Kuwaiti investor Naser al-Khurafi who expressed his optimism about the future prospects of the Syrian economy, which he insisted is attracting many Gulf investors.