



## The High Road to Damascus: Engage Syria's Private Sector

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### Recommendations

Due to a variety of economic and political forces, the Syrian state is releasing controls on the Syrian economy. This opens a new arena for American influence in Syria. For the first time in over 40 years, *through its business sector*, the United States can affect the lives of everyday Syrians by engaging these new forces and capitalizing on the entrepreneurial qualities inherent in Syrian culture.

To do so, the United States needs to revisit the following policies that have had the ultimate effect of turning Syria toward other suppliers and investors, including the Islamic Republic of Iran.

- Recalibrate or drop US trade sanctions. These have not decreased US exports to Syria, but have backfired in terms of public diplomacy, and opened the door for Iran and others states to capitalize on Syria's growing economic opportunities.
- Assist Syria's transition to a market economy. Business knowledge-transfer in the area of management skills and anticorruption efforts can facilitate this transition, especially as the Syrian government looks to increase revenues via its private sector.
- Reconsider the utility of current US efforts to block Syrian membership in the World Trade Organization (WTO). By removing American objections and working in concert with European assistance programs in Syria, the West could aid those Syrian reformers who

are proposing legislation and rules to comply with WTO guidelines.

- Be more selective in applying US banking restrictions. Working with the Commercial Bank of Syria to correct its procedures and circumvent money laundering will benefit the United States as well as the Syrian private sector.
- Reevaluate the role and consequences of the current US State Department democratization program, the Middle East Partnership Initiative (MEPI), on Syrian liberalization and civil society empowerment. Damascus has been unable to differentiate between what it sees as US government-led "regime change" programs and more general American economic and social activities that have taken place for years. As a result, the Syrian government has shut down long-standing educational exchange programs by the Fulbright Program and Amideast.
- If relations improve substantially, determine how US involvement might benefit Syria's energy sector. Syria is eager to exploit its remaining 2.4 billion barrels of proven oil reserves, and it has sizable natural gas deposits that have not been tapped due to the limits that the US government has imposed on new investments and technological inputs by American and other Western companies.

## Current Realities

American and European policymakers are dusting off their Syria playbooks as conflict rages in neighboring Iraq, Lebanon, and the Palestinian territories. Following former Lebanese Prime Minister Rafik al-Hariri's assassination in February 2005, the Bush administration led an international and regional effort to isolate the regime of Syrian President Bashar al-Assad due to its suspected involvement in the murder. US Secretary of State Condoleezza Rice's recent effort at "Iraq only" engagement with Damascus has quickly turned into a dialogue of the deaf, however. Damascus says it will only talk to Washington if the United States reappoints an ambassador to Syria and launches immediate high-level dialogue on all issues, most notably the recently established international tribunal into Hariri's murder that is likely to call Syrian suspects to testify. Progress on other issues is equally problematic: Western capitals regard Syria as a major transit route for foreign fighters into Iraq, for arms to Hezbollah, and home to a number of Palestinian militant groups (most notably Hamas) bent on Israel's destruction. The stalemate is expected to continue until President Bush leaves office in January 2009. But given accusations over possible Syrian involvement in a rash of bombings in Lebanon, as well as still unclear past relations with a leader of the Al Qaeda-affiliated militant group Fateh al-Islam in Lebanon, a political settlement between Washington and Damascus might be years away, if ever.

Meanwhile, Assad is deepening Syria's 25-year alliance with the Islamic Republic of Iran. Desperate for political support and facing an acute fiscal crisis due to rapidly declining oil revenues and rising unemployment, Assad has welcomed billions of dollars in Iranian investment in Syria's military and private sectors. Now on firmer footing, Damascus is sending hard-line messages in increasingly defiant tones to US allies in the region. One Syrian Ba'ath Party official, speaking on condition of anonymity in July, told an Israeli newspaper that if Israel didn't evacuate the Golan Heights by next September, Syria would launch Hezbollah-style "resistance operations" against Israeli settlements on the disputed plateau. An editorial in the state-owned *Al-Baath* the same day said the "road to a solution" in strife-torn Lebanon runs through the "gate of Damascus."

The Old City of the Syrian capital has seven gates, however, and the United States should consider other avenues while waiting for a political door to open. Syria's private sector is flourishing as the socialist-based Ba'athist Assad regime has liberalized its finance and trade sectors in the face of economic crisis and mounting international pressures. The trading and entrepreneurial spirit Syrians learned millennia ago on the Silk Road has survived 44 years of Ba'athist socialism. Engaging Syria's private sector now would allow the United States to confront rapidly spreading Iranian influence in Syria and to invest in shared ties that will lead to greater influence. Ironically, the main obstacle to Americans engaging the trading and entrepreneurial spirit of Syrians is US trade sanctions—measures that never worked in the past and will never work in a globalized future.

### Damascus' Fiscal Woes

Syria's oil production is in rapid decline, and so are the revenues the Assad regime needs to fund its military, security services, and bloated public sector. After peaking at 590,000 barrels per day (bpd) in 1996, Syrian oil production is now around 400,000 bpd and falling at a rate of 11% per annum.<sup>1</sup> During Washington's period of "constructive engagement" with Damascus in the 1990s during the "Peace Process" with Israel, the American energy giant ConocoPhillips helped Syria make better use of its gas production, making more Syrian crude available for export. International pressure on Damascus over the last few years has complicated the regime's ability to exploit its natural gas reserves as an alternative, however. As a result, Syrian crude exports are now only around 175,000 bpd and falling,<sup>2</sup> netting the regime around \$6.2 billion per year in 2005.<sup>3</sup> The International Monetary Fund's (IMF's) preliminary conclusions for 2006 put Syria's oil revenues at a mere 4.5% of GDP, dramatically down from 14.7% in 2003.<sup>4</sup>

Some Syria analysts predicted higher crude prices over the last few years would give the regime a much-needed lifeline. However, the regime's slow reform of its bloated public sector and reluctance to cut hefty food and diesel subsidies has kept Syria from exploiting this opportunity—something the Syrian government now admits. In March of this year, Syrian Finance Minister Mohammed al-Hussein announced that for the first time in more than two decades Syria had become a net oil importer. Syria refines its own gasoline—making it easier for the state to subsidize and hide costs. Due

to decades of poor planning, however, Syria does not refine large amounts of diesel fuel, on which Syria is heavily dependent for its transport, agricultural, and heating needs. In 2006, Syria was forced to import diesel from the international market at 56.4 US cents per liter, but subsidized a domestic price of 13.7 US cents per liter. A recent IMF report put Syria's petroleum price subsidies at a whopping \$15 million a day (\$5.4 billion annually), three times the annual budget allocation for tourism; \$5.4 billion is more than 15% of Syria's \$30 billion GDP in 2006.<sup>5</sup> As a result of falling production and rapidly rising domestic demand, Hussein estimated that the oil deficit of \$157 million in 2006 would grow to a staggering \$1.3 billion this year.<sup>6</sup>

This trend has caused the Syrian government to run rapidly increasing budget deficits. Annual deficits have increased from 1.7% of GDP in 2001 to 5% in 2005.<sup>7</sup> The 2006 budget estimated a spending increase of 7.6% to \$9.9 billion, the largest in three years. The budget, however, only allocates \$500 million for *all* subsidies (less than a tenth of the estimated price support for oil products alone). The US Embassy in Damascus estimates the 2006 expenditure, as well as the fiscal deficit, to be significantly higher than official figures.<sup>8</sup>

To make up for flagging oil proceeds, the state plans to increase collection of tax revenues. The 2006 budget anticipated tax receipts to total \$3.2 billion in revenues, an increase of 12% over 2005. In a high-profile speech last May, however, Deputy Minister for Economic Affairs Abdullah Dardari, Syria's chief reformer, said tax receipts in 2006 were only \$1.57 billion—far short of the budget's goal (but up from a mere \$490 million in 2003). For anyone living in Syria, and aware of the implicit "deal" between government and business, the explanation is simple: to avoid the high tax rates set by Syria's socialist system, the private sector resorts to underreporting income and offering bribes to collectors. In return, the private sector accepts a very limited say in how Syria is governed. However, now that the regime's oil revenues are drying up, the Syrian Ministry of Finance is putting the "deal" in question. In need of cash, the state is spreading its tentacles into the private sector. It has been hard going thus far: the Syrian business community welcomed the state's 2005 initiative to rationalize and cut tax rates, but strongly protested accompanying tax evasion

penalties, causing the state to announce a go-easy approach. The 2006 budget outlines a 27% annual drop in customs revenues, due to Syria's joining of the Greater Arab Free Trade Area (GAFTA) and Free Trade Agreement with Turkey. In short, Damascus' revenue sources are dwindling.

Meanwhile, more Syrians are hitting the labor market than at any time in the country's modern history. The Syrian population grew at a rate of 3.7-3.8% in the 1980s (then the highest rate in the world). Today, Syria must create 200,000 new jobs per annum to lower unemployment rates that are now hovering around 11%. The 2006 budget outlined the creation of 50,000 new public sector jobs, adding to the public sector's bloated payrolls. Syria's private sector is expected to make up the rest. This dismal employment picture has only been made bleaker by the influx of approximately 1.2 million Iraqi refugees (equivalent to 7% of the Syrian population) into the country over the last two years.

These developments, combined with US-led international pressures over the last two years, have spurred the state to set the private sector free. After the state-owned banking giant, the Commercial Bank of Syria, was investigated for money laundering by the US Treasury Department in 2004, the Assad regime finally implemented long-pending banking legislation permitting the establishment of privately owned banks for the first time in more than 40 years. International pressure on Syria to withdraw from Lebanon following Hariri's assassination in February 2005 hastened the sector's liberalization, as the regime no longer wanted to depend on Lebanese banks to service letters of credit to Syrian businesses.

The regime's Lebanon crisis also spurred the most dramatic trade liberalization in nearly 40 years. The regime was forced to ease Syria's long draconian foreign exchange regulations after the Syrian currency (known as both the pound and the lira) briefly lost nearly 20% of its value against the US dollar in November 2005, following the release of a UN report that implicated high-level members of the Assad regime in Hariri's murder. Suddenly, the historic reliance of Syria's private sector on Lebanese banking and ports became a liability for the regime. As a result, Syria's black market currency trading (formerly involving banks in Lebanon) is being cleaned up, allowing traders to operate transparently for the first time in decades.

The regime was also forced to dramatically shorten its list of banned imported items and to liberalize Syrian customs duties to allow for direct importation through Syrian ports. Last, but not least, the regime recently updates its 16-year foreign investment law (Law 8 of 2007) to accommodate the inflows of investment needed to make up for the state's declining oil revenues.

As the Syrian state releases its controls on the Syrian economy, a new arena is opening for American influence on Syria. Average Syrians now rely on the private sector to make ends meet, leading to the slow opening of a competitive market. For the first time in more than 40 years, the United States, through its businesses, can affect the lives of everyday Syrians—without going directly through the Syrian regime.

### The Case for Engaging Syria's Private Sector

For thousands of years—long before the advent of Islam and Christianity—Syria has served as the region's crossroads of trade and commerce. Damascus and Aleppo were key transit points on the Silk Road—the ancient caravan route between East and West. Visitors to these two cities can still find what is arguably the world's finest selection of handmade rugs. Increasingly, the same goes for modern wares. As the region's number one country for overland transit trade, Syria is being increasingly exposed to the rapid globalization experienced by US allies in the Arab Gulf and beyond. Even American troops and their allies in Iraq rely on shipments through Syria.

Wherever the Syrian state allows it to do so, the private sector blossoms. Syria's finance sector is growing by leaps and bounds. Today Syria boasts seven private banks (in joint ventures with regional banks) and two Islamic banks with combined assets of \$3.56 billion, offering banking services that were absent from the Syrian market during the 40 years of Ba'athist socialism.<sup>9</sup> Syrian banking sources confirm that deposits are growing at rates far exceeding expectations. In two and a half years of operations, one bank's deposits even exceed those of its Lebanese joint-venture partner. The same sources note that all Syrian private banks had turned a profit by the second year of operation, a full year ahead of industry standards. Following its liberalization in 2006, Syria's insurance sector is surpassing all expectations, accounting for 30% of the insurance market in only one year of operation.<sup>10</sup>

Foreign trade is also taking off. According to official Syrian statistics (which do not include rampant smuggling), Syria's total foreign trade volume rose by 12% to \$20 billion in 2006. Syrian exports rose 19% to \$10.1 billion while imports rose 5.7% to \$10.62 billion. In the past, crude oil exports account for as much as 65-70% of Syrian exports. Today they account for less than 40% and the percentage continues falling. Exports of textiles, footwear, livestock, processed foods, vegetables, and machinery produced in the private sector are quickly filling the void, finding lucrative markets in Italy, France, Saudi Arabia, Iraq, the United Kingdom, Jordan, Egypt, Lebanon, Spain, and Turkey.<sup>11</sup> The United States bought a mere \$224 million of Syrian exports in 2006, 87% of which consisted of crude oil.<sup>12</sup> Like the United States, Syria's number one source of imports is China (\$691 million), followed, in descending order, by Egypt, South Korea, Italy, Turkey, Japan, and Germany.<sup>13</sup> Syrian imports (mostly food) from the United States totaled \$213 million.<sup>14</sup>

There are increasing signs that the entrepreneurial spirit of the Silk Road has survived 44 years of Ba'athist socialism intact. The IMF's recent Article IV report on Syria stated that the finance, currency, customs, and trade reforms implemented over the last few years (currently outlined in Syria's 10th Five-Year Plan) "made significant changes in the economic and financial landscape," pushing the private sector's contribution to GDP "above 80%." The report estimated 2006 non-oil GDP growth at 6-7%.<sup>15</sup>

Foreign investors are beginning to take notice. Approved projects under the country's foreign investment law in 2006 reached \$9.2 billion, representing 26% of GDP. The IMF noted the diversity of projects "augurs well for growth prospects in the near-to-medium term" as nearly "three-fourths of the projects are in industrial projects such as cement, steel, food processing, pharmaceuticals, and textiles."<sup>16</sup>

International and regional interests are standing in line to get a foothold in Syria. The United Nations Conference on Trade and Development (UNCTAD) reported in the autumn of 2006 that foreign direct investment (FDI) in Syria had reached \$500 million in 2005, up 82% over the previous year. FDI as a percentage of gross fixed capital formation was 9.5%, up from 5.4% in 2004. In the

1990s, the average annual rate was a mere 1.1%. UNCTAD relies on official Syrian figures, however, calling into question the true extent of FDI inflows, which remain far below Syria's neighbors (Lebanon \$2.573 billion, Jordan \$1.532 billion, and Turkey \$9.681 billion.)<sup>17</sup> Nevertheless, they indicate a significant rise in foreign interest in Syrian enterprise.

The wild card here is the Islamic Republic of Iran. Relations between Tehran and Damascus strengthened significantly in 2006, especially following both capitals' support for Hezbollah in that summer's war in Lebanon. Official statistics put Syrian-Iranian trade at \$65 million (\$62 million consisting of Iranian exports). As the Syrian government has reportedly taken deliveries of Iranian missile systems, Iranian businesses and individuals are investing heavily in Syria. A January 2006 Syrian government report put Iranian investments in Syria at \$400 million, equal to 66% of Arab and half of all non-Arab investment in Syria.<sup>18</sup> Iran's ambassador to Damascus said in a recent interview that total Iranian investment in Syria is at an all-time high, reaching up to \$1.5 billion.<sup>19</sup> In January, Syria produced its first automobile, the "Cham Car," in a \$60 million joint venture with the Iranian carmaker Khodro. Announcements of other joint ventures in refining, industry, food processing, and agriculture indicate that Iran is moving strongly into Syria's flourishing private sector. Iranian's donations to build Shiite religious schools (Hausas) and rumored support for conversions to Shiite Islam (Shiitization) indicate Iran seeks to not only turn a profit in Syria's flourishing private sector but also to win over a few hearts and minds. Iranians and their interests are reaching individual Syrians on an unprecedented level.

### Recalibrate or Drop US Trade Sanctions

Keeping Americans from following suit are US trade sanctions that have never worked. In 2006—Syria's third year under sanctions—official US exports to Syria actually *increased* by 30% to \$224 million. This was due in large part to Syrian purchases of corn and barley to make up for back-to-back years of poor harvests. Excluded from this figure is rampant smuggling of American goods, a practice Syrians have had years to perfect. In 1979, Washington prohibited US exports of "dual-use" items to Syria after it became a founding (and now longest-serving) member on the US List of State Sponsors of International Terrorism. American information technology and other man-

ufactured products have, however, been available on the Syrian market for decades, obtained by transshipment through neighboring countries, most notably Lebanon and Dubai.

In response to Damascus' opposition to the US invasion of Iraq in 2003, as well as the hosting of Palestinian groups carrying out terrorist attacks on Israelis, President Bush in December 2003 inked the Syrian Accountability and Lebanese Sovereignty Restoration Act (SAA)—congressional legislation that provided the president a number of sanctions options intended to change the Assad regime's behavior, and arguably the regime itself.

The SAA outlined five broad penalties against Syria, of which the Bush administration had to choose a minimum of two within six months. These included a ban on all US exports to Syria except food and medicine; a ban on US investment in Syria; a ban on Syrian flights to the United States; a restriction on the travel of Syrian diplomats beyond a 25-mile radius of Washington, DC, and New York; and downgrading US relations with Syria. When the restrictions were implemented in May 2004, the Bush administration chose the export (except food and medicine) and flight bans, although certain exemptions would be considered. Washington soon announced that sanctions waivers could be granted on application for commercial aircraft parts and computer components to allow Syrians to remain connected to the wider world via the Internet.

Washington unexpectedly rolled out two other penalties that few saw coming. Under Section 311 of the US Patriot Act, President Bush instructed the Secretary of the Treasury to issue a "notice of proposed rulemaking" concerning a measure to require US financial institutions "to sever correspondent accounts with the state-owned Commercial Bank of Syria (CBS) based on money laundering concerns." The CBS and its Lebanese affiliate were charged with allegedly funding terrorism and laundering the proceeds from illicit Iraqi oil sales. (The CBS is also Syria's premier entity for processing the state's proceeds from foreign oil sales). This ultimately led the CBS to switch hard currency transactions from dollars to euros in March 2006. President Bush also issued an executive order under the International Emergency Economic Powers Act (IEEPA), instructing the Treasury Department to seize the US assets of certain members of the

Syrian government who had been accused of sponsoring terrorism and aiding the pursuit of weapons of mass destruction.

The Patriot Act and IEEPA penalties clearly target the Syrian regime. Tighter trade sanctions, however, have seriously backfired in terms of public diplomacy. Anti-Americanism is growing in Syria and in the region due to spiraling violence in US-occupied Iraq and Washington's strong support for Israel in last summer's war in Lebanon. High civilian casualties during the conflict, as well as Syrians hosting of millions of refugees from both countries over the last year, have caused many Syrians to doubt US intentions in the region.

In the state-dominated Syrian media, the regime has used the issue of US sanctions to argue that Washington is not trying to spread democracy and help the Syrian people, but rather to foment sectarian chaos as part of an Israeli-inspired plan to divide the states of the region.<sup>20</sup> Washington's haphazard implementation of sanctions has also hurt its own interests. The Bush administration was slow to issue sanctions waiver certificates to US companies for goods technically exempted under SAA, including vital medical and laboratory equipment. Local agents for American products were forced to source products illegally, and training and technical assistance from American sources were cut off.<sup>21</sup> Taking their place are companies from China, Iran, Europe, and the Arab world.

Other avenues for Americans to reach out to individual Syrians are being blocked by political tensions between Washington and Damascus. The Syrian government declared all US private sector funded initiatives in Syria "radioactive" after the Bush administration announced in March 2006 the availability of \$5 million in the State Department's MEPI "Syria Democracy Project." This has weakened the American Fulbright Program in Syria, and in the autumn of 2006 led the Syrian government to close Amideast, an American NGO that had promoted educational exchange between the United States and Syria for 35 years. The Syrian government's reasoning is clear: it regards MEPI as part of the Bush administration's "regime change" efforts in Syria. Since MEPI funds are awarded directly to NGOs, and the project refuses to identify end users in Syria in order to "protect" their activities, Damascus is unable to differentiate Washington's democracy

promotion from general American economic and social development activities in Syria.

At the same time, the Syrian government has not placed any restrictions on Americans seeking to do business with Syria. In a recent interview, Syria's reform chief Abdullah Dardari stated that the Syrian government would welcome US business activities in Syria, particularly an expansion of American managerial training skills, recognizing the important assistance such activities would bring "to a country transitioning to a market economy."<sup>22</sup> As political relations between Syria and the United States remain tenuous, the only real way Americans can contribute to Syria's promising private sector today is by taking Dardari's words of welcome to heart. Doing business with Syria's would allow Americans to compete with spreading Iranian interests in Syria and to engage its people through our common love of trade and entrepreneurialism.

### Understand Your Adversary

Engaging Syria's private sector could also help Washington engage the Syrian regime not only at the right political time, but in the way that is best for its people. Syrians involved in recent Track II discussions<sup>23</sup> with Americans in Damascus have told the author that the regime would benefit from learning anticorruption techniques—corruption arguably being the biggest hindrance to reform in Syria. Syria also seeks membership in the WTO. Syria's application to the body was rejected in 2001 because Syrian bureaucrats were unable to provide key application information. Over the last few years, the United States has blocked Syria's reapplication on political grounds. Removing its objections and working in concert with European assistance programs in Syria to help the regime improve the application could aid Syrian reformers in passing legislation in line with WTO membership.

Easing US sanctions on Syria's airline industry is another option. Syrian Arab Airways, the national carrier, has an aging fleet of Boeing and Airbus jets that badly need replacing. The last additions to the fleet were nearly a decade ago. In 1996 the United States granted a special waiver for Syrian Air to purchase used Boeing jets from Kuwait and two Airbus A320s two years later. The United States dominates the aircraft industry and because American companies (and their global partners) are banned from selling products with more than a 10% US manufactured content to

Syria, last year Damascus announced it was discussing purchasing aircraft from the Russian manufacturers Ilyushin and Tupolev. No decision has been taken. Permitting Syrian purchases of aircraft parts was rumored to be one of Syrian Foreign Minister Walid Muallem's key demands in his groundbreaking meeting with US Secretary of State Condoleezza Rice last May.

Washington could also be more selective in applying US banking restrictions on Syria. The US Treasury could work with the Commercial Bank of Syria to correct its procedures to circumvent money laundering. This would help the private sector banks as well: many US and European banks have been scared away from dealing with transactions to Syria at all—even with the country's growing number of private-sector banks that fall outside of sanctions.

Last but not least, should bilateral relations improve, opportunities abound for US involvement in Syria's energy sector. Syria is desperate to exploit its remaining 2.4 billion barrels of proven oil reserves, something with which American wildcatting companies could certainly help. The UK-registered but Houston-based oil exploration and development company Gulf Sands is already active in Northeastern Syria. Washington could also lift restrictions on US companies in developing Syria's sizeable natural gas reserves, which total 8.5 trillion cubic feet.

## Conclusion

American engagement with Damascus has proven difficult for the Bush administration and its Democratic opponents alike, lending credence to the idea that engaging Syria's private sector might be the best way to contain Iran's spreading influence in the country.

In early April, a congressional delegation led by US House Speaker Nancy Pelosi arrived in Damascus to discuss a host of regional issues, most notably the deteriorating situation in Iraq and the long-stalled Syrian-Israeli peace negotiations. Days later, Damascus imposed lengthy prison sentences on a number of dissidents whose arrests last year had been closely followed by Western embassies on charges of "weakening national sentiment" and "inciting a foreign country to attack Syria." Syria's message was clear: interfering in Syria's internal affairs—a current focus of the Bush administration—will have dire consequences.

In Washington, the stiff sentences benefited Syria's adversaries in the Bush administration, who castigated US legislators visiting Damascus for failing to mention the dissidents' plight in their meetings with President Assad. On May 8, President Bush extended US sanctions on Syria for another year. A week later, the same legislators who sponsored tighter sanctions in 2004 introduced a bill further turning the screws on Damascus. No American legislator has been seen in Damascus since.

Icy relations between Damascus and Washington appear to be thawing, although it's unclear just how fast. Last May, US chargé d'affaires Michael Corbin became the highest-ranking diplomat in years to attend a Syrian president's opening address before parliament. Assad told his audience that while Syria remained ready "to help the Iraqi people," its occupiers were another matter. He said Syria has "demands" and not "conditions" for peace with Israel. Last, but certainly not least, Assad said that while Syria had cooperated with the investigation into former Lebanese Prime Minister Rafik al-Hariri's murder, it would not work with the tribunal to try the accused if it violates Syria's sovereignty.

With both sides talking past and not to each other, developing a long-term American strategy centered on Syria's private sector would help guarantee American political interests regardless of Washington's political fortunes in Syria and in a turmoil-ridden Middle East.

## Endnotes

<sup>1</sup> "Country Report: Syria," Economist Intelligence Unit (EIU), April 2007, [www.eiu.com](http://www.eiu.com)

<sup>2</sup> CIA World Fact Book, <https://www.cia.gov/library/publications/the-world-factbook/print/sy.html>

<sup>3</sup> Oil revenue data for Syria varies considerably. The IMF's 2005 Article IV report put Syrian net oil exports at a mere 130,000 bpd at an average price of 48.3 (Syrian oil varies in terms of quality, and therefore in price).

<sup>4</sup> "Syrian Arab Republic, IMF Article IV Consultation, Mission Preliminary Conclusions," May 16, 2007. The report notes a sharp drop off in oil production in 2006, <http://www.imf.org/external/np/ms/2007/051607.htm>

<sup>5</sup> Ibid.

<sup>6</sup> "Hussein rings alarm bell on fiscal deficit," *The Syria Report*, May 16, 2007, [www.syria-report.com](http://www.syria-report.com)

<sup>7</sup> Ibid. From a positive balance of \$600 million in 2001, deficits increased to \$360 billion in 2002, \$760 million in 2003, \$1.24 billion in 2004, and \$1.5 billion in 2005.

<sup>8</sup> Syrian Budget Report—2006, US Embassy Damascus, [http://damascus.usembassy.gov/uploads/images/8OZzfH1U47i8gynbJkrNdQ/Syrian\\_Budget\\_Report.pdf](http://damascus.usembassy.gov/uploads/images/8OZzfH1U47i8gynbJkrNdQ/Syrian_Budget_Report.pdf)

<sup>9</sup> Assets of state banks are currently around \$25 billion.

<sup>10</sup> “Insurance companies pass first quarter successfully,” *Al-Watan* newspaper, July 4, 2007

<sup>11</sup> “Syria’s foreign trade tops the \$20 billion mark,” *The Syria Report*, May 23, 2007, <http://www.syria-report.com>

<sup>12</sup> US Census Bureau, Foreign Trade Statistics, <http://www.census.gov/foreign-trade/statistics/country/index.html>

<sup>13</sup> “Syria’s foreign trade tops the \$20 billion mark,” op cit.

<sup>14</sup> Foreign Trade Statistics, op cit.

<sup>15</sup> It is important to note that the IMF uses figures provided by the official Syrian Statistical Bureau (SSB)—whose numbers are historically questionable. Syrian reformers openly admit the SSB needs substantial overhaul in the near future.

<sup>16</sup> “Syrian Arab Republic, IMF Article IV Consultation, Mission Preliminary Conclusions,” May 16, 2007.

<sup>17</sup> “UNCTAD report confirms FDI growth,” *The Syria Report*, November 20, 2006, [www.syria-report.com](http://www.syria-report.com)

<sup>18</sup> Iran, forerunner in Syria investment among non-Arab states, *Islamic Republic News Agency*, January 24, 2007, <http://www.irna.ir/en/news/view/menu-237/0701242933180528.htm>

<sup>19</sup> “Sidestepping Uncle Sam,” Andrew Tabler, *Syria Today* magazine, May 2007, <http://www.syria-today.com>

<sup>20</sup> “No Voice Louder than the Voice of Battle,” Andrew Tabler, Institute of Current World Affairs (ICWA) Letters, August 2006, <http://www.icwa.org>

<sup>21</sup> “Pondering the Shape of Things to Come,” *Syria Today* magazine, Issue 1, October 2004, <http://www.syria-today.com>

<sup>22</sup> Interview with Abdullah Dardari “New Frontiers,” *Syria Today* magazine, July 2007, <http://www.syria-today.com>

<sup>23</sup> Informal but officially sanctioned (and paid for) dialogue sessions between American and Syrian academics, former officials and media figures.

## The Stanley Foundation

The Stanley Foundation is a nonpartisan, private operating foundation that seeks a secure peace with freedom and justice, built on world citizenship and effective global governance. It brings fresh voices and original ideas to debates on global and regional problems. The foundation advocates principled multilateralism—an approach that emphasizes working respectfully across differences to create fair, just, and lasting solutions.

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