Editor’s Note. The University of Kansas School of Law initiated the operations of the Center for International Trade and Agriculture (“CITA”) in early 2010 with an inaugural symposium held in Lawrence, Kansas. Shortly thereafter another element of the CITA’s expanding operations was put in place: the CITA Working Papers Series. The overall aim of the CITA Working Papers Series is to provide a forum in which interesting information and insights on a broad range of issues that lie at the intersection of three subjects – international trade, agriculture, and law – can be expressed and discussed in a manner that will benefit legal practitioners, policy-makers, academics, and those members of the general public who are interested in a thoughtful exchange of views on these issues.

For more information about the CITA Working Papers Series, including a set of “Guidelines for Contributions to the CITA Working Papers Series”, see the CITA website – http://www.law.ku.edu/~kulaw/centers/cita/index.shtml. As explained there, contributions to the CITA Working Papers Series are intended to be just that: “working” papers. In other words, a contribution to the Series need not provide a completely polished “last word” on the author’s views but can be a work-in-progress offered in the hope that readers and other contributors will offer comments and responses.

The first contribution to the CITA Working Papers Series – CITA Working Paper #1-2010 – was focused on international legal regimes to balance the protection of prairies and grasslands with their agricultural use. CITA Working Paper #2-2011, written by Dr. Surendra Bhandari, provided a country study on Nepal in the context of international trade and agriculture. Now CITA is pleased to post CITA Working Paper #3-2011, providing a country study on Syria in the context of international trade and agriculture. Written by a recent KU Law graduate with strong personal ties to Syria, this Working Paper #2-2011 offers insights into the challenges facing that country’s economic sector in the face of both internal and external challenges. Comments on the paper are welcome, particularly in the form of either (i) direct communications with the author (jomanaq@gmail.com) or (ii) submission of a contribution to the CITA Working Papers Series on this or a related topic.

* * * * * * *
SYRIA, AGRICULTURE, AND THE WORLD:
A COUNTRY STUDY ON THE ROLE OF INTERNATIONAL TRADE AND
THE AGRICULTURE SECTOR IN THE SYRIAN ARAB REPUBLIC

Jomana Jihad Qaddour *

Synopsis

Agriculture remains Syria’s largest sector of the economy, followed closely by the natural gas and oil industry. While agricultural trade has played a dominant role in the welfare of Syria, the government’s control of almost every aspect relating to trade has hindered efficient importation and exportation of agricultural goods. The heavy protectionist policies of the government have not only hurt exportation into Syria by Middle Eastern, European, and United States companies; they have also damaged domestic Syrian industries by raising prices so that it becomes unprofitable to produce particular agricultural products. Syria’s high minimum capital requirement and inaccessibility to investment capital through private banks have complicated Syria’s trading landscape further. Other issues include insufficient irrigation systems and inefficient sanitary standards, both of which must be addressed to remove serious barriers to international trade with Syria.

Despite these obstacles, Syria is making positive advancements towards rigorous economic reform. In addition to the Greater Arab Free Trade Agreement, Syria recently signed two free trade agreements (FTAs) – the Turkey-Syria FTA and the Quadripartite FTA (with Lebanon, Turkey, Jordan, and Syria). Syria has also negotiated an agreement with the European Union that is pending approval by the Syrian government. Most significant is Syria’s petition for accession to the WTO in 2001, which will push Syrian trade reform to a much deeper level than ever before. These agreements will undoubtedly cause Syria to reevaluate its economic policies and will hopefully encourage implementation of more efficient international trade policies that will extend far beyond the agricultural sector. Syria is an emerging market in every sense of the word; there is much potential as state control is eased, investment capital is made accessible to local businesses, and more efficient irrigation systems are built throughout this dry nation. Without a doubt, Syria’s slowly changing economy presents an exciting future for both Syrians and the world in the changing landscape of the Middle East.

* Jomana Qaddour is an International Trade and Intellectual Property lawyer, born in Syria and raised in the United States. Qaddour graduated from the University of Kansas in 2006 with a B.A. in Human Biology and International Studies, and from the University of Kansas School of Law in 2009 with a Certificate in International Trade and Finance.
Introduction

I. Agriculture in the Domestic Context
   Ia. Overview of Syrian Agriculture
   Ib. Primary Agricultural Products
      Ib(i) Wheat
      Ib(ii) Cotton
      Ib(iii) Sugar

II. Trade Policy - Status Quo
   IIa. Export and Import Policies
   IIb. Non-Tariff Barriers
      IIb(i) Bureaucratic Insufficiencies
      IIb(ii) Minimum Capital
      IIb(iii) Sanitary Standards
      IIb(iv) Accessibility to Fertilize
   IIc. Tariff Barriers

III. Syria in the International Context
   IIIa. Greater Arab Free Trade Agreement (GAFTA)
   IIIb. Turkey-Syria Trade Agreement
   IIIc. Quadripartite Trade Agreement
   IIId. European Union Association Agreement
   IIIe. World Trade Organization (WTO) Accession
   IIIf. United States – Syria Relations

IV. Syrian Trade Reform: A Work in Progress Working Progress
   IVa. Obstacles to Domestic and Foreign Investment
   IVb. Irrigation and Water

Concluding Observations

* * * * * * *
Introduction

Syria, a country roughly the size of North Dakota, is home to approximately 20.1 million people. In 2009, according to the IMF, the annual per capita income was estimated at $2,590. Thus, Syria has one of the slowest economic growth rates in the region, averaged at about 1.25 percent from 1999-2003. Nonetheless, it has one of the strongest agricultural sectors in the region. Agriculture accounts for a larger share of employment in Syria than anywhere else in the Arab world. There are a total of 5.7 million hectares of cultivated land in Syria, located mostly in the eastern side of the country.

Figure 1.1 – Map of Syria (courtesy of CIA World Factbook 2011)

The oil industry aside, the Syrian economy centers on agriculture. In other words, most trade and commerce is based on agriculture, much of manufacturing revolves around agro processing, and

3 Id.
4 Id. at 255.
5 Id. at 256.
many services pertain to agricultural production.\textsuperscript{6} Thirty percent of employment is provided by the agricultural industry.\textsuperscript{7} Sectors related to agriculture account for 25 percent of the output in the economy, and about 50 percent of manufacturing employment. These industries include textiles, leather, tobacco, and food processing.\textsuperscript{8} In short, Syria is a predominantly agricultural country. What happens in the agriculture sector bears directly on the country’s productivity, its employment, its land use, and its society.

![Topographical Map of Syria](Image)

Figure 1.2 – Topographical Map of Syria (courtesy of Maps of .Net 2011)

While its economic structure may not seem atypical for the region, Syria has achieved what similarly situated countries around the world have not: macroeconomic stability without IMF intervention or instruction. Though Syria still relies on its oil reserves for its foreign exchange and will continue to do so for the next 16 years, slow progress has been made in the last decade to move away from total dependency on the oil trade. In recent years, Syria has taken steps toward global economic integration by signing free trade agreements with neighboring countries and petitioning for WTO accession.


\textsuperscript{7} Rivlin, \textit{supra} note 2 at 256.

\textsuperscript{8} Id.
Still, the road to global economic integration and noticeable improvement to the Syrian economy remains a long one. While agriculture remains a pillar of the Syrian economy, drought and a lack of sufficient capital devastates farmers and drives away potential investors. Because of the extent of government intervention, it is sometimes cheaper to import agricultural products than to domestically produce them. Surely, this reveals a series of deficiencies in the Syrian market system. For the Syrian market system to continue to develop, these serious deficiencies need to be addressed. It is precisely for this reason that a thorough study of agriculture in Syria is necessary. In order to promote healthier, long term economic strategies for Syria, one must examine the agricultural sector and understand Syria’s growing role in the global agricultural trade economy and what possibilities lay ahead in the future.

I. Agriculture in the Domestic Context

a. Overview of Syrian Agriculture

Agriculture is Syria’s largest sector of the economy. While oil and mining are increasingly important, agriculture is the largest sector of Syria’s economy. In the 1990s, agriculture and agro-food products represented approximately 20 percent of total Syrian imports.\(^9\) Agricultural exports dramatically increased in the period of 1990 to 1999, starting at about 18 percent, and reaching a level of 30 percent of total exports.\(^10\) All in all, 19 percent was the average for exported agricultural products during the time period of 1995 to 2004.\(^11\)

The actual production of agricultural goods is done mostly by private, small farm units. However, the marketing and processing of the agricultural goods, as well as fertilizer distribution, are generally handled by the public sector, which is consistent with the overall theme of Syrian economic strategy.\(^12\) In this way, the government maintains direction over what crops are “strategic” and thus should be produced by the farms.\(^13\) The government utilizes trade, production, and pricing policies, and

---


\(^10\) Id.


\(^12\) Sarris, *supra* note 6 at 2.

\(^13\) Id.
also dictates interest rates, agricultural input prices, and energy and transport prices.\textsuperscript{14} Moreover, food subsidies for particular products are also used to maintain domestic welfare policy.\textsuperscript{15} Through these methods and others, the Syrian government controls what sort of agricultural products are produced by private farmers. This shapes the direction Syrian agricultural trade has taken for many years, and it is unlikely that a major shift towards privatization of this sector will occur soon.

\textit{b. Primary Agricultural Products}

The government has played a key role in pushing particular products in order to encourage increased Syrian agricultural exportation and decrease Syrian importation. For this reason, the Government annually sets the producer prices for its six “strategic” crops: wheat, barley, lentils, chickpeas, cotton, and sugar.\textsuperscript{16} These strategic crops account for more than half of the total national crop production and for three-quarters of the total cultivated area available in Syria.\textsuperscript{17}

The Syrian government is involved in the marketing of each of the strategic crops. For example, sugar and wheat farmers only have the option of delivering their production to a Government establishment.\textsuperscript{18} Most of the wheat production is also sold to a Government establishment.\textsuperscript{19} Recently, however, partial liberalization of the market has allowed barley, lentils, and chickpeas to be sold to private buyers.\textsuperscript{20}

Of these six strategic crops, three are most important: wheat, cotton, and sugar. While Syria is a net exporter of wheat and cotton, it is a net importer of sugar.\textsuperscript{21} To get an accurate idea about where Syrian agriculture is headed in the future, it is necessary to examine the role each of these crops plays in the overall agricultural market.

\textsuperscript{14} Rivlin, \textit{supra} note 2 at 257.
\textsuperscript{15} Sarris, \textit{supra} note 6 at 2.
\textsuperscript{17} \textit{Id.}
\textsuperscript{18} \textit{Id.}
\textsuperscript{19} \textit{Id.}
\textsuperscript{20} \textit{Id.}
\textsuperscript{21} \textit{Id.}
Figure I(b). Share in Real GDP of Different Sectors (1999/2000)

i. Wheat

Two types of wheat are produced in Syria: hard durum wheat and soft wheat during the winter season. The significance of the distinction in types of wheat produced lies in the difference in how each is watered. Hard wheat is mostly rain fed, whereas soft wheat is irrigated. This distinction is especially important when one considers that wheat exhausts the majority of irrigation water in Syria.\textsuperscript{22} It occupies half of all irrigated land, and utilizes 70 percent of the irrigated land designated for strategic crops.\textsuperscript{23} While the amount of irrigated wheat can generally be anticipated, the amount of rain fed wheat is highly unstable, and can vary from 0.5 tons per hectare in a drought year to 1.7 tons per hectare in year with sufficient rainfall.\textsuperscript{24} On the other hand, irrigated yields are relatively stable and range from 3.0 tons to 4.0 tons per hectare.\textsuperscript{25}

Wheat, in the form of bread, is Syria’s most important food product. Thus, the Government’s goal is to ensure self-sufficiency in wheat production, and it has been able to do so in the recent past in all but the drought years (late 1990s).\textsuperscript{26} In order to ensure this level of production, however, Syria has

\begin{itemize}
    \item \textsuperscript{22} Id. at 2.
    \item \textsuperscript{23} Id.
    \item \textsuperscript{24} Id.
    \item \textsuperscript{25} Id.
    \item \textsuperscript{26} Id. at 3.
\end{itemize}
chosen to publically control almost all aspects of marketing, storage, and processing.\textsuperscript{27} For example, the two public companies of the General Company for Mills and the General Company for Baking handle the greater part of milling and baking of the wheat products.\textsuperscript{28} Since1991, private milling was legalized, pushing for private opportunities in milling, and now even baking. In fact, two-thirds of bakeries are now privately owned.\textsuperscript{29}

Wheat storage is primarily undertaken by a branch of the Ministry of Supply and Internal Trade – an institute not equipped to handle the growing need of increased storage space.\textsuperscript{30} This has led to an excess of wheat and barley and lentil production, which is stored outdoors and often becomes infested or is prey to bad weather.\textsuperscript{31} This has undoubtedly impacted the number of willing investors who would otherwise invest in the wheat market, but cannot be guaranteed export returns.

The Government sets the prices throughout the marketing chain for wheat, flour, and bread.\textsuperscript{32} Additionally, it dictates the prices for transactions between government organizations and the transactions within the private sector.\textsuperscript{33} For years, the prices of standard bread and flour have been subsidized by the government.\textsuperscript{34} One of the primary reasons behind this is the inability of the price to cover even the wheat acquisition cost – it is simply too expensive to obtain the wheat given the set pricing system and lack of competition and the prevalence of inefficient wheat production methods. The losses incurred by the General Company for Mills are constantly covered by the Government Price Stabilization Fund (PSF), which funds the consumer subsidies on wheat, sugar, and rice.\textsuperscript{35} Unfortunately, the PSF’s sources of revenue are unstable and insufficient: often times, money is allocated from surcharges earmarked on TVs and refrigerators.\textsuperscript{36} Other times, it is funded by direct budgetary transfers.\textsuperscript{37} More often than not, this leaves the PSF in need of borrowing from the state-run

\textsuperscript{27} Id. 
\textsuperscript{28} Id. 
\textsuperscript{29} Id. 
\textsuperscript{30} Id. 
\textsuperscript{31} Rivlin, supra note 2 at 257. 
\textsuperscript{32} Westlake, supra note 16 at 257. 
\textsuperscript{33} Id. 
\textsuperscript{34} Id. 
\textsuperscript{35} Id. 
\textsuperscript{36} Id. 
\textsuperscript{37} Id.
Commercial Bank of Syria, an unsustainable way of financing for a significant percentage of the agriculture sector.\textsuperscript{38}

\textit{ii. Cotton}

Syria produces 1.8 percent of the world’s cotton output.\textsuperscript{39} Syrian cotton is of the medium staple length type of cotton, and 98 percent of the cotton is grown on private farms.\textsuperscript{40} Over half a million people are employed by the cotton production industry.\textsuperscript{41}

Grown in the summer, cotton is a crop that requires irrigation, and cannot be rain fed. Because of nation-wide irrigation problems, the Government is encouraging farmers to invest in drip irrigation, as opposed to the widespread flood irrigation that farmers use to irrigate cotton.\textsuperscript{42} Over the past several decades, Syria has increased its cotton yield dramatically: in 1970, Syria recorded approximately 1.625 kg per hectare, while in 1997 this figure rose to 4.180 kg per hectare.\textsuperscript{43} This was due to a number of factors, including: adoption of new environmentally adapted varieties which are less vulnerable to fungal attack in cold weather; producer price structure that encouraged early planting and harvesting through payment of price premiums for early seed cotton delivery; and improved irrigation methods.\textsuperscript{44}

Despite these significant advancements, Syria continues to be a high-cost producer of seed cotton. In the late 1990s, the cost per unit of production still greatly exceeded the farm-gate export parity price.\textsuperscript{45} This is of great concern to agricultural trading to Syria because after oil, cotton is Syria’s most important export product.\textsuperscript{46} No more than 30 percent of the cotton fiber is utilized by domestic spinners, the rest is exported. Only the cotton seed is used domestically, primarily for planting and the production of cotton seed oil and cake.\textsuperscript{47}

\textsuperscript{38} Id.
\textsuperscript{39} Id. at 8.
\textsuperscript{40} Id.
\textsuperscript{41} Id. at 9.
\textsuperscript{42} Id.
\textsuperscript{43} Id.
\textsuperscript{44} Id.
\textsuperscript{45} Id.
\textsuperscript{46} Id.
\textsuperscript{47} Id.
The Syrian cotton industry is almost exclusively controlled by the Government. The state Cotton Marketing Organization (CMO) is the sole permitted buyer and ginner of seed cotton, not to mention the only exporter. Before Investment Law No. 10 of 1991 was passed, spinning mills were exclusively owned by the state. Since then, private mills have started to operate. Indeed, the bulk of garments and textile goods produced are now in the hands of a select number of private companies.

The CMO exports cotton at world market prices and it does this through agents based in the importing countries. Unfortunately, the CMO suffers from substantial financial losses as a result of this, because of the high cost prices it pays to farmers and its seasonal financing cost. For example, in 1998/1999, the CMO paid cotton farmers 9.88 billion Syrian Pounds (SP) to cover the loss that they suffered as a result of domestic processing and marketing costs.

The domestic textile industry buys cotton fiber from the CMO at cost-plus prices, which exceeds the world price for cotton. To protect the Syrian cotton industry, however, an import duty on cotton fiber was placed at 30 percent, while a duty ranging from 15 to 75 percent was placed on yarn, cloth, and garments. While exportation of cotton fiber is not profitable for Syria, manufacturing of garments by the low wage Syrian worker is quite profitable, and it is for this reason that clothing made from Syrian cotton is cost-effective. Consequently, a growing number of private Syrian textile companies have been making garments on contract for overseas firm using imported cloth supplied by the firms.

Unfortunately, if Syrian cotton were priced at the export parity price, rather than the high domestic selling price, the entire cotton industry (and related industries) would be more lucrative. Globally, textile and garment manufacturing industries have spurred economic development due to their low wage rages and surplus labor. By choosing to focus Syria’s energy on industries that it does not have a comparative advantage in, Syria has prevented the possible growth of its textile and manufacture
industry. One key way to alter this would have been to price its cotton at export parity – which it chooses not to do.\textsuperscript{57} Still today, the price of textile products sold within Syria is controlled by the Ministry of Supply and Internal Trade (MSIT).\textsuperscript{58} The controlled pricing has resulted in a deficit that makes it unprofitable for textile factories to produce products made from cotton fabrics. For example, a newly designed shirt will be sold at a dictated retail-selling price of ex-factory unit cost of production plus a 17 percent margin, which is theoretically supposed to cover all costs between ex-factory and retail, but rarely does.\textsuperscript{59}

\textit{iii. Sugar}

Sugar beet is grown on 2.3 percent of Syria’s irrigated land.\textsuperscript{60} Sugar is largely produced by small farms, and nationally employs about 25,000 workers. However, compared to world market prices, Syria is a very high cost producer of sugar -- so high, in fact, that in 1999, Syria’s farmers were obtaining producer prices at three times the import parity cost.\textsuperscript{61} Lack of proper irrigation systems is the primary cause of inefficient sugar production. Because of the lack of proper irrigation systems, sugar beet is grown during the autumn season to avoid mass crop damage. Unfortunately, the overall total of sugar beet production has decreased over time due to Syria’s irrigation problems. As a result, Syria is only able to currently produce one-sixth of its national demand.\textsuperscript{62} Syria utilizes the General Foreign Trade Organization for Chemicals and Foodstuffs to manage the imported sugar it needs.

Sugar beet is solely bought and processed by the Ministry of Industry’s General Organization for Sugar (GOS). The GOS operates six factories and requires farmers to deliver beets to factories located in their governorates.\textsuperscript{63} Because of the inefficiency of the GOS system, however, the GOS ends up transporting sizeable amounts of beets between factories, raising the unit factory cost by 17 percent. In 2000, this resulted in extra expenditure of about 380 million SP.\textsuperscript{64}

\textsuperscript{57} Id.
\textsuperscript{58} Id.
\textsuperscript{59} Id.
\textsuperscript{60} Id.
\textsuperscript{61} Id.
\textsuperscript{62} Id at 13.
\textsuperscript{63} Id.
\textsuperscript{64} Id.
Refined sugar is sold to the public through the General Establishment for Consumption (GEC). From 1963 until 2000, a ration program controlled the distribution of subsidized sugar to Syria’s population.\textsuperscript{65} While the ration program included industrial-use sugar, specialty sugars like cubed sugar were excluded from sale by the private sector.\textsuperscript{66}

The GOS pays farmers a set price for beets with a sucrose content of 16 percent; it discounts a specified amount for beets with sucrose content above or below this cut-off.\textsuperscript{67} While the government tried to implement a series of price adjustments to encourage farmers to increase sucrose content in beets, it has not been as successful in doing so as expected. Farmers over-applied nitrogen fertilizer, leading to a decline of sucrose from 15.5 percent in the 1980s to 12 percent in 2000.\textsuperscript{68}

All sugar prices within the domestic market are set by the MSIT.\textsuperscript{69} In 2000, the regulations of the ration program limited each individual to one kilogram per of sugar per month that was sold at a price of about 7 SP, while imported sugar was sold at 18-20 SP per kilogram.\textsuperscript{70} As mentioned, the domestic price for sugar is about three times the import parity price, which has led to major public losses for the industry.\textsuperscript{71} The General Establishment for Consumption has largely covered this loss, which was later covered by the Treasury.

In 2000, the GOS began refining raw sugar for private traders, charging a fee meanwhile. This benefited sugar traders; instead of having to pay a 15 percent duty to import refined sugar, they could now import raw sugar with a duty of only 7 percent.\textsuperscript{72} The domestic market in particular has benefited from this new policy. The government’s strategy is likely in place to make use of Syria’s under-employed refining capacity. A better long-term strategy would be to equalize the import duties of both raw and refined sugar. This, supplemented by a marginal refining charge, would address the issue and also help ease Syria out of its heavy protectionist policies.

\textsuperscript{65} Id.  
\textsuperscript{66} Id.  
\textsuperscript{67} Id.  
\textsuperscript{68} Id.  
\textsuperscript{69} Id. at 14.  
\textsuperscript{70} Id.  
\textsuperscript{71} Id.  
\textsuperscript{72} Id.
II. Trade Policy – Status Quo

a. Export and Import Policies

Having examined what we might call the “physical” aspects of the agriculture sector in Syria—that is, the principal crops and commodities produced, and certain financial matters (and problems) surrounding them, we turn now to legal and policy matters. Specifically, this section III examines trade policy in the Syrian agricultural sector as it stands today. This will serve as a foundation for our later consideration (in sections IV and V) of Syria’s engagement in international regimes relating to trade and agriculture and of recent developments in, and prospects for, revisions to Syria’s trade policy.

Syria has made significant efforts to move from a centrally planned economy to a Socialist-market system. On the global trading level, a variety of policy changes have been introduced in the past decade, ranging from encouragement of private enterprise and modification of the national trading system to simplification of trading procedure. As for the agricultural sector in specific, the Government has made noteworthy strides in price regulation, subsidies, credit, and incentives for private sector development in production and marketing activities. It seems that the status quo of Syria’s international trade policies have slowly been shifting from an import substitution approach to an export-oriented approach, thereby spurring a series of legal and practical reforms. While these reforms are certainly welcomed in the global economy, Syria still has a long way to go to fully realize its full agricultural potential.

\footnotesize
74 Id.
75 Id.
b. Non-Tariff Measures

There are four main non-tariff barriers at work in Syrian that bear importantly on the agricultural sector. They include bureaucratic inefficiencies, high minimum capital requirements, sanitary standards, and access to imported fertilizer. They are discussed in turn below.

i. Bureaucratic Inefficiencies

The domestic market, along with export operations, is subject to varying degrees of government intervention. Prior to 1987, Syrian agricultural price and trade policies were almost exclusively dominated by public intervention.\(^\text{76}\) Since 1987, however, there has been a steady stream of economic reform that eased constraints on production and marketing.\(^\text{77}\) While the government exercises control over both agricultural exports and imports, it has consistently restrained imports by instituting a number of bureaucratic loopholes that have made importation quite difficult.

Legally speaking, Syria does permit imported products. However, this policy is riddled with caveats. One caveat is that particular goods are banned from importation. The list of ban goods may

\(^{76}\) Garcia-Alvarez-Coque, supra note 9 at 4.

\(^{77}\) Id.
vary from year to year, but Syria claims that this list only includes commodities that cannot be imported for public health and safety reasons.\textsuperscript{78} It rejects that such a list is part of Syria’s protectionist measures.\textsuperscript{79} Another caveat is that some products, including tobacco, sugar, and certain types of wheat, were imported only by public trading companies or by private importers permitted by the government.\textsuperscript{80} This undoubtedly created a monopoly by the public and a select number of private companies on the trade of particular products.\textsuperscript{81} Such restrictions on imports have slowly been loosened. For example, after decades of state monopoly on importation of cereal, private companies were finally allowed to import such items in 2002. Also, in 2004, private companies were allowed to import wheat flour, another area of the market that had been under exclusive Government control.\textsuperscript{82} In addition, the Government has made efforts to permit the importation of otherwise-impermissible processed products and inputs for agriculture such as tropical food concentrates.\textsuperscript{83} Lastly, the importation of wheat and wheat flour, previously reserved for exclusive entities, became open to the public sector, so long as the resulting flour and pasta are to be exported out of Syria.\textsuperscript{84}

Overall, Syria’s import measures are quite confusing for traders. In an effort to ease import restrictions, the Ministry of Economy and Foreign Trade cancelled the requirement to obtain import licenses for goods.\textsuperscript{85} However, it still imposes various complicated regulations on importation. One such regulation includes the requirement that all import transactions must be done by a letter of credit opened at the Commercial Bank of Syria.\textsuperscript{86} The Bank requires the importer to cover 100 percent of the transaction from his or her own resources offshore, or from funds produced by exports.\textsuperscript{87}

Generally, exportation of Syrian goods does not require a special license. Still, Syrian exporters are required to be registered with a Syrian Chamber of Commerce and must provide several documents, including an invoice certified by a local chamber, a certificate of origin, and a customs description document that certifies that hard currency earnings will be returned to Syria within a specified period of
time.\textsuperscript{88} In the past, export proceeds were required to be surrendered or used as financing for imports.\textsuperscript{89} This law has since been eliminated.\textsuperscript{90} Today, export earnings can be sold to the Commercial Bank of Syria at the free exchange rate or consigned for hard currencies.\textsuperscript{91}

\textit{ii. Minimal capital}

Minimum capital is the amount of money a business owner is required to deposit in a bank or with a notary before registering a future company. Although startup capital is not always an issue for Syrian exporters and importers, it is often problematic for new farmers and businesses wishing to trade in agriculture. Even with recent rigorous reform, Syria still has the highest paid-in minimum capital requirement in the world (approximately $70,660- 1,013\% of income per capita).\textsuperscript{92} While Syria argues that required minimum capital protects against insolvency, entrepreneurs argue that it only ties up much needed capital, hindering their ability to hire employees, market new products, and set up offices.\textsuperscript{93} Although Syria has reduced its minimum capital requirement over the years, indicating progress, it still remains a hindrance for small farmers and companies unable to produce the needed amount in a country almost devoid of private banking institutions.

\textit{iii. Sanitary Standards}

Prior to recent reforms, Syria implemented sanitary and phyto-sanitary standards that were often ambiguous and unclear. In adherence to the Greater Arab Free Trade Agreement (GAFTA) in 2005, the Government implemented reforms to its health standards, permitting imported products that were prohibited in the past. For example, Syria recently allowed Egyptian fresh fruits to enter its market. The fruits were only permitted, however, if they entered through the Daraa governorate and were exposed to a temperature of 1.7 degrees for 15 days.\textsuperscript{94} Thus, it is clear that while some improvements

\begin{itemize}
\item \textsuperscript{88} Id. at 5.
\item \textsuperscript{89} Id.
\item \textsuperscript{90} Id.
\item \textsuperscript{91} Id.
\item \textsuperscript{92} THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT & THE WORLD BANK, DOING BUSINESS IN THE ARAB WORLD 2010 11 (2009).
\item \textsuperscript{93} Id. at 12.
\item \textsuperscript{94} Ismail, supra note 73 at 4.
\end{itemize}
have been made to Syrian agricultural health standards, they are still used as protectionist measures by the government.

*iv. Accessibility to Fertilizer*

The accessibility of imported fertilizer has been another area of concern for agricultural traders. In 2004, the fertilizer trade was opened to private traders after monopolization fertilizer trade became open for private traders, after monopolization by the Ministry of Economy and Trade for decades.\(^95\) That same year, the Government also permitted importation of necessary industrial machines for small and medium enterprises under specified conditions.\(^96\)

c. *Tariff Barriers*

All imported goods are subject to customs duty and a “unified” tax, ranging from one percent to 100 percent for agricultural goods depending on the necessity of the good from the perspective of the government (non-agricultural goods can have a duty exceeding 100 percent).\(^97\) The unified tax, which ranges from six percent to 35 percent, is applied to all imported goods and its proceeds are directed to military, educational, and municipal spending.\(^98\)

In 2002, Syria undertook tariff simplification measures that resulted in significant reform of the tariff system.\(^99\) For example, in September 2004 Decree no. 61, many imported commodities were subject to a consumption tax collected immediately from the buyer, as opposed to the consumer through the buyer.\(^100\) Another example would be the consumption tax on mate herb drink\(^101\) and tea that was about 2 percent while the tax on alcoholic beverages was 35 percent.\(^102\) In 2005, the decree was

\(^{95}\) Id.

\(^{96}\) Id.

\(^{97}\) Garcia-Alvarez-Coque, *supra* note 9 at 4.

\(^{98}\) Id. at 5.

\(^{99}\) Ismail, *supra* note 73 at 3.

\(^{100}\) Id.

\(^{101}\) Mate herb drink is a traditional South American drink that was brought to Syria and the Levant area in the earlier part of the 1900s. It has since become a very popular drink in Syria. It is prepared by steeping leaves of yerba mate in hot water.

\(^{102}\) Garcia-Alvarez-Coque, *supra* note 9 at 5.
modified, lowering the tax on goods such as cars and vegetarian oils, while increasing the tax on ghee.\textsuperscript{103} The list of taxed goods was also modified to include tobacco.\textsuperscript{104}

According to the World Bank’s recent studies, Syria’s effective overall tariff rates are low compared to other Arab countries, ranging from 8 to 10 percent of Cost, Insurance, and Freight (CIF) value, amounting to about a 21 percent tariff rate.\textsuperscript{105} An examination of the tariff scheme reveals, however, that Syrian importation patterns favor capital goods while discouraging consumption goods. Studies show that if tariff rates were lowered, consumers would enjoy a 2 percent increase in consumption without negatively impacting domestic production.\textsuperscript{106}

The General Department of Custom has made efforts to simplify the tariff system and is looking to reduce the 23 tariff levels currently in place to only five or six levels.\textsuperscript{107} Moreover, Syria is aiming to harmonize its exchange rate to unify the exchange rates for valuation purposes and the overall tariff system (combining tariff and surcharges in one tariff).\textsuperscript{108} Currently, this is a problem because imports for customs duty are valued at different exchange rates depending on the category of the good.\textsuperscript{109} In addition, starting in 2005, Syria’s participation in GAFTA resulted in the elimination of tariffs on particular products and the abolishment of import bans on particular agricultural products.\textsuperscript{110} This includes items such as honey, fish, and mollusk.\textsuperscript{111}

\textbf{III. Syria in the International Context}

Syria has created new economic opportunities for itself over the past few decades. In 1997, for example, Syria signed the Greater Arab Free Trade Agreement (GAFTA). Additionally, since 1997, Syria has been in negotiations with the EU to sign an Association Agreement, although this has yet to be signed by Syria because Syria believes its terms should be more favorable for its economy. Moreover, it

\begin{footnotesize}
\begin{enumerate}
  \item Ismail, \textit{supra} note 73 at 3.
  \item Id.
  \item \textsc{World Bank, Trade, Investment and Development in the Middle East and North Africa: Engaging with the World} 144 (2003) [hereinafter \textsc{Trade, Investment and Development in the Middle East and North Africa}].
  \item Id.
  \item Ismail, \textit{supra} note 73 at 3.
  \item Garcia-Alvarez-Coque, \textit{supra} note 9 at 5.
  \item Id.
  \item Ismail, \textit{supra} note 73 at 4.
  \item Id.
\end{enumerate}
\end{footnotesize}
signed a bilateral Free Trade Agreement (FTA) with Lebanon in 1998, and another one with Jordan in 1999.\(^{112}\)

Furthermore, though Syria has been absent from the WTO for over 50 years, it finally requested accession in 2001, showing a change in attitude. More recently, Syria entered into a bilateral trade agreement with Turkey in 2004. In June 2010, Syria, Jordan, Turkey, and Lebanon (the Quadripartite FTA) agreed to establish a free trade zone in order to liberalize trade and investments among the four nations.

Syria’s most significant trading agreements and international negotiations are discussed below. These include Syria’s participation in the GAFTA, the Turkey-Syria FTA, the Quadripartite FTA, the EU Association Agreement, and the progress of Syria’s request to join the WTO. Afterwards, United States-Syrian economic relations are addressed separately, with a focus on current agricultural trade and sanctions between the two nations.

\(a.\) **Greater Arab Free Trade Agreement (GAFTA)**

Syria is one of 17 signatories to the GAFTA, one of the region’s most important trade agreements. Though its foundations were established in 1997, the GAFTA was not fully implemented until 2005.\(^{113}\) The basic tenets of GAFTA embrace removal of tariff and non-tariff barriers, including monetary, administrative, and quota restrictions.\(^{114}\) Inter-Arab consultation regarding services, research, technology, and intellectual property is also fundamental in the agreement to encourage regional cooperation in the region. Most relevant to the topic on hand, however, is the agricultural liberalization provided by GAFTA. Specifically, agricultural products were given special treatment; each country is permitted to exclude a maximum of ten products from the agreement during harvest season. As of 2005, all agreed-upon tariff removal was completed, including duties on agricultural products, while non-tariff barriers are still phasing out.\(^{115}\)

\(^{112}\) Garcia-Alvarez-Coque, *supra* note 9 at 5.

\(^{113}\) **THE EGYPTIAN CENTER FOR STUDIES OF EXPORT & IMPORT, THE GREATER ARAB FREE TRADE AREA.**


\(^{115}\) **THE GREATER ARAB FREE TRADE AREA, supra** note 113 at 3.
The overall goals of GAFTA aim to increase intra-regional trade, which is crucial to the
development of the region.\textsuperscript{116} If each country focuses on the comparative advantage it has in the market,
overall regional competition will increase because of the availability of a variety of goods and the
subsequent lowering of prices for consumers. Imports will decrease as a result, making the Arab region
self-sufficient in particular markets, and providing a negotiating platform for the region that will
improve terms of trade. The ultimate goal, clearly, will be to increase economic growth of the greater
Arab market.\textsuperscript{117}

\textit{b. Turkey – Syria Trade Agreement}

Syrian-Turkish relations have strengthened over the past decade. Out of all its neighbors, Syria
is looking towards Turkey the most – not only to ensure economic advancement, but also to redefine its
geopolitical position.\textsuperscript{118} In recent years, Turkey and Syria have signed over 51 agreements on a range of
issues, including academia, economics, transportation, and culture.\textsuperscript{119} In 2009, both lifted visa
requirements, enabling fluid travel between the two countries, and opening market opportunities for
Syrian and Turkish businesses.\textsuperscript{120}

Numerous economic reports have quoted Syrian President Bashar Al-Assad regarding his idea of
an ‘economic space’ spurred by Turkish-Syrian trade relations. Stated in President Al-Assad’s own
words, he believes that “one day we will be linking the Mediterranean to the Caspian Sea, the Black Sea
and the Arabian Gulf…When we link these four seas, we will become the obligatory connector for this
entire world, in terms of investment and transport.”\textsuperscript{121}

While both countries are suffering due to global economic conditions, overall trade between the
two countries has risen markedly. According to the Aleppo Chamber of Commerce, trade between
Turkey and Syria not only doubled from 2007 to 2008, it doubled again by 2009 to approximately $4

\begin{flushleft}
\textsuperscript{116} Abedini and Péridy, \textit{supra} note 114 at 3.
\textsuperscript{117} \textit{Id}.
\textsuperscript{119} Sami Moubayed, \textit{Syria, Turkey Hope to Dominate Trade}, \textit{GULFNEWS.COM}, May 11, 2010.
\textsuperscript{120} \textit{Id}.
\textsuperscript{121} \textit{Id}.
\end{flushleft}
billion. It might not be the perfect figure to use here, but it is still indicative of where things are generally headed in regards to agricultural trade between the two countries. Turkish Foreign Trade Minister Zafer Çağlayan projects that by 2012, total trade will reach at least $5 billion and hopefully $10 billion by 2015. Additionally, a growing number of Turkish businessmen are pushing for more-comprehensive trade agreements in light of their nearly-$700 million in Syrian investments. As of the end of 2010, the opening of the first Turkish-Syrian bank in Syria should be complete.

The free trade agreement (FTA) between Syria and Turkey was signed in 2004. Though it went into force on January 1, 2007, it will take at least 12 years before the provisions of the FTA are fully implemented. As part of the FTA, Turkey is lifting customs taxes on Syrian products, with reciprocal treatment to be expected from Syria for Turkish products over a 12-year transition period. A series of particular agricultural products are guaranteed particular tax reductions. Moreover, Syria has agreed to lift all bans and restrictions on imported products from Turkey.

The Turkey-Syria FTA reveals important bilateral initiatives. The FTA articulates that it will “gradually eliminate difficulties and restrictions on trade in goods, including agricultural products.” It goes on to break down the particular expectations from both countries in Article 34, which clearly encourages the bilateral exchange of information, experts, and trade in agriculture, while protecting each country’s agricultural industry.

**Article 34**

**Co-operation in the Agriculture and Fisheries**

Taking into account the importance of co-operation in agriculture and fisheries towards the enhancement of bilateral relations, the Parties determined the following as the desired fields of co-operation:

(a) exchange of scientific and technical information and

---

122 Worth, supra note 118.
124 Id.
125 Id.
127 Id.
128 Id.
129 Id.
130 Id.
expertise relating to agriculture, forestry, water resources and rural development;

(b) reciprocal exchange of experts;

(c) organization of training, seminars, conferences and meetings, in either of the Parties;

(d) establishment of direct joint activities between the respective institutions;

(e) encouragement of investment and trade on agricultural production, processing and marketing in both countries and in other markets.\textsuperscript{131}

According to the articles above, cooperation and technology change between Turkey and Syria are both key to the agreement. Thus, it is clear from the articles above that cooperation and information and technology exchange is key to the trade agreement. While both countries seek to advance their own capabilities through the agreement, they also hope to increase potential exports of agricultural products between themselves and other neighboring states, the EU, and the United States.

Moreover, Article 6 acknowledges the “the high sensitivity of agricultural products and the rules of their respective agricultural policy.”\textsuperscript{132} In response, the same article provides the FTA Association Committee with discretion to allow for necessary concessions as needed.\textsuperscript{133} While Article 6 may seem vague, it nevertheless implies a move towards more bilateral trade between the two nations. As Syria struggles to replace its previous Soviet-style economically-autonomous policy, this FTA will be crucial to guaranteed reform and open market trade policy that in the long term will benefit both the Syrian and Turkish investor.

c. \textit{Quadripartite Trade Agreement}

\textsuperscript{131} The Association Agreement Establishing a Free Trade Area between the Syrian Arab Republic and the Republic of Turkey, Syria-Turkey, art. 34, Dec. 23, 2004.
\textsuperscript{132} Id.
\textsuperscript{133} Id.
The Quadripartite FTA is Syria’s newest push for regional economic cooperation. An FTA to join the Turkish, Jordanian, Lebanese, and Syrian economies went into effect in January 2011.\textsuperscript{134} By signing the FTA, the four countries have “set up a cooperation council ‘to develop long-term strategic partnership and create a zone of free movement of goods and persons among the countries’.”\textsuperscript{135} The agreement is divided into four major areas: energy, trade, transportation, and tourism. Each country is to be appointed a specific area to focus on; for example, Turkey will be tasked with cooperation in trade.\textsuperscript{136} The ultimate goal of the bloc is to increase trade and investments among the four countries. As of 2009, the four nations’ lands generated a combined GDP of $723bn; imports amounted to $176 billion, while exports totaled $131 billion. This geographic area, occupied by roughly 105 million people, has much to gain from the agreement’s removal of trade barriers.\textsuperscript{137}

Syria’s current Minister of Economy and Trade, Lamia Assi, has done a great job in promoting Syria’s role in international trade. She has promoted Syria’s market potential by meeting with various foreign ministers, encouraging them to push their nationals to do business in Syria. For example, she has promised Turkish Foreign Trade Minister Zafer Çaglayan that a $300 billion market was awaiting Turkey in Syria. In addition, she added that Turkey “could achieve a 40 percent advantage in trade with other Arab countries” by sending goods through Syria because Syria enjoys customs-free status through the Arab Free Trade Agreement.\textsuperscript{138} While it is too early to predict the potential outcome of the Quadripartite Agreement, it will be interesting to see how this collaboration will play out for these major Middle Eastern countries. More specifically, the agreement’s future development will have a major impact on Syria’s ability to satisfy its growing desire to become part of the world trade market.

d. European Union Association Agreement

Given the strained ties between Syria and the United States, it comes as no surprise that Syria has chosen to cooperate economically with the European Union (EU). The EU ranks as Syria’s number one trading partner; trade between the two amounted to almost 5.4 billion Euros in 2009, a figure that is

\textsuperscript{134} Turkey, Arab Neighbors Gear Up for Mideast Free Trade Zone, TODAY’S ZAMAN, Sept. 27, 2010.
\textsuperscript{135} Id.
\textsuperscript{136} Id.
\textsuperscript{137} Syria, Turkey, Lebanon and Jordan Sign Quadripartite FTA, BILATERALS.ORG, Aug. 3, 2010.
\textsuperscript{138} Id.
approximately 23.1% over Syria’s overall trade total.\textsuperscript{139} Syria ranks as number 49 on the EU’s list of trading partners, respectively.\textsuperscript{140} Although more than 91% of imports by the EU from Syria involves energy, agricultural products come in second at 2.2% of total imported goods. On the other hand, EU agricultural exports to Syria are about 12.5% of total exported goods.\textsuperscript{141}

\begin{figure}[h!]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Figure 3.1 – EU Imports from Syria}
\end{figure}

\begin{figure}[h!]
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{Figure 3.2 – EU Agricultural Exports to Syria}
\end{figure}

\textsuperscript{139} European Commission: Trade, Syria (Bilateral relations), http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/syria/ (last visited February 9, 2011).
\textsuperscript{140} Id.
\textsuperscript{141} Id.
Though its Mediterranean climate suggests the potential for a balanced structure of agricultural trade, Syria has not been able to do so. Syria only exports a limited number of agricultural goods to the EU, including raw cotton, cotton yarn, horticulture products, and potatoes.\textsuperscript{142} In contrast, EU exports to Syria are more varied and include sugar, barley, butter and other fats, milk and cream, flours, meals and pellets of meat, seeds for sowing, malt extract, rice, and potatoes for sowing.\textsuperscript{143}

Despite the increased trade flow between the two entities, Syria has not signed the Association Agreement (AA) of 2008, drafted specifically to improve Syrian-EU relations.\textsuperscript{144} While the EU has already signed and endorsed the agreement, Syrian approval is still pending. From the EU’s perspective, the AA would harmonize Syrian domestic law with international rules, facilitating an increase in the country’s international trade. Syria, however, is unwilling to sign the EU’s agreement in its current form in light of three major concerns, including reciprocity of tariff elimination, trade diversion, and the “sensitive” agricultural product exception.

The first concern revolves around the reciprocity of tariff elimination. This includes the obligation of eliminating tariffs on EU manufacturers within a defined schedule of 10-12 years.\textsuperscript{145} Although Syrian exports enjoy duty-free access to the EU market, Syria believes that the short-term impact of duty free access for EU goods will debilitate local industries.\textsuperscript{146} Thus, Syria is very concerned about the high adjustment costs the country will face once the EU enjoys duty free privileges 10-12 years from now. The EU argues that despite any short term shock that Syria may suffer as a result of the AA being implemented, the long transition period of 10-12 years should allow for Syria to undergo serious industrial rehabilitation that will ease the negative side effects of tariff elimination.\textsuperscript{147}

The second concern is trade diversion – Syria is concerned about the welfare loss that will stem from the loss of tariff revenue.\textsuperscript{148} In fact, this has already become a problem for Syria in recent decades. Syria’s share of total taxes on imports has declined in recent years, falling from 2.4 percent of gross

\textsuperscript{142} Garcia-Alvarez-Coque, supra note 9 at 9.
\textsuperscript{143} Id.
\textsuperscript{144} Id.
\textsuperscript{145} Id. at 10.
\textsuperscript{146} Id.
\textsuperscript{147} Id.
\textsuperscript{148} Id.
domestic product (GDP) in 1994 to 2.0 percent of GDP in 1997-1998. The International Monetary Fund (IMF) has confirmed that taxes on imports have been declining in recent years due to the depreciation in the effective exchange rate. Syria’s share of tariff revenues on GDP is lower than most countries that have already liberalized their foreign trade and reduced tariff rates.

The third concern is for the “sensitive” agricultural product exception. This exception allows the EU to preclude certain agricultural products from enjoying a full liberalization schedule and EU market access. In addition to this exception, Syria is worried about other EU policies that seem to cast doubt on the liberal market promises of the AA. For example, the EU employs the most favored nation (MFN) tariffs for products such as meat, dairy products, and cereals. This would disfavor dairy and meat imports from countries like Syria. In addition to MFN tariffs, the EU employs other measures, such as tariff-rate quotas, rule of origin barriers, and seasonality restrictions limiting certain fruit and vegetable importation to specific times of the year when those same products are readily available throughout the EU.

Despite these concerns, Syria still has room to negotiate the AA’s terms, as well as a chance to increase its exports to the EU. To fully appreciate its possibilities for trade growth, Syria will also have to revisit its domestic economic policies. Regardless, the AA has the potential to open new doors for Syria that the US and other non-Mediterranean markets have yet to offer.

e. World Trade Organization (WTO) Accession

Though Syria was a founding member of the General Agreement on Tariffs and Trade (GATT), it has yet to become a member of the WTO. This is quite significant, because of the twenty three

---

149 Id.
150 Id.
151 Id.
152 Id.
153 Id.
154 Id.
155 The World Trade Organization (WTO) replaced GATT as an international organization, but GATT still exists as the WTO’s umbrella treaty for trade in goods, updated as a result of the Uruguay Round negotiations. Trade lawyers distinguish between GATT 1994, the updated parts of GATT, and GATT 1947, the original agreement which is still the heart of GATT 1994. World Trade Org., Understanding the WTO: The Uruguay Round, http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm (last visited Feb. 9, 2011).
original contracting countries to the GATT, only two were of the Arab Middle East – Lebanon and Syria.  
Thus, on October 30, 2001, Syria submitted its official request for accession into the WTO. As with all accession requests, the General Council agreed to establish a working party to examine Syria’s request for WTO membership on May 4, 2010. However, the working party has yet to decide Syria whether will be admitted to the WTO.

While WTO accession will have immense and pervasive effects on the Syrian economy as a whole, some of those effects are particularly relevant to agricultural trade. The major agricultural related obligations for Syria after WTO accession will include Technical Barriers to Trade (TBT), Agreement on Sanitary and Phytosanitary Measures (SPS), and the Trade Related Intellectual Property Rights (TRIPS). These obligations will require Syria to redraft legislation on packaging, food control, and hygiene standards. Undoubtedly, Syria should consider reform legislation and institutional changes in the areas of animal, plant, and food health. However, it is important to note that Syria’s current agro-food policy has undergone economic reform over the years, and will now only require a few changes to be ready for WTO accession.

On the other hand, to avoid disastrous adjustment effects, Syria will have to request ‘developing country status.’ Developing country status will reduce the level of support and protection reduction obligations for a delicate economy like Syria’s. Declaring ‘developing country status’ will allow Syria a longer transition period before it will be required to implement the agreement fully. Additionally, it may be eligible for WTO trade related technical assistance programs that provide technical assistance to build sustainable trade-capacity programs in developing economies.
It should also cautiously employ measures such as Special Safeguard positions for select sensitive products, active Market Price Support to control purchase prices for strategic crops, and legislation to safeguard against anti-dumping/countervailing actions caused by sudden import surges.\textsuperscript{166} It is important to add that Syria’s AA with the EU, if approved, will prepare Syria for many of the reforms accession into the WTO would require. With the AA signed, the WTO working party may be encouraged to approve of Syrian accession at an earlier date because many of the prerequisite reforms will already be underway.\textsuperscript{167} One example of this would be the AA’s removal of non-tariff barriers for imports from the EU. Such bilateral trade terms strengthen a country’s bargaining ability when negotiating entry into the WTO.

Indeed, agreed-upon regulations the WTO accession requires would further Syria’s goals of creating a more trade-friendly environment. Moreover, Syria’s series of new trade agreements, including the Turkey-Syria FTA, the Quadripartite FTA, and the pending EU AA, combined with WTO accession, will open doors that have been closed for half a century. This is an exciting time for Syria’s emerging market, providing trade and business opportunities for international companies both in Syria and abroad.

f. United States – Syria Relations

Syria’s relationship with the United States has been complicated, to say the least. Since 2004, Syria has been subject to sanctions under the Syria Accountability and Lebanese Sovereignty Restoration Act of 2003 (SAA).\textsuperscript{168} Signed into law by former President Bush, it was renewed under the Obama administration in May 2010.\textsuperscript{169} Contrary to what its popular name would suggest, the “Sovereignty Restoration Act” actually imposes numerous economic sanctions on Syria. Signed into law by former President Bush and later renewed by the Obama administration in May 2010, the US justifies the SAA by accusing Syria of being a state sponsor of terrorism. The US justifies this law by

\textsuperscript{166} Nehme, supra note 158, at 6.  
\textsuperscript{167} Id.  
accusing Syria of being a state sponsor of terrorism, and for accusing Syria of being involved in the former Lebanese Prime Minister Rafik Hariri’s assassination.\textsuperscript{170}

Under these sanctions, it is prohibited to “export 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 which must be licensed,” including goods such as telecommunications equipment and medical devices.\textsuperscript{171} The sanction defines a “US product” as “any good produced in or shipped from the US, in addition to any good with more than 10 percent \textit{de minimus} US origin content” regardless of where it is produced.\textsuperscript{172} Agricultural goods are exported to Syria from the US, and likewise some products are imported into the US from Syria as an exception to the sanctions.

The primary agricultural goods exported from the US to Syria are corn and soybeans. Corn in particular has been Syria’s leading imported good for several years. In 2009, Syria imported from the United States approximately 600,000 metric tons (MT).\textsuperscript{173} This was a drop from previous years (1,287,000 MT in 2007 and 663,000 MT in 2008), primarily due to the growing competition from the Black Sea countries.\textsuperscript{174}

The importation of soybeans has increased significantly in the past years because of the increase in domestic soybean crushing capacity, increasing the demand for soybean by-products.\textsuperscript{175} These include products such as soybean meal (which is used in poultry feed), and soybean oil (which has become a low-cost alternative to olive oil).\textsuperscript{176} Total importation of soybeans was estimated at about 400,000 MT in 2009, a rise from the 237,000 MT in 2007 and 344,000 MT in 2008.\textsuperscript{177}

Unlike the increased US exports into Syria, Syrian agricultural exports have decreased dramatically. Products such as vegetable oils, cheese, and processed fruit and vegetables have decreased

\textsuperscript{170} \textit{DOING BUSINESS IN SYRIA}, supra note 1, at 3.
\textsuperscript{171} \textit{Id.} at 4.
\textsuperscript{172} \textit{Id.} at 3.
\textsuperscript{173} \textit{Id.} at 17.
\textsuperscript{174} \textit{Id.}
\textsuperscript{175} \textit{Id.}
\textsuperscript{176} \textit{Id.}
\textsuperscript{177} \textit{Id.}
dramatically. Additionally, roasted coffee, tree nuts, and spices are still exported but vary depending on the year. Some products have halted exportation altogether. Tobacco, for example, was no longer exported to the United States after 2006.

Though the US does not currently encourage its investors and entrepreneurs to actively invest in Syria, it is still expecting an increase in Syria’s reliance on imported agricultural products. The primary reason for this is the ongoing desertification of Syria’s rain-fed agricultural lands. The increasing cost of plant production is directly caused by the increase in the cost of effective irrigation and fertilization. Additionally, Syria’s recent efforts to open its economy are leading to an increase in Syrian standard of living. With an increase in standard of living, Syria will resort to increased importation of goods that tend to be more expensive and have so far been inaccessible to the average Syria family. Such goods will include animal proteins and poultry.

While the SAA does not prohibit US investments, it does complicate any financial transactions with the Commercial Bank of Syria under the International Emergency Economic Powers Act (IEEPA) and Section 311 of the USA PATRIOT Act. For this reason, numerous US corporations, especially those in the oil and gas sector, have divested and halted activities in Syria since 2006. Even though it is not clear which direction Syrian-US relations will go in the future, the increase in economic cooperation between the two countries should be encouraged. Syria’s agricultural economy is not only a vital part of Syria’s own economy; it has become a chief market for the United States and other countries as well. Thus, new multilateral and bilateral agreements between the United States and Syria would greatly benefit all parties involved, providing opportunities for private investment in Syria’s agricultural sector necessary that would lead to sustained future growth.

---

178 Id.
179 Id.
181 DOING BUSINESS IN SYRIA, supra note 1 at 18.
182 Id.
183 Id. at 26.
184 Id.
IV. Syrian Trade Reform: A Work in Progress

a. Poor Access to Domestic and Foreign Investment

Syria is uniquely poised in the international economy because of its production of Mediterranean goods, its relatively low labor costs, and its proximity to Europe, Asia, and Africa. These “assets” have the potential ability to attract local and foreign capital. Unfortunately, Syria has been slow to provide private banking opportunities, exchange rate simplification, and transparent regulations for foreign ownership and direct investment that would attract such local and foreign capital.

Syria’s banking sector continues to be limited in nature. Before 2009, almost all banks were affiliated with the state-owned Commercial Bank of Syria and were divided by sector. One such bank was the Agricultural Cooperative Bank, which is financed by the Commercial Bank and lends farmers capital to buy inputs in sync with government plans. As of 2010, however, there will be 14 private banks operating in Syria. It was not until 2009 that foreign banks were allowed to open offices in Syria, and even then, no banking or profit generating activities are allowed. These banks are strictly confined to providing advisory services and representing the interests of the parent banks in Syria. One such foreign bank that has agreed to these terms is the Turkish Isbank, which opened a representative office in Damascus at the end of 2010. In late 2010, Iran was also granted approval to open a joint Syrian-Iranian bank, Al-Aman Bank, in Damascus.

In 2006, Syria permitted private investors access to foreign currency through the Commercial Bank of Syria to finance importation of raw materials. This change has been especially beneficial to

---

185 Garcia-Alvarez-Coque, supra note 9 at 14.
186 Rivlin, supra note 2 at 252. While the article does not specify what government plans are, remember that the agricultural sector is planned by the Syrian government each year. Therefore, all funding lent to private farmers are authorized on the condition that the farmer will produce X number of goods, that will then be transported to specific factories, areas of the country, and so on.
187 DOING BUSINESS IN SYRIA, supra note 1 at 1.
188 Id. at 31.
189 Id.
191 Id. at 32.
expanding Syrian farmers and investors, who would not have had access to foreign capital otherwise. In 2007, the government also permitted foreign investors to receive loans and other forms of credit from foreign banks. This was a crucial step for local Syrians who were soliciting investments from investors abroad, including ex-patriot relatives, to help fund businesses in Syria. Finally, in January 2010, Syria passed Law No. 3, permitting an increase in the capital of private banks from 60 million United States Dollars (USD) to 200 million USD, and of Islamic banks from 100 USD to 300 million USD.

The most significant piece of legislation impacting the Syrian farmer and investor has been Decree 15. Issued in February 2007, the law established financial, banking, and social institutions that provide micro-financing and insurance for small investment projects. Under this law, anyone with a minimum capital of 5 million USD is permitted to open up such an institution, but foreigners must solicit the permission of the Prime Minister first. Decree 15’s purpose is to aid entrepreneurs in suburb and rural areas by providing loans, some as small as 100 USD, a practice unheard of before its enactment. Not only did Decree 15 allow for the creation of new Syrian financial institutions such as the First Microfinance Bank (FMD) in 2008, it also permitted existing foreign firms to begin operations within the country, the Saudi-based Bab Rizq Jameel in 2010 being a prime example.

Another potentially positive note is the formal establishment of the Damascus Stock Exchange (DSE). Though it officially began operations in March 2009, the DSE has yet to pick up momentum. So far, the restrictive nature of the Syrian agro-food market has caused its products to be overpriced for the international market. For example, the domestic prices of cotton delivered to domestic spinning plants are 30 percent higher than the international price, crippling the competitiveness of the Syrian textile industry. Given Syria’s low labor costs, this situation should be the opposite – low labor costs

---

192 Id.
193 Id. at 33.
194 DOING BUSINESS IN SYRIA, supra note 1 at 31.
195 DOING BUSINESS IN SYRIA, supra note 1 at 33.
196 Id. at 33.
197 Id. at 33.
198 Id. at 33.
199 Id. at 38.
200 Garcia-Alvarez-Coque, supra note 9 at 16.
coupled with reasonably priced cotton spinning plants should facilitate a growing textile industry. Utilizing the DSE to encourage foreign and domestic investment could push Syria to produce products that are not only priced at rates that are favorable to both the Syrian farmer and consumer, but are also competitive with international agricultural prices. In sum, government control of agro-prices, as opposed to market controlled pricing, has debilitated Syria’s ability to compete with international market prices which has in turn negatively impacted the Syrian farmer and consumer. When priced too high, products are inaccessible to both domestic and international consumers.

There are other major negative factors for Syrian banking institutions that hinder the accessibility of capital. These include four major points of concern: the lack of human expertise in finance; insufficient automation and communication infrastructure; nonsensical regulations that hamper the banks’ ability to make a profit on their liquidity; and the various restrictions on the foreign currency transactions.²⁰¹

The first area of concern, lack of human expertise in international transactions, requires rigorous training of Syrian professionals. Practically speaking, there are a limited number of Syrian individuals who are familiar with the globalized financial sector and whose skill sets and technological capabilities are up to par with the financial capitals of the world, such as New York, London, and Dubai. Syria is in desperate need of individuals well-versed in international law, international business transactions, and business planning generally.

The second area of concern, insufficient automation and communication infrastructure, will require accessibility to the newest technology utilized in today’s international transactions. The lack of up to date technological infrastructure has hindered Syria’s ability to freely interact with the international market. Practically speaking, accepting credit card payments is almost non-existent because of the country’s lack of infrastructure to provide such service.²⁰² Most institutions that accept credit card have to manually phone in the details of the transaction and there is usually a surcharge on the value of the goods purchased when a credit card is used.²⁰³ Such complication for a simple credit card transaction is unheard of in most of the world. While to some it may seem like a simple

---

²⁰¹ DOING BUSINESS IN SYRIA, supra note 1 at 37.
²⁰² Id. at 50.
²⁰³ Id.
inconvenience only a tourist may encounter, in reality, it poses more far-reaching consequences. On a grand scale, it deters potential business transactions between Syrian companies and the global market. This kind of system is not sustainable in a world economy that is constantly interconnected and depends heavily on technology to facilitate international business transactions.

In 2009, Syria issued new laws in the field of investment, arbitration, intellectual property rights, and banking and finance that were meant to encourage foreign direct investment. Unfortunately, these laws are not enforced by the court systems, thereby making the enacted laws largely ineffective. One such law, Decree No. 8, allows investors to completely withdraw a project from Syria within six months and still repatriate all capital invested up to that point. This law also exempts investors from needing to pay customs duties on imported equipment, although they are still held liable to standard corporation tax that is governed by a separate state law. Decree No. 8 also offers tax deductions for projects that create a certain number of jobs or attracts a large number of shareholders. Enforcing Decree No. 8 and various other laws has been difficult due to rampant corruption. Often times, the liberal measures taken by the Syrian government are suddenly rescinded without notice or are contradicted by government officials. Such actions have in the past been taken at the expense of private companies that have relied on the Syrian government’s commitment that was later annulled. When foreign companies have tried to seek compensation through Syrian courts, they ran into complications, including those associated with the lack of an independent judiciary and an overcomplicated bureaucracy.

b. Irrigation and Water

The majority of land in Syria relies on rain as its source of irrigation. Considering Syria’s weather patterns and drought cycles, one quickly realizes why other forms of irrigation are absolutely necessary for Syria to remain competitive in the agricultural market. The total cropped area in Syria

\[\text{Id. at 27.}\]
\[\text{Id.}\]
\[\text{Id. at 27.}\]
\[\text{Id.}\]
\[\text{Id.}\]
\[\text{Id.}\]
\[\text{Id.}\]

32
amounts to approximately 4.8 million hectares. Of this total, less than 20 percent is irrigated, the rest being rain fed. As a result, irrigation accounts for 75 percent of the government’s budget for agriculture. Drought years have completely debilitated Syrian agriculture in recent years.

As an added complication, irrigation depends on the water coming in from the Euphrates, which has been affected by Turkey and Iraq whose agricultural sectors also depend on the Euphrates. In order to increase irrigation coming from the Euphrates, newer, more technologically advanced canal structures must be built. Additionally, Turkey’s increased use of water in recent years has decreased the ultimate amount of water flowing into Syria. The overall use of water, land, and forests in Syria has extended far beyond sustainable limits, resulting in serious environmental degradation, desertification, over cultivation, soil damage, erosion, over pumping of groundwater, and pollution.

In response to the concerns revolving around irrigation, the government has tried to decrease dependence on rain-fed mechanisms as the primary source of water for agriculture. Syria’s investment in irrigation systems has been somewhat successful; 15 percent of land irrigated produced 50 percent of the total agricultural output. While the added variety in irrigation systems has increased stability and predictability of crop output, Syria is likely decades away from being able to provide its farmers with truly reliable irrigation.

In addition to investing in diversifying the country’s irrigation systems, the Syrian Government has also taken affirmative steps build other more-reliable public irrigation projects. The Euphrates River project is the most prominent project, with the ability to add 650,000 hectares of irrigated land once completed. Unfortunately, the project is not proceeding at its expected pace. Salinity, water logging, reduced water flows resulting from recent drought years, and high demand of Euphrates water from Turkey and Iraq have all slowed the project considerably.
There have been private projects to improve irrigation systems, although those have been scarce and have mostly revolved around well drilling. The Syrian government has offered subsidized credits to buy subsidized fuel to operate imported pumps that are in turn bought with overvalued currency. Drilling remains in high demand, however, because of the increased demand for fruits and vegetables. Regardless of the increased demand, however, building new irrigation systems and drilling wells has all come at a cost. Existing irrigation systems still pose a 40 percent water loss, a percent too high for a country struggling to maintain an agricultural sector.

Indeed, while Syria has the geographic location to be a potential leader in the Middle Eastern agricultural market, its lack of an inefficient irrigation system is debilitating the agricultural sector entirely, especially during drought years. With the inability to mobilize steady investment into long-term irrigation projects, it may find itself as a net importer of agricultural goods. This cannot be good news for a country whose greatest trade asset (aside from the energy sector) is agriculture.

Concluding Observations

The changing landscape of the Middle East offers Syria an opportunity to amend the course of its economic policies in the coming years. Agriculture currently plays a large role in the Syrian market. Although the exportation of sugar is decreasing due to the lack of proper irrigation systems, wheat, cotton, and sugar continue to dominate Syria’s agricultural market. While Syria has committed itself to reforms through various FTAs, there remains a long road ahead before it is a global competitor in the agricultural trade sector. Despite its potential, the international trade of Syrian agricultural products is hindered by a variety of factors, including excessive governmental control, ambiguous legal framework for trade, lack of credit for start-up capital, and the need for rigorous reform of tariff and non-tariff barriers. Furthermore, while the country depends heavily on agriculture for income generation, the lack of proper irrigation systems has crippled the Syrian economy during drought years.
In light of these circumstances, one cannot underestimate the importance of Syria’s petition for WTO accession. This process will likely urge the country to revamp much of its trade policy, hopefully opening doors for consumers to buy previously banned goods, and providing exporters with new market access. If Syria is accepted as a WTO member, many of the reforms that frustrate exporters and importers will be addressed: tariff rates will be more clearly defined, intellectually property rights will be protected, and sanitary standards will not be subject to constant change. Moreover, corruption and arbitrary annulment of Syria’s business commitments to foreign corporations will be monitored by a group of judges outside of Syrian government control. This is a pivotal step in achieving the impartiality needed to ensure fair treatment of both domestic and foreign corporations conducting business in Syria.

Overall, Syria has already initiated a series of steps towards reform. With the signing of new FTAs in the region, opportunities for business growth are beginning to emerge. The FTA with Turkey has encouraged and allowed for the presence of private foreign banks in Syria, a phenomenon that will hopefully address the deficiency of loans and start-up capital in the country. Moreover, Turkish and European foreign businesses involved in this newly emerging Syrian economy will find opportunities that few countries in the region can offer. Syria’s location between Europe and the Arab world makes it a potentially important trading hub that can provide more efficient transportation of goods. Additionally, Syria’s status a developing country means that it lacks infrastructure and training in many areas, such as, for example, in the realm of international legal training. This also means, however, that there is room for partnership and development that can be of benefit for both Syrians and development organizations.

At this point, Syria’s economic policies need to revolve less around state control and more around the interests of the Syrian producer and consumer. Syria has a comparative advantage in agricultural production because it has the land space necessary for agriculture and because of its unique geographical location. Factors such as water usage and export demands must be taken into consideration, however, because of the increased complications that these two factors are posing. Only when these concerns are addressed can Syria’s true agricultural potential be met.
It is an exciting time in the Middle East. The region is becoming too important and too globalized of a community; gone are the days of one-faceted concerns. Markets that have historically been limited to a select few have opened up to new investors and businesses. The Syrian population, having previously lived in semi-isolation, has now been allowed to freely travel to countries such as Turkey. This has opened the eyes of the Syrian people, allowing them the opportunity to interact first-hand with other countries that are further along in their economic development. It will also push the creativity of the Syrian investors and businesses that are looking for new ways to stimulate the economy. Cautious optimism and patience will be the most important ingredients in the coming years.