

Breaking from the past, Syria's economy moves forward

Written by {ga=stephen-starr}
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With international political relations now warming and a spate of top diplomatic emissaries having graced Damascus over the past 12 months, the Syrian economy is in the nascent stages of breaking out of its isolationist past.

Up until 2000, economic practices were directed towards fulfilling national requirements and no more: all goods deemed "luxury," for example cars or even satellite television, were banned or subjected to prohibitive taxes. Today however, much has changed.

In 2006, the National Assembly, Syria's parliament, officially adopted the term "social-market economy of Syria" and recent figures have been encouraging for the country. According to the IMF, real GDP for 2009 stood at 4 percent compared with 2.6 percent regionally, and in 2010 is expected to grow further. According to the Oxford Business Group, a business consultancy, inflation in 2009 was also one the lowest in the region at around 7.5 percent down, from 14.5 percent in 2008.

On the ground, the Damascus Securities Exchange (DSE) opened last March and today 12 companies (mostly banks, media firms and investment organizations), have gone public. A third Islamic bank is to open across the country in February and will compete with the rapidly rising number of private international banks springing up on the streets of Damascus, Aleppo and other cities.

Additionally, many leading international companies see Syria as virgin territory.

BMW sold 878 cars in Syrian in 2009, a record. Reports say Marlboro and Winston cigarettes are set to be produced locally, while Mace Group, a British construction management company, has won the rights to manage the building of Syria's largest hotel, the \$120 million Rotana Yasmeen, in Mezzah, Damascus. Other international property firms such as the Gulf giant Emaar, is in the final stages of constructing the "Eight Gate," a luxury working and living complex located in Yaafour on the Damascus-Beirut highway.

A complex and difficult changeover

Though trade endeavors with Turkey have shot up as a result of an open border policy, the road back to international gratitude has been far from straight.

In what was regarded as a major trade advantage, a Stabilization and Association Agreement (SAA) with the European Union (EU) was set to be signed last October but was shot down by European member states. Through the agreement, Syria would have gained financial and trade

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incentives in exchange for commitments to various internal reforms. Several European countries including the Netherlands called for a clause to be included allowing for a suspension of the SAA in the event of "proven human rights breaches." Syrian leaders decried the insertion of last minute conditions, conditions not placed on other countries who signed up – the last of the EURO-MED countries to do so – and cited it needed more time to study the document. Other commentators say Syria backed out because of the threat to local businesses. The SAA remains unsigned.

Official unemployment, in the depths of a global recession, stands at around 11 percent.

By his own admission however, Abdullah Dardari, the deputy prime minister for economic affairs, said Syria's official unemployment figures may be misleading. "We have a large prevalence of overemployment where people are working only a few hours a week. But according to the International Labor Organization (ILO), they must be counted as being employed," he said in an interview in Damascus.

The IRIN News Agency reported around 300,000 people have been forced off the land and moved to the cities as drought has devastated crop-growing regions in the south and east, while the economic fallout in Dubai has a knock on effect on Syria with expatriate workers returning home or sending fewer remittances back to families in Syria.

A World Bank representative speaking to this author in Damascus averred that that the hoard of foreign currency being kept under wraps by the government must be put to work by investing and building projects, by employing Syrians.

"We have this huge potential but we need to see the bigger picture," said Dardari. "We must put in place the infrastructure to match and cater for this potential, train the people who give tours or manage hotels."

Furthermore, the international community has been emitting conflicting messages. When special envoy to the region George Mitchell was in the Syrian capital last May, an event in and of itself, the Syrian Accountability Act, a sanctions tool, was renewed by President Obama citing Syrian involvement in Lebanese affairs.

While an ambassador has now been named, Mr. Dardari said sanctions have not had an extraordinary effect on the Syrian economy. "We have never had a very close economic relationship with the U.S. to begin with so in this regard I can't say this is so," he stated.

Neither are these discrepancies confined solely to the political domain, as is the case with Syrian Airlines, the national carrier. The majority of the airline's Airbus aircraft have been grounded for years because the parts required to ensure safe flying are American-owned. According to the above mentioned Act, goods with more than a 10 percent American content cannot be sold to Syria.

At a Public Private Partnership conference held in Damascus last November, the gulf between international notions of how and why Syria must reform, and the ongoing efforts of the home

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government were clear for all to see. Advisors from giants in international banking and national governments lectured on the importance of Syria changing track. "We are ahead of you on this matter," said Dardari exasperated, to a British government advisor in reply to a question regarding the securing of the best international analysts and planners.

Moreover, the authorities are trying to change. The government has already initiated efforts to wean the public off the state. In January, First Lady Asma Assad asked for NGOs to meet the government half way in its drive to decentralize social and civic responsibility at the First International Development Conference of Syria – itself a statement of intent.

"I want to make it clear we won't wish to reduce the role of the state, but to change it ... people cannot think the state will continue to be the mother," said Dardari.

Syria has the raw material and potential with which to establish a robust economy, an economy to employ the millions of graduates set to burst onto the employment scene in the coming few years. Managing this, extinguishing a culture of corruption and matching the supply of workers with the demand sought by businesses, as Mr. Dardari stated, will be policy-makers biggest tasks.

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