Syria - an Economical and Political Perception

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Acknowledgements

The Arab Republic of Syria is frequently labeled a cornerstone of developments in the Middle East.

Main focus of this paper is to challenge economic and geopolitical backgrounds of the Arab Republic emphasizing economical findings for the first and foremost.

Therefore chapter one handles the macroeconomic profile after a rough introduction of Syria’s prehistory and geographic data. Also economic sectors are analyzed to provide a final summary on economic needs and necessary measures against the historical and geographic background.

Chapter two takes Syria’s neighbors into consideration. All direct neighbors are summed up and put into context of Syria’s situations highlighting homogeneities and conflicts to provide a crisis map in order to describe the region. The bilateral model is extended towards the multilateral macrocosm to search for a global explanation on the regions specific set. A geopolitical map closes chapter two.

As chapter two raise questions about Syria’s global orientation, the set is put into an economic nutshell. The trade behavior of Syria is challenged among three proxies, such the western hemisphere, eastern countries and regional markets to provide implications for politics and developments to optimize security and wealth in the region. Chapter three closes with a strict economic perception of Syria’s exports to the region and the meaning of regional markets for the Arab Republic in general and its economy.

The executive summary closes the paper and puts previous findings into a nutshell also asking questions and giving hints for a potential concept on reforms.

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Respectfully yours,

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I. Prehistory, Geographic and Economic Background

1.1 Prehistory

Prehistory

Archaeological excavations at Ebla, in northern Syria, have revealed that Syria was the center of a great Semitic empire extending from the Red Sea north to Turkey and east to Mesopotamia around 2500 BC. At that time, Damascus, traditionally the world's oldest continuously occupied city and certainly one of the world's oldest cities, was settled.

Medieval powerbase[1)]

In 637, Damascus fell to the Arabs. Most Syrians were converted to Islam, and Arabic gradually became the language of the area that has been of a Christian tradition were numerous letters of Christian notables refer to. Under the Umayyad caliphs, Damascus became the capital of the Islamic world and a base for Arab conquests. Under the 'Abbasids, the caliphate was centered at Baghdad, and Syria was reduced to provincial status. Thereafter, geographic Syria fell prey to a succession of invaders, including Byzantines and Crusaders from Western Europe. Some parts of Syria came under the sway of Seljuks and Ayyubids, a Kurdish dynasty. The latter was most prominent under its leader Saladin (Salah ad-Din).

Colonialism[1)]

During the 13th century, Mongols frequently invaded Syria, and for 200 years parts of Syria were controlled by Mamluks, who ruled it from Egypt through local governors. In 1516, the Ottoman forces of Sultan Selim I defeated the Mamluks, and for the next four centuries, Syria was a province of the Ottoman Empire. During World War I, Sharif Hussein (Husayn Ibn-'Ali) of Mecca threw in his lot with the Allies and revolted against Ottoman rule.

Faisal, who later proclaimed king, and the Arab nationalists, whose number had been growing since 1912, opposed French aspirations to Syria and claimed independence under the terms of agreements between the British government and Hussein.
However, geographic Syria was divided into British and French mandates. In June, the French, who had been allotted a mandate for Syria and Lebanon by the Agreement of San Remo (April 1920), ejected Faisal and installed local administrations of their own choosing. Arab nationalists resented French rule; there was a major revolt from 1925 to 1927.
In 1941, Free French and British forces wrested control of Syria from Vichy France. Under pressure from the UK and the United States, the French permitted elections and the formation of a nationalist government two years later. The United Kingdom and the United States recognized Syria's independence in 1944, and the last French troops departed on 17 April 1946, the day marked as Independence Day.

Orientation[1)]

Two parties that had led the struggle for independence, the Nationalist Party and the People's Party, dominated Syrian political life in the immediate post-war period.
However, the Palestine War of 1948–49, which resulted in the defeat of the Arab armies and the establishment of Israeli statehood, discredited the Syrian leadership. In December 1948, riots against the government were put down by the army, and several army factions struggled for more than a year to gain control of the Syrian state. Col. Adib Shishakli ruled Syria for most of the period from December 1949 to March 1954, when he was ousted by another army coup.

The years from 1954 to 1958 were marked by the growth of pan-Arab and left-of-center political forces at the expense of the traditional merchant-landowner class, which dominated the Nationalist and People's parties. Foremost among these forces was the Arab Socialist Ba'ath Party, which saw in Gamal Abdel Nasser (Nasir), the president of Egypt, a kindred pan-Arabist.
Some elements of the Nationalist and People's parties sought to counter the left by seeking help from Iraq and other countries. In late 1957, influential military officers decided to seek unity with Egypt as a means of suppressing factionalism. Enthusiastically supported by the Ba'ath and other pan-Arabists, they appealed to Cairo. Nasser agreed, and on 1 February 1958, Egypt and Syria proclaimed the union of Syria and Egypt as the United Arab Republic (UAR).

Baathism[1)]

A monolithic single-party structure replaced the lively Syrian political tradition; decisions were made in Cairo; land reforms were introduced. Syrians chafed under Egyptian rule, and in September 1961, after a military coup, Syria seceded from the UAR. A period of political instability followed until, on 8 March 1963, power was seized by a group of leftist army officers calling themselves the National Council of the Revolutionary Command, and a radical socialist government dominated by the Ba'ath Party was formed.

Strong links to Moskow, the Communist powerbase were the result and Syria made its path under heavy Soviet and later Russian influence with a crucial role in the set of the cold war to do so as a Soviet sub agent.
In this context the western backed foundation of Israeli statehood would be to be identified as the most serious influence on Syrian decision making until now. Therefore further historical information will be summed up in context of the Israeli-Syrian conflict in chapter 2.

There are important implications given by the historical background that determine further analysis. For the first and foremost Syria has been a powerbase of Arab identity a long time ago, a role that can be identified as a motivation to see Arab conflicts as Syrian conflicts and vice versa, for example every Arab native is allowed to own property in Syria. The self perception by Damascus as capitol of Arab identity is also witnessed by Syrians role in fighting colonialism or other revolts but especially its dedication to pan- Arab currents that's native thinkers were mainly of Syrian or Lebanese origin. Jordan's King Hussein the Founder searched to make Damaskus the capitol of a pan – Arab, Hashemite kingdom.[2]

Secondly powerbases not only support logistical and political infrastructure to its nation but are also the main target of foreign and domestic military or ideological infiltrations, so Syrians, especially Damascus would be likely to adapt a character of identifying potential harassment like Israel witnesses and the increasing influence by the Muslim Brotherhood that is dedicated to be a terrorist organization in Syria with its head operating from London.[3]
The decision to link with the communist Moscow and later to ally with Shiite Iran that later was/still is protected by Moskow in order of achieving its objectives witnesses a rare capability of long term evaluation that appeared to be rare in the region for a long time.
Thousands of years of ideological and philosophical touch should make the Syrian people adapt political reforms with relative ease like Turkey if the geo strategic map allows transformation and a homogenous Syrian identity would be elaborated.
Especially the historic role as a social and ethnic melting pot, similar to be witnessed by the US in the 20th century, could make Syria homogenous to a world that develops from a structure of a small number of combating powerbases with a clear monopole into a global village of cultural and economical diversity affecting both, orientation of trade and political exertion of influence.[4]

1.2 Geography and Infrastructure[5)]

CIA - Map, Syria

Syria is located in the Middle East, bordering the Mediterranean Sea, between Lebanon and Turkey, borders with Iraq in the east and Jordan in the south with a total area of 185,180 squared kilometers. On 1,130 sq km water can be located including subsurface reservoirs were 1,295 sq km of Syrian territories, Golan, are occupied by Israel that makes the main fresh water supply of the region including 42 Israeli settlements and civilian land use sites.
The terrain is primarily semiarid and desert plateau with a narrow coastal plain and mountains in west, so the climate is mostly desert with hot, dry, and sunny summers and mild, rainy winters along coast especially cold weather with snow or sleet periodically in Damascus.

Natural resources are petroleum and gas, phosphates, chrome and manganese ores, asphalt, iron ore, rock salt, marble, gypsum and hydropower. In compare to other countries in the Middle East there is a relatively large arable area with 24,8% having permanent crops on 4,47%. Syria irrigates 13,330 sq kilometers.

So Syria has 46,1 cu km of renewable water resources with a freshwater withdrawal of 19,95 cu km were 3% are used for domestic 2% for industrial and 95 % for agricultural purposes. Current issues on environment are deforestation, overgrazing, soil erosion and desertification in the first place and water pollution from raw sewage and petroleum refining wastes. Especially soil erosion is a result of negligent irrigation methods and desertification a result of a lack of fresh water.

Syria inhabits 20 million people who have an median age of 21,4 years and a population growth rate of 2,19% and a life expectancy at birth of 70,9 years. Arabs make 90,3 % and others 9,7% including Kurds and Armenians so Arab is the official language were Kurdish, Armenian and Aramaic is spoken by minorities, too. In Syria children aged 15 and over can read and write Arab with 79,6 % of population were the other UN-languages such English and French are somewhat understood.
In matters of Religion the diverse history made Syria the home of numerous religious sects but is dominated by 74% of Sunni Muslims accompanied by 16% Shiite Muslims including Alawite and Druze, 10% Christians and notable in political context old but tiny communities of Jews.
Syria has 2,794 km gas and 2,000 km oil pipelines, experience with railway management on 2711 km but only 19tsnd of its 95tsnd kilometers of roadways are paved. There is one major airport in Damascus and eleven with moderate landing and starting capacity.

In compare to other countries in the Middle East Syria cannot be named in a row with the main exporters of oil and gas like the GCC-countries, Iraq and Iran but should be capable in exporting food for Arab/Mideast purposes. Oil cannot be a pillar of Syrians economic map because of decreasing capacities (Oil - proved reserves of 2.5 billion bbl (2007 est.)) so the export of natural resources will not aliment the population or serve as a springboard to the 21st century as the GCC are up to do so who have Oil resources for the next 100 years like Saudi Arabia.
Another notable contrast to other comparable countries is the railway that witnesses a certain dedication to infrastructure and the pipeline capacity heading west from the eastern depleting oil reserves. These logistical capabilities are to be highlighted under the current issue of Kurdish oil and secured transit of oil reserves into the western hemisphere and the capability to link the northern Middle East to the western hemisphere later on.

1.3 Economy

Whereas the political system of Syria, a republic, is characterized by a fixed two-third majority of the ruling Bath party by state of emergency declaration in 1963 with strong military focus, the economic system appears as partly central planned including a fast majority of economic activity performed by state owned companies and strongly linked to oil revenues and efforts to achieve a more market-based economy[5]. Syria is a developing country with a main focus on agriculture and energy, a so called "factor driven developing country".[6)]

The macroeconomic Profile here handles Gross Domestic Product (GDP), Public Finance, Current Account, Monetary Policy, Inflation and finally a strict economic perception of the Population and Labor Force. Al data is witnessed until 2005 but no other reports are more up to date including publications of the Central Bureau of Statistics in Syria. If more up-to-date data is available only the IMF/WTO and World Bank is considered to be trustworthy here. Reason here is excellent statistical works by the last three institutions frequently providing 95% correct prognosis for developed economies and data regarding prior 2005 periods are considered to be of a remarkable share of estimations, a situation caused by transforming a centrally planned economy and Syrians strong military and security focus but not wealth maximizing. Estimations and projections above 2008 are considered to be invalid because of the swiftly changing political situation and threads of war.[7]

GDP [8),9),10)]

The Syrian real GDP grew 4, 4% as its 5 years record high in 2006 and is expected by the IMF to grow with 4% in 2008 that projects another record growth in 2009 by 4,77 % where economic cycles have a approximate range of 5 years. The lowest point has been in 2003 with 1,1 % and a slight recession in 1999.
The range of economic cycles already did and is expected adapted to 5 years periodicity after turbulences between 1996 and 2000 with some negative growth rates in 1997 and 1999, so a capitalistic point of view can be offered after years of isolation and centrally planned economy.

Most striking is the declining rate of oil production that stroke 477 million barrels a day in 2003 and projected to decline to projected 370 million barrels in 2007 thus only high oil prices keep mining and manufacturing sector alive that made 29% of nominal GDP in 2005 representing last official data from the Central Bureau of Statistics. The CAGR of the sector between 2000 and 2005 was modest at 12.4 % while average oil sales price CAGR marked 34% between 2003 and 2005.

The second largest contribution to GDP (21,9 %) made agriculture, third with around 15-20% the wholesale and retail sector. Other notable sectors in particular were Transport & Communication at 12.3%, Government Services at 9.7%, Finance & Insurance at 5% of GDP. Finance and insurance sectors gained 2% and 1% on output where respectively the others gained marginally or negative.

A view on GDP by expenditure witnessed a higher rate of government consumption with an rate of 7,3 % in 2005 and an 01-05 CAGR of 11,2 %. Private consumption made 24,2% with an CAGR of 14,2% during the same period.
Domestic demand made a high performance in 2005 with impressive 20,1 % with a 01-05 CAGR of 14%. Together government and private sector spending grew at a rate of 16,3 % again in 2005 declining from 21% in 2004.

An analysis of the GDP shows an ongoing GDP growth in the mid term will only be possible by replacing the decreasing oil sector by other sectors starting to manage this in the short term. In the long term Syria is forced to strengthen other sectors of economic reproduction.

Public Finance [8),9),10)]

Governmental revenues grew in the 01-05 CAGR by 3,94 % to 358 bn Syrian Pound (SP) in 2005 and 431,5 bn SP for 2007. Governmental revenue stabilizes at 21% of GDP.
The oil revenue component valued at 164.7 bn SP in 2003 is expected to decline to 73.4 bn SP in 2007. If this trend continues there will be no more significant oil revenues in 2012. The non-oil tax revenues will emerge from 117.6 bn SP to projected 227.4 bn SP in 2007 and non-oil non-tax revenues increase from 38.5 bn SP to 121.2 bn SP in 2007 with especially public enterprises contributing to this development.
Expenditures of the Syrian government increased from 350.6 bn SP in 2003 to estimated 519.2 bn SP in 2007. In this period the development account increased from 152.9 to estimated 165.1 bn SP and defense spending from 59 to 74,3 bn SP but all other spending like Wages and Salaries, Goods and Services, Interest Payments, Subsidies, Transfers, and Pensions/social assistance nearly doubled. Projected overall balance is estimated to be -96.7 bn SP in 2007. In this context Implicit petroleum price subsidies of 144 bn SP in 2005 are to be mentioned that are expected to be 198.8 bn SP in 2007.

The government has adopted several structural reform measures, over the last few years, at the regulatory as well as at the legislative levels which are aimed at improving public finance position and also to diversify away the sources of revenue. As a firm step towards this end Syria plans to implement a VAT system to escape tax evasion, tax duplication and low customs tariffs.
Nevertheless these developments, especially in matters of expenses will need further reforms to allow cost management. Especially managing the military sector spending under the light of the current political situation remains unclear. The significant increase in expenses should not be seen negative by paying respect to the absolute necessary transformation of the economy.
The government dept is projected 725.7 bn SP for 2007 where approximately 55% are external dept and approximately 45% domestic debt. Russia has agreed in rescheduling debt in 2005 halving the external debt. The Russian action has important political implications for transforming economy and especially society in connection with foreign politics.

Current Account [8),9),10)]

A significant increase in trade deficits accompanied Syria's economy in the first decade of the century; especially in 2005 a trade deficit of 174.8bn SP has been reported and 53.8bn SP in the previous year. Main reasons for the imbalance are increasing import prices, volumes and a slight decrease of exports.
Petroleum and petroleum products contributed 31.62% of Syria's total export earnings and despite continuing increase of crude oil prices the total exports declined. Italy, France, Turkey, Spain and Saudi Arabia are the main export partners of Syria until today. Italy alone received 21% of total export while wheat, crude oil, phosphate, and tobacco among others are exported by Syria. In 2005 non-oil exports made 26,8% of GDP and the IMF no significant change in the mid term.
The main import items of Syria consist largely of fuels, machinery & transport equipments, chemicals & related products, food & live animals and beverages and tobacco while top import partners are Italy, Germany, Turkey, France, China, and Belgium. Non oil-imports make 36,2 % on GDP and are expected by the IMF to decrease slightly in the mid-term.

Syria has initiated a number of custom duties cuts and signed several free trade agreements like the Great Arab Free Trade Area (GAFTA), an agreement with Turkey and the Association Agreement with the EU.
Syria is affected negatively by US-sanctions that were imposed in 2004 and extended in a first step in May 2005 and a second step in 2008.
An in detail summary on Syrian trade relations is with chapter 2 but nevertheless this rough overview of Syrian trade relation disproves the fairytale Syria's economy would be autarchic. Significant are moves of opening towards the local and the European markets that will make Syrians wealth to correlate more with the world economy and depending to its decision makers.

Monetary Policy [8),9),10)]

As all previous fields of macroeconomic profiling monetary policy in Syria has been moved towards more flexibility, hence out of the dollar peg into a SDR basket weighted 44% Euro, 34% US-Dollar and 11% each British Pounds and Japanese Yen with the beginning of 2007.
The Central Bank of Syria also started to encourage savings in national currency to attract foreign investors by creating certificates of deposits at a rate of 9%. For the first time in Syrian history banks are allowed to credit import and export businesses to boost international trade in the private sector.

So the Syrian government is keen to follow three objectives; attract foreign currencies to build hard currency reserves for the first and foremost, make the Syrian Pound less vulnerable to dollar shocks and provide planning security for EU-Syrian trade in second and last but not least most important to attract private Syrian investments to look for its slot in world economy with a clear focus to the European Union.
Another point is the relative strong growth of M1 narrow money supply that grew by a 01-05 CAGR of 13,15% and M2 at 12.87%. Reason is the absence of financial markets, so M1 is the lonely aggregate for decision-making on savings.

Research Institutions proclaimed the necessity of both, a universal healthcare systems and pension scheme package and microeconomic reforms, but such institutions respectively need a reduction in overall transaction costs because inter-temporal decisions on consumption by individuals or businesses are supported/ eased by the presence of financial markets and its assets. Hence a complete, transparent and efficient working market for all kind of financial instruments would be vital for socio-economic reforms that basically aim on risk/return- behaviour of individuals.

Inflation [8),9),10)]

A most worrying issue that affects the whole world by rising food-, energy- and oil-prices but especially the Middle East is inflation that is comparable high. Especially Syria witnessed inflation rates beyond 5% over the past years striking 10% in 2006 estimated to be higher than 7% for the future.
Especially housing rents that increased by 20,9%, backed by Iraqi nationals who migrated to Syria and are not willed to leave according the UN, an increase in demand for education and culture, treatment and medicine (7%), transport and communication (6%), fuel, lighting and water (5%) have contributed to this development. The 01-05 CAGR on CPI grew by 13%. Behind the rising prises also hides the increase of Syrian population, hence total demand and increase in the import prices.

Thus inflation can never be good for living standards at all, but it contributes to attract foreign investors, attract entrepreneurship by increased profits especially in matters of real estate and food production in moderate terms followed by a sinking unemployment rate.
However Syria has an independent Central Bank that is to be expected to keep inflation under control, especially because other reasons for inflation are non-availability of investment instruments which led to over liquidity, hence inflationary pressure and the attraction to hold other currencies; especially recent social unrest backed by the Muslim Brotherhood in Egypt among raising food prices should be considered seriously because the MB is also present in Syria.

Population and Labor Force [11)]

Watching labor data by gender and age Syria has a total population of 11750 million people aged between 15 and 65 with an average labor participation rate of 65%, sampled and estimated by the ILO in 2006. 4442 million people are between 15 and 24 but only have a labor participation rate of 58% with males participating 76,6% and female 39,9%.
The average male labor participation rate is at 89,6% and at 99,9% at the age 35 to 54. Female labor participation rate is 39,2% and 40,9% in the interval of the age of 35 to 54. The general employment to population ratio is 56% (aged 15+).
The total self employment rate is at 34,3% including 26% own-account workers. 44,2% of women contribute to the family as 16% of males do so according to country fixed effects estimates in 2001 by the ILO reported.
Watching labor statistics by sectors and gender reveal roughly 27% of Syrians contribute to the agricultural sector, 26% work in the industry (includes refining) and

47% are located in the service sector. 49,1% of Syrian working women are located in the agricultural sector as their main employer and 42,7% contribute to the service sector while 25,6% of men work in the industry and 47,3% contribute to the service sector. 16,1% of men work in jobs that are related to informal sectors job description among the total number in sector analysis above, but only 3,9% of women according a census in 2003.
Another important point is the total share of working force share on sector between 1983 and 2003. According to the Syrian government the share on workforce went down from 30,6% in 1983 to 27% in 2003 in the agricultural sector, also the industrial sector witnessed a share of 25% compared to 31% in 1995 and 30,6% in 1983. So together with a slight move out of agriculture as employer and a strong fluctuating industrial sector only the service sector increased constantly to its all time high of 47,3% in 2003 compared to 40,1% in 1083.
The total unemployment rate of youth (youth aged 15-24) was reported at 26,3% in the last census in 2003 but unemployment rates that time were estimated at 12% and develops around 10% until today. Illiteracy rate among adults (25+) is estimated to be at 19,2% while rate among women doubles the rate of men. The live expectancy at birth is 72,8 years. The 1981-06 CAGR is at 3%, Y-o-Y growth at 7% actually.
Watching geographical distribution urbanization is witnessed with 22,4% of population living in and around the capitol Damascus and 22,7% in the industrial city of Aleppo but other Mohafazat (governmental area) slightly changed and mostly lost in their share on population. Damascus itself witnesses a move of the people to its rural area.
With regard to the sectored analysis in the next section of this paper the distribution of the labour force, services sector accounted for the highest number of work force with its share at 29.9% of the total in the country in 2004, which was followed by building & construction at 19.5%, agriculture & forest at 17.1%, industry at 13.4%, hotels, restaurant & trade at 12.1%, storage, transport & communication at 6.1% and finance, insurance & properties at 1.9% in 2004 according Global Investment House KSCC based in Kuwait.

There are three striking points to be remembered according population.
First the economy is male dominant and the higher weight of female illiteracy rate among youth shows, there is no significant change in the battle of sexes as the western society witnesses. Directly speaking an economy unfolding the working power of its female population means to maximize its output but decreases its birthrates in the long run if a single male worker in a family is not capable of supporting his family. But as long work-participation rates among males are low this is more a social than an economical question in the short run. In the long run labor force is identified as a main factor of Syrians competitiveness among other states in the Middle East.
A growing service sector could indicate a move of the Syrian economy into a service society, but a fluctuating and shrinking industrial sector implies the danger of fast fluctuating unemployment rates leading to social problems to follow, a general retraining of the industrial work force should be considered because of a growing private influx to the sector that will be much more competitive and displace state owned companies. Also the agricultural sector as employer cannot be the single long term solution because of high and subsided exports from Europe and shrinking resources of fresh water in the whole region. So the service sector is to increase further on.

The demographic development, a median age of 21, bears a unique chance for economic growth and investments. A vision for Syria therefore is to be implemented.
Syria also has been considered modest at the level of higher education (Rank 19) at a Competitiveness Report among 48 comparable factor driven economies by The World Economic Forum in 2006 (WEFCR) if importance of leaving the factor attribute of the economy is considered seriously.

Syria Competitive [12)]

Arab nature is Arab ancestry, also as a matter of competition on civilized channels, especially because Islam as a dominant religion in the region prohibits military conflicts between Islamic countries, such Turkey for example refused to support the US in engaging towards Iraq militarily.
Syria has been ranked by the World Economic Forum published at the regional fact sheet among Algeria, Arab Republic of Egypt, Islamic Republic of Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Oman, Syrian Arab Republic, Tunisia, West Bank and Gaza, Yemen in 2008 but also referring to 2006 or 2004.
Syria is ranked low on the levels of Gross National Incomes per Capita as well as if related to purchasing-power-sharing parity or the atlas-method and in access to improved water resources. Especially low is the rate of internet users at 7,7 per 100 people.
Bearing potential Syria has a relatively high population among the others and low dept service ratio on exports. Syria reports the highest primary completion rate, such 115% show awareness to fix the error of illiteracy especially because Syria houses a population with a top life expectancy at birth in regional competition.

1.4 Economic Sectors

Oil and Gas [8),9),10)]

Syria is working hard to extend its exploration and production of crude oil but the sector witnessed dwindling from 600.000 barrels per day in the nineties to forecasted 300.000 barrels per day according Audi Bank. Syrians demand for refined oil is at estimated 350.000 barrels a day.
The same problems the gas production in Syria has. Syria, producing 8 billion cubic meters of gas, has a domestic demand of 5.1 billion cubic meters actually so decided to satisfy its growing electricity demand by the use of natural gas, a demand that will double in a few years. Several projects are already unleashed to import gas from other Arab countries in addition to own drilling.
So 2006 marked a change in Syrians handling of energy management raising the question how to produce energy to be able to export its depleting resources of oil and gas to uphold this highly important source of income. Could it be nuclear or maybe already renewable, couldn't it?

Agriculture [8),9),10)]

Harvest of 06/07 has been hit by drought and flood, a source on income producing income for one third of Syria's labor force. The major Syrian cash-crops are wheat and cotton.
Wheat meets a self demand of 3.8 million metric tons and a production of 4.9 million metric tons in 06/07 harvest and forecasts 4,7 million metric tons. Syria's wheat production is self sufficient according to the government on current world prices. Cotton is produced in quantities of 1 million tons in 2005 that fell to 0,686 million tons in 2006 and expected to continue it's downwards trend. Respectively the production of cotton lint witnesses the same trends.
Syria's largest agricultural products also include barley, maize, lentils, chick peas, potatoes, onions, tobacco, peanuts, olives, grapes, apples, sugar beet, tomatoes, and citrus trees. Indices are positive between 2001 until 2005 for all but fruit trees and cereals. Syria is modernizing its production technology at the agricultural level actually.
According to Global Invest Syria agricultural sector suffers under water shortage and insufficient irrigation systems. Both is to be managed carefully especially Israel is playing a potential role in it because of occupied Golan as water resource firstly and it's highly effective irrigation systems.
Two other important implications are provided by this development. Firstly Syria also suffers from global warming and second there are dwindling amounts of output for export despite raising prices on the world markets especially for food that are to be expected to support the economy with vital income.
Especially cotton and lint feed Syria's second largest export after oil, textiles that are of decreasing output but are to be increased because of a growing population in the Middle East and respectively increasing demand for Middle Eastern/ Islamic fashion.

The Syrian Investment Authority is increasing its efforts to attract foreign investors to an increasing private role in its agricultural sector that remains mainly state controlled until now, a potential source of unemployment if private companies enter.

Manufacturing [8),9),10)]

The diversification of Syrian industry is set foremost by oil refining, electricity & water, chemical, basic metal & metal products, paper, foodstuff and textile industries. The Syrian economy opened to foreign investors in 1990 and gained in output with a CAGR of 3,7% employing 15% (non-oil) of Syria's workforce. Only 20% state controlled/planned sectored GDP is left after a successful transformation.
Syria's market for cars was estimated for 75,000 units, a growth by 36% compared to the previous year. Syria has set up a joint venture with Iran to produce 10000 units of the Iranian brand "Cham".

The WEFCR[6)] compared among 48 countries and Syria has been reported to be weak at levels of Market Efficiency (Rank 37), Technological Readiness (31) and Innovation (25).
This underlines Syria's necessaries to implement reforms to transform its society at the levels of education, science and bureaucracy.

Construction and Real Estate Sector (CRE) [8),9),10)]

This significant long term investment sector witnessed a boom with a 13% 01-05 CAGR on rents, focusing major Syrian cities by 40% in 2006, the influx of Iraqis and new grown ups.
Licensed construction grew by 80% for residential and by 49, 8% for non-residential. Syria permits licenses on property to every native Arab. Observing positive the sad political situation in Iraq contributed to the CRE sector significantly as an exception that proves the rule but general political and geo strategic stability are vital for the issue especially in terms of real estates and prestigious objects like the planned Syrian World Trade Centre.
CRE sector provides both, infrastructure for economic growth and satisfaction of new demands by horizontal and vertical movements of the people inside a country. So a vibrant CRE would conduct increasing wealth and structural change in the Syrian economy. Also tourism infrastructure is provided by CRE and according to the government it is keen to attract 9 billion dollars of foreign capital in this sector. Audi Bank and Global Invest attest a boom in CRE.

Services [8),9),10)]

The World Tourism Organization rated Syria as the leading emerging tourism market in the Middle East. Numbers of arrivals increased constantly until 2006 and manifests at 6 million people while arrivals from Jordan, Lebanon, Iraq and Turkey increased, arrivals from the Gulf States, Saudi Arabia, the United States and Europe decreased between 2005 and 2006. This numbers obviously include arrivals caused by the Lebanese-Israeli war and the Iraq civil war.
Nevertheless the tourism sector highly depends on the political situation but also is positively affected by the scale of liberalization of the society.

Telecommunication witnessed a favorable outcome by an increase of the number of subscribers of mobile phone service from 2.9 million people to 4.4 million people in 2006 and a 12% increase of landline customers to 3, 26 million people. If a total labor force of 11 million people (male and female) would ask for a mobile phone, the sector could double. Internet penetration is low because of low quality service, so another 20th century technology could contribute to the service sector.

Banking [8),9),10)]

The private banking sector witnesses a positive growth in all parts of the banks total assets that were only at a GDP ratio of 85.2% thus lover than regional average of 96,8% in 2006. An adequate proxy is the total assets to GDP ratio of emerging markets at 151,8% in the same period. Deposits to GDP ratio marked at 49% to an regional average of 61,8% lower than 114,5% at the emerging markets, especially the loans to public sector at 15.5% are three times lower than regional average that also is half of those emerging markets are estimated to perform.
Undertaking measures Syria is keen to attract foreign shareholders and increase the assets and deposit ratio. Loans are granted by risk/return-comparing paradigms as well as in Islamic as in western style banking, so sectored growth and proper margins are to be created to boost investments and support positive business cycles, hence to improve the third ratio.

Summary

For the first and foremost it is to be acknowledged that Syria witnesses a healthy macroeconomic structure ranking 9 at the WEFCR but faces lethal developments in its sectors and business performance.

Syria is to replace the decreasing oil sector by other sectors within 5 years to come also facing serious energy problems, starting to manage this in the short term and strengthen other sectors of economic reproduction in the mid term. There are six sectors to be discussed that namely are Banking, CRE, Services, Manufacturing, Agriculture, Oil and Gas.

The oil and gas sector is the fundament of the structure on obstacles the Syrian economy faces due to the fact that high oil prices would provide Syria with revenue to finance all necessary reforms on the Syrian economy if there would not have been two findings; a) the Syrian oil seems to be depleting raising the question of how to replace the coming lack of revenues despite high oil prices (?) and b) Syria is forced to use its also highly valuable gas resources to produce electricity in addition to the necessary import of gas raising the question the if there is not an alternative source to solve the oil-sector linked energy problem that is to come?

At the top of the growler of energy issues there has been an air raid by the Israeli Air Force in September 2007 striking a nuclear facility in Syria later proclaimed by the US government to it was a strike against a facility capable in producing nuclear warheads with North Korean help, but a controversial editorial by the Financial Times denoted that the information published by the US services would not make it an attested WMD- facility. Syria already declared before, by asking: “Do you think we are that stupid [to build a WMD-facility against proliferation contracts](?), not to have nuclear intensions, but this point, regarding economical information provided above the question should be “Are you that stupid not to source electricity from of a nuclear plant”? A logic inference if high revenues of gas and oil sales are impossible because of the lack of alternative resources. It is widely held, that nuclear energy is much cheaper than solar, wind or water energy while the last to options for Syria are not practicable in a large scale because of a lack on water at all and Syria has no strong and continuous winds.

Not discussing the political horizon of the bombardment at this point, it leaves the impression that Syria will not be able to build nuclear plants in the short run but to discuss to pave its southern and eastern desert with solar cells in moderate terms that one day would make an gas export possible to finance the energy sector investment via World Bank for example? It would also contribute to a science and technology portfolio to come in the future.

The energy sector directly leads to another highly important production factor; water, a short running resource in the Middle East historically, but in the process of global warming and desertification of additional priority. The Middle East will have to spend a lot of energy for transforming salted water into fresh water, a process of high energy input. Using solar power to gain fresh water shall become a cornerstone of Arab infrastructure especially to keep its agricultural sector alive. Gaining and regaining a maximum of water sources is a primary objective respectively to source water from Turkey and Lebanon also is a high priority in addition to regain Golan peacefully. In a changing world cultural homogenous collectives, such the Middle

East, should be able to secure a minimum of well being, respectively food, on their own.
Shown above the agricultural sector is of high importance in Syria as employer and as export cash machine but suffers natural disasters and technological inefficiency not maximizing its potential output. The production of special Middle Eastern style food should be considered because the other corn chambers in the Middle East are in a sorry state or already deserted like in Sudan or are crippled by civil war and nuclear contamination like the swamps in Iraq. Besides maximizing output for export, agriculture is the base for textile industry that would give Syria, already having cotton as a main agricultural product, a chance to occupy supply niches in the Arab markets as a fashion powerbase.
A growing gross industrial output provides basis for any distinction towards a modern culturally diversified society that is with a significant growing demand for cars and has a wide variety of industrial products inside. The industrial/manufacturing sector transformation succeeded on the level of transformation to a market based economy so a healthy development is to be expected at least.
In economic theory the recent development in the communication sector have granted the world additional technological based long term growth, a sector in Syria is not saturated, especially the internet is to be brought to the consumers.
As Syria is identified as a factor driven economy the next economic-evolutionary step is the service society composed on a significant GDP share of communication and informal activity and people-to-people service like tourism and trade. The Syrian tourism sector is considered to be capable of the highest performance in the Middle East. Therefore the service sector is to be recognized as Syrians springboard to the 21st century.
Sectors may be also classified by the time pattern investments made to are planned for. Investments in Banking or CRE as stakeholders are of relative long time pattern of return thus are also used as indicators for stability in a specific economy. Readiness to invest in sectors like this as setting up buildings of founding a bank is linked to trust.
The Syrian Constructing and Real Estate sector witnesses growing demand and supply. Also the banking sector witnesses substantial growth but is significantly weaker than the regional average. Especially the loan to GDP ratio is critical, signaling both, mistrust of banks in creditworthiness of customers on the one side of the medal, and a lack on readiness to assume risk by businesspeople on the other.
So problems of non economical nature are to be considered additional to provide a chart rich of explanation on the Syrian situation.

The economy of interest depends on trade and is willed to open itself, especially towards the European Union but is harassed by embargos from the US. In addition to harden ship caused by strengthened embargos an increasing dependency on export bears new risks of political and economic nature in the future.
Missing financial markets cause problems of microeconomic and macroeconomic dimensions affecting decisions of people, businesses and potential foreign investors negatively therefore especially development at the banking and finance sector is vital.
Syria shows high inflation rates; normal for growing economies and partly beneficial in the short term but dangerous in the long term therefore to be managed before wages have to be increased and the economic growth is harmed seriously so social stability would be endangered.
Social stability will also be determined by the demographic development caused by an enormous labor force that emerges looking forward to satisfy its needs

economically and politically. Syria is to provide chances and opportunities to its youth. In order to be of a top class competitiveness among other states of the Middle East is of highest priority.

Therefore part two of the paper will examine the foreign relations and policies of the Arab Republic of Syria today and its geo strategic setting contrasted by economic needs to be satisfied by trade. Also questions will be raised on the role the Syrian history might play in this situation?

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Syria - an Economical and Political Perception

II. Foreign Politics

2. Syria and its neighbors

Syria, itself a cultural center of historic meaning borders states of similar attributes, as well regarding economical and social potential as their influence on political development in the region.
The arrangement of this sometimes mythic but not less topical set is of high complexity on the one hand, and lethal to the people who occupy the region on the other. Issues like terrorism and natural resources have put the crucial stand to be located there into context of paradigms like global village and international networks.
In order to understand the geo strategic setting emphasizing bilateral links first is preconditioning a drawing of the regional multilateral macrocosm afterward.

Social marginalization, warfare and genocide play its part in negotiations and roundtable policy in the region historically. Europe and the US at the top of global military and economic power have also determined political thinking in the Middle East, motivating to adapt as well economic as political structures in order to overcome poverty and enable political participation by the population at a greater extent. Russia and China as emerging powers, up to make the Middle East to come up to their expectations, have also implemented their strategies.
In order to open the economic perception towards regional political structures chapter 2.1 of this paper handles bilateral relations of Syria to its regional neighbors. A strict bilateral model enables to explore the multilateral setting in chapter 2.2.

2.1 Bilateral

Syria borders five countries in the Middle East, namely Iraq to the east, Jordan and Israel to the south and Lebanon to the west. Turkey and Syria share their longest border in the north of the Arab Republic.

Turkey

As a economical and militarily strong democratic nation occupied by a multiethnic population Turkey has been frequently destabilized by revolts of minorities and faces a harsh dispute between secular appearing Kemalists accredited to be in charge of the military forces, on the one hand and the Islamic Conservative Party AKP representing a majority of Turks. [1]
Easing the ban on headscarves by the AKP has been brought to the highest court by secular currents to raise allegations the AKP would have tried to abolish secular pillars of Turkish society[1]. Fears of another military coup were manifested and separated as well Turkish society as western observers; also assessing a head scarf ban would be non secular at all because of the principle of religious freedom.[2]
Turkey faces domestic conflict in its eastern Kurdish region branded by separatist intensions of some Kurdish movements such the PKK, an organization considered to be a terrorist organization[3], but originally formed when Turkey has been under allegation to try to obliterate Kurdish culture within Turkish borders with any means matters in the 1980s[4]. Turkey and Syria stood at the edge of a war when a separatist Kurdish leader gathered on Syrian soil. Turkey accused Syria for supporting the separatist entity and tried to enforce his extradition. Syria refused, Turkey gathered troops at its border with Syria and the Arab Republic gave in finally.[5] The Kurdish-Turkish conflict seemed calmed down for a long time.
While Syria and Turkey face good diplomatic relations the situation regarding Kurds still remains on the daily agenda of both capitals. The situation of Kurds tightened again with the Iraq war and the reawakening of nationalist intensions leading Turkey to operate militarily within Iraq against the PKK.[6]
Turkey is putting tremendous efforts into improving infrastructure and is to fight the lack on fresh water almost like Syria. A huge infrastructure project, damming water to source agriculture and settlements called GAP increasingly reduces water rushing to Syria through the riverbeds of Euphrates and Tigris. Planning the project reaches back to the rule of Kemal Ataturk, Turkeys national idol and founder of the republic.[5]

Hence Syrian-Turkish relations face two bilateral obstacles. The ongoing extension of Turkish water reservoirs and dams cutting Syria's fresh water reserves at the two rivers Euphrates and Tigris influencing Syria and the Kurds significantly[7] and secondly border disputes about Arab-Kurdish regions and the area at the city of Antioch granted to Turkey by colonial forces but is considered to be a part of Syria by Syrian nationalists[8]. At the historic Antioch (Antakia) the tide turns with Syria interrupting the Orontes River to supply its region with water drying out the area of Antakia. [8]
Signs of trust between Turkey and Syria are increasing cooperation at the level of infrastructure, tourism and trade for the first and foremost but also Turkish mediation efforts between Syria and Israel.
Turkey underlined its willingness to become an EU member state, a direction towards an attitude of "diplomacy first" and soft power because of Europeans distinction to The Hague and the European Court, as the very fundament of their experience from their past. Turkey also creates a trading zone in its east improving trade relations with Iran. In general Turkey witnesses a historic change by transforming out of an imperialistically inspired nationalist republic towards a democratic nation improving diplomatic and trade relations among its neighbors.[9]

Israel

As Turkey is an NATO member state of historic importance Israel is also strongly linked to the western hemisphere, being frequently labeled the number one ally of the USA in the Middle East [10]. Israel is at the state of war with Syria also occupying the Golan Heights[11] a main fresh water source in the Middle East and sourcing the Sea of Tiberias and the Jordan River that provide rare fresh water supply to the arid region.
The bilateral relation between Syria and Israel is defined by only one but not less important obstacle – water, especially because Golan is labeled the cornerstone of any further action by Syria.[12]
Another issue pending are over a million Palestinian refugees living in Syria waiting either for return to their lands or a proper compensation by Israel[13]. Most Palestinians prefer to return to their homes[14]. A decrease in tensions would save tremendous military spending on both sides and ease the burden of potential war who suffering state of war and security measures.

Lebanon

The end of colonial influence on Syria marked by its independence day left the Arab Republic without Lebanon also. Lebanon the tiny water-rich country to Syria's southwest is considered to be part of Syria by many Syrians. Syrians call Lebanon it's younger brother.
In this context Syria is a major food exporter to Lebanon and stationed troops during the first war on Israel providing vital support to Lebanese resistance against Israeli occupation by bolstering Hezbollah, a Shiite motivated political party, also with the help of Iran[15]. This makes Lebanon vital for Syria at bilateral levels in order to struggle against Israel, providing national stability by attesting national integrity and sourcing fresh water. As long Israel mixes with Lebanese domestic affairs by calling

Lebanese use of rivers rushing towards Israel a Casus Belli (Sharon), Syria can provide protection.[16]
International pressure and civil struggle managed both, withdrawal of Israeli and Syrian troops in 2000[17] and 2005[17]. Hezbollah, the former resistance movement is supported by Iran and Syria until today and develops towards a terrorist entity[18] day by day, frequently attacking civilian live and property, after their legitimate battle against occupation has been assessed as a success.

Jordan

Syria's southern neighbor is Jordan. As wells as Syria the Jordanian Kingdom houses an immense number of refugees, such 2 million from Palestine[17] occupying northern Jordan and 500tsnd from Iraq[17] who can be located in its capitol Amman. As Syrian Jordanian relations were at a historic low during raising Arab republican movements in mid 20th century the two countries call their bilateral relations sisterly today. Especially border disputes calmed down and have been settled in 2004[17] Jordan, lacking natural resources improves its economy by privatization and liberalization to escape poverty's grip on the people steadily. Both countries benefit from trade relations and relative freedom of movement, a development to come looking at Jordan King Abdullah's recent diplomatic account.

Iraq

All countries in the Middle East, but especially Syrians suffer under the war in Iraq. Syria faces frequent accusations of supporting insurgency in Iraq[19] and lost royalties on channeling oil and gas for the first and foremost. After clashes between Kurdish and Syrian groups in Syria in 2004[20] sourced by an increasing Kurdish national identity and autonomy in Iraq a difficult diplomatic challenge entered the parquet and things were getting worse.
Syria supports the Shiite dominated government of Prime Minister Maliki in Baghdad. In terms of the 20th century Syrian-Iraqi relations were crucial because of two rivaling Baath parties probably searching for dominating each other and Syrian support for Iran during the Ira-Iran war. Under the line Syria profits from a stable Iraq in the future but will face disputes on water interception at the Euphrates.

Findings

On bilateral levels there are two findings, finally.
Firstly Syrians wealth is endangered by the grip on water supply by neighboring countries and their partly hostile behaviors such Israeli occupation and the impact of civil war in Iraq. Syria has been cut geographically by former colonial forces leading to an injured national identity.
Secondly Syria faces the opportunity of reaching agreements with all neighboring countries on water and trade. Regional tourism should be supported because each country is able to tell a specific part of world and regional history but out of context. Together they would be enabled to attract mass tourism, Levant's number one source of income in future.

2.2 Multilaterals

An Emerging Western Hemisphere after the Soviet Collapse

Watching the western hemisphere Turkey and Israel decided to use political homogeneity on two levels in 1996. Firstly they agreed on military cooperation[21]merging the two most powerful armies in the Middle East and Turkey starting to ship water to Israel[8].
In this context Turkey's strategic goal obviously is to influence and bind Syria's strategic focus to the southern border respectively the Golan issue more than the GAP. Thirdly Israeli-Kurdish relations prevent Syria and Kurds to merger on economical, national and water issues towards Turkey especially because the treatment of Kurds appears as less helpful to create social stability under the light of resettlement plans[7].
The alliance has been assessed as the "New destabilizing factor in the Middle East" already in 2000 summing up complex impacts on many far reaching issues also affecting Washington.[21]
The Armenian issue is a central one with Turkey facing accusations of having committed genocide against the Armenian minority in much more crucial way than they are under allegation regarding Kurdish people. Armenians also represent a minority in Syria.

The western backed alliance between Israel and Turkey means a heavy moral burden for Israelis, because of their historic experience as a minority and also regarding genocide[22]. The alliance may be seen as indirectly supporting "memorycide", on the issue of Armenians and the handling of Kurds by the Turks, by many Israelis. The controversial Israeli historian Ilian Pappe criticizes on Israel to commit "memorycide" according Palestinians[23].
Turkey has criticized Israel for issuing the Armenian history at the Knesset[37] and with the AKP ruling Turkeys standing towards the Israeli-Palestinian conflict supports Palestinians increasingly. The division on the moral base has already addressed the US Congress tightening US-Turkish relations[24].
The question will remain because of Israel's need to cope with its own history and to bolster its identity as a democracy based on western and Jewish-transcendental values shown by an strengthening pro-peace, pro two-state solution lobby[25]. Practically Israeli Prime Minister pointed out the American-Jewish Lobby in Washington would not be able to support Israel any more if there would be no just and democratic Israel[26].

In the short term the alliance was a tricky way to bind Syria as an enemy but emphasizes economical attitudes in the long run. Channeling water trough on shore pipelines from Turkey to Israel would be a scenario to keep in mind. For both, Israel and Turkey, as well economic/social as security issues are in a most difficult balance awakening consciousness for change.
In the long run peace in the Middle East will only be achieved by displaying the truth, such victimhood, delinquency and its practical and intellectual connections to learn from for the future like the Europeans did. Turks will face truth displayed on their desks if their commitment to the EU is true. EU foreign politics witnesses increasing efforts to stabilize and help states in northern Africa and regarding minorities the EU

and witnesses strictest laws to protect cultural identity and to prevent marginalization. These values also have been transferred from the United States of America as a melting pot of people eager to live the Pursuit of Happiness making peace in the Middle East a matter of national identity[27] in connection to heavy weighting security objectives.[27]

Turkey's further development could be blocked by a lack on integration towards the EU and Israel faces social division on the moral front.
Assessing all Arab neighbors as one homogenous enemy is widely held in Israel and belts Israelis together despite the Jewish community is made up of many ethnics. This easy assessment is unhinged by the Moderate Arab Front, namely Saudi Arabia, Egypt, Jordan and other Arab states among the GCC significantly developed towards rational politics by modernizing their society and economy also searching for a solution for the Arab-Israeli conflict.
Their search for peaceful agreements in order to bolster their own development putting tremendous efforts into the peace process changes the shape of the whole Middle East. Jordan King Abdullah addressed the US Congress; Saudi Arabia appears at nearly every building site of the peace process and Egypt pressuring diplomatically towards Europe regarding Israel's controversial stand in the peace process[28].
Incorporating Turkeys and Israelis strategic objectives describing modern and flourishing democracies are preconditioned by a fair and proper deal with Syria as a matter of eternal self-understanding, security and wealth.

Turkey emphasizing ties to Kurds in Iraq[29] in order to fight the PKK at two frontiers is also interested in the natural resources that can be located in the region. Cooperating with Iran, Turkey establishes trade relation to reduce poverty in the region also channeling oil trough former Soviet states like Turkmenistan. A peaceful solution on the Iranian nuclear affair represents a precondition also for the attitude of Turkey's objectives in the region. As long the societies develop peacefully in the east, Turkey will bargain in a regional context also focusing fair deals with Syria prior. Observers assess Turkey's recent move as a historic one in matters of peacefulness and diplomatic attitude[30].

Reorganization of Former Soviet Satellites

Turning east Syrians reaction to the crucial developments can be witnessed. Syria "revived an old ghost" such a defense alliance making Iran to support Syria with military equipments and promising mutual protection in 2006[31]. In addition Iran threatens Israel by building capacities to "rain warheads on" and "obliterate" Israel[34].
The Islamic Republic, bordering the Middle East in the east with a long border to Iraq, in order to meddle Iraqi domestic affairs is bolstering the Mahdi Army[32]. The Shiite paramilitary force is in ongoing bloody fight against US and governmental troops. Iran annoys regional governments in many ways[33].
The Islamic Republic is as unique oil rich country and politically determined to spread its influence[33]. Almost like Israel[35, 36, 37], Iran is in control of a space program[38], state of the art [Russian and Chinese] weaponry[39] and a fine demographic development facing allegations to build Weapons of Mass Destruction of nuclear nature[40]. So Iran represents a regional antagonist to Israel.

Iran catches the eyes of its Sunni neighbors by trying to spread its Shiite interpretation of Islam in order to expand its borders and meddling with Iraq's southern Shiite majority for the first and foremost. Iran is hostile towards the USA, accusing US-services that influenced Iranian domestic affairs during its revolution and before[41].
With Russia and China supporting Iran militarily and logistically in exchange for secured oil wells, the Shiite Power base has a strong fundament to play a defining role in the Middle East respectively to besiege US backed Israel with two proxy armies namely Hamas[42] and Hezbollah[15]. If Iran will not find an agreement with the western countries regarding its nuclear program it is to be expected to be isolated and sanctioned by the west or eventually obliterated[43,44].

Syria is able to strengthen its political and geo strategic position with the help of Iran in the short run but faces existential risks in the long run on ethnic, religious and political levels.
Firstly Iran destabilizes Iraq, hence threatens the Kurds who will search for an alternative save haven. The Kurds, experienced genocide in Iraq also, already started to revive its nationalist dedication toward an independent state threatening Syria via its minority there. Syria connecting Iran in the status quo Kurds cannot asses the Arab Republic as a save haven. Reports on clashes between Kurdish separatist movements and Iranian military were reported[45].
Second Iranian missionary actions could be interpreted as nonconforming with Islamic law. Iran paid money to poor Sunni families in order to convert them[33]; hence Koran allows every religion to worship as she is up to in general and states most clearly that Religions are to deal with each other in the best possible way.
The Iranian policy tremendously endangers Shiite minorities in the Sunni regions by increasing mistrust and marginalization. The actions of so called Islamic resistant groups are Islamic in general unless attacking civilians, killing captives or political support on ethnic cleansing, so moral support by religion cannot last or even exist under the light of the current situation.
Third an Arab proverb states: "Who walks with a felon, he is a felon!" In this context the strategic alliance with Iran could become highly dangerous if the US sought alliance is build up and Iran will get to know its limitations. A pre-emptive strike on Syria therefore would be logical regarding recent paradigms of war.

The US-backed bombardment of Syrian buildings may be seen as a pre-emptive strike that makes assessing the nature of the building superfluous. Hence an exiting- and appeasement strategy by Syria regarding Iran appears as useful in the long run.

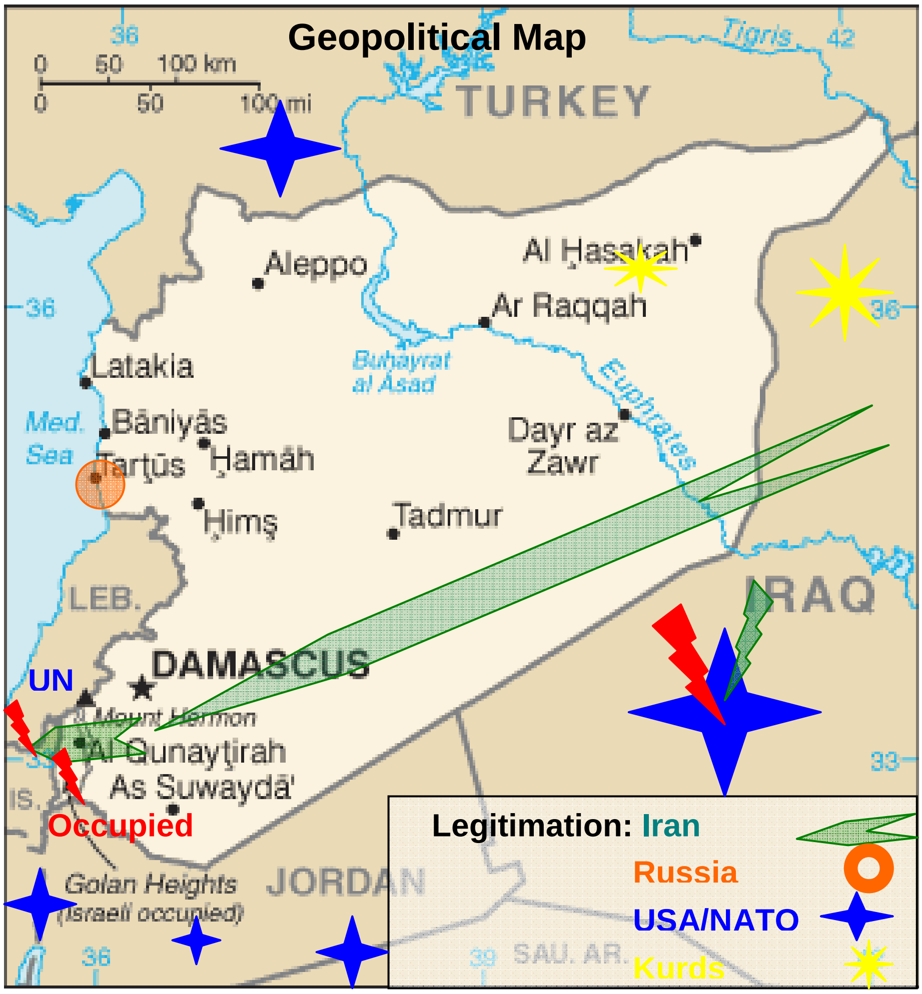
Syria Escaping the Inescapable

Syria has legitimate interests regarding Golan and domestic stability but faces concessions.
Facing Israel Syria is pitted against two main political currents, the peace movement to be located at the left of the political spectrum including Kadima among others, a party formed by Ariel Sharon[46] to achieve peace with the Arab neighbors and the far right represented also by Shas[47], a rightist ultra orthodox party well known for a fascist stand against Arabs assessing also lands eastern the Jordan river as a part of Zion/Israel[48]. Regarding Golan Premier Minister Olmert (Kadima) adumbrated his commitment to pay the price, namely Golan, for peace with Syria[49] against the

specific interest of his population and Syria made its channel visible to the public in spring 2008 highlighting her commitment to bargain in good faith. Turkey already supported its commitment for a fair solution by initiating and hosting the secret proceedings.
Israeli Prime Minister Olmert faces two obstacles and a bitter reality. The first obstacle is the pure beauty of Golan as a resort, in specific Israelis dedication to the region, and secondly its value as a source for fresh water.
The water issue is to be solved by marked mechanisms to enable the Israelis to receive water by buying it and sourcing the see of Galilee. Regarding the natural resort the obstacle could be solved by announcing tourism businesses in Golan in the long run in connection with the Palestinian refuge issue.
Recalling Izaak Rabins assassination there were two different groups to be located in Israel. One group, the peace movement has been left shocked anticipating the end of their movement and the chance to achieve peace with the Arab neighbors, the other group, rightist fundamental nationalists and some ultra orthodox currents demanded the release of Rabin's murderer from prison. A far right MK's stated, everybody who considers giving up Israeli land would deserve death, in May 2008.[50]
An isolation of Syria by Iran and backing China and Russia, respectively a lack on military support to come, would make payment reserves by the western hemisphere necessary.
A strategic strengthening of Syria appears as necessary regarding Turkey. Turkey, committed to present its favorable side to the EU is turning its disadvantageous back to Syria by firstly marginalizing the Kurds who react as shown above, secondly not cooperating on the Armenian issue leaving itself unable to develop its self portrait and last but not least drying out Syria because of intercepting the flow of Euphrates and Tigris.
Syria may answer these external effects of Turkeys straight and fast speed towards modernization by integrating its Armenian and Kurdish minorities and form diplomatic alliances in connection to market mechanisms to solve the water issue and achieve broader cooperation to improve economic cooperation.
If Damascus, former powerbase of the Arab-Kurdish Ayyoubid-Dynasty would be able to provide a save haven to the Kurds, Turkey would face a smart and determined watchdog on Turkish-Kurdish affairs. As well Syria as Turkey look forward to implement their grip on oil and development in northern Iraq.
At this point Syria is to support the stabilization of Iraq with any means in order to receive cooperation on levels of the oil and gas sector firstly, secondly getting involved into reconstructing Iraq's Sunni and Kurdish regions with a special emphasis towards the Kurds improving high level diplomatic cooperation on strategic objectives in the long run. Syria opened the door to this strategy by hosting 1, 5 million Iraqi refugees[51].

Syria, itself a weaker bargainer, faces reasons for caution.
There is always the possibility of maximizing the total sum of wealth of all participants in the game. A moral hazard behavior that would be beneficial in the short term for Israel and Turkey, lacking wise horizons, could also occur: Achieving the situation were Syria is left alone by its Shiite allies during the recent process would leave Israel face to face towards a destabilized and weak enemy in the north and Turkey could marginalize Syria on economic and political levels in the course of its own economic development.
Syria is to communicate the issue towards Iran and motivate the Islamic Republic to leave its nuclear program for a proper peaceful price also stopping recent meddling

in Sunni Arab domestic affairs. Therefore recent process could be interpreted as Iran's willingness to cooperate incorporating Iran backs Syrian-Israeli peace talks by keeping the alliance through the process.
The worst-case scenario for Syria would be Israel and Turkey winning an Arms Race-scenario by neglecting promises. This worst case scenario is explained by the prisoner's dilemma because in the short run the countries want try to maximize their use but would not be able to succeed in the long run by facing heavily increasing amount on terrorist incidents and distress. Evidence for this worst case scenario is provided by recent Israeli polls indicating Israelis unwillingness to give back Golan[52] and a weak Prime Minister[53].



In order to fight poverty in the region, Iran should remain as a trading partner to Syria at least, but the Arab Republic is to help to calm Hezbollah as a must-do.

Syria is going to open Pandora's Box by probably passing decades of state of emergency rule finally, which produced, in context of global and regional social currents an unknown scale of social energy including Islamic ultra- orthodox currents eager to assassinate everybody who is willed to accept Israeli statehood.
Leading Syria back towards a democratic and lively culture as a most capable society in the Middle East in the best case correlates with regional interests positively. Worst case would be civil war and a radical social reorganization of Syria. It remains unclear if Syria could be in favor of the conflict in order to have a grip on its own society?

The Middle East is a Key for Western Success

Finally Iran and Syria succeeded in transforming themselves into key players in the region. A fair and fully transparent, also western monitored, process is to be

continued in order to prevent general short term optimizations endangering the fragile setting of players.
The Israeli and Turkish strategies are dominant because they would step back to square one in the short term but have to face domestic problems in the future. Syria in compare faces a historic decision bearing a lot of obstacles to come, but benefits from a good result as chapter one examined and is not going to face devastating warfare. Peace may be the most prior precondition for transforming Syrians society and economy by reforming a more transparent and less fearful population.
Precondition for a good time to come are good faith and the western diplomatic cardinal virtues, namely staunchness, integrity and long term visions. Transparency also is a high important issue in order to deal with the problem regarding the issue on where to meet at what time on a certain issue to pay in concessions.
Shown above no player will achieve his strategic objectives under the light of the current situation also harming the EU and the US in the long run letting the western civilization loose important markets and face increased prices for natural resources. Dependence on Russian gas, South American oil and Chinese goodwill not to destabilizing Asia after the Olympic Games would be the global result, wouldn't it?

Index

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Syria - an Economical and Political Perception

III. Implications Provided by Trade

3. General Political Equilibrium and Trade Affairs

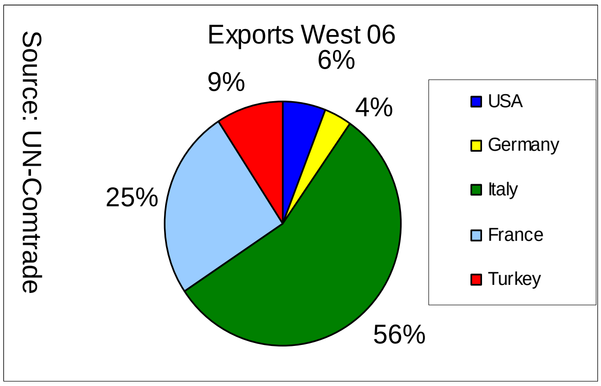
To reduce and avoid transaction costs, such trade barriers imposed by communication obstacles, trading costs and missing markets, such social frictions, fees and sanctions/embargos, are prior objectives for politicians to serve public welfare and security in the long run. The Middle East bears social frictions among its habitants and towards neighboring cultures historically as religions as national pride and tribal structures have a heavy weight in order to derive political decisions.
The political analysis in chapter 2.2 and the economical in chapter 1 learned Syria is to change its political attitude towards neighboring states and her economic self portrait. Syria's neighbors namely Israel and Turkey witness the same situation as learned in chapter 2.2.
Were political analysis inducted out of the bilateral microcosm to a multilateral macrocosm, this chapter examines implications by a global perspective for regional positioning of the Syrian Arab Republic. A rough implication on comparative vantages among Syria and its direct neighbors will be elaborated in this section to provide a collection of findings under the light of the geo strategic situation.
Trade means dependency to the situation and dependencies of trade partners themselves on all levels. A healthy trade partner is able to secure his position and opens the perspective of further cooperation to improve international standing of both. Hence trade means reliability for others and leads to certain loyalties. Homogeneity on all social levels eases trade by improvements on communication and trust.
This section will ask for implications, given by trade ties that already exist and bear the capability of improvement, for a homogenous set on Syrian international relations and domestic policies at a more general level.

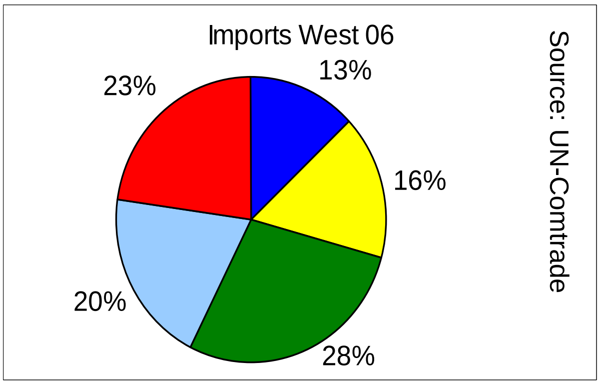
WTO profile

The WTO, Syria did not join but is expected to do so, publishes trade data on countries including Syria. Therefore some basic data can be provided
Syria's trade to GDP ratio increased from 64,5% between 2003 and 2005 to 74,7% between 2004 and 2006. Hence trade grew over proportional in compare to GDP, more precisely with 2000 as a base year, the GDP-indicator marked 128, the export-indicator 107 and import-indicator 144.
The main export destinations for Syria's products were the European Union (40,7%), Saudi Arabia (8,7%), Iraq (6,4%), Jordan (3,9%) and Egypt (3,8%), import origins of products were the European Union (19,6%), the Russian Federation (10,2%), China (6,5%), Ukraine (5,3%) and Egypt (5,2%) according to the WTO in 2006.

3.1 Identifying Trade Flows

To achieve a point of view of highlighting political and economical determination trade is to be put into a geopolitical nutshell. Learned in chapter 1.1 Syria has been influenced by western thinking, currents that re-vitalized a lively political culture, but transformed into a Soviet backed proxy during the Arab-Israeli conflict. Syria's support of Iran during the Iran-Iraq war separated the Arab Republic from its neighbor and laid the foundation for today's alliance with Iran. Against this background there are three main entities to be analyzed.
Firstly the Western hemisphere (Western Five) such The United States of America, Germany, France, Italy and Turkey are grouped to represent Syria's dependencies on trade towards the West. Germany, Italy and France as strong EU-economies will also represent the European Union because together they have high influence on Brussels politics and decision making. Turkey is considered a western State for two reasons, firstly its NATO-membership and secondly it's ongoing integration towards the European Union. In conclusion, strong fractions on trade towards those countries would make Syrian policy to adapt a least common denominator of the western entity. Turkey will be focused under a regional aspect again.
Secondly there are four eastern countries (Eastern Four) to be elaborated in terms of their portfolio implications towards Syrian politics and their least common denominator such Iran, China, Russia and India.
Third there are the regional markets representing cultural homogenous sets were people to people trade is expected to be realized more easily and products are not to be expected to conflict against manners and values. These regional markets are represented by Lebanon, Iraq, Jordan, Saudi Arabia and Egypt. Other regional trade partners such Yemen and the UAE among others and those named above will be focused in chapter 3.

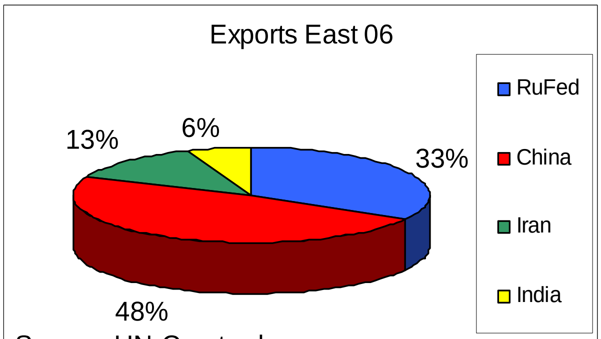




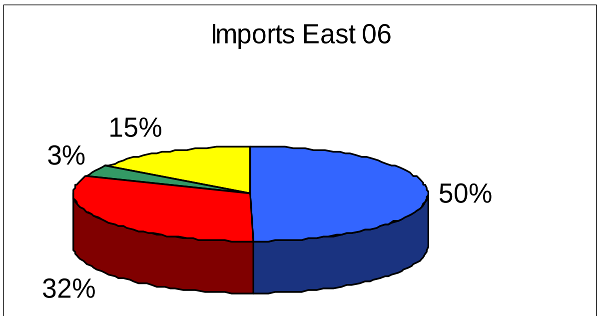
Trade with the Western Five developed as the following: Syria exported commodities valued $1,9 billion in 1995 towards the western countries, a value doubled until 2002 marking $3,9 billion following a healthy conjuncture marking $2,8 billion until 2006. At the level of Imports Syria imported commodities valued $1,6 billion in 1995, $1,3 billion in 2002 and $2 billion in 2006. The development witnesses a healthy conjuncture over the whole period. Irregularities can be witnessed between 1998 and 2000, a period that has been identified as recession already in chapter 1.

Were the United States of America witnesses the greatest geographic distance politically there are three vital interests in the Middle East, namely Israel, oil and trade. Representing the top global hegemonic power the US economy is addicted to oil and energy to produce products in order to sell them on world markets for the first and foremost, and secondly its stand towards Israel defined by a US political fraction of 20mio people called Christian Zionists/Israel Lobby determined to support Israel with everything it needs in their eyes.
So the United States face a division on a vital base, wealth/reputation vs. political opinion/domestic stability determining their policy towards the Middle East. For example recent US-administration criticized Turkey for diplomatic ties with Syria, itself at war with Israel, until the point Turkey hosted talks between Israel and the Arab Republic. Barack Obama, the US-Presidency hopeful, endorsed his stand to improve the reputation of the USA in the Middle East. To bring it to a nutshell US foreign politics towards the Middle East is driven by securing oil-wells and Israel with any means matters, but to improve their perception in the region to sell their products. Despite the US stand towards Israeli policy, the war on Iraq and sanctions the US-share on Syrian exports doubled from 3% to 6% between 2002 and 2006. On the levels of imports the US experienced a decrease on their total value on exports to Syria solely also loosing its share of 25% in 2002 marking only 13% in 2006. Until 2000 Syrian imports from the US witnessed a healthy conjuncture a trend not to be continued the six years that followed.

Geographically closer to the Middle East Europe is located. Europe almost homogenous to the USA in order to support Israel is stronger focused on regional stability because of indirect borders with the Middle East. Europe faces difficult connections in matters of religion today and colonial experience historically. Europe also depends on oil and gas delivered from the Middle East but isn't harassed by changing consumption decisions in the Middle East. A Brilliant German economist stated Middle Eastern consumption decisions partly would balance negative effects on Germany's economy trough high oil prizes.
Reassessing Syrians trade towards the Western Five by sorting out the US and Turkey three European states can be elaborated. Italy as Syrians top trading partner as well on levels of export and import witnesses the largest share on trade with Syria marking 55% in 2002 and 56% in 2006 on exports and 26% in 2002 and 28% in 2006 on imports. According the WTO Europe receives 40,7% of Syrian total exports and is country of origin for 19,6% of Syrian total imports, thus Europe ranked number one among Syrian trading partners in 2006.



Source: UN-Comtrade

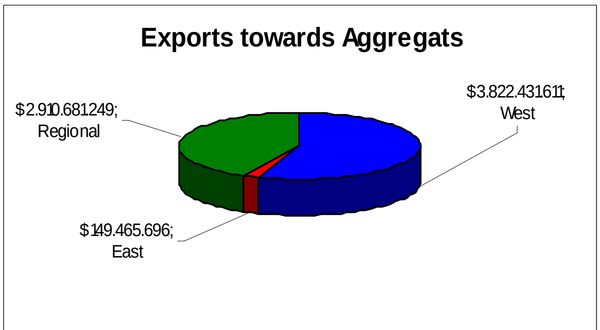


Source: UN-Comtrade

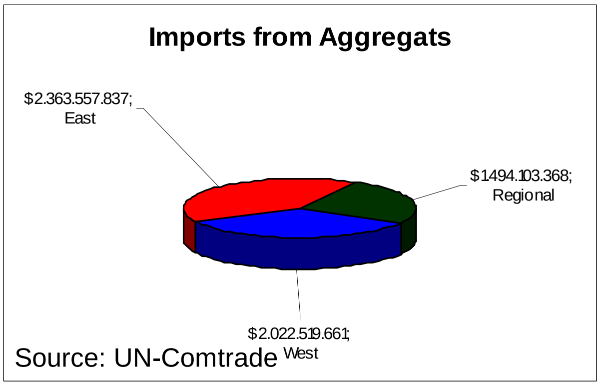
Turning East the situation is less complex but controversial, as well as India as China as Russia don't mix with domestic affairs and asses their support under the light of the scale of resources they receive and products they sale like recent developments in Burma and Iran witness. The background of support towards Iran by Russia and China has been defined in this paper earlier. Also of interest are increasing diplomatic frictions between China and Europe described as "Honeymoon is over" ISN recently stated; between Russia and the USA historically.
The question on when India will enter and influence international politics strongly (?) is difficult to be answered, but the nation is to be expected not to join the western hemisphere in order of their political portfolio in the specific region for potential diplomatic and domestic intersections on other levels. India signed minutes with Syria and cooperates with Israel on levels of the High Tech Sector for example.
Syria's trade towards the Eastern portfolio developed as the following: The chosen portfolio witnesses exported commodities valued $164 million in 1995, a value declined until 2002 marking $35 million following an almost linear development marking $150 million until 2006.
At the level of Imports Syria imported commodities valued nearly $400 million in 1995, $527 million in 2002 and $2,4 billion in 2006. The developments of imports witness an approximately exponential development beginning with 2002 over the rest of the period showing a slight conjuncture. Irregularities can be witnessed on levels of exports were no conjuncture is visible over the whole period.
Observing the time series of Russia for example, exports did never exceed $160 million witnessing a constant decline until 2005 marking $9 million but reaching $49 million in 2006. Especially at the levels of imports a slight conjuncture can be observed in the time series until 2003/4 but an anti cyclic slowdown in 2005 then jumping up to reach nearly $1,2 billion in 2006.
As these numbers on Russia only reveal on commodity trade there may be two important implication at this point; Russia lowered Syria's debt by 10 billion $ in 2005 implicating a) indirect subsidies for Russian companies for example on levels of arms industries b) remembering the macroeconomic profile in order to reduce Syrians dept to a manageable level. Both scenarios bear important implications for a discussion later on.
China as emerging economy witnesses a topical development. Both imports and exports show China reaches its strategic goal positioning itself as supplier for commodities and improving their share on global value added to improve wealth. Syrian imports of Chinese goods witness a healthy conjuncture from 1995 to 2002 then adding a strong basic CAGR of 23% until 2006. On levels of Syrian exports towards China, the Asian Dragon did not import Syrian goods between 1998 and 2002 but a volatile export relation has been developed marking $715 million in 2006. Similar to China India develops on levels of trade towards Syria.
Remarkable are Syrian relations towards Iran, despite international media portrayed to be of an undividable nature, trade relations are low and highly volatile.
At the levels of total share on Syrian trade towards Eastern Four China is remarkable. If Syrian Imports from Russia (2004 to 2006) are cut to a statistic appropriate value China is the top trading partner for Syria in the Far East. Already in 2002 China witnessed a 52% share on Syrian imports with Eastern Four-origin.

Trade Implication for the Multilateral Set

Both weapon delivery and indirect subsidies are none conform to the hypothesis of natural trade and consumption decisions of individuals, thus distort competition, especially because defense capabilities are investments directly lowering public wealth regarding widely held modern economic theories. Therefore the strong growth on Russians exports to Syria is no more of welfare economic interest for the specific perception of this paper endorsing a peace deal between Syria and Israel.
Syria faces a difficult situation between those super powers. Western loyalties would disappear linearly with oil reserves making Syria stale in its role as oil-well. Syrian hostility towards Israel as long the neighboring Jewish state occupies Syrian land transforms them into a potential tool for western diplomats in order to underline their dedication towards Israel by harassing Syria. A horrific and atrocious picture considering Syrians import of western made commodities, such 57% and 34% in 2002 and 2006, traditionally.
Watching east, towards Russia and Iran in specific, the majority of Syrians did not recognize their own role as a proxy against western politics and respectively deputy recipient of aggressions originally aimed to their patrons in the first place, rather than a partner facing societies who are on the prowl for Syrian products.
A thesis defining Syria as a unnatural proxy as long Israel occupies Syrian land is supported by the fact that the Eastern Four only marked 1% and 2% of Syrian exports in 2002 and 2006 in compare of heavy weighting western and regional exports. Eastern shares include India as a merely neutral player strengthens the arguments. On levels of imports Syria imported 24% and 41% of its imports from the Eastern Four in 2002 and 2006.
Syria frequently accused Republican ruled Washington of conspiracy against them, so Syrians move to import an increasing share of Russian commodities could be interpreted as isolating itself also by heavily modernizing its military forces, a step supported by Russia through weaponry and easing dept, but without perspective under the light of argumentations of chapter 1. The rapid influx of Russian goods is coherent with the beginning of Iraq war in 2003. Vladimir Putin already stated Russia would be prepared for a reaction on recent NATO steps of expanding again. Looking at the map it becomes clear that, since NATO started talks with the UAE, Syria is the last bridgehead of Russian influence inside the Western World.
Again Syrians statement, Golan would be the cornerstone of any Syrian action, gains in importance and supports the Arab peace offer that is supported by Arab western allies for the first and foremost, namely Egypt, Saudi Arabia and Jordan. Trade implies Syria has a healthy relation towards Western countries but is forced to strengthen



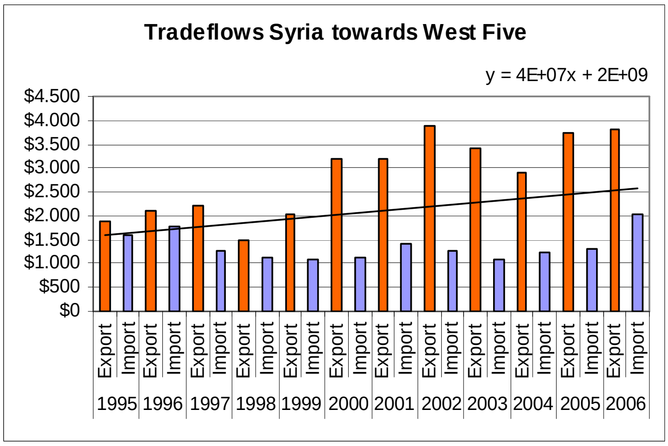
Source: UN-Comtrade

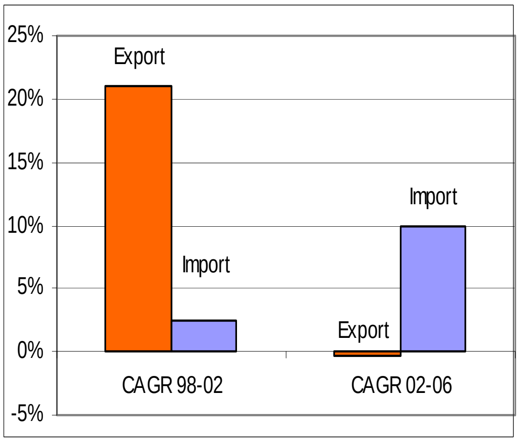


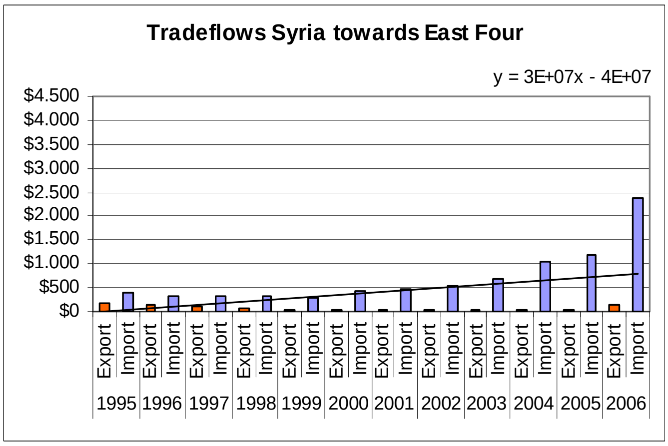
Source: UN-Comtrade

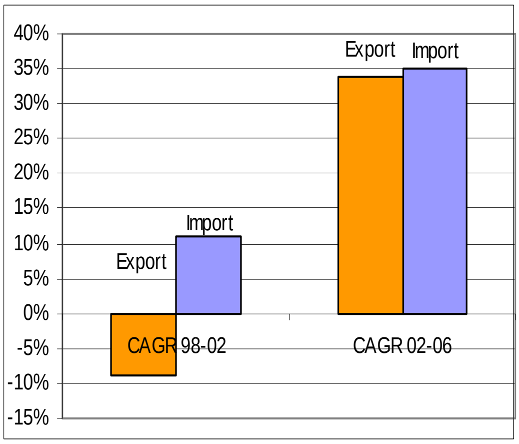
links with Russia and Iran. At the intensity shown above a forced marriage Syrians are performing actually.

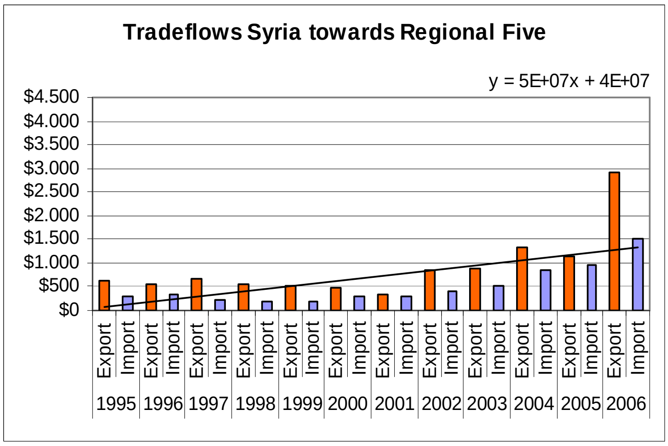
Syria tunes to the west on "Medina FM" asking to listen closely. Especially because Syria witnesses healthy trade conjuncture towards the west hence belongs to it on a fundamental base, but realized regional markets could mean independence.

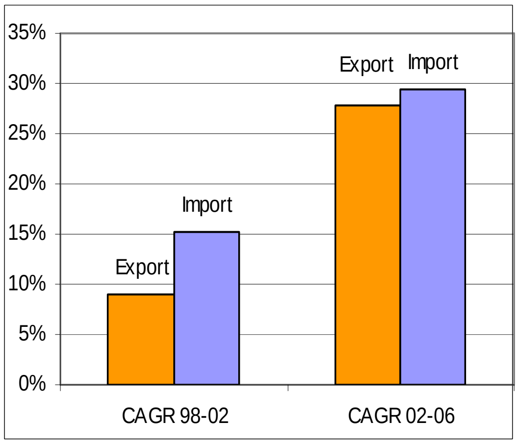












All values in billion US-dollars; CAGR: Average linear annual growth rate; source UN-Comtrade

3.2 Syrian Export Capabilities towards its Neighbors

Analytical Set

Syria withdrew from the General Agreement on Tariffs and Trade (GATT) in 1951 because of Israel's accession. It is not a member of the World Trade Organization (WTO), although it submitted a request to begin the accession process in 2001.
Syria is developing regional free trade agreements. As of January 1, 2005, the Greater Arab Free Trade Agreement (GAFTA) came into effect and customs duties were eliminated between Syria and all other members of GAFTA.
The withdrawal from GATT, political frictions towards western countries regarding Israel and Lebanon partly thereof, partly superficial links with Iran and Russia due to small fractions on trade towards India and China will make a focus on Syrians direct neighbors more necessary than its respective share imply. Some Arab economies are among the fastest growing in the world.
The Syrian economy witnessed increasing trade towards GAFTA countries since its 2000 recession. The regional proxy defined above witnessed a CAGR of 28% on exports between 2002 and 2006 and 29,5% on imports in the same period. So CAGRs on import doubled and were 3, 5 times higher in compare to the previous five years CAGR. The regional proxy witnessed a share of 18% of its exports and 19% of its imports in 2002 but 42% on exports and 24% on imports in 2006.
An analysis of regional exports bears two fundamental vantages, such firstly regional trade faces oil economies, so potential of non-oil exports is revealed, and secondly a homogenous social set with a minimum of trade barriers can be witnessed.
Statistical analysis will be provided based on a revised population of 10 regional economies: Egypt, Iraq, Jordan, Lebanon, Oman, Qatar, Saudi Arabia, Yemen, UAE and Turkey. All of these Arab countries above are members of GAFTA unless Turkey.

Objects of Interest

In the interval 2002 to 2006 Syrian exports will be elaborated under the light of three sought findings. Firstly are there any significant changes among the portfolio of Syrian exports regarding commodity groups towards regional players, secondly what exactly may be seen as new emerging product groups and finally what product groups witnessed brilliant growth rates.
As the 98 commodity groups are sorted by value added (1 as live animals up to various manufactured commodities nearing 99) the question is if substantial development in the economies value added can be witnessed between 2002 and 2006? A model on WAVAC (Weighted Average Value Added on Commodities) will provide implications for Syria’s sectored future and general findings.

WAVAC Index

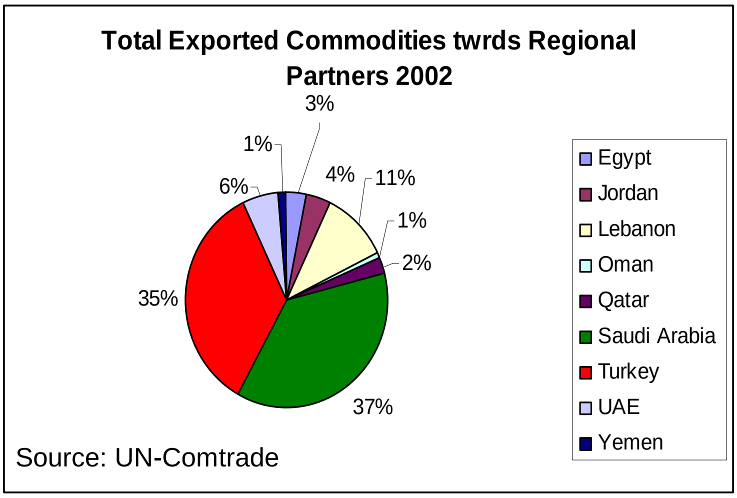
In order to elaborate the WAVAC each exported (or imported) value on a specific commodity group is multiplied with the respective value added indicator, such 1 to 98 and summed up under a specific period finally. This sum weighting value added and value then is divided by the total sum on exports to receive the Weighted Average

Value Added on Commodities of a specific period. If WAVAC's of exports and imports are compared we can learn if a specific economy is a value adder, WAVAC-Exports higher than WAVAC-Imports, or a value consumer, WAVAC-Exports lower than WAVAC-Imports.

Syrian Exports towards Regional Markets in 2002

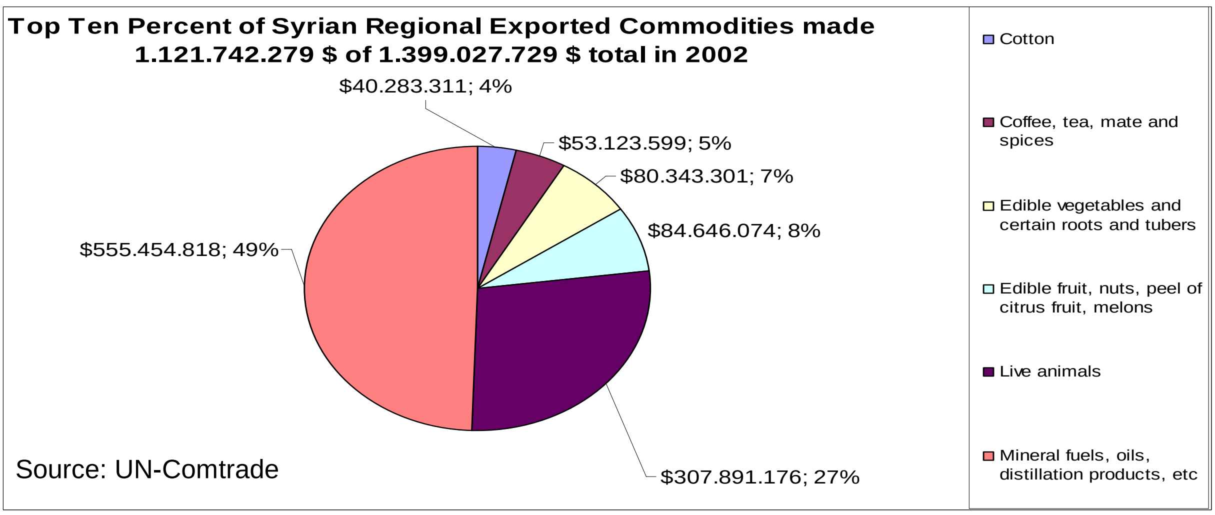
Syria exported commodities valued $1, 4 bn towards its regional partners. Turkey and Saudi Arabia who witness a strong dedication in order to implement US-strategies in the Middle East made a share of 72% in 2002.

Reminding 98 different commodity groups Syria exported only 60 among them towards its regional partners. The mean value of exports has been $ 23, 3 bn with only 6 commodity groups exceeding this value such Cotton; Coffee, tea, mate and spices; Edible vegetables and certain roots and tubers; Edible fruit, nuts, peel of citrus fruit, melons; live animals; Mineral fuels, oils, distillation products, etc as highest value.



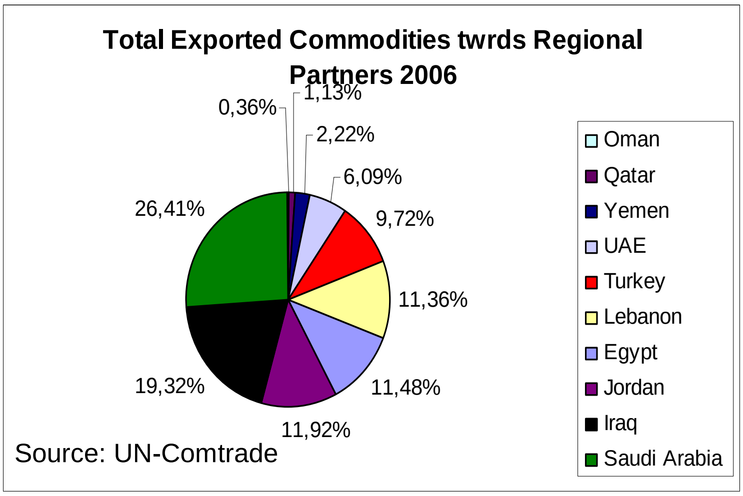
This portfolio witnesses 6 commodity groups that together were 10 percent of all regional exported commodities and made 80 percent of total exports to the respective markets in 2002. Heavy weighting were exports on oil and live animals such commodities of comparable low value added. The WAVAC on all regional exported commodities has been 22, little more than the lower quarter of value added among all commodity groups.

This analysis learns that a) Syria's exports were heavily factor driven, respectively of a low value added, and b) of a low diversification in 2002.



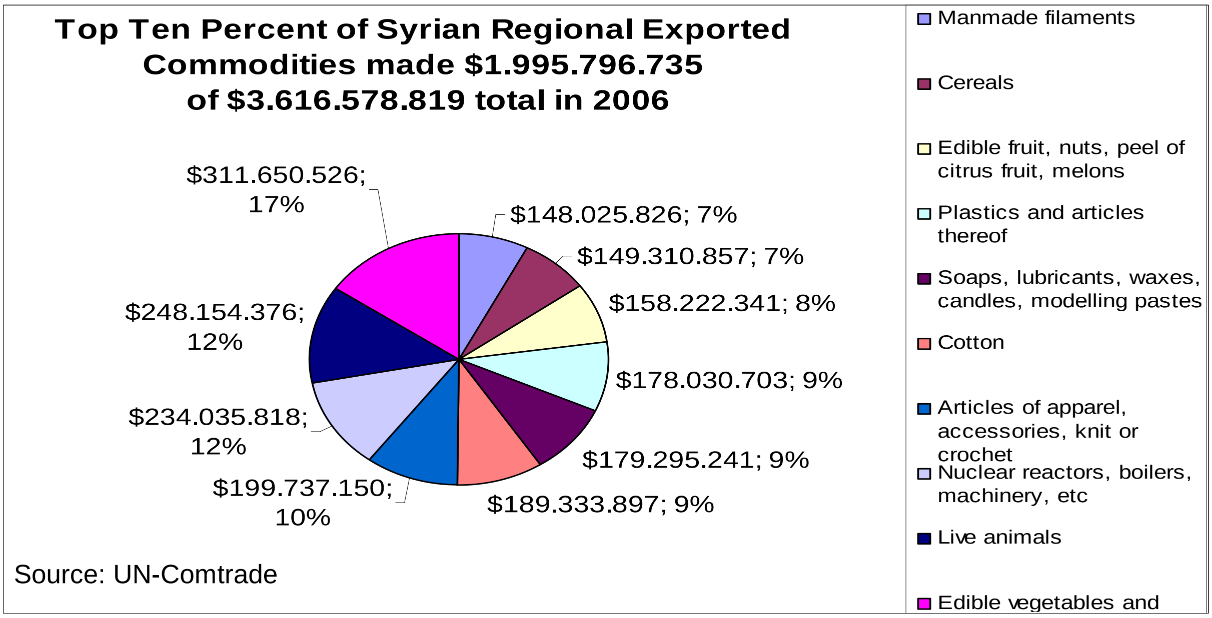
Syrian Exports towards Regional Markets in 2006

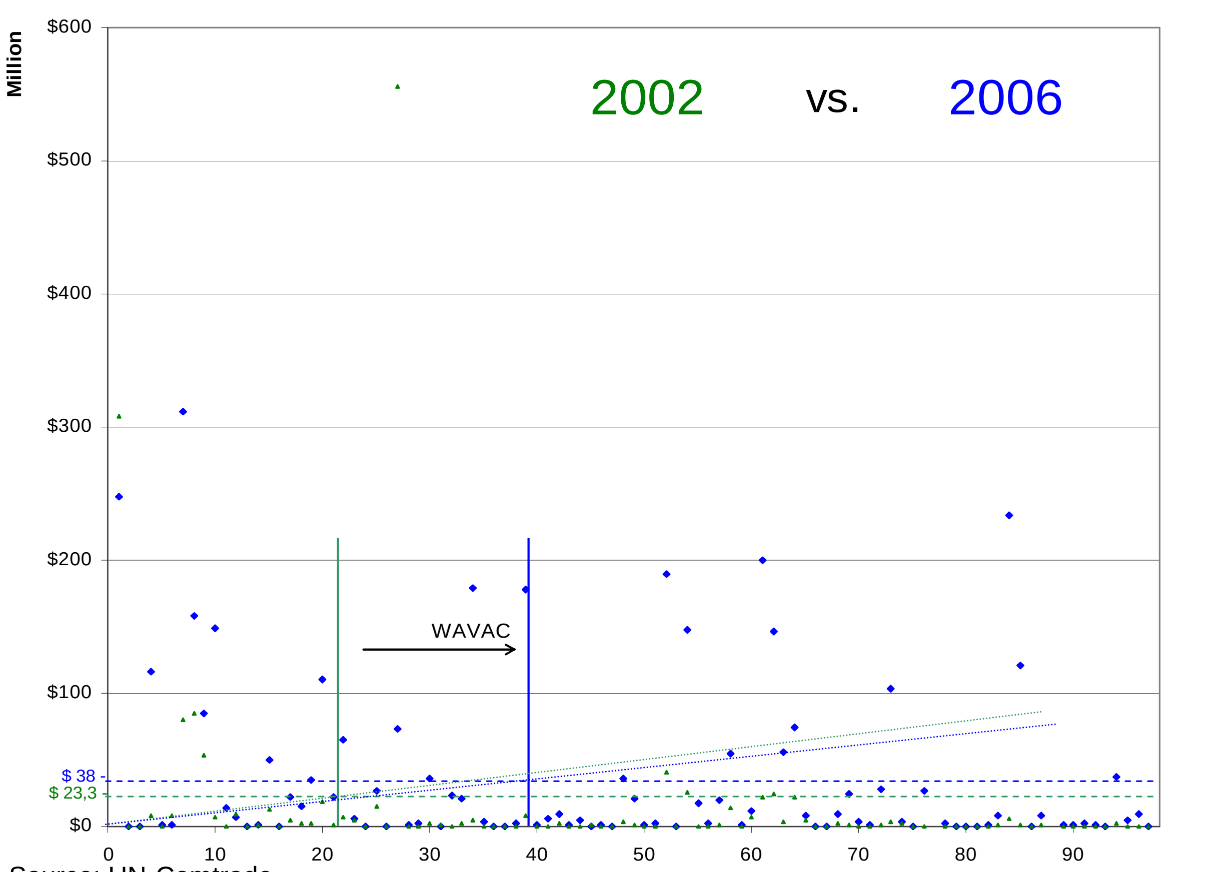
Syria exported commodities valued $3, 6 bn towards its regional partners. Saudi Arabia, Iraq, Jordan, Egypt and Lebanon who witness a strong dedication in order to implement US- strategies in the Middle East made a share of more than 70% in 2006.



Reminding 98 different commodity groups Syria exported 95 among them towards its regional partners in 2006. The mean value of exports has been $ $38 bn with 26 commodity groups exceeding this value in 2006. This portfolio witnesses 10 commodity groups that together were 10,5 percent of all regional exported commodities and made ~ 50 percent of total exports to the respective markets in 2006. The better diversified portfolio witnessed heavy weighting exports on vegetables, live animals, machineries and articles for fashion among others of higher value added compared with 2002. The WAVAC on all regional exported commodities has been 39,05 such more than two-fifth of value added among all commodity groups.

This analysis learns that a) Syria's exports are factor driven but increasingly developed towards manufacture, respectively a higher value added, and b) of a much higher diversification in 2006. Especially Iraq is now among Syria's main Export partners in the region.





Source: UN-Comtrade

The drawing describes a scatter plot with total exported value of each commodity group on the y-axis and commodity groups by their respective value added on the x-axis. Blue is for 2006 and green for 2002 while each dot stands for exported value to regional markets and its specific value added.

The 60 to be identified commodity groups in 2002, respectively traditional exports, witnessed a total value of $ 1,4 bn in 2002 and $ 3,5 bn in 2006.

Remarkable are, on one side of the medal, declines of exported 'mineral fuels, oils, distillation products' from $555.5 mn to $ 73 million and the export of 'live trees, plants, bulbs, roots, cut flowers' declined from $ 7.8 mn to $ 1.3 mn, 'Fertilizers' from $ 0,7 mn to $ 0,35 mn, 'Cork and articles of cork' from $ 581.415to $ 379.921 and 'Oil seed, oleagic fruits, grain, seed, fruit, etc, nes' from $9mn to $7 mn, but especially Live animals from $308 tsnd to $248 tsnd.
As declines in crude oil related exports have already been projected because of growing demand and decreasing output all other of the respective commodities are highly water dependant and agricultural.

Among the traditional exports are growth rates of some thousand percent remarkable, such 'Electrical, electronic equipment', 'Nuclear reactors, boilers, machinery, 'Soaps, lubricants, waxes, candles, modeling pastes', 'Articles of iron or steel', 'Plastics and articles thereof' and 'cereals', which are of higher value added in compare to the declining commodity groups and especially part of a industrial portfolio. The rise in exported cereals is partly because of rising prices among its children but also an indicator for consolidation among Syrian agricultural businesses towards a corn chamber of the Middle East. The profile of the strongest growing traditional commodity groups is of textile, agricultural and manufactures character and also satisfies top demands of tomorrows Middle East by exporting toys, food and pharmaceutical products.

Strongest growing Commodity Groups	**2002**	**2006**	**growth**
Iron and steel	$1.616.179	$27.808.369	1721%
Cereal, flour, starch, milk preparations and products	$1.989.157	$34.859.573	1752%
Pharmaceutical products	$1.829.564	$36.321.858	1985%
Ceramic products	$1.154.116	$23.895.347	2070%
Carpets and other textile floor coverings	$922.848	$20.139.491	2182%
Toys, games, sports requisites	$232.479	$5.077.007	2184%
Cereals	$6.633.369	$149.310.857	2251%
Plastics and articles thereof	$7.593.942	$178.030.703	2344%
Miscellaneous edible preparations	$881.375	$21.603.301	2451%
Miscellaneous manufactured articles	$369.065	$9.551.882	2588%
Articles of iron or steel	$3.922.573	$104.055.525	2653%
Wood and articles of wood, wood charcoal	$147.505	$4.397.987	2982%
Soaps, lubricants, waxes, candles, modeling pastes	$4.499.774	$179.295.241	3985%
Nuclear reactors, boilers, machinery, etc	$5.810.929	$234.035.818	4028%
Miscellaneous chemical products	$37.254	$2.671.164	7170%
Aluminums and articles thereof	$237.214	$26.779.741	11289%
Electrical, electronic equipment	$874.132	$121.246.093	13870%
Wadding, felt, non-woven, yarns, twine, cordage, etc	$6.227	$2.802.125	45000%

Watching the WAVAC of traditional commodities between 2002 and 2006 the index rose from 22,34 to 38,96.

As said earlier in this paper Syria exported 95 of 98 commodity groups in 2006, thus 35 more than in 2002. As the total value of new commodity groups dedicated for export towards regional partners marks $ 86 mn , such 2,38% of total exports to the region in 2006, emphasis is to be put on WAVAC for the first and foremost.

Twenty percent of the 35 new commodity groups make 80 percent of the total value among them and their respective WAVAC is 38,31 and the index for top three new commodities is 34,17. The WAVAC correlates negative with the exported value of new commodity groups, therefore the WAVAC among all new commodity groups is 43,22.

Top Seven New Commodity Group	**Value**
Lead and articles thereof	$2.875.383
Glass and glassware	$3.343.412
Albuminoids, modified starches, glues, enzymes	$3.775.909
Raw hides and skins (other than fur skins) and leather	$5.499.301
Milling products, malt, starches, inulin, wheat gluten	*$13.540.333*
Manmade staple fibres	*$17.441.822*
Tanning, dyeing extracts, tannins, derivs, pigments	*$22.701.160*

Summary

The comparable high WAVAC of new exports to regional markets describing a area that is cultural and religious homogenous, of a similar political opinion among its people in general and of the same native language belted under a free trade agreement can provide Syria the necessary surrounding to improve and develop its economy on levels of manufacture, textiles and agriculture and others with positive economies of scale.

Under the light f the political situation regional trade has gained additional importance, therefore a well diversified portfolio among export partners has already been developed but faces the risk of regional unrest and wars. Especially peaceful developments in Lebanon and Iraq are vital for Syria’s further economic development. In this context Syria’s geographic position is beneficial as it is to be located on major trade routes from Turkey towards southern Arabia and between Iraq/Iran towards Lebanon/the Mediterranean.

Improvements on infrastructure could compete against short range sea and air transport. Increasing costs for travel and transport, respectively fuels would imply to develop non-oil transporting based on alternative fuels such electricity. As Saudi Arabia already implements, Iraq will be forced to search similar solutions and high-tech among Gulf States is a prestigious attitude and potential completion of their respective growing ship-air hubs a pan-Arab solution in this context should be searched for.

IV. Executive Summary

The prehistory of Syria learned, the Arab Republic adapts pan - Arab positions and aims towards hegemonic policies based upon its self-perception as former medieval powerbase. This ambitious background makes Syria to identify potential harassments against Arabs or itself over the scale. To strengthen this attitude Syria's policy is of a long term planning attitude and decided to link with the east during the cold war.
The role as a historic, social and ethnic melting pot could make Syria homogenous to a world that develops from a structure of clear political monopoles into a global village of cultural and economical diversity.

In compare to other countries in the Middle East Syria cannot be named in a row with the main exporters of oil and gas like the GCC-countries, Iraq and Iran but capable in exporting food for Arab/Mideast purposes. The swift decline in oil reserves tightens the demand for quick reforms within the next five years. Another notable contrast to other countries in the Middle East is the railway that witnesses a certain dedication to infrastructure and the pipeline capacity heading west from the northeastern depleting oil fields.
Syria witnesses a healthy macroeconomic structure but faces challenges on the levels of all major macroeconomic sectors.

Especially the energy sector is going to drive Syria into a crucial crisis thus wastages highly valuable export capabilities better be used for a broader offensive on levels of infrastructure. Revenues on oil and gas exports are misused for subsidies and for salaries financing an overcrowded governmental structure.
One solution in order to answer an approaching energy crisis would be to pave Syria's southern and eastern desert with solar cells in moderate terms, enabling the Arab Republic to finance the huge energy sector investment via World Bank in exchange for gas reserves for example. This would also contribute to a later science and technology portfolio.
Syria will have to spend a lot of energy in order to transform salted water into fresh water, a process of high energy input. Using solar power to gain fresh water shall become a cornerstone of Arab infrastructure especially to keep its agricultural sector alive. Also trade would benefit, a sector endangered by increasing fuel prices and to be answered by alternative transport technologies such Trans Rapid technologies for example. A pan – Arab solution should be searched for in this context.
Another aspect is to use logistical capabilities in order to funnel oil and gas in order to develop the Arab Republic towards a hub that channels oil, and water one day, towards the western hemisphere or southern Levant states in tomorrows Middle East.

A critical loan to GDP ratio opens the field of mistrust between borrowers and lenders making substantial microeconomic reforms necessary. Missing financial markets cause problems of microeconomic and macroeconomic dimensions affecting decisions of people, businesses and potential foreign investors negatively. Therefore development at the level of banking and finance sector is vital.
A time pattern on such microeconomic reforms has been published by the World Bank already in 2005. Readiness to invest in sectors like CRE and Banking are witnessed and represent signs of trust and the availability of liquidity especially from countries like the GCC.

High inflation rates; normal for growing economies and partly beneficial in the short term endanger Syria's tomorrow because wages will be increased and the economic growth will be harmed seriously, so social stability would be endangered.
The Syrian tourism sector is considered to be capable of the highest performance in the Middle East. Therefore the service sector is to be recognized as Syrians springboard to the 21^{st} century.
Syria also is to provide chances and opportunities to its youth because of a growing labor force that emerges, looking forward to satisfy its needs on both levels, politically and economically. Individual development represents another determining variable for social stability.

As the economical set appears most challenging the diplomatic parquet is the greater defiance!

On bilateral levels the fundamental variables of the social economic challenge above are of importance again. The water challenge may only be solved by agreements with Israel and Turkey and fine social development is harassed by warfare in Iraq, respectively refugees, and the ongoing feeling of colonial presence on the other side of the border makes successful domestic reforms unlikely. Also because of increasing fear and distress among the population capable to fuel radical and fundamental political currents as long peace and stability is not achieved in Iraq finally.
On the other hand there is a fair chance to achieve a deal with the neighbors also because the prehistoric set of the region is capable in attracting mass tourism. Mass tourism can be attracted by state of the art infrastructure and good diplomatic relations. Against the background of this vision bilateral agreements can be reached.

Basically al three players in the set, such Turkey, Israel and Syria itself face hurdles on their way to a more developed society not to overcome unless there are significant changes on the crisis map, such the return of Golan/Sheba Farms, more water rushing through the beds of Euphrates, Tigris and Orontes River plus a significant retreat of Hezbollah's military arm fore the first and foremost.
The three nations face a similar division of their respective societies between religious and secular political currents. A society controlled by services and military presence should give as well Syria as Israel reason enough to overcome the present situation were political leaders lives are threatened by others.
Especially Turkey and the southern Arab/Levant states face a historic turn at the level of their political attitude and self perception towards peaceful rational politics, a development positively correlated with necessary developments Syria, Israel and Turkey are to implement.

Syria also faces the obstacle to overcome potential tensions with their "former" allies namely Russia backed Iran. The theocracy catches the public eye by a hitherto unknown scale of recrimination, existential threads and also harassments against regional stability on religious and political levels even though the economic importance would be no more significant for Syria, if a peace deal with Israel is reached. An exiting- and appeasement strategy by Syria regarding Iran appears to be useful in the long run.

As the diplomatic track appears as visionary as dangerous the route for Syria is.

Syria may answer these external effects of Turkey's straightforward modernization by integrating its Armenian and Kurdish minorities and form diplomatic alliances in connection to market mechanisms to solve the water issue and achieve broader cooperation to improve economic cooperation.
Achieving the situation were Syria is left alone by its Shiite allies during the recent process, would leave Israel face to face towards a destabilized and weak enemy in the north and Turkey could marginalize Syria on economic and political levels in the course of its own economic development.

Syria is able to prepare a unique deal with the Kurds in northern Iraq and within its own borders. As the Kurds search for a save haven and revival of their culture in northern Iraq, their region witnesses the fastest rebuilding among all other Iraqi regions. On the other hand some Kurds in Iran and Turkey are in ongoing battles against their governments. Syria could provide the Kurds an economic save haven also within its borders and prepare contracts to funnel Kurdish oil to the Mediterranean. Economic development among the Kurds would make them more resistant to radical ideological currents like Islamic insurgency groups and the PKK. This would provide Syria with a unique export market if both would be able to cooperate on peaceful levels. Both suffer from water shortage as result of Turkish GAP on the one hand; on the other hand positive developments in this region would bolster Turkish efforts to create a homogenous single market in its east.

To lead Syria back towards a democratic and lively culture as a most capable society in the Middle East would bolster peaceful developments in northern Iraq and Lebanon in a first step and in a second step provide the Arab world with a most self-confident and creative society. Worst case would be civil war and a radical social reorganization of Syria. It remains unclear if Syria could be in favor of the conflict in order to have a grip on its own society as some sources foreshadow?
Peace may be the most prior precondition for transforming Syrians society and economy by reforming a more transparent and less fearful population. This transformation is of high importance among the western states also, because the western civilization would loose potential important markets; face increased prices for natural resources and global dependencies that would make promoting democracy much more difficult.

Significant developments have taken place on the levels of Syrian trade behavior. Syria has been a traditional trading partner of western nations without and significant trade relations towards Russia or China until 2002. Imports from china and Russia witnessed a significant increase accompanied by a stagnation of trade towards western countries after 2002. The regional markets have developed towards great importance and bear important potential not only among Kurds between 2002 and 2006. Notable are unhealthy or insignificant conjunctures towards eastern states unless China among trade time series between 1995 and 2006.
The healthiest trade is realized as well on levels of imports as exports towards Europe implying to adapt a heavy weighting EU-attitude among Syrian policies in the region.

As already said trade is among the most important tools in order to overcome a crucial crisis. Syria succeeded to develop a well diversified portfolio on regional trade partners under the light of the GAFTA.

Regional trade boosts the value added of Syria's economy bearing potential to latch Syrian value added with increasing purchasing power among fast growing Arab states. Saudi Arabia already invited Syria to "come back to the Arab fold". A great share among exported commodities are new fashioned and an increasing privatization of Syrians economic daily would enable an efficient allocation of strong export products. Business potential can be located at the levels of textiles, cereals, electrical and electronic equipment, articles of iron or steel and plastics and articles thereof.

As the paper economically focused less than 20 years of developments, 30 years of state of emergency policy would leave its influence on the set for some time. Also 60 years of war and atrocity between Arab states and Israel are to be considered and determine opinions in the Middle East today. Taking into consideration hundreds of years of colonization in Syria and other Arab states by Ottoman and French forces marginalizing the society accompanied by dark years for Jews in Europe the psychological set could be difficult to be assessed under the light of nearly 6000 years of religion and civilization in the Levant.

My personal objection is: Are those people capable to find a Semite solution for their tasks and what is the exact bulk of the curtain colonization laid down on these old societies, taking into consideration at what speed reforms and changes are to be implemented, or is the Levant-set already bankrupt?

There are fundamental variables undefined in context of the current situation namely 'data availability' and the 'outcome of the peace process'. As there is data available until 2006 it has been unable to infer Syria's potential dedication towards Russia, respectively to evaluate the nature of increasing imports of Russian commodities. On the other hand the Syrian-Israeli negotiations are a pass-fail situation if stocks of weapons of mass destruction on both sides are taken into consideration. Therefore a greater war in the Middle East would make any economic or social mind game superfluous.