

Syria's Agenda for Economic Reform

Syrian Deputy Prime Minister for Economic Affairs H E Abdullah al-Dardari was in London recently to outline the new investment potential in his country as it pursues an ambitious reform programme.

The Syrian economy is in extremely good shape and with the upturn over the past year it has shown itself more than capable of responding to any outside pressures that may be applied, Syrian Deputy Prime Minister for Economic Affairs H E Abdullah al-Dardari has told journalists in London.

After going through a period of recession, the Syrian economy had since 2003 picked up as seen in the considerable inflows of investment from Arab and other sources, he said. It was well on target to reach its goal of a 7% growth in GDP by 2010; indeed, the Minister confidently expected that this would now be achieved before that target date if trends continue.

The Minister, one of the key figures driving the country's reform process, was fielding questions at the Syrian Media Centre on 1 December as part of his recent visit to the UK.

He explained how Syria was in full co-operation with the UN over its investigations into the death of former Lebanese Prime Minister Hariri and felt that prospects for the imposition of sanctions were receding day by day. The Minister did not expect sanctions to follow when the UN Security Council considers the next report of the UN International Independent Investigation Commission on 15 December. He said that Syria had a vision of where it wanted to be in 10 years time and that a new momentum for reform was evident from its current economic performance.

The strength of the economy was indicated by the relative ease and speed with which the Central Bank had acted to stabilise the currency earlier this year. The policy was to allow market forces to be the deciding factor as the country moves towards a market economy. He said the bank was edging towards a managed floating of the Syrian pound, which was a sure sign of self-confidence.

Big Rise in FDI

Mr al-Dardari described 2005 as a turning point for foreign direct investment into the country and called the inflow of FDI over the past eleven months "incredible". He stressed that in November alone the government had licensed new projects valued at \$2.2 billion.

Investment was currently flowing into Syria from Arab countries of the Gulf, but also from Germany, France, Turkey, Russia and China, the Minister said. Investment from France, for example, had seen its largest increase this year.

He gave figures illustrating the upward trend in FDI over the last few years: in 2003, total private investment reached \$2.5bn of which the FDI contribution was some 11%; in 2004, the figure was \$4bn of which 12% was FDI; until 15 November 2005, total private investment stood at \$6bn, out of which 30% was FDI. The final figure for the year is expected to be \$8bn, of which 50% will be FDI.

In addition, there was one major project yet to be licensing for an oil refinery to be constructed on a BOT basis in co-operation with China. This was valued at \$1.2bn and should be approved by early 2006 at the latest.

Real Estate Boom

Many of the new developments were in real estate where Syria was experiencing a real boom. The new projects include a \$3.4bn real estate and techno-park backed by an investor from Dubai; and a \$700mn real estate project funded jointly by domestic and foreign investors.

A group of 25 German companies have launched a €1bn investment programme which includes the construction of the first wind farm in Syria using the latest German technology and the building of a techno park near Homs.

Later in the month will see the approval of another project valued at \$380mn backed by investors in Kuwait to establish the Damascus Financial City. This important development will become the home for all the leading financial institutions in the country, Mr al-Dardari said.

In addition, investments of around \$3bn coming from a combination of domestic and foreign backers was being channelled into various agricultural and industrial projects. Proposals for two new oil refineries were on the table apart from the one from China that was almost agreed. Syria was studying a new proposal from Russia for a refinery with a petrochemicals facility which is valued at \$2.4bn.

A new phenomenon was apparent in Syria today, Syrians with businesses based abroad were returning to invest in the country, the Minister stated. He explained that as a result of the outside pressures, successful Syrian business people from abroad wanted to help strengthen their country. Trends suggested that other Arab investors were doing the same. He described this trend as a new form of "Arab solidarity".

Restructuring State Enterprises

Syria does not have a privatisation programme as such, but state enterprises are being restructuring under an extensive "corporatisation programme" which will see individual firms competing in the market place and raising funds from private banks, the Minister explained. This policy is due to begin with the state companies in the food industry, the Minister stated.

Another indicator of the healthy state of the economy worth mentioning is the fact that the unemployment issue is now being resolved and for the first time in a decade there had been no increase in the unemployment level, despite the return of a number of Syrians from Lebanon, Mr al-Dardari stated.

The prevailing trust and confidence in the future could also be demonstrated by the fact that although huge deposits were held in Syrian banks there had been no significant withdrawal of currencies out of the country over the recent period.

Details of Forthcoming Reforms

The Minister gave some details of the new package of reform measures that Syria was proposing to introduce soon. An 18 month reform of the monetary system would be

announced later in the month which will include moves to allow markets to determine interest rates.

Syrian banking had developed quite considerably over the past few months allowing the Syrian business sector to finance trade through the local banking sector rather than having to rely on Lebanese banks as in the past. To the extent that the country now had its own developing banking system and financial services sector, Syria's changing relations with Lebanon had been a "blessing in disguise".

There were now four banks with another four awaiting licensing, as well as an expanding Islamic banking sector. The nine licensed insurance companies with more to follow should be added to this.

Reforms in the financial sector were due to be announced with a new investment law in the pipeline which is set to permit the repatriation of hard currency profits freely from Syria, among other measures. A new liberalised and simplified foreign trade regime would soon be introduced bringing in simpler procedure for customs which should help stimulate trade.

Syria was working with the World Bank on a public expenditure review looking at subsidies and the financing of state enterprises.

His message to foreign investors was clear and unambiguous on this issue of reform:

Syria would not let any external pressures impede the course of reforms that the country was carrying out. These were to the benefit of the Syrian population and its business partners.

Industrial Cities

Syria had at present three industrial cities in Aleppo, Homs and Damascus. An influx of investment in these areas could be seen from the fact that all the plots of land that were made available for development in Homs city have been acquired and new areas are being sought. Eight new industrial cities across the country were under consideration.

Syrian Women in Business

Special programmes have been devised to enable Syrian women to develop their business potential, the Minister informed us. The empowerment of rural women was one priority area with an integrated programme focused on literacy, education, micro-financing, health and child welfare. This programme was being applied to about 1,000 villages and would benefit about two million people.

In the urban areas, the chambers of commerce had adopted a policy of establishing women's business associations and were allocating places to include at least one woman on their boards. Mr al-Dardari stressed that the future depends on the activities of women in the economy.

With the implementation of its strategy for reform, in the next ten years Syria would be "a vibrant, global, integrated, open, democratic society and economy, through using its talents and innovation," the Minister concluded.

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