Syria

RISK & COMPLIANCE REPORT

DATE: June 2017

KNOWYOURCOUNTRY

Contents

<table>
<tr><th colspan="2">Executive Summary - Syria</th></tr>
<tr><td>Sanctions:</td><td>Syria is currently subject to EU, US and Arab League Sanctions.</td></tr>
<tr><td>FAFT list of AML Deficient Countries</td><td>Yes</td></tr>
<tr><td>Higher Risk Areas:</td><td>Compliance with FATF 40 + 9 Recommendations
Supporter of / Safe Haven for International Terrorism
Not on EU White list equivalent jurisdictions
Corruption Index (Transparency International & W.G.I.))
World Governance Indicators (Average score)
Failed States Index (Political)(Average score)</td></tr>
<tr><td>Medium Risk Areas:</td><td>US Dept of State Money Laundering assessment
Weakness in Government Legislation to combat Money Laundering</td></tr>
<tr><td colspan="2">Major Investment Areas:

Agriculture - products:

wheat, barley, cotton, lentils, chickpeas, olives, sugar beets; beef, mutton, eggs, poultry, milk

Industries:

petroleum, textiles, food processing, beverages, tobacco, phosphate rock mining, cement, oil seeds crushing, car assembly

Exports - commodities:

crude oil, minerals, petroleum products, fruits and vegetables, cotton fiber, textiles, clothing, meat and live animals, wheat

Exports - partners:

Iraq 38.8%, Italy 7.9%, Germany 7.1%, Saudi Arabia 6.5%, Kuwait 4.2% (2011)

Imports - commodities:

machinery and transport equipment, electric power machinery, food and livestock, metal and metal products, chemicals and chemical products, plastics, yarn, paper</td></tr>
</table>

Imports - partners: Saudi Arabia 14.8%, China 10.3%, UAE 7.3%, Turkey 6.8%, Iran 5.4%, Italy 5.1%, Russia 4.6%, Iraq 4.4% (2011)
Investment Restrictions: Due to the extensive sanctions currently in place, there is very little foreign investment into Syria.

Section 1 - Background

Following World War I, France acquired a mandate over the northern portion of the former Ottoman Empire province of Syria. The French administered the area as Syria until granting it independence in 1946. The new country lacked political stability, however, and experienced a series of military coups during its first decades. Syria united with Egypt in February 1958 to form the United Arab Republic. In September 1961, the two entities separated, and the Syrian Arab Republic was re-established. In November 1970, Hafiz al-ASAD, a member of the socialist Ba'th Party and the minority Alawi sect, seized power in a bloodless coup and brought political stability to the country. In the 1967 Arab-Israeli War, Syria lost the Golan Heights to Israel. During the 1990s, Syria and Israel held occasional peace talks over its return. Following the death of President al-ASAD, his son, Bashar al-ASAD, was approved as president by popular referendum in July 2000. In May 2007 Bashar al-ASAD's second term as president was approved by popular referendum. Influenced by major uprisings that began elsewhere in the region, antigovernment protests broke out in the southern province of Dar'a in March 2011 with protesters calling for the repeal of the restrictive Emergency Law allowing arrests without charge, the legalization of political parties, and the removal of corrupt local officials. Since then demonstrations and unrest have spread to nearly every city in Syria, but the size and intensity of protests have fluctuated over time. The government responded to unrest with a mix of concessions - including the repeal of the Emergency Law and approving new laws permitting new political parties and liberalizing local and national elections - and force. However, the government's response has failed to meet opposition demands for ASAD to step down, and the government's ongoing security operations to quell unrest and widespread armed opposition activity have led to extended violent clashes between government forces and oppositionists. International pressure on the ASAD regime has intensified since late 2011, as the Arab League, EU, Turkey, and the United States have expanded economic sanctions against the regime. Lakhdar BRAHIMI, current Joint Special Representative of the United Nations and the League of Arab States on the Syrian crisis, in October 2012 began meeting with regional heads of state to assist in brokering a cease-fire. In December 2012, the National Coalition of Syrian Revolution and Opposition Forces was recognized by more than 130 countries as the sole legitimate representative of the Syrian people. Unrest persists in 2013, and the death toll among Syrian Government forces, opposition forces, and civilians has topped 70,000.


TURKEY
Tigris
Aleppo
Al Hasakah
Ar Raqqah
Buhayrat al Asad
Euphrates
Latakia
Med. Sea
Bāniyās
Tartūs
Hamāh
Homs
Tadmur
Dayr az Zawr
IRAQ
LEB.
DAMASCUS
Mount Hermon
Al Qunaytirah
As Suwaydā'
IS.
Golan Heights (Israeli occupied)
JORDAN
SAU. AR.
0 50 100 km
0 50 100 mi

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF List of Countries that have been identified as having strategic AML deficiencies

Syria is currently on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 23 June 2017

Since February 2010, when Syria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Syria had substantially addressed its action plan at a technical level, including by criminalising terrorist financing and establishing procedures for freezing terrorist assets. While the FATF determined that Syria has completed its action plan agreed upon with the FATF, due to the security situation, the FATF has been unable to conduct an on-site visit to assess whether the process of implementing the required reforms and actions is underway. The FATF will continue to monitor the situation, and will conduct an on-site visit at the earliest possible date.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Syria was undertaken by the Financial Action Task Force (FATF) in 2006. According to that Evaluation, Syria was deemed Compliant for 5 and Largely Compliant for 8 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2006):

Although the latest report available is 2006, there are relevant points and issues raised in the key findings.

Syrian authorities realize that it is urgent to create a preventive and deterring regime related to money laundering and financing of terrorism that guarantees the necessary protection against economic, political and social risks linked to the financial crime. Thus, it worked on setting a legal framework that is capable of fighting money laundering, by issuing Legislative Decree (LD) No 59 on 9/9/2003, which was later amended by LD No 33 issued on 1/5/2005 which added the combating the financing of terrorism, in compliance with international requirements. In terms of the effectiveness of this system, the assessment team faced some difficulty in evaluating the system's effectiveness since the designated LD has been recently promulgated.

Syria is considered as a transit country in the region in terms of trafficking of drugs coming from neighbour countries towards neighbouring countries. Moreover, there is only limited internal traffic. There are no recent statistics on the situation of crime in Syria. However, all recent researches consider that the majority of crimes had to do with murder, robbery, defame and libel, and crimes against the public security such as assassinations or crimes such as bribery and fraud. Thus, most of the crimes that could generate illicit proceeds in Syria have to do with drug trafficking, corruption and bribery. Syria has to draw more attention to money-laundering risks resulting from these crimes. According to Syrian authorities, all of these crimes are considered as non-organized crimes in Syria, i.e. there are no linked networks inside or outside Syria. Crime proceeds arise from local crimes in spite of the slight increase in those crimes due to the development of communications and modern technology.

Most of these crime proceeds may be laundered by simple methods and techniques such as the purchase and resale of real estate and luxurious cars, or the opening of big restaurants and commercial stores to disguise the source of illicit funds. Syrian authorities consider that money laundering through financial institutions is currently rare, and does not represent a critical problem. However, it is worth mentioning that due to the development of legislations related to the financial and economic sector, the creation of the Stock Market and Insurance companies, and the increase of banks and their branches, money laundering operations are further expected to be carried out through financial channels and institutions.

With regard to the Terrorist Financing (TF) crime, it is considered as a "new" crime covered by article 2, paragraph (b) of LD No 33 of 2005. Law enforcement authorities in Syria are working on the implementation of the provisions of this LD and the follow-up of any activity related to terrorism and TF, and they are taking all the necessary measures in this regard. Syria signed and ratified the UN International Convention for the Suppression of Terrorism. With respect to the implementation of Security Council resolutions, Syria did not promulgate any laws in this regard, as it is working on freezing the account of the designated people and entities based on practices and without the existence of any legal basis. It is noteworthy that the Decision issued by US Treasury Department has listed the Commercial Bank of Syria, which is one of the largest banks operating in Syria, as a body suspected in financing terrorism.

Syria is not considered as an important financial centre in the region due to the stringent economic restraints imposed by the Government until recently, and to the restrictions imposed on the circulation of foreign currency at the time of the on-site visit. Therefore, the risks of ML/TF are low in general, but the assessment team fears an increase of risks as a result of the economic openness policy which is currently adopted by the Syrian Government and is meant to attract capitals for investment purposes. The assessment team is concerned that gaps in the regulation of the financial and banking activity, policies and implemented measures in financial institutions may be negatively exploited by money launderers or terrorist financers. On another hand, the team realized that a few officials underestimate the presence of ML/FT risks currently in Syria due to the role that the government still plays in economy.

Syria has three types of banks which all operate under the supervision and control of the Central Bank of Syria. With regard to the control of anti-money laundering operations, it is governed by Resolution No 4 issued by the Combating Money Laundering and Terrorist Financing Commission (CMLTFC), and by Resolution No 71 of the Council for Money and Credit. These types of banks are as follows: Specialized governmental banks amounting (6 banks); Private banks (7 banks) which initiated their business in Syria around three years ago, except for Syria Gulf Bank (which became operational in August 2006); the banking branches in free zones (6 branches of foreign banks).

With regard to insurance, the Syrian economy is considered as one of the markets which are in most need for insurance in the Arab world and the emerging markets. In fact, Syria holds less than 2% of the total insurance premiums in the Arab world, and insurance premiums amount to 0.6% of the GDP. These indications demonstrate that the insurance sector in Syria is a week sector, although it has a high potential of growth.

Currently, Syria has one government-owned insurance company namely the Syrian Insurance Company (SIC). An Insurance Supervisory Commission was created as per the LD No 68 of 2004 which assigned to the Commission the mission of regulating and supervising the insurance and re-insurance sector. LD No 43 of 2005 regulating insurance operations was issued, and it provided for the creation of private insurance companies. In summer 2006 (following the mission), three private insurance companies initiated their business (after the onsite visit).

There were many exchange and money remittance offices in Syria in the past few years, which worked outside legal frameworks, due to certain economic conditions in Syria. Nevertheless, Syrian Arab Republic is currently working on regulating this sector. For instance, Law No 24 of 2006 on exchange institutions was issued, and it forbids the exercise of this business without prior licensing. It also made these institutions subject to the provisions of ML/TF laws.

On June 5, 2005, the President of Syria issued a LD to create a Stock Market in Syria. The law provides for the creation of the "Syrian Stocks and Financial Markets Authority" (SSFMA) which affiliated to the Prime Minister and has a headquarters in Damascus. 12. LD No 33 defined the Designated Non-Financial Business and Professions (DNFPB) as companies that purchase, promote and sell real-estates; real-estate broker offices; dealers of high-value goods, such as jewelry, precious stones, gold, bibelots and rarities; lawyers and editors of legal exhibits; independent accountants; other non-financial institutions defined by the CMLTFC. Syrian laws do not permit the establishment of casinos or gambling activities exclusively.

Despite some above-mentioned positive efforts, the AML/CFT issue is a new concept in Syria. Promoting combating efforts necessitates an awareness campaign that covers most of the state's sectors, on the level of officials and involved employees, who should be informed about new rules and regulations based on texts of newly established laws. In this context, local authorities deployed remarkable efforts that included the main sectors covered by the new LD No 33. This necessitated the enhancement of the monitoring concept to include the financial and banking sectors. While the banking sector includes 13 banks and six branches in free zones, it does not however possess the adequate IT systems that enable it to use efficient methods of control and monitoring. Currently, banks are working on developing such systems.

US Department of State Money Laundering assessment (INCSR)

Syria was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The money laundering and terrorist financing concerns involving the Syrian civil war are multi-faceted and complex. The State Department lost its principal source of reporting on money laundering in Syria when it closed Embassy Damascus in February 2012. Much of the information contained in this report is based on information collected or verified in the 2011 reporting cycle.

Syria is not an important regional or offshore financial center. Prior to widespread civil unrest beginning in 2011, only 20 percent of Syria's population used formal banking services, although private sector banks' market penetration was growing rapidly. However, following the imposition of robust sanctions on individuals, entities, and banks by several jurisdictions, banking services are used considerably less. While large commercial transactions rely on banks, the majority of business transactions are still conducted in cash. The most obvious indigenous money laundering threat involves some members of Syria's political and business elite, whose corruption and extra-legal activities continue unabated.

A lack of control and authority by the Syrian regime over significant parts of the country, a lack of necessary legislation and poor enforcement of existing laws contribute to significant money laundering and terrorist financing vulnerabilities in Syria's banking and non-bank financial sectors. Estimates of the volume of business Syrian money changers conduct in the black market range between $15 and $70 million per day. Syria's borders are porous, most official border crossings are outside the control of the regime, and several are currently controlled by armed opposition groups, including the Kurdish People's Protection Units (YPG), as well as the Islamic State of Iraq and the Levant (ISIL), a designated terrorist organization. Furthermore, regional hawala networks, intertwined with smuggling and trade-based money laundering, raise significant concerns, including involvement in the financing of terrorism.

The unprecedented volume of participants making payments for illegal services to human traffickers, human smugglers, and document traffickers, including both fraudulent and genuine Syrian passports, entail enormous sums of money. The proceeds of crime generated from human smuggling are often placed into financial institutions by criminal gangs in the EU and Turkey.

Syria has been on the State Department list of countries sponsoring terrorism since the list's inception in 1979. In 2011, when the Syrian regime began a violent crackdown against protestors, the United States, European Union, Arab League, and individual nations imposed sanctions against individuals, entities, and corporations assisting the regime's crackdown. The United States has undertaken sanctions on individuals enacted through Executive Orders 13572, 13573, 13582, 13606, and 13608. Several subsequent rounds of sanctions have continued and have targeted the Commercial Bank of Syria (CBS), the Real Estate Bank, Syrian-Lebanese Commercial Bank (SLCB), Central Bank of Syria, Syrian International Islamic Bank, and U.S. dealings with the Syrian petroleum industry.

In May 2004, the U.S. Department of Treasury found the CBS and its subsidiary, the SLCB, to be financial institutions of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In April 2006, Treasury promulgated a final rule, based on the 2004 finding and proposed rulemaking, prohibiting U.S. financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its SLCB subsidiary.

After suspending Syria's membership on November 12, 2011, the Arab League approved sanctions on Syria on November 28, 2011. These sanctions include cutting off transactions with the Syrian central bank; halting funding by Arab governments for projects in Syria; a ban on senior Syrian officials traveling to other Arab countries; and a freeze on assets related to President Bashar al-Assad's government. The declaration also calls on Arab central banks to monitor transfers to Syria, with the result often slowing down nongovernmental organization donations and personal remittances.

There are eight public free trade zones (FTZs) in Syria. Iran had announced plans to build FTZs in Syria; however, it later dropped this idea in favor of pursuing a free trade agreement. China's free zone in Adra was officially inaugurated in July 2008; As many as 325 businesses have been established in Adra to date. In October 2014, Syria also submitted an application to establish a FTZ with Russia. In October 2015, following Russia's entrance into the conflict, Russia's Ministry of Industry and Trade welcomed the potential to create a FTZ with Syria if political and economic issues were eventually resolved. As of 2012, the annual volume of goods entering the FTZs was estimated to be in the billions of dollars and was growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the FTZs must be registered with the General Organization for Free Zones, part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification or the resources to adequately monitor goods that enter Syria through the zones. There also are continuing reports of Syrians using the FTZs to import arms and other goods into Syria in violation of U.S. sanctions under the Syrian Accountability Act and a number of UNSCRs.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks; money exchanges and remitters; issuers of payment instruments, credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; money exchanges and remitters; issuers of payment instruments, credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: NO

Syria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money changers and hawala dealers remain largely unregulated. In addition to cash smuggling, there is also a high rate of commodity smuggling in and out of Syria. It has been reported that some smuggling and the purchase of oil from designated terrorist organizations, such as ISIL, is occurring with the knowledge of, or perhaps even under the authority of, the Syrian security services, while other smuggling attempts to evade the regime. The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While customs had started to enact some limited reforms, problems of information sharing and government control remain.

Most Syrian judges are not yet familiar with the evidentiary requirements of the AML law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick adjudication of these issues. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementation of existing AML/CFT regulations.

Prior to 2012, the Government of Syria made modest progress in implementing AML/CFT regulations that govern the formal financial sector. The lack of transparency of the state-owned banks and their vulnerability to political influence reveal the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the underground economy will continue to be vulnerable to money launderers and terrorist financiers. The current void of the Syrian AML/CFT regime is both a result, and a facilitator, of the civil war.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Syria does not conform with regard to the following government legislation: -

- **Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.
- **Cooperates with International Law Enforcement** - By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data.
- **Ability to freeze assets without delay** - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- **States Party to United Nations Convention Against Corruption** - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Syria is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Syria is not considered to be an Offshore Financial Centre

Key Findings from other US State Department Reports:

Trafficking in Persons

Syria is classified a Tier 3 country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

Syria is a source and destination country for men, women, and children subjected to forced labor and sex trafficking. The situation in Syria continues to deteriorate amid the ongoing civil war with sub-state armed groups of varying ideologies exerting control over wide geographic swathes of the country's territory. Human rights groups and international organizations estimate more than 250,000 persons have been killed since the beginning of protests against the Bashar al Asad regime in March 2011. Incidents of human trafficking continue to increase and trafficking victims remain trapped in Syria, particularly as the designated terrorist organization, Da'esh—also known as the Islamic State of Iraq and the Levant (ISIL), Islamic State of Iraq and Syria (ISIS), or the Islamic State (IS)—consolidated control of the eastern governorates of Raqqa. In June 2014, Da'esh announced the establishment of an Islamic "Caliphate" in Iraq and Syria, and during 2015, Da'esh seized control of areas in southern Syria in and around Palmyra, Homs, Damascus, and Aleppo. More than half of Syria's pre-war population of 23 million has been displaced; over 4.5 million have fled to neighboring countries and roughly 6.5 million are internally displaced. Syrians, both those that remain in the country and refugees in neighboring countries, continue to be highly vulnerable to trafficking.

Da'esh continues to target women and girls for sexual slavery and forced labor. In December 2014, Da'esh publicly released guidelines on how to capture, forcibly hold, and sexually abuse female slaves. In April 2015, an international organization reported the system of organized sexual slavery and forced marriage—which can lead to commercial sexual exploitation and forced labor—by Da'esh militants is a central element of the terrorist group's ideology. Da'esh continues to force local Syrian girls and women in Da'esh-controlled areas into marriages with its fighters, and it routinely subjects women and girls from minority groups to sexual slavery. In 2014 and 2015, Da'esh abducted thousands of women and girls from the Yezidi and other minority groups in Iraq and sold them in Syria in human trafficking rings or to provide to fighters where they experience forced marriage, domestic servitude, systematic rape, and sexual violence. Da'esh routinely forces Iraqi and Syrian girls to undergo virginity tests before trading them in "slave bazaars" and sending them to various Syrian provinces and other countries for sexual slavery. Additionally, following the February 2015 Da'esh incursion into Assyrian villages in the northeastern province of Hasaka, it captured as many as 30 Assyrian Christian women and forced them into sexual slavery.

In June 2015, an international organization reported the recruitment and use of children in combat in Syria has become "commonplace." Syrian government forces, pro-regime militias, armed opposition forces, and designated terrorist organizations recruit and use children as soldiers, human shields, suicide bombers, and executioners, as well as in support roles. In November 2014, children were among the civilians forced at gunpoint to shield Syrian government forces' tanks entering the town of al-Sheikh Meskin in Dar'a to secure the Dar'a-Damascus highway. Militants also use children for forced labor and as informants, exposing them to retaliation and extreme punishment. An international organization verified hundreds of cases of boys and some girls who have been recruited and used by the Syrian government and armed groups, including the Free Syrian Army (FSA) and FSA-affiliated groups, Kurdish forces, Da'esh, and al-Nusra Front (ANF). Some armed groups fighting with the Syrian government, such as Hezbollah and pro-regime militias known as the National Defense Forces (NDF) or "shabiha," forcibly recruit children, some as young as 6 years old. Reports of the recruitment and use of boys by Da'esh and ANF increased significantly in 2015. Da'esh actively deploys children—some as young as 8 years old—in hostilities, including coercing children to behead Syrian regime soldiers; the terrorist group has deliberately targeted children for indoctrination and used schools for military purposes, endangering children and preventing their access to education. Da'esh operates at least three child training camps in Raqqa; forces children to attend indoctrination seminars; and promises children salaries, mobile phones, weapons, a martyr's place in paradise, and the "gift" of a wife upon joining the terrorist group. By forcibly recruiting and using children in combat and support roles, Da'esh has violated international humanitarian law and perpetrated war crimes on a mass scale.

The Kurdish People's Protection Units (YPG) continued to recruit and use boys and girls, including children younger than 15 years old, reportedly taking them to indoctrination and training camps, despite signing a pledge of commitment with an international organization in June 2014 to demobilize all fighters younger than 18 years old. In May 2015, the YPG and the Women's Protection Units (YPJ) announced compulsory "self-defence duty" for all those aged 18 and older in the Kurdish canton of Afrin in the northern part of the Aleppo Governorate; however, in April 2015, a 16-year-old girl in Aleppo was allegedly recruited by the YPJ against the wishes of her family. An NGO reported in January 2016 instances in which the Iranian government forcibly recruited or coerced male Afghan refugees and migrants, including children, living in Iran to fight in Syria. Some foreigners, including migrants from Central Asia, children, and western women, are reportedly forced, coerced, or fraudulently recruited to join extremist fighters, including Da'esh.

Syrian children are reportedly vulnerable to forced early marriages—which can lead to commercial sexual exploitation and forced labor—and children displaced within the country continue to be subjected to forced labor, particularly by organized begging rings. In 2015, there were credible reports of South Asian women fraudulently recruited to Syria as domestic servants or forced into prostitution, including hundreds of Nepalese women who transited India, Oman, and United Arab Emirates to Syria under false pretenses of employment. According to the media, some Bangladeshi women migrate to Lebanon or Jordan for domestic work with the help of Bangladeshi recruitment agencies but are sold and transported to Syria, where they are subjected to forced labor and sex trafficking.

The Syrian refugee population is highly vulnerable to trafficking in neighboring countries, particularly Jordan, Lebanon, and Turkey. In 2015, an international organization reported a high number of child marriages among Syrian girls among refugee populations, which can lead to commercial sexual exploitation and forced labor. In previous years, there were isolated reports of Syrian refugees forced into "temporary" marriages—for the purpose of prostitution and other forms of exploitation—by men from Jordan and the Gulf states. Arab men reportedly visit refugee camps in Jordan in search of Syrian brides; most reports, however, remain second-hand and very few have been documented and corroborated by the Jordanian government or international organizations working with Syrian refugees. Reports continue of illicit prostitution rings of Syrian refugee women and girls, which are administered by local men, in Turkey and Lebanon, while the Lebanese police issued reports in 2014 detailing the sale of Syrian refugee women by local men. Syrian refugee children continue to engage in street begging in Turkey, Lebanon, and Jordan, some of which may be forced; Syrian women and children begging in the streets in Yemen are highly vulnerable to forced labor and sex trafficking. Syrian gangs inside Lebanon force refugee men, women, and children to work in agriculture in Lebanon's Beqaa Valley, where victims are forced to work under harsh conditions with little to no pay and some are subject to physical abuse. LGBTI persons among the Syrian refugee population in Lebanon are reportedly vulnerable to sex trafficking by Lebanese pimps. Syrian adults are reportedly subjected to forced labor as low-skilled workers in Qatar and Kuwait. In 2014, an international organization reported Syrian nationals temporarily residing in Sudan preferred to travel through Libya en route to Italy with the use of smugglers; these Syrians could be at risk of trafficking along this route. Likewise, displaced Syrians seeking illegal sea passage to Europe through the use of smugglers may be at risk of trafficking.

The Government of Syria does not fully meet the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The government's actions directly contributed to the vulnerability of the population to trafficking and continued to perpetrate human trafficking crimes routinely. As the conflict continued, the government maintained its forcible recruitment and use of child soldiers, subjecting children to extreme violence and retaliation by opposition forces; it also failed to protect and prevent children from recruitment and use by government and pro-regime militias, armed opposition forces, and designated terrorist organizations such as Da'esh. The government continued to arrest, detain, and severely abuse trafficking victims, including child soldiers, and punished them for crimes committed as a direct result of being subjected to human trafficking. The government did not investigate or punish traffickers, including officials complicit in recruiting and using child soldiers, nor did it identify or protect any trafficking victims.

Terrorist Financing 2015:

Designated in 1979 as a State Sponsor of Terrorism, the Asad regime continued its political support to a variety of terrorist groups affecting the stability of the region, even amid significant internal unrest. The regime continued to provide political and weapons support to Hizballah and continued to allow Iran to rearm the terrorist organization. The Asad regime's relationship with Hizballah and Iran grew stronger in 2015 as the conflict in Syria continued. President Bashar al-Asad remained a staunch defender of Iran's policies, while Iran has exhibited equally energetic support for Syrian regime efforts to defeat the Syrian opposition. Statements supporting terrorist groups, particularly Hizballah, were often in Syrian government speeches and press statements.

Over the past decade, the Syrian government has played an important role in the growth of terrorist networks in Syria through the Asad regime's permissive attitude towards al-Qa'ida and other terrorist groups' foreign fighter facilitation efforts during the Iraq conflict. Syria has served for years as a hub for foreign terrorist fighters; the Syrian government's awareness and encouragement for many years of violent extremists' transit through Syria to enter Iraq, for the purpose of fighting Coalition troops, is well documented. Those very networks were among the violent extremist elements, including ISIL, which terrorized the Syrian and Iraqi population in 2015 and – in addition to other terrorist organizations within Syria – continued to attract thousands of foreign terrorist fighters to Syria in 2015. This environment has also allowed ISIL to plot or encourage external attacks in Libya, France, Lebanon, Yemen, Saudi Arabia, Egypt, and the United States.

As part of a broader strategy during the year, the regime portrayed Syria itself as a victim of terrorism, characterizing all of the internal armed opponents as "terrorists."

The Asad regime's policies generate concern regarding terrorism financing. Industry experts reported that 60 percent of all business transactions are conducted in cash and that nearly 80 percent of all Syrians do not use formal banking services. Despite Syrian legislation that required money changers to be licensed by the end of 2007, many continued to operate illegally in Syria's vast black market, estimated to be as large as Syria's formal economy. Regional *hawala* networks (an informal value transfer system among money brokers operating outside traditional financial systems) remained intertwined with smuggling and trade-based money laundering, and were facilitated by notoriously corrupt customs and immigration officials. This raised concerns that some members of the Syrian government and the business elite were complicit in terrorist finance schemes conducted through these institutions.

The United States cannot certify that Syria is in compliance with its obligations under the Chemical Weapons Convention (CWC). The United States assesses that Syria has used chemical weapons systematically and repeatedly against the Syrian people every year since acceding the Convention, and is therefore in violation of its obligations under Article I of the CWC. In addition, the United States assesses that Syria did not declare all the elements of its chemical weapons program, required by Article III of the CWC and that Syria may retain chemical weapons as defined by the CWC. The process of verifying the accuracy and completeness of the Syrian declaration and the resolution of these matters is ongoing.

International Sanctions

Syria is currently subject to EU, US and Arab League Sanctions.

Current EU regulations provide for the following measures: -

- asset freezing measures to be placed on certain persons, entities and bodies identified as being responsible for the violent repression of the civilian population in Syria, and natural or legal persons and entities associated with them.
- a prohibition on the sale, supply, transfer, export, purchase, transportation or brokering of gold, precious metals and diamonds.
- a prohibition or prior authorisation requirement on the sale, supply, transfer or export of goods and technology which might be used for internal repression.
- Prior authorisation required for the sale, supply, transfer or export of equipment, goods or technology that may be used for internal repression.
- Prohibition on the provision of technical assistance, brokering, financing and financial assistance in respect of goods on the Common Military List. Derogations exist where the use of such goods is for food, agricultural, medical or humanitarian/protective use purposes.
- Prior authorisation is required for the provision of technical assistance, brokering services, financing or financial assistance in relation to goods and technologies.
- Prohibition on the sale, supply, transfer or export of luxury goods to Syria. Examples of luxury items include truffles, wine, caviar and leather. The prohibition does not relate to items of a non-commercial nature, for personal use, carried in travellers' luggage.
- Restrictive measures in relation to the arms embargo. Prohibits the provision, directly or indirectly of technical assistance, brokering services, financing or financial assistance in respect of goods in the Common Military List.
- Obligations to provide advance information in relation to customs declarations are to apply to all goods leaving the European Union for Syria.
- A prohibition was placed on the sale, supply, transfer or exportation of equipment and technology to be used in the construction or installation in Syria of new power plants for electrical production. The provision of, direct or indirect technical assistance, financing or financial assistance in that regard, as well as insurance or reinsurance, is also prohibited.
- The ability for authorisation to be granted in respect of financial support for Syrian nationals pursuing an education, professional training or engaged in academic research in the European Union.
- The ability for authorisation to be granted in respect of transfers of funds or economic resources by or through the Central Bank of Syria, where related to a payment due in connection with a specific trade contract.

US Sanctions

There are currently three types of sanctions that the U.S. government has imposed against Syria. The most comprehensive sanction, called the Syria Accountability Act (SAA) of 2004, prohibits the export of most goods containing more than 10% U.S.-manufactured component parts to Syria. Another sanction, resulting from the USA Patriot Act, was levied specifically against the Commercial Bank of Syria in 2006. The third type of sanction contains many Executive Orders from the President that specifically deny certain Syrian citizens and entities access to the U.S. financial system due to their participation in proliferation of weapons of mass destruction, association with Al Qaida, the Taliban or Osama bin Laden; or destabilizing activities in Iraq and Lebanon. Syria Accountability and Lebanese Sovereignty Restoration Act

In May 2004, the President signed E.O. 13338 (PDF 95.3MB) implementing the Syria Accountability and Lebanese Sovereignty Restoration Act (SAA) which imposes a series of sanctions against Syria for its support for terrorism, involvement in Lebanon, weapons of mass destruction programs, and the destabilizing role it is playing in Iraq.

Arab League Sanctions

The Arab League (comprising 22 Arab member states), has approved imposing sanctions on Syria. These include: -

- Cutting off transactions with the Syrian central bank
- Halting funding by Arab governments for projects in Syria
- A ban on senior Syrian officials travelling to other Arab countries
- A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

Iraq and Lebanon have refused to impose the sanctions.

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	13
World Governance Indicator – Control of Corruption	2

Corruption and Government Transparency - Report by Global Security

The law provides criminal penalties for official corruption; however, the government did not implement the law effectively. There are no laws providing for public access to government information, and the government granted no access in practice. There were reports of government corruption during 2010, and the World Bank's Worldwide Governance Indicators reflected that corruption was a problem. Notwithstanding the investigation and dismissal of scores of mid- and low-level officials for corruption during the second half of 2010, many other officials continued to engage in corrupt practices with impunity.

Industry experts reported that 60 percent of all business transitions are conducted in cash and that nearly 80 percent of all Syrians did not use formal banking services. Despite Syrian legislation that required money-changers to be licensed by the end of 2007, many money-changers in 2010 continued to operate illegally in Syria's vast black market, estimated to be as large as Syria's formal economy. Regional "hawala" networks remained intertwined with smuggling and trade-based money laundering, facilitated by notoriously corrupt customs and immigration officials, raising significant concerns that some members of the Syrian government and the business elite were complicit in terrorist financing schemes.

Syria is well known for its corrupt business environment, which denies the Syrian people economic prosperity and other freedoms. The considerable role the Assad family, their inner circle, and the Syrian security services exert over the economy, coupled with the absence of a free judicial system and the lack of transparency, concentrates wealth in the hands of certain classes and individuals. In turn, these classes and individuals depend upon this corrupt system for their success and fortune. Syrians without these connections are unable to improve their economic standing, and suffer as a result of policies implemented by an unaccountable regime.

The corrupt classes have a symbiotic relationship with the Assad regime - both profit from their relationship and neither could function without the other. members of Syria's Sunni community are quick to point out, the corrupt classes are preventing more progressive elements, including many businessmen who have received their college and post-graduate training in the US and Europe, from fully participating in the economy. The Assads run Syria as a family business, and the corrupt classes are the ones that make the business function. Identifying where the family ends and the corrupt classes begin can be difficult.

The corruption which starts at the top filters down through all levels of business. Members of Damascus' Sunni business elite, many of whom have an axe to grind with the regime because of their class's continued diminished role, complain that a predominantly Allawite "corrupt class" has become entrenched over the past 30 years and is using the corrupt system to dominate all levels of business. They contend that the members of the corrupt classes are well-known and that any Syrian could develop a list of the 50 most corrupt. They state that the corrupt classes have varying levels of influence and power in the government, and that the most powerful are in President Asad's inner circle. They further state that all levels of the corrupt classes are connected to Syrian security and military intelligence, which they use to gain monopolistic and extra-legal control of domestic markets.

The business ethos in Syria has deteriorated over the past 30 years due in large part to the influence of the corrupt classes. It is becoming difficult to compete unless one is willing to adopt their methods. Many aspiring businessmen who lack wealth and influence feel compelled to get their start by becoming vassals to the corrupt classes, often beginning as foot soldiers in their patrons' illicit operations and then, after proving their worth, are allowed to spin off their own business enterprises. The strong link between the corrupt classes and the regime, particularly with the Syrian security services, acts as a barrier to entry for those who are not similarly connected.

The security services provide these businessmen with protection and cover to engage in fraudulent import schemes, lucrative smuggling operations and "muscle" to take over businesses and intimidate potential competitors. In return for these services, the officials in the security services receive kickbacks all along the business chain. Individuals related to the heads of the security services attempt to control businesses through blackmail.

Saleem Altoun, aka Abu Sahker, was a Christian from Lattakia who began his career in the 1960's as the bodyguard of former Syrian Prime Minister Yousef Za'en. During the 1980's he became head of imports for the Military Housing Establishment, a position much sought after because of the lucrative kickbacks associated with it. As such, Altoun was responsible for procuring the material needed to construct barracks for the soldier as well as houses and factories for Ba'ath Party members and military brass, realizing spectacular profits for his trouble. Under the protection of the security services, Altoun was also allegedly heavily involved in smuggling, bringing millions of Syrian Pounds (SYP) across the border into Lebanon where he exchanged it for hard currency.

In the mid- to late-1980's, the Syrian government arrested Altoun for allegedly forging import documents after contacts contend that his patronage ran out and he was in a position to be held liable under one of the Syrian government's periodic anti-corruption campaigns. He served his sentence in a posh cell with full access to the outside world. Proof of his continued influence was his son, Sahker Altoun, General Manager of the Zeina and Altoun Trading companies and a leading Damascus businessman. Sahker built on his father's business base and now is the exclusive agent for Hyundai and Jaguar in Syria's lucrative automobile import sector.

The maternal and paternal cousins of President Bashar Asad, Rami Makhlouf and General Dhu al Himma as-Shaleesh, respectively, have developed significant economic power bases that are increasingly political as well. Headed by Mohammad Makhlouf, the Makhlouf family rose from humble beginnings to become the financial advisor to Hafez al-Assad after the former President married Makhlouf's sister. The family has established a vast financial empire in the telecommunication, retail, banking, power generation, and oil and gas sectors. Though Mohammad Makhlouf played a clearly subservient role to the elder Assad, he and members of his family have become more assertive politically since his nephew Bashar has ascended to the Presidency. Rami is the caretaker of the family's investments and is widely considered to be the poster boy of corruption in Syria. Syrians used to whisper "Makhlouf, Makhleef," playing on the Arabic word "khaleef," which in English means "heir," to indicate the extent of Rami's influence. Many business contacts have relayed to Post how Makhlouf has used the Syrian security services and his personal relationship to President Assad to intimidate and steal promising business ventures from them.

Members of the Shaleesh family, specifically Zuhayr, aka Dhu al-Himma, who as of 2005 was the head of Presidential Security, and his nephew Asif Issa, were comparatively as powerful but possibly more corrupt than the Makhloufs. Unlike the Makhloufs, who attempted to burnish their reputation among average Syrians with their investments in Syria's cellular phone network and the chain of duty free stores along Syria's borders, the Shaleeshes made no effort to create a friendlier image. As well as being active in the automobile and construction sectors, the Shaleesh family had engaged in a wide range of illicit activities including smuggling and money laundering.

In June 2005, the US Government formally established the family's involvement in Syrian government policies to undermine US interests in Iraq when it designated the uncle and nephew and their company, SES International Corporation, under E.O. 13315 for procuring defence-related goods for Sadaam Hussein in violation of international sanctions. According to the US Treasury, SES helped the former Iraqi regime access weapons systems by issuing false end-user certificates to foreign suppliers that listed Syria as the final country of destination. SES International then trans-shipped the goods to Iraq.

Prior to the 2003 war in Iraq, the Syrian government awarded Shaleesh's SES International exclusive rights on contracts to supply th Iraqi market with goods from construction materials to detergent. SES then sold the contracts to Syrian and foreign companies for a substantial fee. Contacts further state that Dhu al-Himma Shaleesh received a significant amount of the $580 million USD in Iraqi assets that the Syrian government illegally paid out to Syrian claimants. (Note. The Syrian government has yet to resolve this issue with the Iraqis though it blames the stalemate on Iraqi inaction. End note.) Others assert that SES has established dominance in the construction materials sector over the las year and that it continues to expand its business interests seemingly unfettered by U.S. sanctions.

President George W. Bush issued E.O. 13460 on February 13, 2008 to take additional measures to address the threat to the national security, foreign policy, and economy of the United States posed by certain conduct of the Government of Syria. This new authority built on E.O. 13338, which was issued by President Bush in May 2004, by targeting activities that entrench and enrich the Syrian regime and its cohorts thereby enabling the regime to continue to engage in threatening behavior, including actions that undermine efforts to stabilize Iraq. Corruption by the regime also reinforces efforts that deny the people of Syria political freedoms and economic prosperity, undercut peace and stability in the region, fund terrorism and violence, and undermine the sovereignty of Lebanon.

On 21 February 2008 the U.S. Department of the Treasury designated Rami Makhluf, a powerful Syrian businessman and regime insider whom improperly benefits from and aids the public corruption of Syrian regime officials. This action was taken pursuant to Executive Order 13460, which targets individuals and entities determined to be responsible for or who have benefited from the public corruption of senior officials of the Syrian regime. "Rami Makhluf has used intimidation and his close ties to the Assad regime to obtain improper business advantages at the expense of ordinary Syrians," said Stuart Levey, Under Secretary for Terrorism and Financial Intelligence. "The Assad regime's cronyism and corruption has a corrosive effect, disadvantaging innocent Syrian businessmen and entrenching a regime that pursues oppressive and destabilizing policies, including beyond Syria's borders, in Iraq, Lebanon, and the Palestinian territories."

Rami Makhluf is a powerful Syrian businessman who amassed his commercial empire by exploiting his relationships with Syrian regime members. Makhluf has manipulated the Syrian judicial system and used Syrian intelligence officials to intimidate his business rivals. He employed these techniques when trying to acquire exclusive licenses to represent foreign companies in Syria and to obtain contract awards.

Makhluf is the brother of Syrian General Intelligence Directorate official Hafiz Makhluf, who was previously designated under E.O. 13441. Makhluf is the maternal cousin of President Bashar al-Asad and through this relationship, Makhluf has become a focal point of Syria's telecommunications, commercial, oil, gas and banking sectors. Despite President Asad's highly publicized anti-corruption campaigns, Makhluf remains one of the primary centers of corruption in Syria.

Makhluf's influence with certain Syrian government officials has led to his being able to control the issuance of certain types of profitable commodities contracts. His close business associations with some Syrian cabinet ministers have enabled him to gain access to lucrative oil exploration and power plant projects. Makhluf's preferential access to Syrian economic sectors has led to complaints about him from members of the Syrian business community.

Corruption continued to be a pervasive problem in the police forces and security services. During 2010 there were reports of prison guards demanding bribes from prisoners and their visitors. Visiting family members who paid higher bribes enjoyed visits to detainees without police surveillance. Bribes reportedly ranged from 200 to 3,300 Syrian pounds ($4 to $75). Human rights lawyers and family members of detainees also cited solicitation of bribes for favourable decisions and provision of basic services by government officials throughout the legal process in both courts and prisons. Traffic police officers regularly solicited bribes from drivers, and child labourers reported bribing police to avoid arrest.

There are no public financial disclosure laws for public officials. The prime minister's Central Commission for Control and Inspection is the main administrative body responsible for coordinating and monitoring public sector corruption. Each government body, including the ministries, has a Control and Inspection Department that reports directly to the Central Commission. There is no government body charged with monitoring private-sector corruption.

In August 2010 the government announced that the volume of official corruption during the past 19 months amounted to five billion Syrian pounds ($104 million). However, independent observers claimed the number was much higher. According to Transparency International, corruption worsened relative to the prior reporting year.

Section 3 - Economy

Syria's economy continues to deteriorate amid the ongoing conflict that began in 2011, declining by 62% from 2010 to 2014. The government has struggled to address the effects of international sanctions, widespread infrastructure damage, diminished domestic consumption and production, reduced subsidies, and high inflation, which have caused dwindling foreign exchange reserves, rising budget and trade deficits, a decreasing value of the Syrian pound, and falling household purchasing power.

During 2014, the ongoing conflict and continued unrest and economic decline worsened the humanitarian crisis and elicited a greater need for international assistance, as the number of people in need inside Syria increased from 9.3 million to 12.2 million, and the number of Syrian refugees increased from 2.2 million to more than 3.3 million.

Prior to the turmoil, Damascus had begun liberalizing economic policies, including cutting lending interest rates, opening private banks, consolidating multiple exchange rates, raising prices on some subsidized items, and establishing the Damascus Stock Exchange, but the economy remains highly regulated. Long-run economic constraints include foreign trade barriers, declining oil production, high unemployment, rising budget deficits, increasing pressure on water supplies caused by heavy use in agriculture, rapid population growth, industrial expansion, water pollution, and widespread infrastructure damage.

Agriculture - products:

wheat, barley, cotton, lentils, chickpeas, olives, sugar beets; beef, mutton, eggs, poultry, milk

Industries:

petroleum, textiles, food processing, beverages, tobacco, phosphate rock mining, cement, oil seeds crushing, automobile assembly

Exports - commodities:

crude oil, minerals, petroleum products, fruits and vegetables, cotton fibre, textiles, clothing, meat and live animals, wheat

Exports - partners:

Iraq 64.7%, Saudi Arabia 11.2%, Kuwait 7.1%, UAE 6.1%, Libya 4.6% (2015)

Imports - commodities:

machinery and transport equipment, electric power machinery, food and livestock, metal and metal products, chemicals and chemical products, plastics, yarn, paper

Imports - partners:

Saudi Arabia 28%, UAE 13.7%, Iran 10.1%, Turkey 9%, Iraq 8.3%, China 6.1% (2015)

Banking

Despite the ongoing efforts to upgrade and develop the services of the nascent private banking sector, Syria's banking system remains inadequate for most commercial needs. However, investors are optimistic that private banks are intent on developing their services and thirteen private banks, including two Islamic banks, have opened since Decree 24 was issued in 2002. The number of branches and offices run by the private banking sector increased to 166 as of the middle of December 2009, with Damascus hosting the largest number of branches.

Government-owned and operated public banks continue to dominate the banking sector, consisting of the Central Bank of Syria and five specialized banks: the Commercial Bank of Syria, the Agricultural Cooperative Bank, the Industrial Bank, the Real Estate Bank, and the Popular Credit Bank. In 2007, the Central Bank of Syria announced the establishment of a clearing house for Euro and U.S. dollar transactions in order to reduce the time and cost of inter-bank transactions. In November 2009, a Presidential decree increased the nominal capital of the Real Estate Bank, the Industrial Bank, the Savings Bank and the Popular Credit Bank from SYP 1.5 billion (approximately $30 million) to SYP 10 billion (approximately $200 million) each. This increase, which should be carried out within three years, aims to strengthen the capital base of the banks and assist in financing development.

According to Syrian banking regulations the Central Bank, the CBS, and the newly licensed private banks may engage in international transactions and hold foreign exchange deposits outside Syria. In February 2006, the Syrian government decided to replace the U.S. dollar with the Euro for export, import and services payment transactions. The public and private banks are also permitted to provide commercial banking services, including letters of credit. An April 2005 decision by the Ministry of Economy and Trade permitted private banks to issue U.S.-dollar letters of credit backed by Syrian pounds for the importation of certain items. Within Syria, the Commercial Bank and the private banks may sell Syrian pounds for foreign currencies, but, with few exceptions, Syrian pounds cannot be sold back to the Commercial Bank.

Stock Exchange

In October 2006, President Asad issued Decree 55 formally establishing the Damascus Stock Exchange (DSE), and has since named a governing board. DSE started official operations in March 2009.

Section 4 - Investment Climate

Openness to Foreign Investment - Please note that this report was written in 2011

Designated by the U.S. government as a state sponsor of terrorism, Syria has been subject to the U.S. Department of Commerce's Export Administration Regulations (EAR) for over thirty years. All dual-use goods and advanced technology items have been controlled and/or restricted from the Syrian market since 1979. These restrictions were enhanced through the implementation of economic sanctions under the Syria Accountability Act (SAA) of May 11, 2004. As currently implemented, the SAA does not ban U.S. investments. However, the current ban on the export of almost all products of the United States has made investments by U.S. businesses more difficult to carry out, and the President has the authority to extend implementation of the SAA to ban all U.S. business and investment activity in Syria at any time.

SAA sanctions are in addition to restrictions under the Grassley Amendment that prevents U.S. corporations from taking advantage of foreign tax credits for taxes paid in Syria. Furthermore, the President has designated more sanctions under the International Emergency Economic Powers Act (IEEPA) and Section 311 of the USAPATRIOT Act regarding financial transactions with the Commercial Bank of Syria. As a result, the transfer of U.S. dollars to and from Syria has become more difficult, making investments that much more challenging to execute. Therefore, since the end of 2006, a number of U.S. corporations, notably in the oil and gas sector, made the decision to divest and cease their activities in Syria.

Syrian officials and ministers routinely stress publicly the need for economic reform in order to attract foreign direct investment and thus stimulate economic growth and increase employment. Announced liberalizations are often rescinded or contradicted by other government officials, however, sometimes at the expense of private companies that have made business decisions based on government commitments subsequently annulled. Although a bloated bureaucracy, rampant corruption, and the lack of a truly independent judiciary are still significant impediments to business, in 2010 the Syrian Arab Republic Government (SARG) did issue new laws in the fields of investment, tourism, shipping, arbitration, intellectual property rights (IPR), banking and finance, real estate, agriculture, transport, irrigation, industry, electricity, labor, and trade that continue its effort to reform the country's economy. Continued political instability in Syria's neighboring countries, as well as the international financial crisis, has discouraged significant foreign investment.

Investment Law No. 10 (1991) and its amending Decree No. 7 (2000) were the SARG's initial attempts to stimulate foreign direct investment in Syria; unfortunately, the Higher Council for Investment's (HCI) lack of definitive criteria for adjudicating foreign applications left the process open to political pressures, lobbying, and corruption. This first attempt at reform suffered long delays and was seriously lacking in many areas. Consequently, due to poor implementation, Investment Law No. 10 fell short of its goal of making Syria a more attractive investment venue.

To address the shortcomings of Investment Law No. 10 and its amending Decree No. 7, the SARG announced Decrees Nos. 8 and 9 in January 2007, which resulted in a dramatic year-on-year increase in the number of HCI-approved projects. Decree 8 allows preexisting investment licenses (under Law 10 and Decree 7) to continue unchanged.

Decree No. 8 is designed to enable investors, whether Syrians, Arabs, or non-Arab foreigners, to own or lease the land required for their projects, and provides for free repatriation of profits, dividends and invested capital on condition that all tax liabilities have been met. If a foreign investor encounters obstacles in setting up a project, and decides to withdraw within six months of receiving a license, all capital invested up to that point may be freely repatriated. Foreign staff will be entitled to repatriate up to 50 percent of their net income and 100 percent of any end-of-service benefits. Additionally, Decree 8 exempts investors from paying customs duties on equipment imported to set up their projects, but they are liable to standard corporation taxes which fall under the jurisdiction of the 2006 Tax Law. However, investors are eligible for tax deductions if they choose to establish their projects in one of Syria's industrial zones. Decree No. 8 offers additional tax deductions for projects that create a high number of new jobs, as well as for projects with many shareholders.

To encourage investments in the underdeveloped eastern region of the country, namely in al-Hasakeh, Dayr az-Zawr and al-Raqqa, the SARG passed a law in September 2009 exempting investment projects located in those regions from taxes and fees for a period of ten years, provided the projects were licensed before December 31, 2012.

To attract investments into regions other than Damascus and Aleppo, the Syrian Investment Agency (SIA) in August 2010 divided the country into four main development zones and established different minimum investment capital requirements for each region. The minimum investment capital for projects established in greater Damascus and Aleppo remained USD 1,000,000, the minimum investment capital for projects established in Homs, Hama, Tartous and Latakia was reduced from USD 1,000,000 to USD 600,000, the minimum investment capital for projects established in Dar'a, Sweida, Quneitra, and Idleb was reduced from USD 600,000 to USD 400,000, and the minimum capital requirement for projects established in the eastern region, namely Dayr az-Zawr, al-Hasakeh and al-Raqqa, was reduced from USD 600,000 to USD 200,000.

Most sectors are open for private investment under Investment Law 10, Decree 7, and Decree 8 except for cotton ginning, water bottling, and cigarette production. All investment laws and decrees cover projects in the fields of manufacturing, land and air transportation, water, sanitation, agriculture, solid waste, telecommunications, airports, electricity generation, health and services. Tourism and real estate investments are covered by separate legal and tax frameworks and governed by the Ministry of Tourism. Oil and gas projects and salt mining must be coordinated directly through the Ministry of Petroleum. The Ministry of Finance governs the establishment of private banks and insurance companies and the Ministries of Education and Higher Education govern the establishment of private schools and universities.

As a corollary to Decree 8, the SARG also passed Decree 9 of 2007 forming the Damascus-based Syrian Investment Agency (SIA). The Higher Council for Investment (HCI) meets twice per year to review general investment policies and has delegated operational decision-making to the SIA. The SIA, under the auspices of the Prime Minister's office, has overall responsibility for supervising national investment policies, developing and enhancing the investment environment in Syria, providing data and statistics to investors, approving projects, and annulling licenses for those projects not implemented within the required timeframe. To facilitate investment and overcome bureaucracy, the SIA opened branches in several major Syrian cities and plans to open additional branches to cover the whole country by the end of 2011.

In accordance with Article 16 of Decree 8, the SIA has formally stopped Law 10 and its amendments in May 2010. Expansions of projects established under Law 10 will be subject to Decree 8 of 2007.

Decree 9 also charged SIA with providing one-stop-shopping to potential investors in order to speed processing of investment applications and help reduce bureaucratic hurdles. The SIA officially inaugurated its One-Stop-Shop in early December 2008, offering an "Investment Map" of Syria produced with assistance from the United Nations Development Program (UNDP). The map is designed to provide detailed information pertaining to laws and regulations governing investment in Syria, as well as a list of established investment projects and continuing investment opportunities. The map was launched online and is available in thirteen languages including Arabic, English, French, Chinese, Japanese, Spanish, Turkish, German, Korean, Farsi, Russian, Portuguese, and Italian. Furthermore, SIA representatives have been appointed in every Syrian embassy abroad to showcase Syria to potential investors.

The SIA is supposed to meet at least bi-weekly to reduce the review process time to two weeks from application to decision. The SIA board members are appointed by the Prime Minister and include a Chairman, Director General, Deputy Director General, Deputy Ministers of Finance, Local Administration and Environment, Economy and Trade, Agriculture, Transport, Industry, Tourism, Social Affairs and Labor, Housing and Construction, and the State Planning Commission as well as a representative from each of the Federation of the Syrian Chambers of Industry, the Federation of the Syrian Chambers of Commerce, the Federation of the Syrian Chambers of Agriculture, and the Federation of the Syrian Chamber of Shipping, the SIA's Director of Legal Affairs, the Director of the One-Stop-Shop, and SIA's Director of Marketing.

According to Decree 9, HCI members include the Prime Minister, Deputy Prime Minister for Economic Affairs, Ministers of Finance, Local Administration and Environment, Tourism, Agriculture, Social Affairs and Labor, Economy and Trade, Housing and Construction, Transport, and Industry, the Head of the State Planning Commission, as well as the Chairman of the SIA and its Director General.

Despite the government's recognition of the need to change Syria's investment climate, both foreign and local business leaders continue to cite three main obstacles to growth in investment. First, the private banking sector, while growing, remains immature and would struggle to finance simultaneous multiple large-scale projects. Second, the inconsistent application of the rule of law makes contractual obligations inherently uncertain and potentially impossible to enforce. Finally, the lack of regulatory transparency and specificity, particularly when dealing with government-affiliated entities, leads to a climate of bureaucracy, confusion, intimidation, and corruption.

Foreign investors are often hampered by a lack of awareness throughout the tendering process and complain that winning bids are often based more on contacts and relationships than the actual merits of a proposal. Certain ministers in the government have acknowledged this problem within the last few years and have tried with relatively little success to address it. Similarly, in the judicial system, judgments are subject to external pressures that make it difficult for businesses to ensure that contracts are binding.

Government officials stated that no privatization of state enterprises would take place during the tenth Five-Year Plan, which ran through 2010, or the coming eleventh Five-Year Plan, which runs from January 2011 through December 2015. However, the SARG has approved private sector management of state enterprises in an effort to improve efficiency and productivity. In 2007 the SARG awarded a contract to a Philippines-based company to develop and run the containerized cargo terminal in the Port of Tartous. Similarly, in 2008, the SARG awarded a contract to a French-Syrian consortium to operate the containerized cargo terminal at the Port of Latakia. The tendering process was typically opaque and the winning French company may have benefited from an improving political relationship between Syria and France as well as from having an influential Syrian partner.

Despite recent legislative attempts at reform, the economy remains largely centrally planned, and uncompetitive public sector companies continue to drain government finances. While government officials publicly reject the notion of privatizing state enterprises on ideological grounds, such positions likely reflect their unstated pragmatic fears of a dramatic increase in unemployment.

However, realizing the need for foreign investment in large infrastructure projects, the Deputy Prime Minister for Economic Affairs, Abdullah al-Dardari, in cooperation with The British Syrian Society, organized a two-day conference in late 2009 to promote Public-Private Partnership (PPP). The concerned authorities prepared a draft law to pave the way for such projects, especially in the electricity, transport and petroleum and gas sectors. The PPP law, originally expected in early 2010, is now expected to be issued in early 2011.

In a bid to meet growing demand for electricity, the SARG passed Law 32 in November 2010 allowing private sector investment in the generation and distribution of electricity in both traditional and renewable energy fields. Public-private partnerships are also permitted under Law 32. Accordingly, the Ministry of Electricity issued a tender for Syria’s first Independent Power Plant (IPP) plant that attracted 18 international companies. The winner is expected to be announced in early 2011. In addition, Marafeq, a Syrian-Kuwaiti consortium, signed an accord in May 2010 with Denmark’s Vestas to establish a 100 MW wind farm in Syria.

In October 2010, the President signed Decree 81 establishing the “Syria for Investment” holding company, with initial funding of USD 110 million. The holding company was to develop investment projects and establish joint partnerships between Syrian and foreign companies. Decree 81 permits “Syria for Investment” to establish offices inside and outside Syria.

In addition to the challenges mentioned above, business contacts highlighted the following specific difficulties of doing business in Syria:

- The SARG requires import licenses for every item imported, except for raw materials and items imported from Turkey, Iran and the GAFTA (Greater Arab Free Trade Agreement) countries. Likewise, foreign companies must acquire permits for each item of equipment intended for temporary use and subsequent re-export (i.e. drilling rigs) to avoid paying import duties. The validity of these permits can be difficult to extend if the company’s service contract expires and the company wishes to keep the equipment in the country for stand-by usage. Delays in the re-export of equipment after a temporary permit expires have resulted in heavy fines.

- Syrian corporate, income, and wage tax liabilities for foreign contractors are unclear and continue to complicate the operations of many companies.

- The awarding of contracts is often delayed by the lobbying efforts of influential local business interests and groups. Even in cases devoid of external influence, bureaucrats fear accusations of corruption and abuse, and therefore often require additional reviews not mandated by law of investment proposals and these can cause inordinate delays. The SARG has reiterated its commitment to increasing the degree of transparency in the process, but foreign and Syrian firms continue to cite problems.

- Public sector employees may demand bribes for required routine services. The average public sector employee earns wages estimated at USD 230 per month. Public sector wages have not kept up with rising inflation and many public employees justify petty corruption by a need to make ends meet. In addition, labor laws are complex and significantly limit an employer's flexibility to hire and fire employees.

In April 2010, the SARG enacted Law 17, a new, modern, and business-friendly labor law that eases constraints on employers but also provides clearer guidelines on the rights of employees. Law 17 provides guidelines and rules on labor relations for the private, public-private and cooperative sectors. Law 17 gives the right for employers to fire their employees without lengthy justification and with limited compensation.

- Syrian property law – at least since the Ba’athists took power in the early 1960s - has been tenant-friendly, which made it difficult for landlords to lease residential properties, negotiate rent rates, and evict problem tenants. In addition, at the end of 2004, the government implemented an 18 percent tax on any real estate leased for use by foreign persons or entities. In 2005, however, the SARG began implementing a residential rent law passed in 2000 that affords landlords greater rights and protections.

In 2006, the SARG issued a law permitting commercial real estate owners to lease their properties according to contract terms. The law allows real estate owners to reclaim their properties after the contract's term of validity has expired. In addition, foreign investors in real estate and the tourism sector have been able to take advantage of decisions of the Higher Council of Tourism that provide foreign landlords with exemptions from labor and tenant laws.

In June 2008, the SARG issued Law 11 regulating property ownership by non-Syrians. The law's objective is to facilitate foreign ownership of residential property as a means of stimulating greater overall foreign investment. However, restrictions made it a difficult process as non-Syrians must obtain government approval before buying property. In addition, Law 11 limits what types of properties can be bought or resold by non-Syrians, and if a foreign owner dies the heirs must sell the property within one year. Law 15 of July 2008 established a Real Estate Development and Investment Authority specifically empowered to encourage investment in the real estate sector. Despite these steps, foreign individuals and companies are only allowed to rent offices and residences for a non-renewable maximum period of 15 years.

In June 2010, the SARG issued Decree 26 organizing land-use planning, protecting environmentally-sensitive and cultural areas, and putting a limit on informal settlements around the country's major cities.

In late December 2010, the SARG approved a draft law changing some articles of Law 11 that removed many of the restrictions imposed by Law 11. The amended law aims to boosting international interest in the Syrian property market.

In September 2008, the SARG passed Decree 9 in an attempt to curb illegal housing. The Decree applied to any new construction of illegal housing (but not existing housing) and listed a set of penalties that included prison terms from three months to ten years as well as fines of USD 4,000 to USD 87,000.

In December 2008, the SARG passed Law No. 33 authorizing the granting of title/deeds to owners of existing illegal housing units. The registration process took place at special councils established by the law that were entrusted with the task of confirming the property deeds. Beneficiaries had to pay 10 percent of the unit's estimated value to the Treasury as property tax.

To better regulate the real estate sector, the SARG passed Law No. 39 in late December 2009 establishing a Mortgage Finance Supervisory Authority (MFSA). Starting in 2010, the MFSA was responsible for issuing all mortgage finance related legislations and regulations including standard contracts, licensing instructions to mortgage companies and funds, as well as the set-up of a national mortgage entity. Law 39 imposes penalties on mortgage firms that violate the existing regulations.

In October 2010, the SARG passed Decree 82 that established a number of new rules on the real estate sectors in a bid to increase the supply of real estate properties in Syria's main cities by forcing land owners to build.

In April 2010, the Prime Minister issued Decision 2139 requiring real estate brokerage companies to formalize their operations within a period of six months. The decision, effective October 29, 2010, aims to regulate the management of real estate brokerage companies.

The SARG passed Law 88 in October 2010 permitting the establishment of financial leasing companies in Syria. The law covers the establishment of both conventional leasing companies at a minimum capital of USD 10.5 million and Shari'a-compliant firms, known as Ijara, at a minimum capital of USD 16 million. Law 88 permits foreign leasing companies to set up wholly owned branches in Syria after obtaining a license from the Central Bank of Syria but does not allow non-Syrians to own more than 60 percent of the equity. Under the law, Leasing companies work under the supervision of the Central Bank of Syria and real estate leasing companies are supervised by the Mortgage Finance Supervisory Authority which was established at the end of 2009.

Syria has no mortgage law. Many private banks, however, do offer housing loans but mortgage lending is still not a major income stream for banks.

Enforcement of the Arab League Boycott of Israel (dating from 1967) may lead to difficulties in the importation of needed products or in registering trademarks because the government requires additional paperwork certifying compliance with the boycott. U.S. law prohibits companies from providing this paperwork. Anecdotal reports indicate the SARG has occasionally waived its requirement for boycott compliance certification in order to facilitate business with large U.S. companies. As of September 2009, the Syrian Trademark Office is no longer asking foreign companies to fill out an application declaring their compliance with the Arab League Boycott of Israel.

Index/Ranking	**2010**
Transparency International Corruption Index	127
Heritage Economic Freedom Index	145
World Bank Doing Business Index	144

Conversion and Transfer Policies

Under the guidelines of the USAPATRIOT Act, the President designated the Commercial Bank of Syria (CBS) as an institution of primary money-laundering concern. Consequently, the Secretary of the Treasury issued a decision on March 9, 2006 banning correspondent relations between the Commercial Bank of Syria and U.S. financial institutions. Although the U.S. Treasury sanction only targets CBS, many U.S. and European banks subsequently cut off correspondent banking relationships with all Syria-based financial institutions.

In March 2001, the SARG passed Law No. 28, which authorized the establishment of private and joint-venture banks. The law made general provisions for the operation of private banks and set a minimum Syrian ownership requirement of 51 percent. At the same time, a banking secrecy law was also issued that authorizes numbered accounts and restricts asset seizures. To date, eleven private traditional banks are operating in the country and are generally able to carry out the same banking operations that are permissible to the Commercial Bank of

Syria. In May 2005, a Presidential decree (Decree 35) allowed the establishment of Islamic banks in the country with a minimum of 51 percent Syrian ownership. At present, three Islamic banks are operating in the country.

In May 2009, the SARG allowed foreign banks to open representative office in Syria. However, no banking or profit-generating activities are allowed as the scope of activities of these offices is limited to providing advisory services as well as representing the interests of the parent banks in Syria.

In early January 2010, the SARG passed Law No. 3 amending some articles of Law No. 28 of 2001 and Decree 35 of 2005. Law 3 stipulates an increase in the capital of private banks from USD 60 million to USD 200 million and of Islamic banks from USD 100 million to USD 300 million. Law 3 also increased allowable foreign ownership of private banks from 49 percent to 60 percent. Law 3 gives licensed banks operating in Syria a period of three years to increase their capital to the required minimum.

In July 2010, the President passed Legislative Decree 56 allowing investment banks with a minimum capital requirement of USD 425 million to enter the market.

Under current Syrian laws, investors are permitted to open foreign exchange accounts with CBS, the Real Estate Bank and the eleven existing private banks, and may retain 100 percent of their export revenues. Decree 8 allows the repatriation only through Syrian banks of foreign currency profits generated from the import of capital into the country.

Newly opened private banks can provide the same level of banking services as CBS and Real Estate Bank, including opening saving/checking accounts and issuing Letters of Credit (L/Cs), provided the money originates from outside the country. In some limited instances, private banks are allowed to issue U.S. dollar-denominated L/Cs backed by Syrian pounds.

In 2006, the government allowed private investors to have access to foreign currency through CBS to finance the import of raw materials. In 2007, the SARG authorized foreign investors to receive loans and other credit instruments from foreign banks, and to repay them as well as any accrued interest from the proceeds of their projects using local banks. In February 2008, the SARG permitted investors to receive loans in foreign currencies from local private banks provided that the loans were used to finance capital investment, particularly the import of machinery and production equipment. Debtors are free to repay their loans from their foreign currency accounts in Syria or abroad or by purchasing foreign currency from the lending bank.

To boost investment in the tourism sector, the SARG allowed local banks to provide financing to hospitality projects developed on the Build-Operate-Transfer (BOT) model. Local banks can now fund up to 50 percent of the cost of the project and repayment will begin after the project enters into operation.

Aside from the loosening of controls under the previous Investment Law No. 10, Decree No. 7, and Decree 8, strict foreign exchange restrictions were enforced until mid-2003. Even though recent legal changes permit the possession of foreign currency, overseas borrowing and the export of capital still require the approval of the Central Bank. These restrictions, however, are often disregarded. Foreign companies operating under the provisions of other laws may transfer capital inside Syria only in accordance with special agreements, usually in the form of a Presidential decree. The SARG passed Law 24 in April 2006 which permits the operation of private money exchange companies, provided such operations are licensed. To date, there are 13 currency exchange companies and 28 currency exchange bureaus operating across the country. Four additional companies and 18 bureaus have obtained licenses to operate, but have not started yet. Many more, however, continue to operate illegally on Syria's vast informal market.

Outward capital and profit transfers are permitted to companies licensed under Decree 8. Otherwise, they are prohibited unless approved by the Prime Minister or arranged separately, as in the case of production-sharing agreements with oil exploration companies. Decree 8 allows free repatriation of profits, dividends and invested capital, on condition that all tax liabilities have been met. In addition, if a foreign investor encounters obstacles in setting up a project, and decides to withdraw within six months of receiving a license, all capital invested up to that point can be freely repatriated. Foreign staff will be entitled to repatriate up to 50 percent of their net salaries, and 100 percent of any end-of-service benefits.

In a bid to liberalize the Syrian Pound and to loosen restrictions on hard currency outflows, in 2008 the SARG permitted Syrians travelling abroad to purchase the equivalent of USD 10,000 for use during their trips. In July 2009, the SARG permitted local banks to open accounts for clients to use for their international debit cards. These accounts may hold a maximum of USD 10,000 or its equivalent in Syrian Pounds or any other foreign currency. The holders of these accounts will be able to withdraw up to USD 10,000 per month while travelling abroad.

The SARG issued two decisions in November 2010 that ease restrictions on hard currency dealings. The first decision allowed local banks and foreign exchange companies to sell the equivalent of USD 10,000 per month to customers without justification. The second decision permitted banks to sell investors the hard currency they need to repatriate their profits.

In the case of foreign oil companies, "cost recovery" of exploration and development expenditure is governed by formulas specifically negotiated in the applicable production sharing agreement. Foreign oil partners in production-sharing joint ventures with the state oil company report delays in the recognition of "cost recovery" claims, although payments are eventually approved.

In February 2007, the President issued Decree 15 permitting the establishment of financial, banking and social institutions that provide micro-financing and insurance to small investment projects. These institutions target clients in the suburbs and rural areas, and are expected to provide loans as small as $100. Anyone with the required minimum capital of $5 million may open such an institution, though foreigners must first obtain approval from the Prime Minister.

The First MicroFinance Institution (FMFI), as the bank is named, started operations in November 2008. FMFI currently operates branches in most Syrian cities and plans to expand its network to 23 branches throughout the country. Bab Rizq Jameel, a Saudi-based microfinance institution, was licensed in March 2010 as Syria's second micro-finance institution. A special Presidential Decree issued in February 2010 established the USD seven million Ibdaa Small and Micro Finance Bank, Syria's first bank for the poor. Ibdaa Small and Micro Finance Bank, headquartered in Damascus, started operations in August 2010 and plans to operate 40 branches throughout the country within the next three years.

Expropriation and Compensation

The main period of the expropriation of private property occurred from 1964 to 1966, after the Ba'ath Party seized power on March 8, 1963. During this period, as well as in the late 1950s after Syria's brief union with Egypt, the government nationalized many private farms and factories without paying any compensation. To the best of the Embassy's knowledge, no one has been compensated for the material losses that occurred as a result of nationalization, although we have heard anecdotal accounts that there were some offers of derisory sums for compensation that landowners rejected out of hand. Between 1967 and 1986 there were fewer cases of expropriation because the government had already seized the most valuable properties. The Embassy does not have any knowledge of private property nationalized after 1986.

Investment laws enacted in 1985-86 for specific sectors, i.e. tourism and agriculture, included clauses that protected against expropriation and nationalization. Decree 7 of 2000 explicitly stated that projects licensed under Investment Law No. 10 could not be nationalized or expropriated. Likewise, Decree 8 of 2007 explicitly states that projects could not be nationalized or expropriated. Decree 8 opened many sectors to private investment including petroleum refining, electricity generation, cement production, sugar refining, infrastructure, air transportation, environment, and services. Projects in the fields of oil and gas production, private schools and universities, banking and insurance, and tourism and real estate continue to be regulated under separate, specific laws.

In late 2008, the SARG authorized the private sector to invest in salt extraction and mining projects subject to licensing by the Ministry of Petroleum and Mineral Resources. In late 2009, the SARG issued legislation governing the private extraction and investment of quarries. The law allows companies which obtain the required licenses to invest in a quarry for a period of three years, extendable. The law also permits the formation of partnerships between the private and the public sectors to operate in areas that were previously restricted to the public sector.

Despite these protections, the rule of law is weak in Syria and the SARG does occasionally seize the property and business interests of political opponents and officials who have fallen out of favor. In early 2006, alleging corrupt practices, the SARG confiscated all residential, commercial and business assets of former Vice President Abdul Halim Khaddam, his wife, and all other members of his family, including his children, their spouses and their children. In early 2008, the Ministry of Finance seized the assets of the board members of al-Nama' Company due to corruption and for providing misleading information. In April 2008, the

Minister of Finance issued a decision seizing all properties owned by Noura Sharabati, Lebanese MP Walid Junblat's wife.

Dispute Settlement

On June 8, 2005, Syria signed the Washington International Convention on Investment Dispute Settlement. In addition, as a party to the New York Convention on Arbitration, the SARG accepts binding international arbitration of disputes between foreign investors and the state in cases where the investment agreement or contract includes such a clause. Otherwise, local courts have jurisdiction. Arbitration cases involving the public sector must be tried by the State Council, which attempts to ensure the integrity of the process; however, they have no authority to enforce their decisions.

In March 2008, the SARG issued the country's first arbitration law. Law 4 authorized the establishment of an official arbitration center in Syria, which was registered with the Ministry of Justice and included a registry of accredited arbitrators. According to the law, public sector entities were permitted to resolve disputes through arbitration. In December 2009, Syria launched its first economic arbitration center the "Hammurabi Arbitration and Reconciliation Center," for the protection of local, Arab and foreign investments in the country. According to official sources, there are at present 20 arbitration centers operating in the country.

A number of U.S. suppliers and companies have asserted claims against state enterprises for non-payment of goods and services delivered. The government has made an effort since 1996 to settle some of these cases on a case-by-case basis and one American supplier finally received payment in 2002 for goods delivered in 1982. Long delays are common in settling disputes through negotiation and arbitration. In the past several years, fewer investment disputes have been filed or brought to the Embassy's attention as U.S. business activity in Syria has decreased steadily over that period.

While property and contractual rights are protected on paper, the government regularly interferes in the judicial process. Judgments by foreign courts are generally accepted only if the verdict favors the Syrian government. Although an official bankruptcy law exists, it is not applied fairly because a creditor's ability to salvage any investment is contingent on the amount of influence he can exert and not on the letter of the law. Monetary judgments, if granted, are made in local currency and cannot be converted to hard currency.

Performance Requirements and Incentives

Investment Law No. 10 and its amendment, Decree No. 7, did not stipulate formal performance requirements as a condition for establishing, maintaining, or expanding an investment or for determining eligibility for tax and other incentives. Decree No. 8, however, raised the minimum investment capital from USD 200,000 to USD 1,000,000 if the investment projects are located in greater Damascus, Aleppo, Homs, Latakia, Tartous or Hama and to USD 600,000 if the projects are located in the rural areas of Dayr az-Zawr, al-Hasakeh, al-Raqqa, Dar'a, Quneitra, Idleb, or Sweida. Furthermore, Decree 8 offered tax deductions if investors chose to locate their projects in one of Syria's industrial zones, for high job-creation projects, and for share-holding projects.

To attract investments into regions other than Damascus and Aleppo, in August 2010 the SIA divided the country into four main development zones and established different minimum investment capital requirements for each region. The minimum investment capital for projects established in greater Damascus and Aleppo remained USD 1,000,000, the minimum investment capital for projects established in Homs, Hama, Tartous and Latakia was reduced from USD 1,000,000 to USD 600,000, the minimum investment capital for projects established in Dar'a, Sweida, Quneitra, and Idleb was reduced from USD 600,000 to USD 400,000, and the minimum capital requirement for projects established in the eastern region, namely Dayr az-Zawr, al-Hasakeh and al-Raqqa, was reduced from USD 600,000 to USD 200,000.

To encourage investments in the eastern region of the country, namely in al-Hasakeh, Dayr az-Zawr, and al-Raqqa the SARG passed a law in September 2009 exempting investment projects located in those regions from taxes and fees for a period of ten years, provided the projects were licensed before December 31, 2012. Projects licensed after this date would not benefit from the tax exemption.

All three investment decrees do mandate that investors must begin implementing projects within a period of three years or risk losing their investment license. According to official sources, 40 percent of all licensed investment projects are never completed due to financing and other technical problems. More than 241 licenses were revoked in 2010 for projects that were either not executed during the required timeframe or because the investors had requested revocation. Since 2004, the HCI began to review annually the status of licenses granted and automatically annul those which were not implemented. The new SIA has assumed this license review function.

While investors are not required to hire a fixed number of local employees, the SARG looks more favorably on proposals that include a large element of local labor, that use local raw materials, and that are designed for undeveloped rural areas. As a result, informal guidelines on labor and materials are usually negotiated on a case-by-case basis during the approval and licensing process. Syria's labor laws are generally considered an impediment to foreign investment, although some recent investments in the tourism sector were exempted from the SARG Labor Law.

In April 2010, the SARG enacted Law 17, a new, modern and business-friendly labor law that eases constraints on employers but also provides clearer guidelines on the rights of employees. Law 17 provides guidelines and rules on labor relations for the private, public-private and cooperative sectors. Law 17 gives the right for employers to fire their employees without any justification and with a limited compensation.

Foreign investors are not required to partner with a Syrian citizen. However, successful foreign investments usually involve a well-connected local partner who can overcome bureaucratic hurdles, frequently by bribing the appropriate official.

The SARG requires a bid bond for all public tenders, usually five percent of the value of the tender. If selected, a bidder must put up a performance bond, which is usually ten percent of the value of the contract. Even though these monies are held in CBS on behalf of the foreign investor, most companies now incorporate the amounts into their overall bid because the monies are rarely, if ever, returned after completion of the contract. In addition to these bonds, the government may also require disclosure of proprietary information before approving a project.

While the Ministry of Economy and Trade has the authority to set prices and/or profit margins on products imported for the local market, it has not usually done so for products brought in through foreign investments. Similar types of incentives, outlined in various pieces of legislation, include increased flexibility on hard currency, reduced income taxes for share-holding companies, and incentives to promote investments in underdeveloped regions and sectors.

Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity after completing sometimes extensive licensing requirements. Moreover, private entities have the right to freely acquire and dispose of interests in business enterprises. All private investment projects must be licensed. Over the past few years, the SARG has opened most sectors formerly reserved for government monopolies to private-sector investment. Key sectors opened since 1994 include flour milling, sugar refining, cotton ginning and spinning (if the project is completely integrated to include manufacturing and finishing), banking, insurance, electricity generation, petroleum refining, aviation, cement production, airports and roads construction, telecommunications and salt and phosphate mining. Nevertheless, state enterprises have a comparative advantage in winning bids due to their connections in the HCI and the new SIA. Several projects that have been approved have not reached implementation because investors have failed to produce the necessary resources and/or found the final conditions of the project unsuitable. The HCI and now the SIA revoke licenses if the project is not implemented within three years of receiving a license.

Protection of Property Rights

Violations of intellectual property rights (IPR) are rampant in Syria. Patent, trademark, and copyright laws are all inadequate. As a result, Syria provides minimal protection for local producers and almost no protection for foreign producers. The Syrian judicial system is notoriously corrupt and has no experience in prosecuting IPR violations.

In July 2002, Syria officially joined the 1967 Stockholm Convention on Intellectual Property Rights. Subsequently, the authorities began to enforce the protection of IPR through raids and confiscations of pirated goods from a number of local vendors and producers. However, direct government action to punish IPR violators ceased by the end of 2003 and the senior official at the Ministry of Culture who was spearheading this effort resigned. In May 2004, Syria became a member of the World Intellectual Property Organization (WIPO). Syria is a party to eleven of 24 conventions within WIPO including Berne, Paris, Hague, Madrid, Nairobi, Nice, PCT and Rome. In March 2007, the SARG passed Law No. 8 regulating trademarks, geographical indications, industrial models and designs, unfair competition and IPR protection. In a bid to encourage investment, the Ministry of Economy established a verification system in 2007, whereby the IPR Department assumed the responsibility for identifying any violation and was entitled to terminate any “suspicious” trademark registration within 30 days, even if a court case was pending.

Syria officially joined the Geneva Act of the Hague Agreement pertaining to the protection of international designs in May of 2008.

In August 2009, the SARG passed Decree 47 amending two Articles of the 2007 Trademarks Law No. 8. The new decree allows owners of “well-known and distinctive” trademarks in Syria, even if they are not registered, to submit a request to the Ministry of Economy and Trade to prevent others from registering or using an identical or similar mark. The Ministry of Economy will form an ad-hoc committee to look into such requests.

Furthermore, as of September 2009, the Syrian Trademark Office is no longer asking foreign companies to fill out an application declaring their compliance with the Arab League Boycott of Israel. Previously, all applications were referred to the Boycott Office for clearance.

In late 2005, the Syrian Association for Intellectual Property (SIPA), an NGO, was established with a USD 50,000 grant from the UNDP. In November 2006, the NGO became an observer in the WIPO. SIPA's main objectives include increasing public awareness about IPR issues and supporting the execution of IPR laws and regulations. Among their activities are a quarterly newsletter; issuance of a geographical indicator list to protect national industries (e.g. Ifrin oils, Aleppo soap); evaluating protection rights in public and private companies (with Ministry of Industry assistance); issuing certificates regarding compliance with non-pirating/counterfeiting laws; and maintaining their website at www.sipa-sy.org.

The Syrian regulatory system is not sufficient to provide the necessary legal framework to actively protect and enforce IPR. The Ministry of Economy and Trade traditionally processes the registration of patents and trademarks, while the Ministry of Culture is responsible for copyrights. Books in English are frequently translated into Arabic and published without any royalties paid to the copyright holder. In addition, music, software, and video CDs, CD-ROMs and DVDs are copied and sold ubiquitously. Film industry contacts estimate that the home video market alone is 80 percent pirated, although the amount of revenue lost to U.S. IPR holders is unknown and very difficult to measure.

To enhance Syria’s IPR efforts, WIPO agreed in late 2009 to modernize the Patent Office in Syria and proposed setting up a technology innovation center as well as entrusting it to translate WIPO documents and publications into Arabic. In addition, WIPO gave Syria permission to make 2000 copies of a CD for small and medium-sized businesses of a guideline program on intellectual property issues offered by the Patent Office in North Korea. Syria earlier completed the translation of the WIPO book entitled “Learn from the Past, Create the Future.”

While IPR protection is almost non-existent, the protection of real property rights is much more developed, and therefore legally and socially accepted. Since bank financing and mortgage lending does not exist, real estate is bought through cash payments in full or through installments. Property ownership is not transferred until it is paid in full.

Transparency of The Regulatory System

The Syrian regulatory system is not transparent on any level. As described by local private business leaders, corruption is endemic at nearly all levels of government. Decisions are made without consulting consumers, producers, or suppliers. Government regulations do not promote competition, either among private firms or between private firms and state enterprises.

In April 2008, the SARG issued Law 7, the first Syrian legislation addressing Competition and Anti-Trust. The law established a Competition Authority, managed by a Competition Council, empowered to ban or permit mergers and to impose fines. Law 7 states that prices will be defined by free competition, cartels are prohibited, and economic entities will be prevented from abusing their dominant positions in the market. The Competition Council has been ineffective in its enforcement of Law 7, as enforcement is financially detrimental to many senior regime officials and prominent business elites.

To foster competition, the government has informed public sector enterprises that they will no longer be permitted to operate as a monopoly, particularly if private capital, foreign or domestic, can be obtained to finance projects. However, there are no regulatory processes managed by non-governmental organizations or private-sector institutions to provide a system of checks and balances on government directives. As a result, legal, regulatory, and accounting systems are incompatible with international standards. Local businesses do not comply with what are perceived to be arbitrary regulations. They also avoid paying taxes because they consider payment as a means of official confiscation of their profits.

In May 2010, the SARG established a National Competitiveness Observatory to monitor the competitiveness of Syrian business and industry.

Efficient Capital Markets and Portfolio Investment

Syrian government policy reforms to facilitate the free flow of financial resources remain extremely limited. The lack of a fully convertible currency and the still-inadequate capital market continue to impede both domestic and foreign investment. However, to attract investment and to ease access to credit, the SARG issued Decree 4 in 2007 allowing investors to receive loans and other credit instruments from foreign banks, and to repay the loans and any accrued interests through local banks using project proceeds. Furthermore, in February 2008, the SARG allowed investors to receive loans in foreign currencies from local private banks to finance capital investment and, in particular, the import of machinery and production needs. Debtors are free to repay their loans from their foreign currency accounts in Syria or abroad or through the purchasing of foreign currency from the lending bank.

In October 2006, President Asad issued Decree 55 formally establishing the Damascus Stock Exchange (DSE), and has since named a governing board. DSE started official operations in March 2009. In late December 2010, the SARG issued a decision permitting Syrian, Arab and foreign investors to invest in the Syrian stock market.

The government has loosened its strict foreign exchange controls on currency outflows for private-sector operations that are not under the legal umbrella of Investment Law No. 10, Decree No. 7 and Decree No. 8. Foreign capital can be brought into the country and can be exchanged for commercial purposes at the daily rate established by the Central Bank of Syria. One-way, non-commercial foreign exchange transactions are currently available at branches of CBS and the Real Estate Bank at a set rate, which is close to the real or market rate.

In a bid to liberalize the Syrian Pound and to loosen restrictions on hard currency outflows, in 2008 the SARG permitted Syrians travelling abroad to purchase the equivalent of USD 10,000 for use during their trips. In July 2009, the SARG permitted local banks to open accounts for clients to use for their international debit cards. These accounts may hold a maximum of USD 10,000 or its equivalent in Syrian Pounds or any other foreign currency. The holders of these accounts will be able to withdraw up to USD 10,000 per month while travelling abroad.

The SARG issued two decisions in November 2010 that ease restrictions on hard currency dealings. The first decision allowed local banks and foreign exchange companies to sell the equivalent of USD 10,000 per month to customers without justification. The second decision permitted banks to sell investors the hard currency they need to repatriate their profits.

The assets of the Syrian banking sector as a whole increased from USD 37 billion in 2008 to USD 42.8 billion in 2009, a 15.7 percent increase. Total assets of Syrian banks stood at USD 44.1 billion at the end of July 2010. The deposits of these banks increased from USD 23.1 billion in 2008 to USD 26.4 billion in 2009. Total deposits stood at USD 28.4 billion at the end of July 2010. Syrian banks are playing an increasing role in providing the business sector with foreign currency to finance imports and as a source of credit for business and individuals. However, the sector's development is hampered by the continuing lack of human expertise in finance, insufficient automation and communication infrastructure, regulations that limit Syrian banks' ability to make money on their liquidity, and restrictions on foreign currency transactions.

In July 2010, the President passed Legislative Decree 56 allowing investment banks with a minimum capital requirement of USD 425 million to enter the market.

Competition from State Owned Enterprises

Government regulations do not promote competition, either among private firms or between private firms and state enterprises.

The standard of competitive equality is not applied to private enterprises competing with state enterprises in a number of important areas. For example, although a number of state banks such as the Real Estate Bank and the Industrial Bank are authorized to lend local currency to help finance private-sector projects, state enterprises continue to have privileged access to local credit and exclusive access to official loans from the Commercial Bank of Syria. In previous years, private companies had occasional access to offshore financing and, if they were located in Syria's "free zones," could access financing from the few local branches of private foreign banks operating in the free zones. However, in December 2007, the Central Bank of Syria gave the six Lebanese banks operating in "free zones" the option of either ceasing operations within six months or becoming branches of onshore banks. This action aimed to ensure that all banks in Syria operate under uniform regulations monitored by the Central Bank.

To foster competition, the government has informed public sector enterprises that they will no longer be permitted to operate as monopolies, particularly if private capital, foreign or domestic, can be obtained to finance projects. However, there are no regulatory processes managed by non-governmental organizations or private sector institutions to monitor government directives. As a result, legal, regulatory, and accounting systems are often incompatible with international standards.

Political Violence

Syria is an autocratic police state that severely restricts political dissent. Protests are rare and usually dispersed quickly. Syrian security services routinely jail protestors and outspoken political opponents for indefinite periods of time. Other examples of political violence include the assassinations of a senior Hezbollah operative by a car bomb in a residential neighborhood of Damascus in February 2008 and of a Syrian military officer by a sniper in the coastal city of Tartous in August 2008.

In September 2006, the U.S. Embassy was attacked without warning by a small group of terrorists using automatic gunfire and grenades. They attempted, unsuccessfully, to detonate a vehicle-borne improvised explosive device at the embassy's rear gate. One local guard was seriously injured. A Syrian bystander, one Syrian security officer, and all four attackers were killed in the ensuing gunfight. Government-orchestrated demonstrations involving thousands of Syrians damaged Embassy property in December 1998 and October 2000.

For American citizens travelling to Syria, the Embassy's American Citizen Services operation in Damascus is located in the Embassy's Consular Section in Abu Roumaneh, between Rawda Square and Malki Street. The telephone number is (011) 3391-4444. The mailing address is Abu Roumaneh, Al-Mansour Street No. 2, P.O. Box 29, Damascus, Syria. Services provided include passport applications and renewals, notary services, child custody assistance, victim assistance, federal benefits claims, affidavits of support, arrest assistance, death certificates and consular reports of birth abroad. In the event of an emergency, the Embassy telephone number (011) 3391-4444 is available. The Consular Section in Damascus covers all of Syria.

Bilateral Investment Agreements

On August 9, 1976, Syria signed an investment guarantee agreement with the United States that protects investments from nationalization and confiscation. Similar agreements are also in force with Germany, France, Switzerland, Pakistan, China, Indonesia, Russia, Belarus, Iran, Italy, Bulgaria, Ukraine, Romania, Kuwait, the U.A.E, Morocco, Sudan, Yemen, Egypt, Lebanon, Jordan, Tunisia, Algeria, Bahrain, Turkey, Cyprus, Greece, Senegal, Tajikistan, India, Nigeria, North Korea, Serbia, Armenia, Austria, Azerbaijan, Slovakia, and Libya. In addition, a number of bi-national committees have been established with Arab, Asian, and European countries to explore private and mixed joint ventures and improve bilateral trade.

The U.S does not have a bilateral taxation treaty with Syria.

Foreign-Trade Zones/Free Ports

There are nine existing public free-trade zones throughout Syria. Through December 2010, the total capital invested in Syria's free zones reached USD 833 million, with 74 foreign investment companies operating there at a total capital investment of USD 143 million.

The General Organization of Free Zones (GOFZ) plans to establish three additional public free zones in Damascus, Dayr az-Zawr, and Idleb. Al-Ya'rubiya free zone in al-Hasakeh was officially inaugurated in December 2007 and Homs Free Zone was officially inaugurated in November 2010. Moreover, GOFZ has licensed the first privately owned and managed free-trade zone in the Damascus suburbs for textile industries to produce exports for Europe and the U.S. In May 2000, a free-trade zone was inaugurated near the Syrian-Jordanian border as a joint venture between the two countries. The government plans to establish similar zones with Iraq, Lebanon and Turkey. Both major ports in Latakia and Tartous have free trade areas; however, there are no free trade ports in Syria.

Both China and Iran have announced plans to build free zones in Syria; Iran later dropped this idea in favor of pursuing a Free Trade Agreement with Syria. However, officials of both countries continue to call for the establishment of a free zone to boost trade relations. "China Town," designed to house roughly 200 Chinese companies and act as a gateway to Syria for Chinese goods, was officially inaugurated in the Adra free zone in July 2008; however, sources say that there are no companies currently operating there. Recently, a Syrian investor, in cooperation with Gulf partners, obtained preliminary approval for the establishment of a private free zone in the al-Tanf border area in Dayr az-Zawr region to promote trade with Iraq but this plan has not yet been finalized.

Syria, Lebanon, Jordan and Turkey announced in August 2010 the establishment of an economic council to follow up on the creation of a free trade zone between the four countries. Jordan held a meeting in October 2010 and Beirut hosted a follow-up meeting in early January 2011 to discuss technical details to be submitted during the next meeting scheduled for Damascus in 2011.

There are no free ports in Syria.

Foreign Direct Investment Statistics

A total of 396 local and foreign investment projects were licensed in 2010 at an estimated total capital of USD 1.6 billion and they are expected to create more than 22,106 new job opportunities. Of those 396 projects, 41 were foreign investments amounting to some USD 168 million that were expected to create 2,736 job opportunities. To accommodate these investments, eight new industrial zones have been approved with investment costs exceeding USD 40 million. The SIA, in cooperation with the State Planning Commission, the UNDP, and the Ministry of Local Administration, is launching an investment map specifically designed for the industrial zones. The HCI and SIA have adopted a policy of reviewing the status of projects on a yearly basis and annulling licenses of those projects which are not implemented within the required period of three years. Accordingly, 241 licenses were revoked in 2010 for projects licensed but not executed.

According to government statistics, a total of 3,469 local and foreign investment projects were licensed from 1991-2010 with an estimated total capital of about USD 33.5 billion and were expected to create more than 222,621 new job opportunities. From 1991-2010, 274 foreign investment projects valued at USD 7.9 billion were licensed, excluding joint ventures in the petroleum and real estate and tourism sectors. Major foreign investors include companies from Turkey, Germany, Russia, Iran, Switzerland, the U.K., the U.S., France, Cyprus, Spain, China, Canada, South Korea, Belgium, Pakistan, Brazil, Venezuela, the Netherlands, Malaysia, Italy, Austria, Sweden, India, Saudi Arabia, Kuwait, Jordan, Lebanon, Iraq, Egypt, the UAE, Algeria, Bahrain, Qatar, Libya, Denmark and Morocco.

In August 2009, the U.S. International Investment Group, a Syrian-registered company, announced plans for a series of industrial projects worth USD 35 million to be established in Dayr az-Zawr. The Group planned to build factories for the production of beverages, cosmetics, mineral oils, and feed. However, in March 2010, the Group announced its withdrawal from Syria because of a personal dispute between the Director of the SIA and the Regional Director of the U.S. International Investment Group.

In 2010, the Ministry of Tourism licensed several new tourism and real estate projects. In addition, work on several hospitality projects began in 2010 including the USD 190 million Yasmeen Rotana in Damascus, the USD 50 million Joul Jammal Resort in Latakia, the UAE-based Majid al-Futaim Properties' USD one billion “Khams Shamat” tourism complex in Damascus, Rotana Gardenia in Homs, the Novotel and Ibis hotels in Taj Halab (Aleppo's Crown) tourism complex, the USD 100 million Sama City in Aleppo and Souria Holding's USD 319 million “Syria Towers” project. Several tourism projects began operations in 2010 including the Armitage Hotel in Damascus, the USD 19 million Aleppo Carlton Hotel, the USD 6.5 million Beit Salahiyeh boutique hotel in Aleppo, and Porto Village in Tartous and many boutique hotels and restaurants in Damascus, Aleppo and Homs. Moevenpick, Kempinski and the InterContinental hotels are set to open in 2011 and 2012 in Damascus.

To encourage the establishment of environment-friendly tourist resorts near forested areas, the SARG issued Decree 10 in February 2010 which reduced the setback from forests to a maximum of 15 meters, down from 500 meters. The Decree bans the ownership or lease of a forest land that has been burnt by forest fires.

To boost investment in the tourism sector, the SARG allowed local banks to provide financing to hospitality projects developed on the Build-Operate-Transfer (BOT) model. Local banks can now fund up to 50 percent of the cost of the project and repayment will begin after the project enters into operation.

The largest foreign investors are in the petroleum sector and include Shell (UK/Dutch), Total (France), INA Nafta (Croatia), Dublin (Canada), Dove Energy Ltd. (U.K.), PetroCanada, Gulfsands Petroleum (U.K.), Stroytransgas (Russia), Improved Petroleum Recovery (IPR) (U.S.), and China National Petroleum Company (CNPC) (China). The government began to actively court international energy companies in the late 1980s. By 1990 twelve foreign firms had production or exploration operations in Syria; however, most departed as a result of dry wells, rising costs, and major disagreements with the government over contractual terms and tax liabilities.

The government redoubled efforts to attract foreign energy companies by opening five blocks in 2001 and eleven blocs in 2002 for international tenders. In an effort to reverse the downward trend in production, the government opened additional blocs for international bids in January 2003. As a result, Dublin, IPR (U.S.), Devon Energy / Gulfsands Petroleum (U.K.), INA Nafta, Tanganyika Oil Company (Canada), the Chinese National Petroleum Corporation, and Zarubezhneft (Russia) have all been awarded exploration and/or production sharing contracts. In November 2005, nine additional blocs were opened for exploration resulting in signed contracts and/or production sharing agreements with Shell (UK/Dutch), Maurel & Prom (France), Hunt Middle East (U.S.), Loon (India), Unkranadra Oil (Ukraine) and Soyuznaft (Russia). In 2007, GroundStar (Australia) was awarded exploration rights to two additional blocks in southern Syria.

In April 2010, the Ministry of Petroleum and Mineral Resources invited international oil companies to bid on oil and gas drilling and exploration in eight new onshore blocs covering about 40 percent of Syria's territory. In addition, the Ministry announced an international tender for developing seven old fields in an attempt to increase their production. Thirteen international oil companies, including seven already operating in Syria, have submitted offers to explore for oil in the eight blocs including Shell, Petro Canada (Suncor Energy), Dana Gas (the UAE), HBC (Tunisia), Kulczyk Oil, , China National Petroleum Company (CNPC), Total SA, BECO (Egypt), Loon Energy, Gulfsands, Improved Petroleum Recovery (IPR), and ENI S.P.A. The Minister of Petroleum and Mineral Resources announced in November 2010 that the Ministry plans to announce a bid round for offshore blocs in early 2011.

After the imposition of U.S. economic sanctions in May 2004, a number of major U.S. corporations made the decision to divest and pull out of Syria. These companies included ExxonMobil, Devon Energy, 3M (for household products), Conoco Philips, Marathon, and Veritas. In April 2008, the American oil field services firm Weatherford also ceased all its Syrian operations.

Web Resources

Transparency International Corruption Index:
http://www.transparency.org/policy_research/surveys_indices/cpi/2010

Syrian Investment Agency: **http://www.investinsyria.org/**

Syrian Investment Map: **http://www.syriainvestmentmap.org/**

World Bank Doing Business Index: **http://www.doingbusiness.org/EconomyRankings/**

Heritage Foundation Economic Freedom Index:
http://www.heritage.org/Index/Ranking.aspx

Consular Information: **http://www.travel.state.gov**

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Mixed legal system of civil and Islamic law (for family courts)

International organization participation:

ABEDA, AFESD, AMF, CAEU, FAO, G-24, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, Interpol, IOC, IPU, ISO, ITSO, ITU, MIGA, NAM, OAPEC, OIC, UN, UNCTAD, UNESCO, UNIDO, UNRWA, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO (observer)

Exchange control

Exchange control is carried out on behalf of the government by the Central Bank, which may authorize certain banks and agencies to deal in foreign exchange.

While the import of foreign currency by non-residents into Syria is not restricted, the exportation of Syrian currency abroad is, in most circumstances, prohibited.

Non-residents employed in Syria are allowed to remit abroad in foreign currency 50 percent of their salary (including benefits) and 100 percent of their severance pay after paying Syrian income tax.

Non-resident companies registered and operating in Syria may open bank accounts in both foreign and Syrian currency. The source of such bank accounts must be currency transferred from abroad or Syrian earned currency, respectively. Only 50 percent of the net profits of foreign investment may be remitted abroad. Foreign funds of a capital nature require the approval of the Central Bank in order to be sent abroad. Furthermore, real property may not be owned by non-residents without prior approval from government authorities.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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Any questions or queries should be addressed to: -

Gary Youinou

Via our Contact Page at KnowYourCountry.com