

# SYRIA

## The new road to Damascus

MARK PIERCE

A beacon of peace and stability within the region, Syria is a country in transition. In moving from a centrally-planned model to a social market economy, it is gradually liberalising, but as Abdullah Dardari, Deputy Prime Minister and Minister for Economic Affairs, points out, it is not at the expense of the poor.

Traditionally dependent on oil revenues, even today's high oil prices can no longer offset the need for real economic diversification if Syria is to progress. Its strategic geopolitical position offers a natural bridge between Europe and the Middle East, something the country is now in

a position to take advantage of in terms of boosting trade and other links. "One of the main reasons for the transformation was that Syria no longer had the finances to sustain infrastructural development," Dardari explains. Bridging that gap through trade, technology transfer and investment is a vital component to restoring its proud 7,000-year history as a trading nation.

After nearly 40 years of economic production being in the hands of the public sector, Syria is now encouraging the private sector to spearhead development. Identifying infrastructure, manufacturing, tourism and the service sectors as future areas of growth, the country is creating



Trading places: Syria is moving towards a market economy

a strong investment framework and modernising structures and institutions to foster change. The realities already created on the ground are certainly impressive; Investment Law 8 replaces the outdated Law 10 and the introduction of the Syrian Investment Agency will help harness further

foreign direct investment.

As Dardari proudly reveals: "Syria has a completely new banking sector, fiscal system and tax system, plus trade liberalisation and flourishing industry. These are impossible to reverse; we have now reached a point of no return."

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# Confidence through banking

MARK PIERCE



Douraid Dergham,  
Chairman & GM,  
Commercial  
Bank of Syria

The introduction of private insurance and banking companies is undoubtedly one of the success stories in Syria's modern history. The Ministry of Finance, under the guidance of Muhammad Al-Husayn, has been instrumental in overcoming the daunting task of "updating legislation, revising decrees, lowering taxes and lifting previous restrictions" to ensure transparency and "create an attractive business environment."

This is even more impressive, given it has been accomplished whilst still managing to maintain a state budget deficit within the defined maximum limits of 5% and closing Syria's external debt files at the beginning of 2007.

Despite the successful entry of private banks in 2004, the Commercial Bank of Syria (CBS) remains the dominant force on the Syrian banking landscape. Douraid Dergham, chairman and general manager of CBS, has welcomed the competition. "It has forced the Commercial Bank of Syria to restructure and has already led to better profitability and better performance," he says, noting also that "money had returned back to Syria that had previously gone to Jordan, Lebanon and Cyprus."

The pioneering Real Estate Bank, under chairman and general manager Mulham Dibo is well positioned to take advantage of the new investors and opportunities that are arriving in the



**The Commercial Bank of Syria: Safety and trust with no limits**

country. The bank has embraced technology as a keystone in its operational strategy. As Dibo explains: "We were the first bank to operate fully electronically, interconnecting all our branches and the first to introduce automated telling machines. This new banking sector will play a major role as a platform for growth and sends out a strong message that Syria's economy is opening up in a confident, fast and professional manner."

Meanwhile, the arrival of private insurance companies has been a catalyst for the sector's development. Syrian Insurance Company chairman and GM, Sulaiman Al-Hassan, realised early on that although the company was "technically operating to a global standard, human resources and service delivery were far behind."

Introducing training and incentives in a climate where the idea of bonuses was limited has helped redress that balance. Historically, motor insurance had provided the basis for the company's growth, but continued educational awareness programmes and better services through competition leads Al-Hassan to believe that "cargo, property, life and health" sectors will now grow considerably.

# Bridging continents with trade

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Manufacturing is one sector set to thrive from liberalisation, particularly given Syria's natural competitive advantages. As Minister of Industry Fouad Issa Al-Jouni points out: "Syria has a long tradition of manufacturing while being perfectly located at the crossroads between three continents. It also has a relatively cheap labour force, which in many cases is very skilled."

Given Syria's close proximity to the wealthy European market,

through joint-ventures with established European companies. Al Hafez, a market-leading white goods manufacturer, which operates internationally under the name Concord, is now positioning itself to exploit the new opportunities presented.

The company's chairman, M. Said Hafez, explains: "With rising costs, Europe cannot continue with a future based on manufacturing and Syria is ideally placed to take advantage of that." He also believes that the fact Syria already has existing companies

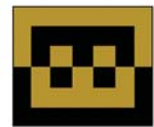
## "Europe cannot continue with a manufacturing-based future and Syria can take advantage of that."

the EU is a natural target for exports. Syria is now embarking on a modernisation programme which aims to compete not only on price, but also on quality. The government is under no illusion that if its manufacturing strategy is to be successful, then it has to be led by the private sector. To encourage growth and investment, it has applied for membership of the World Trade Organisation and is close to ratifying an association agreement with the EU. It has already started to reap the benefit of joining the Greater Arab Free Trade Area agreement and is also continuing to cement bilateral ties with Turkey.

With the intricacies of the Syrian market, the immediate plan to maximise Syria's manufacturing entry into Europe is

in the market operating to international standards further adds to its credentials as joint-venture partners. "At the beginning of this year, we shipped the first container of our largest refrigerators to the U.K. It was not a commercial quantity, but it is a way to test the market," he says.

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