



Officially the Syrian Arab Republic, Syria has a population of over 14 million, a diversified, if somewhat inefficient economy with a strong agricultural base and significant oil exports, a gradual programme for the reform of the economy, including the unification of exchange rates, and a stable political system. Syria is one of the largest markets in the Middle East, but has been largely overlooked by Canadian business in the past.

For many years, Syria was virtually a closed market for Western business. Politically and militarily it was close to the Soviet Union and pursuing a policy of "Arab Socialism". It had built many Soviet-style public sector industries, which were over-staffed and inefficient, in the effort to achieve self-sufficiency. A restrictive foreign exchange regime also limited the availability of foreign goods in the market.

With the break-up of the Soviet Union in 1989, Syria lost its Superpower patron and its privileged trade links with the Soviet Bloc began to disappear. Syrian economic reform began after 1989, as the regime changed focus to the support and encouragement of the private sector. In an effort to attract foreign investment and Syrian expatriate foreign capital back to Syria, the Law on Foreign Investment, Law Number 10, was issued in 1991 which offered tax holidays for five years and duty free imports of equipment and machinery needed to start up a project or a joint venture under this law. Law Number 10 has been successful in attracting an estimated US\$ 7 billion in returning funds since 1991. To date, there has been only one major multinational investment by Nestle's of Switzerland.

Syria has foreign debts in the region of US\$ 22 billion. Although approximately US\$ 12 billion of the debt is to the former East Bloc countries, debts are owed to Germany, France, the I.B.R.D., and Japan. Syria has refused to enter debt rescheduling arrangements under normal I.B.R.D./I.M.F. conditions, and is not eligible to receive further financing from most donor countries. At the current time, only Japan and Arab Funds are providing financing for major projects. In Canada, Syria is not eligible for either finance or insurance from the Export Development Corporation, although E.D.C. will consider providing insurance under certain circumstances.

Syria exported US\$ 2.2 billion in 1994, which accounted for two thirds of all export earnings to complement her textile and agricultural products exports. Latest estimates project that, in 1995, G.D.P. growth was in excess of 5%. Despite the relatively strong G.D.P. growth, exports have remained relatively stable, while imports have been growing, and, since 1992, have exceeded exports. The current account balance for 1994 was estimated at almost US\$ 1 billion.