

Syrian Arab Republic Trade Brief

Trade Policy

Based on its 19.6 percent simple average of the MFN applied tariff in 2002 (the latest year for which internationally comparable Syrian tariff data is available) the Syrian Arab Republic had a trade regime more open to trade than an average Middle East and North Africa (MNA) country (27.3 percent) but more restrictive than that of an average lower-middle-income country (15.8 percent). But if preferences are taken into account, it appears that the trade regime is slightly more liberal since its simple average of the applied tariff was 14.7 percent. While the majority of other countries in its comparator groups are more protective of their agricultural goods than of their non-agricultural ones, in Syria the two goods have similar levels of protection. The MFN applied tariff for the first was 20.6 percent in 2002, and for the latter it was 19.5 percent. On one hand, the 0.6 percent share of tariff lines with zero MFN duties in 2002 was among the lowest in the region, where the average was 11.6 percent. On the other hand, Syria's 35.6 percent share of tariff lines with duties higher than 15 percent (international peaks) was also below the regional average of 52.7 percent. A recent World Bank study, using data from the Customs Directorate, estimates the average MFN tariff for all goods at 14.3 percent in 2008, with an average tariff of 18.2 percent for agricultural goods and 13.5 percent for manufactured goods. The country's trade regime comprises of ten tariff bands, as well as more than 50 different border taxes which are levied only on imported products.¹ Additionally, Syria has several non-tariff barriers to trade, such as non-automatic licensing, a public monopoly in the trade of certain products, and a

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at <http://www.worldbank.org/wti>.

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negative list which prohibits the import of a number of goods.

In the context of the food crisis and in an attempt to ensure domestic food security, in August 2008 the Syrian government banned exports of wheat-based products and legume crops.²

External Environment

The simple average of the overall rest of the world tariff (including preferences) faced by Syria's exports is 9.9 percent. However, Syrian exports have good access to international markets, as reflected by Syria's weighted rest of the world tariff (including preferences) of 1.3 percent, which is somewhat lower than the regional and income group averages of 1.6 and 2.9 percent, respectively. Similar to other MNA countries, Syria's agricultural products face a less favorable trading environment (with a rest of the world tariff of 10.8 percent) than its non-agricultural products (0.2 percent).

Syria initialed an Association Agreement with the EU in December 2008, signed a Bilateral Investment Promotion and Protection Agreement with India in June 2008, and negotiated a Preferential Trade Agreement with Iran.³ Moreover, Syria is a member of the Greater Arab Free Trade Area (GAFTA) through which it receives full exemption of customs duties to 16 other member countries since January 2005.

Behind the Border Constraints

In terms of the conduciveness of its institutional environment to business, Syria remained in the bottom 25 percent in 2009, being ranked 143rd out of 183 countries in the Ease of Doing Business index. Additionally, Syria's Logistics Performance Index score, which reflects the extent of trade facilitation in the country, is below the regional and income group averages, reflecting a less conducive climate for trade. Syria scores 2.09 on a scale of 1 to 5, with 5 being the highest score, while the regional and income group averages are 2.42 and 2.47, respectively. Syria ranked 135th out of 150 countries and 9th in the MNA region. Its strongest logistics indicator is domestic logistics costs, while it needs more improvement in the areas of

ease and affordability of arranging shipments and the ability to track and trace them.

Trade Outcomes

Syria could not maintain its trade growth momentum of 11.8 percent over the 2005–07 period with a real (in constant 2000 U.S. dollars) growth of trade in goods and services of only 0.1 percent in 2008. This is expected to turn negative in 2009, with trade falling by 1.4 percent. The deceleration was caused by a drop in the real growth of imports from 11.5 percent over the 2005–07 period to 2.5 percent in 2008, and a steeper decline in exports which fell by 2.4 percent in 2008 after an average growth rate of 13.9 percent over the 2005–07 period.

In nominal terms, trade growth accelerated in 2008 to an estimated 29.7 percent from an estimated 15.0 percent in 2007. An exporter of crude oil (which generates about 40 percent of Syria's export revenue) and importer of refined oil products,⁴ both Syria's nominal exports and imports increased in 2008 on the back of the high fuel prices. Its export growth accelerated to an estimated 27.9 percent in 2008 from an estimated 12.0 percent in 2007, and its import growth accelerated to an estimated 31.6 percent from an estimated 18.2 percent. As oil prices have fallen from their peak of US\$147 per barrel in July 2008, both exports and imports are predicted to contract. Already in the first quarter of 2009, based on partner countries aggregate trade data collected by the IMF, exports plummeted by 36 percent on year on year basis and imports by 21.9 percent.⁵

Notes

1. World Bank. 2009b, pp. 20–23.
2. FAO, 2009.
3. European Commission, 2009; *Economic Times*. August 8, 2008; World Bank, 2009b, p. 36.
4. World Bank, 2009a; EIU, July 2009, p. 8.
5. IMF, August 2009.

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