

Syria's 1st National FDI Report

From *Resource-Seeking* to *Efficiency-Seeking* FDI



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Syria's First National FDI Report
From Resources Attracted Investment , To
Efficiency Seeking Investment

Introduction :

Most economic institutions studied with great interest and in most countries the FDI issue , while local studies did not . For this reason Syrian Investment Agency had the initiative to issue this report , covering all activities regardless of the legislation which regulate investments , whether it was investment law or other legislations .

In cooperation with related , competent authorities such as the Central Bureau of Statistics , and by the support of UNDP ,throughout the project of Enhance Investment Environment , SIA accomplished the general framework and survey , and the UNDP entrusted the Syrian Consultant Bureau for Investment and Development , with the mission to prepare a general economic study about survey results , upon which SIA have depended to issue this report . Actually , this is the first national FDI report in Syria , which goes in line with activities and orientations to develop investment environment , to be a start point towards future reports which are more comprehensive and accurate . And we find that is a very important step to achieve the aforementioned goals .

We would like to thank all who contributed to the issuance and success of this report , mainly official competent authorities , ministries , commissions , establishments , and the Central Bureau of statistics , UNDP and the Syrian Consultant Bureau for Investment and Development .

Director General

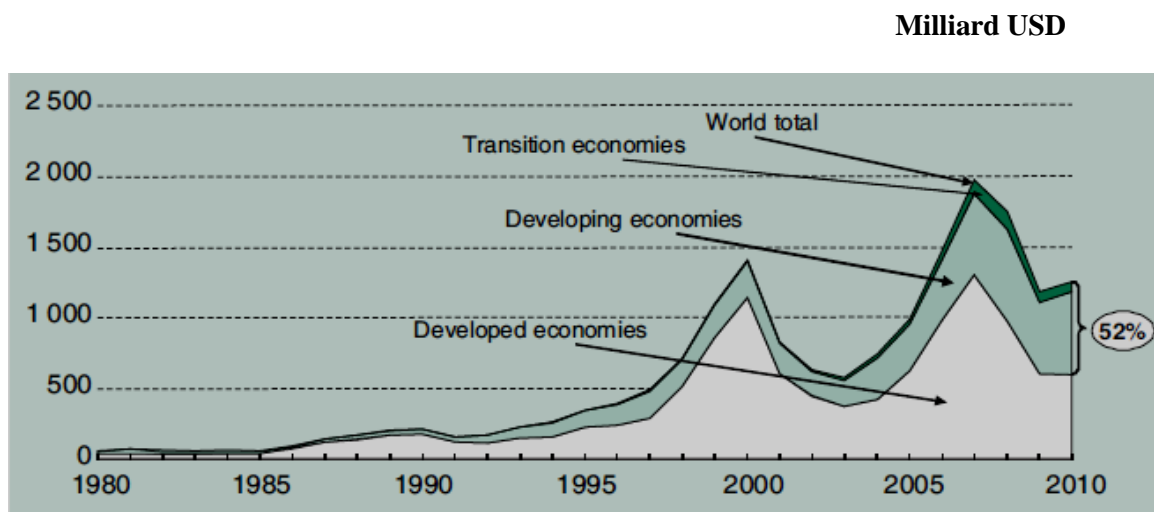
Eng. Hala Isbir Ghazal

First Chapter : FDI indicators

1-1- The importance of FDI from a global point of view :

Foreign direct investments started playing a development exceptional role in the global economy since the eighties , mainly after the mid-nineties , pushed by the fast use of information and telecommunications technology , and liberalization of trade by multi-nationality companies . But after the high growth in FDI flows in the nineties , it declined sharply in 2001 , to come back to grow during the period 2003-2007 to reach up to trillion dollars in 2007. And because of the Word Financial Crisis in 2008, FDI decreased and it increased up to 1.3 trillion dollars in 2010 with a great share of developing economies with a rate of 52% of those flows .

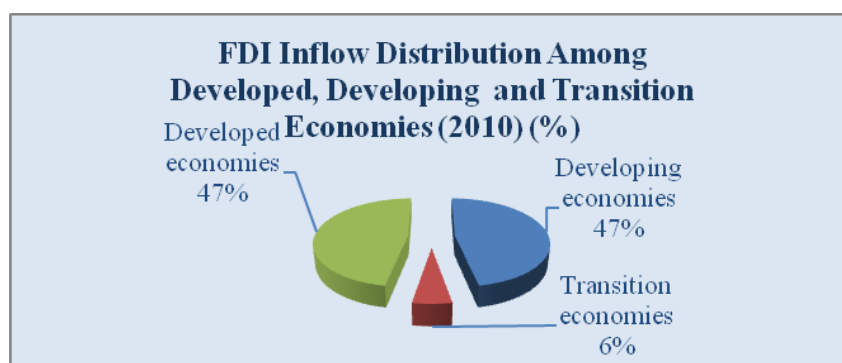
Chart(1) Global FDI flows and according to economies (1980-2010)



Source: World Investment Report 2011 UNCTAD

Economy in developed countries attracted averagely 56% of the FDI flow during the period 2007-2012 , while developing countries had 44% of those flows , this percentage is increasing . Actually since the crisis which affected developed economies , emerging economies were targeted to overcome the crisis and FDI flows into those economies increased from 29 in 2007 to 36% in 2008 , 43% in 2009 and 47% in 2010 . This shows the great importance of emerging economies as countries to receive FDI during the crisis . The following table shows distribution of FDI flows into developing countries according to continents .

Chart(2)



Source: <http://unctadstat.unctad.org> ,

Table (1): FDI (Inward) to the Developing Economies 2007-2010 (US Dollars at current prices and current exchange rates in millions)								
Destination	2007	%	2009	%	2010	%	Average	%
Asia	349,412	60.8%	315,238	60.7%	384,063	62.3%	357,268	60.5%
America	172,281	30.0%	149,402	28.8%	187,401	30.4%	179,650	30.4%
Africa	51,479	9.0%	52,645	10.1%	43,122	7.0%	51,272	8.7%
Oceania	1,139	0.2%	1,940	0.4%	2,075	0.3%	1,863	0.3%
Developing economies	574,311	100%	519,225	100%	616,661	100%	557,764	100%

Source: <http://unctadstat.unctad.org>

It is worth mentioning, that economy of developing countries in Asia succeeded in attracting most of the FDI flow, during the period 2007-2010 at 61% averagely , then economies of developing countries in America at 30% , and economies of developing countries in Africa at 9% .

In 2010 we notice the flow of FDIs into (10) ten Asian countries at 86.6% of the total of FDIs into the continent and 53.9% of the total of FDI flows into developing countries and 25.4% of the total FDI flow to the whole world . The table hereunder, states the share of each of the ten countries of FDI flow in 2010 . China in the first rank and then Hong Kong .

Table (2): Top 10 FDI Destinations (Developing Economies – Asia) 2010			
Economy	% of FDI inflows to Developing Economies in Asia (2010)	% of FDI inflows to Developing Economies (2010)	% of FDI inflows to the World (2010)
China	30%	19%	8.8%
China, Hong Kong SAR	19%	12%	5.4%
Singapore	13%	8%	3.7%
Saudi Arabia	7%	5%	2.1%
India	6%	4%	1.8%
Indonesia	4%	2%	1.1%
Thailand	3%	2%	0.7%
Turkey	2%	1%	0.7%

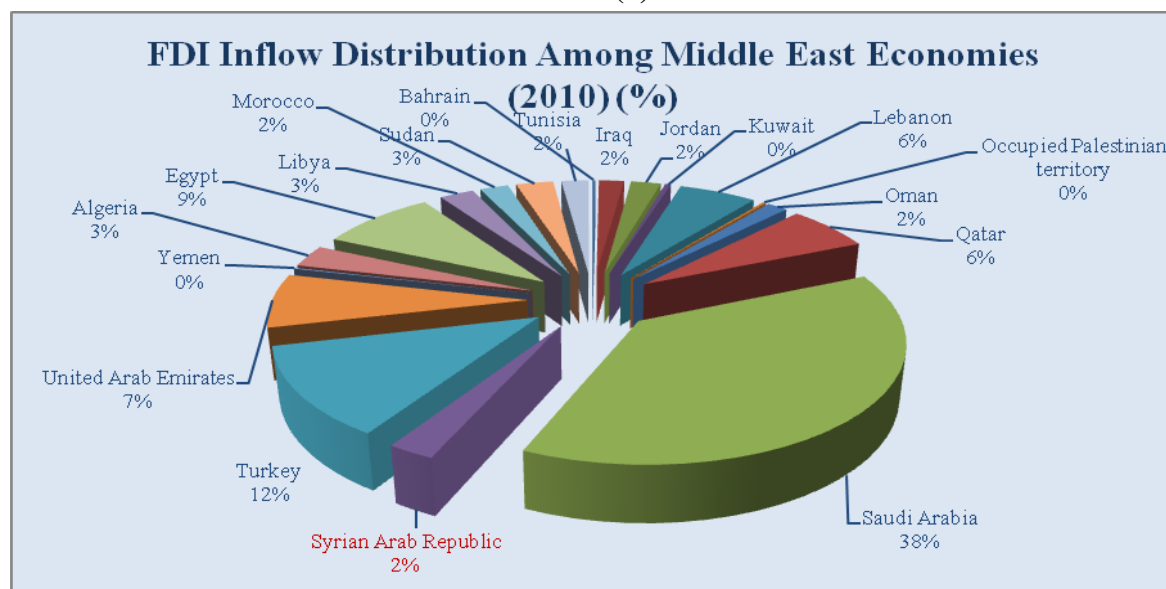
Korea, Republic of	2%	1%	0.7%
Qatar	1%	1%	0.4%
Total	86.6%	53.9%	25.4%

Source: <http://unctadstat.unctad.org> , SCB analysis

FDI flowing value the Middle East reached up to 93.887 USD during 2007-2010 at 16% of the total flow into the whole world in the same period . Kingdom of Saudi Arabia was in the first rank in receiving FDI in the Middle East at the average rate of 30% of the total FDI's flow in the region during the period 2007-2010 . Turkey is also a very good recipient of FDI's, the thing which supported its economic growth greatly during the last three decades . This flow reached to the climax in 2007 with a value of 22 milliard USD including purchase of properties .

As for Syria , FDI flows remained stable of about 1.5 milliard USD annually (averagely) during the period 2007-2010 and its share of the total of FDI flow into the region , is raised from 1.2% in 2007 to 2.5% in 2010

Chart (3)

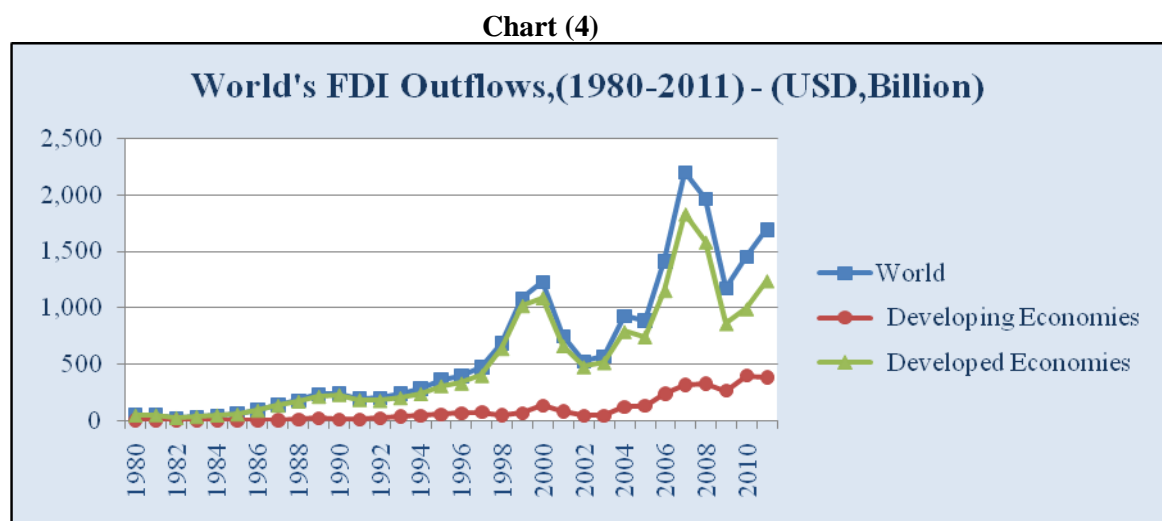


Source: <http://unctadstat.unctad.org> , Adapted by SCB

Table (3): FDI (Inward) to the Middle East Economies (including Turkey) 2007-2010, (US Dollars at current prices and current exchange rates in millions)											
Country	2007	%	Country	2008	%	Country	2009	%	Country	2010	%
Saudi Arabia	22,821	22.4%	Saudi Arabia	38,151	33.1%	Saudi Arabia	32,100	38.0%	Saudi Arabia	28,105	38.0%
Turkey	22,047	21.6%	Turkey	19,504	16.9%	Turkey	8,411	10.0%	Turkey	9,038	12.2%
UAE	14,187	13.9%	UAE	13,724	11.9%	Qatar	8,125	9.6%	Egypt	6,386	8.6%
Egypt	11,578	11.3%	Egypt	9,495	8.2%	Egypt	6,712	7.9%	UAE	5,500	7.4%
Qatar	4,700	4.6%	Lebanon	4,333	3.8%	Lebanon	4,804	5.7%	Qatar	4,670	6.3%
Libya	3,850	3.8%	Qatar	3,779	3.3%	UAE	4,003	4.7%	Lebanon	4,280	5.8%
Lebanon	3,376	3.3%	Libya	3,180	2.8%	Libya	3,310	3.9%	Algeria	2,264	3.1%
Oman	3,332	3.3%	Oman	2,952	2.6%	Algeria	2,746	3.3%	Sudan	2,064	2.8%
Morocco	2,805	2.7%	Jordan	2,826	2.5%	Jordan	2,413	2.9%	Libya	1,909	2.6%
Jordan	2,622	2.6%	Tunisia	2,759	2.4%	Morocco	1,952	2.3%	Syria	1,850	2.5%
Sudan	2,426	2.4%	Sudan	2,601	2.3%	Sudan	1,816	2.1%	Jordan	1,651	2.2%
Bahrain	1,756	1.7%	Algeria	2,594	2.3%	Tunisia	1,688	2.0%	Morocco	1,574	2.1%
Algeria	1,662	1.6%	Morocco	2,487	2.2%	Iraq	1,598	1.9%	Tunisia	1,513	2.0%
Tunisia	1,616	1.6%	Iraq	1,856	1.6%	Syria	1,514	1.8%	Iraq	1,396	1.9%
Syria	1,242	1.2%	Bahrain	1,794	1.6%	Oman	1,508	1.8%	Oman	1,142	1.5%
Iraq	972	1.0%	Yemen	1,555	1.4%	Kuwait	1,114	1.3%	Kuwait	319	0.4%
Yemen	917	0.9%	Syria	1,467	1.3%	Occupied Palestinian territory	301	0.4%	Occupied Palestinian territory	180	0.2%
Kuwait	112	0.1%	Occupied Palestinian territory	52	0.0%	Bahrain	257	0.3%	Bahrain	156	0.2%
Occupied Palestinian territory	28	0.0%	Kuwait	(6)	0.0%	Yemen	129	0.2%	Yemen	(93)	-0.1%
<u>Middle East Total</u>	<u>102,048</u>	<u>100.0%</u>	<u>Middle East Total</u>	<u>115,100</u>	<u>100.0%</u>	<u>Middle East Total</u>	<u>84,500</u>	<u>100.0%</u>	<u>Middle East Total</u>	<u>73,902</u>	<u>100.0%</u>

1-2- The economic effect and the increasing role of emerging markets as one of investment sources in the world :

Studies prepared by UNCTAD , present evidence about benefits of FDI on the hosting country from the view point of forming capital , generating of workforce and links with local companies . As well as increasing exports including high technology . But benefits of FDI in the hosting companies were not equal , as there are countries which benefited from the flow of FDI by raising revenues of each work and capital , while some other countries did not succeeded in achieving this advantage . And countries such as China , Mexico , Brazil , South Korea , India and South Africa succeeded in attracting qualitative FDI and bushing forward production so that they became today an important source of FDI in the world making use of their own sources of technology and skills . This is an important development for developing countries for which new sources of FDI and technology are available , even if that was from countries of the South . The chart below clarifies the gradual increase of FDI flow from developing countries in the last decade compared to FDI flowing from developed countries .

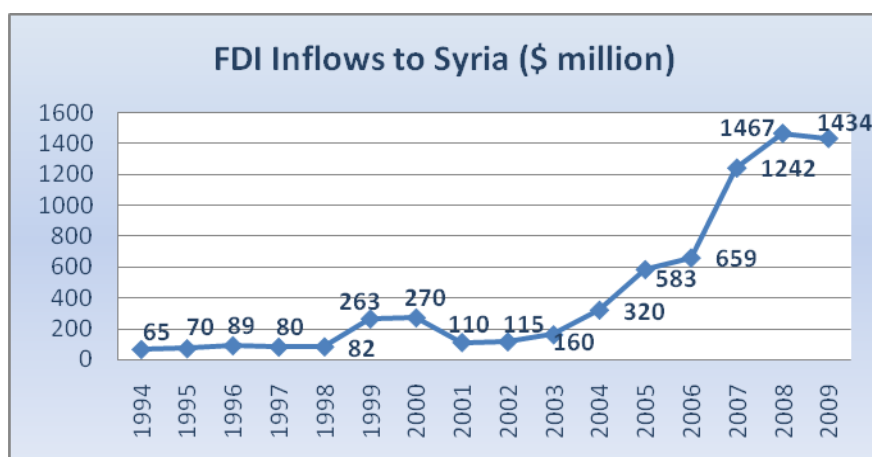


1-3- FDI in Syria 2010 :

1-3-1- The historical trend from the prospective of UNCTAD :

In the nineties FDI flows into Syria were humble , and they were in the oil exploration and production field only . And in spite of the evident efforts made by the governorate to encourage private and foreign investments by issuing investment encouraging laws , but FDI remained weak away from oil and gas area, FDI annual flow alternated from 65 million USD to 263 million USD during the nineties .

Chart (5):



And with beginning of the third millennium , mainly as from 2003 active economic reformations began as well as open market policy was adopted which led to the positive investment and business climate . And the official adoption of the nation of market economy , paved the way to expand the participation of private sector and being open to foreign investments . The financial sector expanded a lot and commercial barriers shirked evidently and many sectors which were owned by the state only (SOEs) became available to private sector such as sectors of cement , sugar , fertilizers and paper production . During the period between 2004-2006 Syria enjoyed a strong economy with somehow stable flows of FDI reached up to 320 million USD and it increased to 1434 million USD in 2009 .

Performance indicator of FDI flow :

Syria has a relatively humble rank from the view point of performance indicator of FDI , according to UNCTAD , which measure FDI flows in proportion to the total volume of economy . Syria has achieved during the few past years a progress which seeded it in the rank 70 among 144 , while it was in the rank 98 in the year 2000 . This developed rank was a result of consequent increases in the flow of FDI into the country by virtue of reformations and the steps towards liberalization of economy .

Table (4):

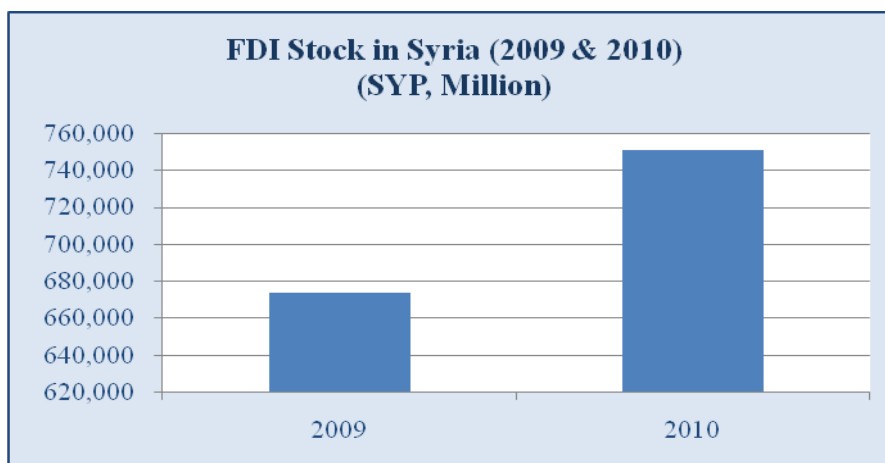
Indicators	2000	2005	2006	2007	2008	2009	2010
Indicator of performance of FDI flow	98	91	105	94	88	69	70

1-3-2- Analysis of FDI in Syria (2010) In order to present the much of what is possible of statistical indicators about FDIs in Syria , including their sources , qualities and their distribution according to sectors for the year 2010 , a field survey process was performed , based on a form which is designed especially for this purpose in cooperation among Syrian Investment Agency , the project of Enhance of Investment Environment (with UNDP)and the Central Bureau of statistics .

To perform the survey of FDI during the period between January and December 2010 , the statistical framework was set , including a list of FDI projects by Syrian Investment Agency and the Central Bureau of Statistics , in addition to administrations of industrial cities .

The survey covered 241 companies including FDI , 54 companies are in industrial cities , and free zones . And as for projects in Homs , Hama and Idleb , statistics of the previous survey of 2009 were adopted . The total value of FDIs flow amounted 76971 million Syrian Pounds or (1539 million USD) within 2010 compared to 71700 million Syrian Pounds or (1434 million USD) during 2009 . This shows an increase in the FDI flow at 7% annually . And the big share (63%) of the FDI flows was in gas and oil sectors at 48500 million Syrian Pounds or (970 million USD) in 2010 ,from investment expenditures of oil companies outside gas and oil sector . The financial sector received 8087 million Syrian Pounds or (162 million USD) , while converted industries sector received 17327 million Syrian Pounds or (347 million USD) and both sectors formed 11% and 23% (consequently of the total of the FDI flow away from oil and gas sectors) ¹ .

Chart (6):



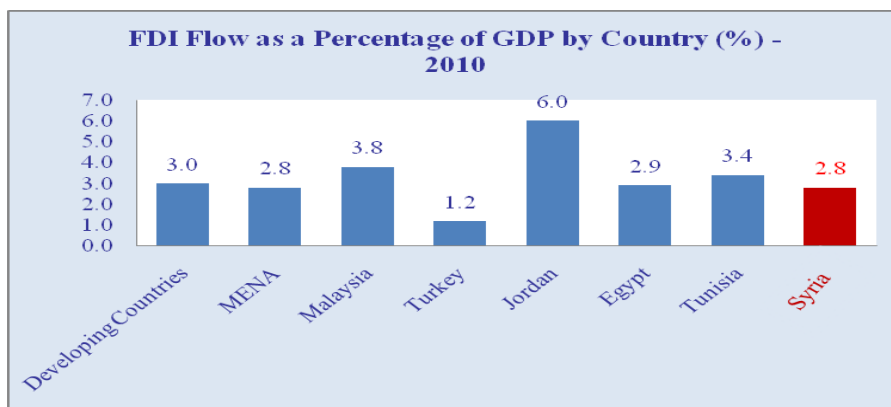
1-3-3- The economic importance of FDI in Syria :

¹ According to IMF , the FDI has two main features : The foreign investor owns a rate not less than 10% of projects and it represents investment flows to establish a new project or to expand an existing one . Also the FDI may have the shape of having ownership rights of an existing project totally or partially or by integration . And for the purpose of this study the paid capital is considered as a basis to calculate FDI in all economics sectors except oil and gas m as we have adopted annual expenditures of investment companies as per data of the ministry of oil and mineral resources .

The flow of 1.5 milliard USD represents the rate of 2.8 % of the total value of the GDP in Syria in 2010 .

And this is reasonable in comparison with economies of Middle East and north Africa (MENA) and other of developing countries as clarified in the following charts :

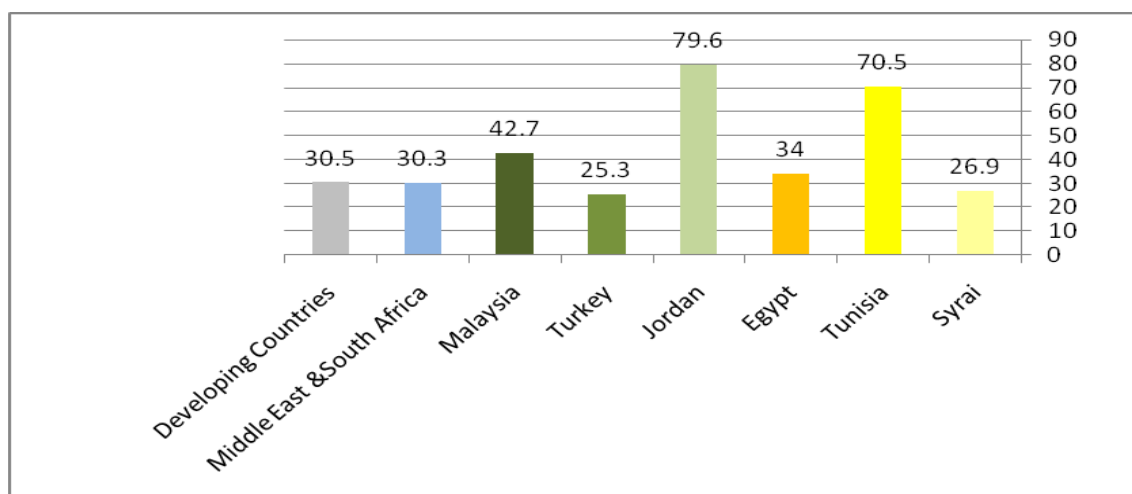
Chart (7)



And if we calculate the rate of balance of FDI , accumulated from the GDP at the end of 2010 , the rate would be 26.9% and this seems very near to the average achieved by developing countries (30.5%) and of that of MENA countries (30.25%) . But this percentage should be taken carefully , as when looking at the distribution of FDI as per sectors (whether from the view point of flows or balance) investments in gas and oil sectors from the great share in Syria . This shows the big dependence on FDI attracted towards resources (which is considered a closed investment which leaves a low effect of competitiveness ability of economy and its long term growth) , and weak dependence of outside investment which looks for market and competence , and leaves a bigger effect on competitiveness of an economy . In the same time countries like Tunisia and Jordan had high percentage of FDI balance related to GDP 70.5% and 79.6% consequently . This shows the great dependence upon FDI to push growth process forward (without noticed investments in gas and oil sector)

Chart (8)

The Stock of FDI in 2010 as a percentage of the GDP of each country



There is another criterion which issued to specify the importance of FDI economy , that is calculation of FDI flows as a rate of the total formation of the fixed capital GFCF (Expenditure for machines , installations and construction) . And the FDI flow as a rate of the fixed capital formation in 2010 was 13.2%) . And having this rate detailed , shows the relative weakness contribution of FDI in formation when excluding gas and oil , as FDI investments in industry sector was less than 3% of the formation of fixed capital .²

Table(5)

<i>Economic Sector</i>	<i>FDI Inflows 2010 (SYP, Million)</i>	<i>FDI Inflows as percentage of GFCF</i>
Agriculture	-	0.00
Oil & Gas	48,500	8.36
Manufacturing	17,327	2.99
Trade	6	0.00
Tourism & Real Estate	2,025	0.35
Transportation	1	0.00
Communications	(44)	-0.01
Finance	8,087	1.39
Education	1,069	0.18
<u>Total</u>	<u>76,971</u>	<u>13.27</u>

Source: UNCTAD State

It was worth mentioning that the low share of FDI industry sector can be explained partially according to available data . Our data about FDI depends strictly upon companies capitals which are covered in the survey , and if we add other components in the FDI , such as investment in tools and buildings , this raises the share . No doubt that next coming reports shall include more wide and accurate information if a national observatory of FDI is established and adopted in the Syria Investment Agency .

1-3-4- FDI balance in 2010 :

1-3-4-1- As per sectors :

The balance of FDI till the end of 2010 (It is investments accumulated up to that date) was 750610 million Syrian Pounds or 15 milliard USD . Analysis of those investments refers to that oil and gas sectors dominated FDI flows at the end of 2010 at the rate of 87.2% of the total . This relies upon the annual investments expenditure by oil and gas companies working in this country , either in the field of production , developing or exploration . This sector

² In reference to CBS , the total formation of fixed capital amounted 579.911 million Syrian Pounds at the end of 2010 , with an increase of 28.4% , in comparison with total fixed capital formation of 451.605 million Syrian Pounds in 2009 .

witnessed a new rising trend from the view point of entrance of emerging companies (China-India) which show increasing interest in Syrian market .

Table(6)

<i>Economic Sector</i>	<i>2009</i>	<i>2010</i>	<i>%</i>	<i>%</i>
Agriculture	77	77	0.01	0.01
Oil & Gas	606,070	654,570	89.97	87.20
Manufacturing	26,579	43,905	3.95	5.90
Trade	1,006	1,012	0.15	0.13
Tourism and Real Estate	6,061	8,086	0.90	1.08
Transportation	534	535	0.08	0.07
Communications	1,776	1,732	0.26	0.23
Finance	29,585	37,672	4.39	5.02
Education	1,955	3,024	0.29	0.40
<i>Total</i>	<i>673,642</i>	<i>750,612</i>	<i>100</i>	<i>100</i>

Source: FDI Survey in Syria, 2010

Industrial and financial sectors are the most important and after the sectors of oil and gas from the view point of attracting FDI . The financial sector was in the second rank in 2009 from the view point of attracting FDI , registering about 29.6 milliard Syrian Pounds and industry sector was in the third rank with 26.6milliard Syrian Pounds . A new classification in 2010 showed the converted industries in the second rank of ten sectors of oil and Gas with 44 milliard Syrian Pounds . The financial sector was in the third position with 37.7milliard Syrian Pounds . Lebanon , Jordan and Gulf countries are the main source for FDI flows in the financial sector embodied by private banks , insurance companies and financial brokerage companies . The balance of FDI in the converted industries sector reflects a new jump in the FDI flows in Syria , in response to economic liberalization .³

Table (7)

<i><u>Economic Sector</u></i>	<i><u>2010</u></i>	<i><u>%</u></i>
<i>Agriculture</i>	-	-
<i>Oil & Gas</i>	48,500	0.63
<i>Manufacturing</i>	17,327	0.23
<i>Trade</i>	6	0.00
<i>Tourism & Real Estate</i>	2,025	0.03
<i>Transportation</i>	1	0.00
<i>Communications</i>	(44)	(0.00)
<i>Finance</i>	8,087	0.11
<i>Education</i>	1,069	0.01
<i><u>Total</u></i>	<i><u>76,971</u></i>	<i><u>1</u></i>

Source: FDI Survey in Syria, 2010 .

³ Economy depends a lot upon oil revenues and as per statistics of CBS , in 2010 oil and Gas sectors formed more than 20% of the GDP and their revenues about 44% of export revenues we notice companies such as Lafarge , Nestle and Belle and Bin Laden , in the Syrian market , also many new investments entered to the markets in fields of construction , building food stuffs , textile , garments and chemicals industries .

It is noticed that building and construction sectors in 2010 witnessed a great process from 5.68 milliard Syrian Pounds to 21.47 milliard Syrian Pounds . as well as new investments in areas such as metal and engineering industries . But no new foreign investments in textile and food industries were noticed in 2010 .

Table (8)

<i>Manufacturing Sector</i>	<i>2009</i>	<i>2010</i>	<i>FDI Inflows 2010</i>
Mining	423	423	-
Food	6,196	6,196	-
Textile	2,692	2,692	-
Chemicals	3,207	3,452	245
Metals	5,190	6,405	1,215
Engineering	3,130	3,205	75
Furniture	60	60	-
Construction	5,681	21,473	15,792
<u>Total</u>	<u>26,579</u>	<u>43,906</u>	<u>17,327</u>

Source: FDI Survey in Syria, 2010

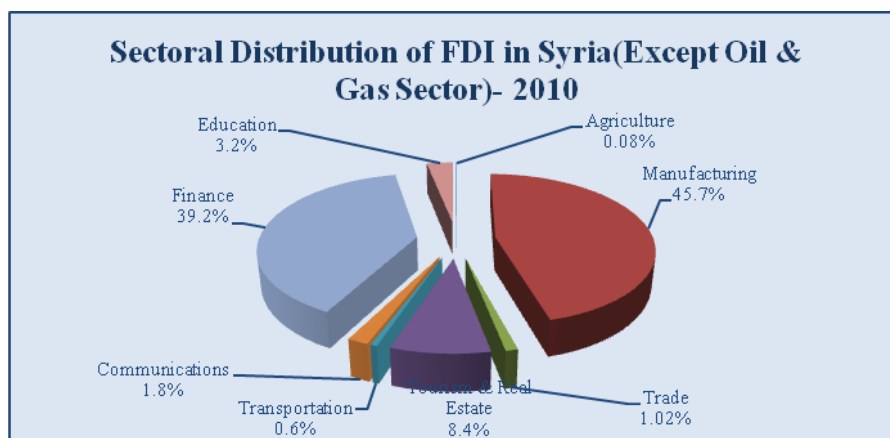
Tourism and properties sectors were in the fourth rank at 8 milliard Syrian Pounds and at the rate of 1.08% of the total balance of FDI flow at the end of 2010 . As from annual flow 2 milliards Syrian Pounds formed the ownership transaction between Saudec For Investment and Development and Palmyra for Real-Estates company . The first company had 50% of the share of the second one at 40 million USD or two milliard Syrian Pounds . Education sector came in the fifth rank at 0.4% of the total balance of FDI flow at the end of 2010 , at 3024 million Syrian Pounds . This sector witnessed an annual increase (in 2010) of the FDI flow of 1069 million Syrian Pounds , and this represents the continuous contribution of FDI in the high education sector and mainly private universities .

Telecommunication sector contributed at 0.23% of the total balance of FDI flow at the end of 2010 and it witnessed a light decrease in the annual flow and it amounted 44 million Syrian Pounds , this goes back to a selling transaction at about 44 million Syrian Pounds of the foreign share in Syriatel company , to local Syrian shareholders . And this company is one of the two telecommunication companies working in Syria (Syriatel and MTN) .

It is worth mentioning that agriculture , transport , and trade sectors failed to attract important foreign investment . Trade sector received 6 millions Syrian Pounds , transport sector received one million Syrian Pounds in 2010 and agriculture sector did not receive any foreign investment all in 2010 . In spite of the vital role of trade and agriculture sectors in

Syrian economy which form about 22% and 20% of the GDP consequently , they did not attract FDIs . The following chart shows the rate of each economic sector from the view point of attracting FDIs away from oil and gas sectors .⁴

Chart (9)



Source: FDI Survey in Syria, 2010

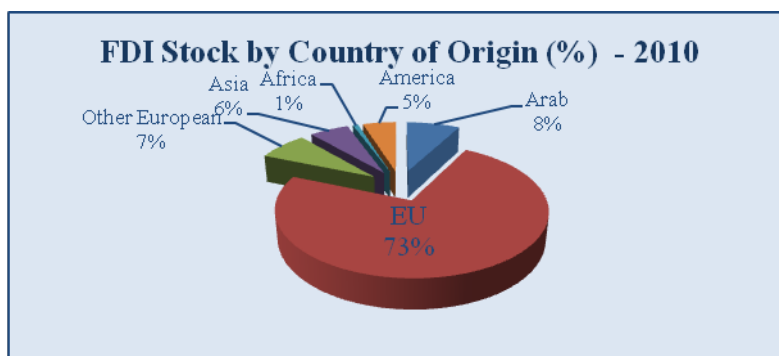
1-3-4-2- According to country of origin :

The geographic distribution of accumulated FDI sources at the end of 2010 , showed that the European Union was the main source of FDI flows into Syrian market at the rate of 73% , from the Netherlands (62%) and France 8% . Shell from Holland and Total from France both work in oil and gas sectors , they were in Syria since years . Other European countries contributed at 5% of the total accumulated FDI flows at the end of 2010 . Croation oil company Naftaplin . INA Industrija nafte d.d , had the big share of those investments contributed at 8% of the total balance of FDI at the end of 2010 , in converted industries , properties and financial sectors . Outside oil and gas sectors , investors from Gulf (Saudi Arabia and Qatar) and from neighboring countries (Lebanon and Jordan) had the big share while investors from America and Asia had 6% and 5% consequently .

The reason is mainly that Canadian and Chinese investments work in the fields production and exploration of oil and gas (SENOPEC of China and Petro Canada of Canada) . Africa had a limited presence in the market in less than 1% , Iran had 2.5% in converted industries sector mainly heavy industries .

⁴ Many projects in Tourism and properties sectors are still under construction and are not implemented , for this reason those projects remained outside FDI survey of 2010 .

Chart (10)



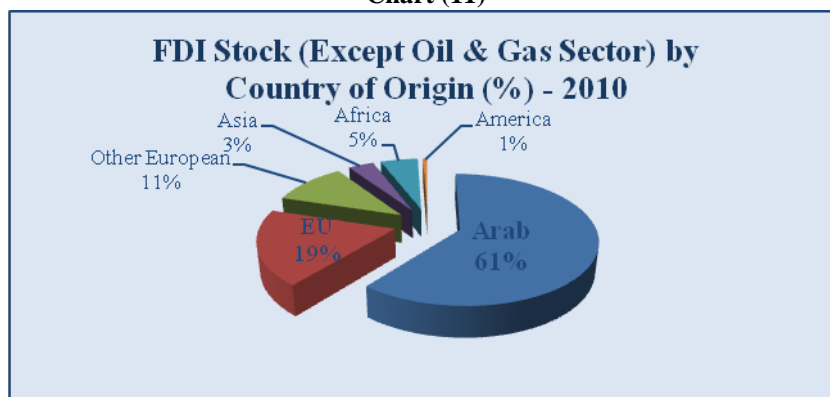
Source: FDI Survey in Syria, 2010

If we exclude oil and gas sector, Arab countries seem to be the most important source of FDI at the rate of 61% of the total of FDI flow at the end of 2010. Gulf states formed 36% of Arab investments. Other Arab investments formed 25% most of them are by Jordanian and Lebanese investors, with great concentration on financial sector. Investments by the European Union receded remarkably from 73% down to 19%.

When excluding oil and gas sector, Cyprus was the origin of the big share of FDI balance at the end of 2010 at 16% towards converted industries and building and construction mainly. Lafarge played a principal role in this high percentage in spite of that it is a French company but it is registered as a joint – stock company in Cyprus.

Other European countries contributed at 12% of the balance of FDI (except oil and gas sector). Virgin Island was one of the sources, as Overseas Investment Group IGO had the rate of 5.2% in building and construction sector.

Chart (11)

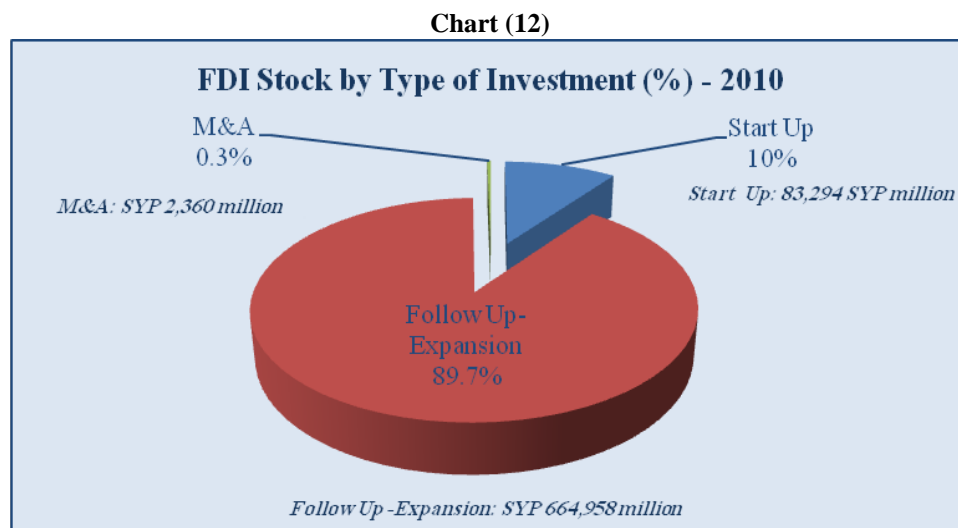


Source: FDI Survey in Syria, 2010

1-3-4-3- According to entry mode:

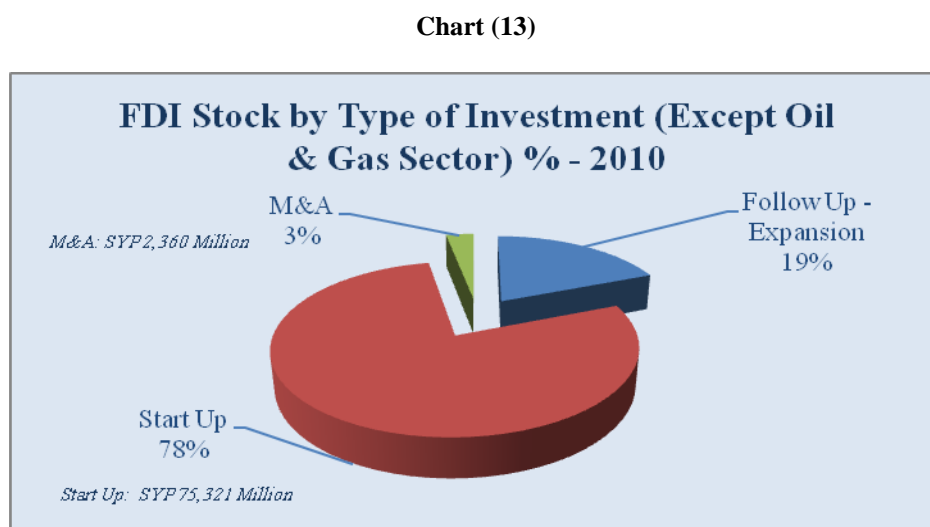
Most FDIs at the end of 2010 had the form of new investment (about 99.7%) while 0.3% of the investments of the total balance of FDI had the form of integration or possession through the possession deal between Saudec for Investment and Development and Palmyra for Real-Estate Development. Usually new investments are divided into new investments basically or expansion investments of existing projects, and because of the share dominated by gas and oil sector, the share of expansion investments seems to be much more bigger than new

investments . Expansion projects had 89.7% of the new FDI's while new investments had 10% only .⁵



Source: FDI Survey in Syria, 2010

If we exclude oil and gas sectors , new investments form about 78% while expansion investments from 19% of the total .

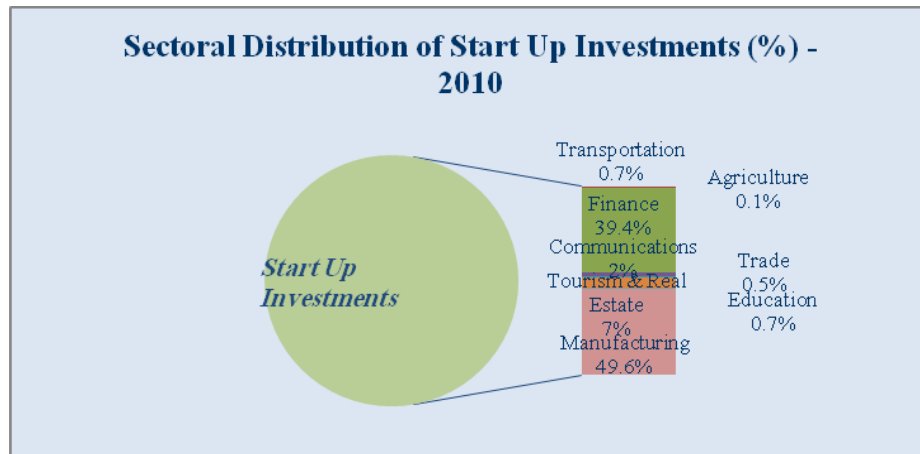


Source: FDI Survey in Syria, 2010

About half of the new investments , were in the converted industries (49.6%) then financial sector at 39.4% (mainly banks , insurance companies and financial brokerage companies) while tourism and properties sectors achieved the rate of 7% and other shares were distributed in agriculture , education , trade and telecommunication sectors .

⁵ The big share of expansion investments in oil and gas sectors is because of the data collected from those sectors which are formed specifically from annual investment expenditures of oil companies working in Syria which are investments of this sector .

Chart (14)



Source: FDI Survey in Syria, 2010

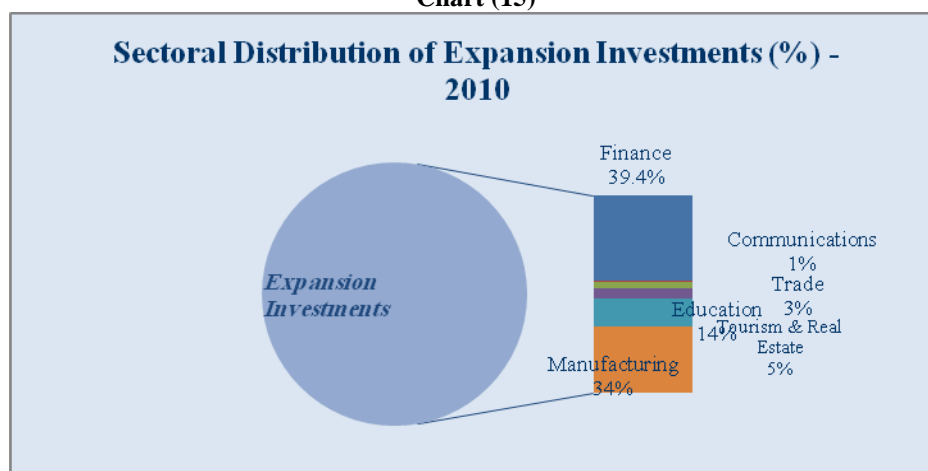
It is worth mentioning that the big share of new investments in converted industries were in building and construction industries , and food and chemical and engineering industries witnessed reasonable investments in the form of expansion .

Table (9)

<i>Manufacturing Sector</i>	<i>Start Up</i>	<i>Follow Up- Expansion</i>
Mining	137	286
Food	3,743	2,425
Textile	2,365	20
Chemicals	1,302	2,150
Metals	6,402	3
Engineering	1,924	1,281
Furniture	.	60
Construction & Building	21,473	.
<u>Total</u>	<u>37,347</u>	<u>6,224</u>

Source: FDI Survey in Syria, 2010

In our analysis of expansion investments , we find that the financial sector forms the big share of the FDI at 43% as per law Nr.131 of 2010 which raised the minimum capital required for traditional private banks to 10 milliard Syrian Pounds and the maximum of foreign share holding from 49% to 60% . Converted industries sector was in the second rank as expansion investments at the rate of 34% of the balance of expansion FDI's , this share is distributed mainly in food industries , engineering and chemical industries . Education sector had 14% of the total of the balance of expansion FDI flow at the end of 2010 . This important share is due to growth of investments in the form of private universities .

Chart (15)

Source: FDI Survey in Syria, 2010

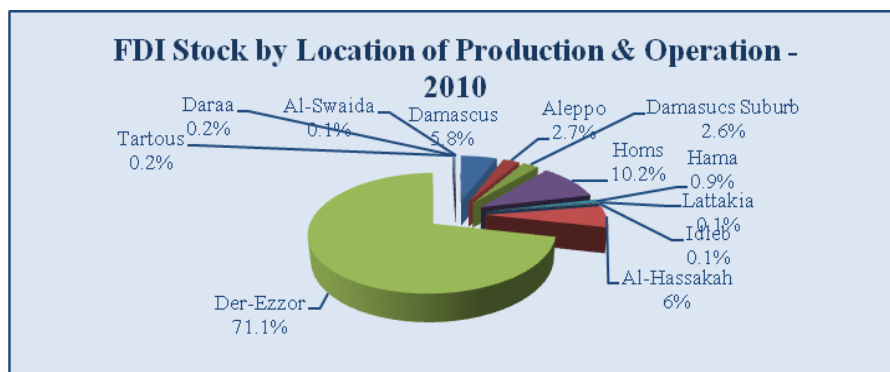
Concerning investment made through integration possession , this made is still in its early stages in Syrian economy and it started to appear evidently in 2010 , in the possession deal referred to before .

1-3-4-4- According to place :

Regarding distribution of the balance of FDI in Syrian governments it is necessary to distinguish between the place of head quarters and the place of production . This distinction is essential to assess the potential place effect of foreign investments .

Damascus is considered the bigger receiver of FDI flow at 93% from the view point of the place of head quarters , then Aleppo at 2.6% , and Damascus countryside at 2.5% . But this distribution differs if we do it on the basis of production place because head quarters of oil and gas companies are in Damascus , while production places are in other places . And this explains why most of the FDI's production and processes are in Deir Ezzour and AlHassakeh governorate .

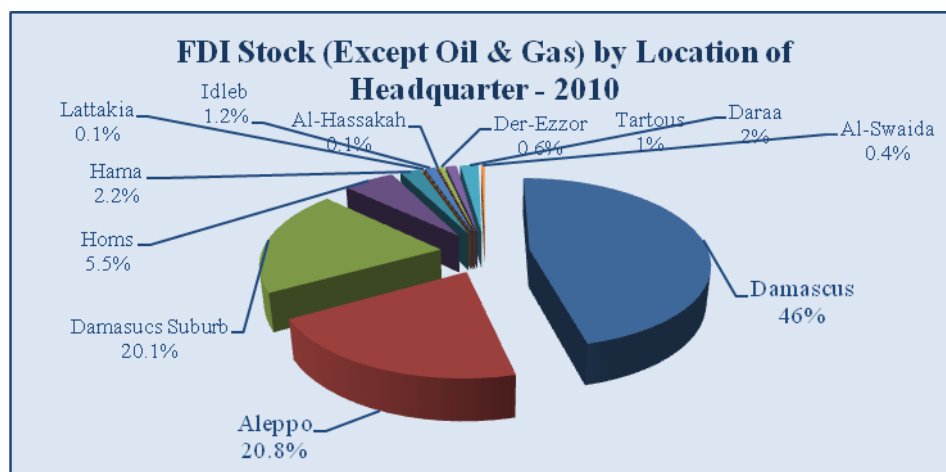
Chart (16)



Source: FDI Survey in Syria, 2010

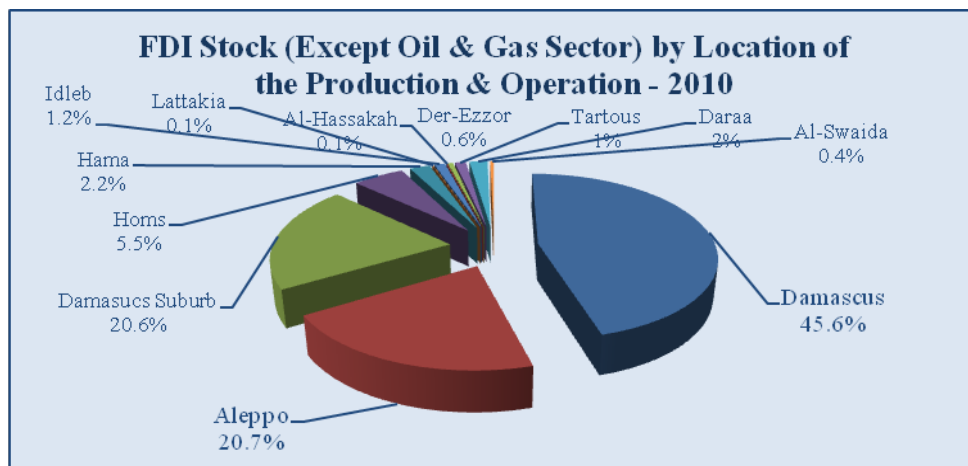
A way from gas and oil sectors , Damascus has the biggest share of FDI flows from the view point of place of head quarters , but with more moderate rate of (46%) . And the shares of Aleppo , Damascus countryside are 20.8% and 20.1% consequently . Other governorates shares, form 13% of the FDI flows , most of them in Homs , Hama and Daraa . This share distribution is repeated when considering the place of FDI (place of production) as long as no clear separation is done between head quarters and production places outside oil and gas activities .

Chart (17)



Source: FDI Survey in Syria, 2010

Chart (18)

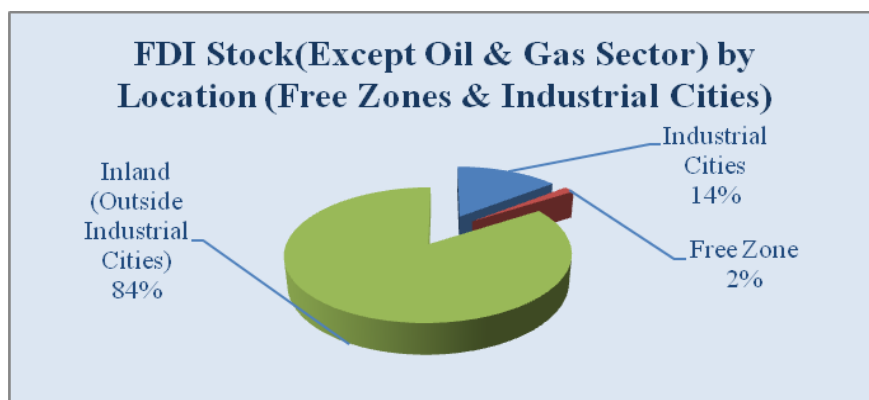


Source: FDI Survey in Syria, 2010

As for industrial cities and free zones , those cities form emerging locations of FDI projects in Syria (eight years period only) .

The four industrial cities working in Syria , attracted 14% of the balance of FDI flow in non-oil activities at 13.63 milliard Syrian Pounds at the end of 2010 , while converted industries had the share of 30% and it is expected that this share shall increase greatly in next coming years , because industrial cities seem to be the most preferred place for investing in converted industries sector .

Chart (19)



Source: FDI Survey in Syria, 2010

It is worth mentioning that more than a half of the balance of FDIs in industrial cities (58%) was attracted by Adra industrial city near Damascus , it attracted mainly projects of construction and engineering materials sector , as for remaining rate (42%) it was distributed between Sheikh Najaar (Aleppo) and industrial city of Hyssieh (Homs) . But as for Deir Ezzour industrial city it is still new and it did not attract any FDI till the end of 2010 . Free Zones had 2% of the total value of the balance of FDI flow in non oil activities till the end of 2010 (embodied in investments at the value of 1.49 milliards Syrian Pounds) this shows weakness of free zones in attracting FDIs in Syria .

Second Chapter : Framework of FDI policy in Syria :

1-2-Introduction :

Before the stage of economic openness and liberalization of many sectors , and pushing forward to encourage investment , there was one law issued in 1952 (before central planning stage) and another law during central planning stage in 1969, for Syrian expatriates and Arab investment . The first law was for sectors of health , transport , tourism and properties .

In the mid eighties , investment encouraging laws started to appear again reflecting openness towards private and foreign investments , but the new laws concentrated upon specific economic sectors and they were applied equally on local and foreign investors , The first was resolution Nr.186 of 1985 , issued by Tourism Supreme Council⁶ , which concentrated on residence tourist enterprises , then law Nr.10 of 1986 , which encouraged joint investment (public and private) in agriculture field , and law Nr.10 of 1991 to encourage investment which opened economic sectors in front of (Syrian and foreigners) investors which were dominated by state . This law targeted sectors of industry , agriculture and transport and other vital projects in other sectors . Decree Nr.8 of 2007 replaced law Nr.10 . And it expanded sectors and amended the incentives of law Nr.10 of 1991 .

In 2008 a new law was issued related to attracting and organizing investment in the real-estate sectors , After that no new investment laws were issued to cover other sectors , but new laws and resolutions were issued allowing establishing private banks , insurance and financial brokerage companies , granting a tax rate which was fixed at 25% of the earned tax while this rate was 28% . There are suggestions to gather investment incentives in one law and to put all local and foreign investments under the umbrella of one state run authority .

2-2- Law regulating investment process :

2-2-1- Legislative decree Nr.8 of 2007, related to investment encouragement :

Decree Nr.8 removed incentives on income tax,as exemptions for different periods stipulated by law 10 of 1991 , so that they became incentives which are decreased dynamically . And the government took more steps to words liberalization in organizational environment of the economy . The purpose of decree Nr.8 is to go far away from presenting exceptional tax relieves and incentives . The decree allows investor , Syrian , Arab and foreigners to own or rent land for projects regardless of ownership ceiling as per existing agrarian reformation , and it allowed freedom of transferring profits on foreign capital and to repatriate the same capital after five years of entering it . Foreign workers are also allowed to retransfer more than 50% of their net income and 100% of the compensations in convertible currency , on the condition of settling taxes due on their fees , salaries and requitals . As per the decree investors are exempted from paying customs duties on imported equipments , but they are still due on raw materials and intermediate commodities . The decree did not grant any tax relief and it left projects licensed as per it , subject to legislative decree (51) of 2006 as per which the marginal average of tax rate is 28% , to be decreased dynamically , for projects licensed as per investment encouraging law , to 22% and then to lower rates as per number of

⁶ The Supreme Council of Tourism was formed in 1972 with legislative authorities.

workers , exportation and others , but it granted projects in industrial cities additional reductions , and projects are granted additional tax reductions if they do creates job opportunities and also if they expand their ownership base .

The minimum of the capital of projects licensed as per this decree as follows :

- 50 million S.P if the project is located in Damascus , Aleppo or Damascus countryside
- 30 million S.P if the project is located in Homs , Lattakia , Tartous or Hama.
- 20 million S.P if the projects is located in Daraa , Qunietra , Idleb or Al Sweidaa .
- 10 million S.P if the project is located in Deir Ezzour , Al Hassakeh or Al Raqa of Al Badia region .

2-2-2- Resolution Nr.186 of 1985 by the Tourism Supreme Council :

This resolution is related to investment in residence enterprises , such as hotels , motels , apartments , leisure enterprises and restaurants (transport projects are subject to law Nr.10 and decree Nr.8) . As per this resolution investors of the local , private , public and joint sector and foreign investors are all equal .

It grants the following privileges :

- Exemptions from all municipal fees related to projects license .
- Five-stars hotels are exempted from all customs and tax duties imposed on import of building materials , and equipments , vehicles , and furniture but their value should not exceed 50% of the approximate total value of project . Four and three stars hotels enjoy the same privileges , but the value of exempted imports should not exceed 30% of the total approximate value of investment .
- Income tax relief for seven years granted as fro operation . The resolution gave a tax reductions of 50% from income tax after years of tax relief and for the whole period of project . But this exemption is cancelled in 2006 , and projects licensed as per this resolution after the passing of the first seven years of exemption , are subject to a tax of 2.5% on sales and 0.5% on the total of wages and salaries (Total 0.3%) . Resolution Nr.194 of 2007 reduced tax to 2% on sales and 0.5% on wages and salaries if the investment was in Idleb , Raqa, Deir Ezzour , Al Hassakeh , Al Sweidaa , Daraa , Al Qunietra or Palmyra .
- Projects of integrated tourism enterprises subject to this resolution and by all their components , profit from privileges and exemptions granted in this resolution , on condition that the cost of tourist established enterprise should not be less than 70% of the approximate total cost of investment in the whole integrated enterprise .⁷

In continuation to the resolution 186 of 1985 , the Tourism Supreme Council issued resolution 272 of 1998 which allowed foreign investors and (Syrian expatriates to refund their capital after five years as from starting work according to the actual value of investment . It also allowed transferring annual profits and interests during investment period . Two other resolutions were issued, the first allowed Arab and foreigners to own and rent necessary land for the project whatsoever , regardless of the legal ceiling of land property (resolution Nr.20 of 2002) , it allowed foreigners , individuals and companies to rent offices and houses for 15 years(non-renewable) maximum . The resolution Nr.109 of 2005 allowed the administration of tourist project to terminate employment of workers

⁷ To encourage investment in different developing areas (in the east) mainly Al Hassakeh , Deir Ezzour and Al Raqa ,the legislative decree Nr.54 of 2009 which exempted projects in that region , and which are licensed as per decree Nr.8 or law Nr.15 of 2008 related to real-estate development and investment or the resolution of the Tourism Supreme Council Nr.186 of 1985 , from taxes and duties for ten years .

as per a signed contract , agreed upon after paying a compensation that equals one month salary multiplied by years of work .

Main Hospitality Projects in Syria Approved in (2010)

- The USD 190 million Yasmeen Rotana in Damascus
- The USD 1 billion UAE-based Majid al-Futaim “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
- The USD 680 million Cordoba Hills by Akar Development IN Aleppo
- The USD 100 million Garden City Resort in Damascus
- Souria Holding’s USD 319 million “Syria Towers” project.
- The USD 87 million “Nobles” & the USD 150 million “Morouj Valley” projects by IGO in Yafour
- The USD 30 million “Yasmine Hills” and Oak City by Palmyra-SODIC in Damascus Suburb

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 Salahieh 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 were setting plans to open in Damascus.

2-2-3- Law Nr.15 related to real-estate development and investment :

The law is issued in July 2008 to organize the process of real-estate development mainly in the field of housing and to activate investment in properties field by local and foreign companies The law gave no tax or customs exceptions to investors , but projects licensed as per which have exceptions from for trade and money transfer resolutions . Projects enjoy the following advantages :

- Temporary admission for all equipments and vehicles for the purpose of project .
- Import of all building materials with no resolutions , but without being exempted from customs duties .
- Transferring abroad annual profits coming out of foreign capital .
- Refunding foreign capital after finalizing execution of project and starting operations .
- Workers and foreign executives are allowed to transfer abroad 50% of their salaries and 100% of the compensation of termination of employment . The law asked the properties developers who want to have branches in Syria to have ten years experience in this field and to present a guarantee of 100 million Syrian Pounds to the General Commission of Real-Estate Development and Investment , related to law Nr.15 , law Nr.39 was issued at the end of December 2009 , it stipulated formation of Mortgage Finance Supervisory Authority to issue legislations and regulations of real-estate mortgage including contracts samples , in addition to establishing mortgage foundation . Now , law of real-estate mortgage is being prepared to organize and allow establishing private non-bank companies for financing and re-financing of real-estate

mortgage . In the meantime , the Real- Estate Bank and some private banks provide residential loans .

2-2-4- Investment laws and regulations in the insurance , banking , financial sectors :

New private banks and insurance companies are subject to income tax at 25% , apart from legal income tax at 28% . But the income tax law Nr.51 of 2006 imposed a low tax at 14% on companies which subscribe more than of 50% of their shares to public subscription, this does not apply to new banks and insurance companies. In March 2001, law Nr.28 was issued it allows establishing private and joint banks , and it sets conditions of their establishment including that the minimum of capital should be milliard and half million S.P and the minimum of the ownership of Syrians at 51% of the capital (i.e it indicated the ceiling of foreign ownership at the rate of 49%). Today eleven traditional private bank work in Syria . In September 2004 , decree Nr86 stipulated establishing Insurance Supervisory Commission to organize insurance sector and to put and prepare adequate conditions to license and supervise the performance new insurance companies . In May 2005 it was allowed as per decree Nr.43 to establish new insurance companies with a minimum capital of 850 million S.P (17 million USD) , to provide general insurance and life insurance . And the ownership Arab and foreign investors in insurance companies can reach up to 100% of the capital . Also in May 2005 , the decree Nr.35 permitted establishing Islamic banks in the country with a minimum capital of 5 milliards S.P the ceiling of foreign investment is 49% of the capital . Now three Islamic banks work in the country . In February 2007 , a law permitted establishing micro financing establishments and in May 2009 the government allowed opening of representation offices of foreign banks in Syria ,but their activities are limited to consultancy services only. In January 2010 , law Nr.2 raised the limit of the capital private banks from 1.5 milliards S.P to 5 milliards S.P and Islamic banks from 5 milliards S.P to 15 milliards S.P . The law also increased the ceiling of ownership of private banks from 49% to 60% . Working banks were granted three years period to raise their capital to the new minimum (which is extended later on to four years) .

2-2-5- Investment System in oil and gas sector :

FDI in oil and gas sector in a specific early stage was distinguished by non-giving licenses to foreign investors to invest in this field (law Nr.133 of 1964) and the state –run authorities were permitted to explore oil resources , with technical help from foreign companies against monetary or non-monetary fees . But lack in capital , and technical expertise , as well as financial costs , pushed the government in mid of 1970s to issue law Nr.9 of 1974 which allowed foreign companies to enter this sector on the basis of contracts of sharing of production

BOX

The Time-Line of Regulatory Reforms in the Financial Sector (2000-2010)

Law No. 28 of 2001 – Allowed the establishment of private banks onshore

Decree No. 35 – Allowed the establishment of Islamic banks

Decree No. 43 – Allowed the establishment of private insurance companies

Law No. 22 – Established a Stock Market Commission

2006, Law No. 24 – Permitting the establishment of foreign brokerage firms

Decree No. 55 – Setting the rules and regulations of the Damascus Stock Exchange.

2010, the Central Bank issued Law No. 3 - Raised the minimum capital required to SYP 10 billion for private banks and SYP 15 billion for Islamic banks and increased the limit of foreign stakes from 49% to 60%.

so that foreign companies bear exploration and developing risks , against a share of production . This formula and unlike franchise agreements, gives the right to the government to keep ownership of resources underground , and sharing more in taking decision about production and taking royalty on production as revenues on the natural resource of the country . As a result of sharing in production , each foreign company which wants to explore and produce should have a specified exploration area and a contract of oil exploration service and its production , with the Syrian Petroleum Company , and the Ministry of Oil and Mineral Resources . The contract specifies exploration period and the amount agreed upon with the foreign company to expand during the contract period . The initial exploration period is five years , can be extended for two consequent times for two years each time . The exploration and development services contract is terminated if no well is operated commercially at the end of the nine years of exploration and the foreign company bears all expenses of exploration during the contract period .

In case of discovering oil in commercial quantities , a partnership contract is signed between the foreign company and Syrian Petroleum company and a developing joint company is formed which works as a non profitable Syrian agent for each of the foreign company and the Syrian Petroleum company equally . And the foreign partner administration company which has a board of eight members four are assigned by Syrian Petroleum Company and four are assigned by the foreign oil company . The director general and the executive director are nominated by the foreign oil company and they become members of the board. Oil marketing is performed by Oil Marketing Bureau SYTROL (state-owned) it sells the share of partners from production of grey oil and it pays revenues in USD . The royalty of Syrian government is 12.5% from the value of produced oil and paid (cash or non-monetary) to Syrian government then the foreign company takes a percentage of oil called oil cost and it is the remaining value of oil production .After deduction of royalty and oil cost, it is named profit oil and it is divided at rate of about 75.25 and 87.13 between government and foreign company . Syrian partners and their secondary non-Syrian contractors are exempted from income tax and other taxes during exploration stage , but they settle those taxes during production stage . The foreign partner can pay his income tax from his share of grey oil . Also explanation company and secondary contractors and joint developing company are exempted from :

- a- Restriction of importing machines , equipment vehicles , materials and supplies specific by Syrian Petroleum Company .
- b- Customs duties and import licenses of those imports
- c- Systems of foreign currency
- d- Income tax .

2-3- Investment guarantees :

Investment laws , mutual and multi-lateral agreements signed by Syrian government include guarantees for foreigners against confiscation of ownership and they include confirmations to adopt adequate means to settle disputes .

2-3-1- Guarantees in local laws :

Legislative decree Nr.8 of 2007 , gives the right to investor to own and rent lands and properties for the purpose of establishing or expanding investment projects strictly even through the space exceeded the ownership ceiling , stated in laws and regulations in force .

Projects licensed as per this decree enjoy guarantee of non-confiscation of expropriation or the limitation of disposal of ownership of investments and their revenues unless they are for public interest and against paying prompt and just compensation which equals the ruling value of project before the date of expropriation directly other guarantees :

- Non-Syrian investor can have work and residence licenses for himself and for his family for the whole period of execution and operation of project .
- The investor can also obtain work and residence licenses for non- Syrian workers of project .
- The investor has the right to re-transfer abroad the outcome of his own share of project in convertible currency after setting due taxes .
- The investor has the right to transfer interests and profits achieved by foreign invested money annually as per provisions of this decree in convertible currency after setting due taxes on those profits and interests .
- The investor has the right to re-transfer the money abroad after six months as from entrance of this money if not invested because of difficulties or conditions out of control of investor and to be considered by the broad .
- Experts , workers of technicians (Arab or foreigners) of a project , have the right to transfer 50% of their net wages , salaries and bonuses and 100% of the compensation of the end of service, in convertible currency after settling due taxes on all the above .
- Transferring should be via duly licensed banks .

The investor can bring in equipments Necessary for assets fitting in the project and to bring them out upon the approval of the board .

2-3-2- Guarantees in mutual and international investment agreements :

As per decree 8 of 2007 provisions of mutual , international or multi-lateral investment agreements , and investment guarantees in force in Syria , are applied and signed with other countries or Arab and international organizations , Also the investor has the freedom to provide insurance of his project at any insurance company licensed in Syria . Investment related disputes are settled amicably ,if not, during three months as from a written notification of amicable settlement by one of dispute parties , the other party can use :

- 1- Arbitration
- 2- Competent Syrian Courts .
- 3- Arab Investment Court .
- 4- The agreement of guarantee and protection of investment signed between Syria and the country of investor or Arab or international organization .

Syria , since 1970, was member in many multi-lateral investment agreements without the framework of the Arab League or the Islamic Conference ⁸ . Those agreement all stipulated to lift obstacles and restrictions on FDI and the guarantee of equal and just handling of FDI and local investments as per the international law , and guarantees of non-confiscation except for public interest against prompt and just compensation , as well as freedom to transfer capital and profits and settling disputes in just manners .

2-3-3- Double taxation evasion :

Double taxation is an obstacle in front of FDI when the company pays tax on income achieved from economic activity in a foreign country two times , once in the home country

⁸ The agreement of Arab Capitals And Their Movement Among Arab Countries 1970, the agreement with the Arab Foundation of Investment Guarantee 1970, the agreement of Settlement of Disputes of Arab Invested Money 1974, the Unified Agreement of Investment of Arab Money in Arab Countries 1980 and the agreement of Investment among countries of the Islamic Conference 1985.

and again in the hosting country , Syria signed many in double taxation evasion agreements (with 16 Arab country, 17 European country and 8 Asian countries) .

2-4- Incentives , obstacles and restrictions :

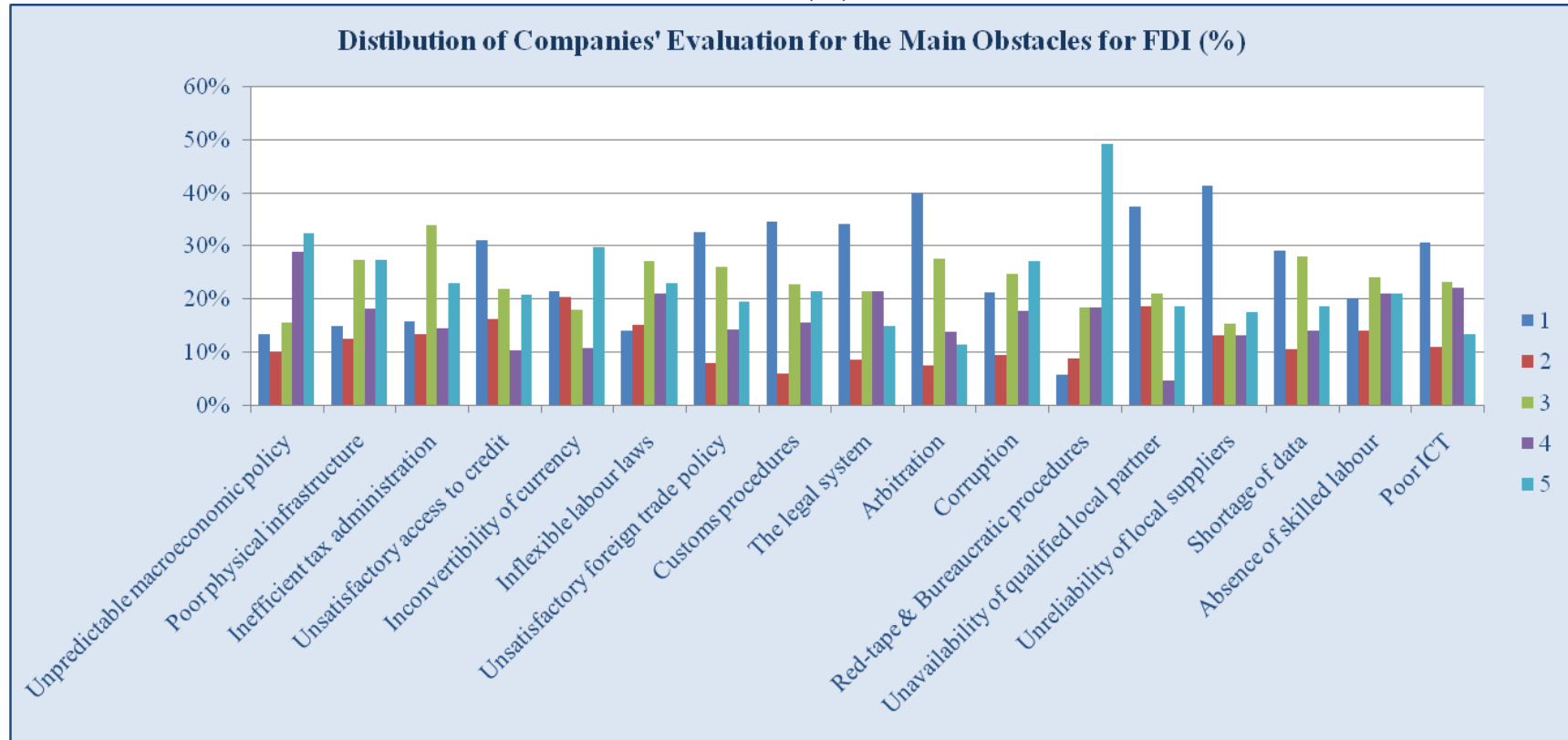
2-4-1- Incentives supporting FDI :

- Volume of local market and expected growth .
- Low cost manpower
- Geographic location

2-4-2- Obstacles :

- Routine , bureaucratic procedures
- Restriction on transferring capitals for projects which are not licensed as per investment law .
- Difficulty of obtaining financing .

Chart (20):



Source: FDI Survey in Syria - 2010

2-4-3- Restrictions :

- Restrictions on foreign ownership :
- In the financial sector , the ceiling of foreign ownership is limited by 49% when it was first allowed to establish foreign banks in 2001(law 28 of 2001 and law 35 of 2005) , but this ceiling is raised up to 60% as per law 3 of 2010 . And in the real-estate sector , law 15 of 2008 specified , the maximum ownership of investment and real-estate development at 49% of the capital and those are considered as simple .
- Employment restrictions : The ministry of labor and social Affairs , identified the rate of non-Syrian employees in any establishment at 10% of the total number of employees , but their salaries and compensations should not exceed 30% of the total of wages (Resolution Nr.2040 of 2005) This resolution gives the right to the minister to give exception for a temporary period , if no skills are available among local employees . And in 2009 the resolution Nr.2137 , identified the ceiling of foreign employees at 3% of the total number of employees in the financial sector .

2-5- Institutional supervision on Investment :

2-5-1- Syrian Investment Agency (SIA):

Syrian Investment Agency is established as per decree Nr.9 of 2007 , in line with decree Nr.8 of 2007 . SIA has administrative and financial independence and is affiliated to prime minister .

SIA aims at implementation of investment national policies and developing investment environment in Syria by performing the following :

- Setting principles and criteria to simplify and facilitate investment procedures .
- Preparation of investment map in coordination with related entities within priorities of projects of strategic importance and promotion of investments internally and abroad .
- Providing consultancy , information and data for investors and publishing special pamphlets .
- Contribution in setting drafts of agreements and protocols related to investment .
- Following – up implementation of projects and impeding obstacles which may face those projects and the continuation of their work .
- Performing all promotional activities to attract investment , including seminars , conferences and organizing meetings and exchange of visits .

Administration of SIA :

As per decree 8 of 2007 , SIA is administrated by a board and a director general . The board is constituted of :

- Chairman
- Director general of SIA as a chairman deputy
- Deputy general director as a member
- Three director 's from SIA as members
- Three representatives from the chambers of industry , commerce and agriculture as members .

To enhance investment environment SIA performed the following :

- Foundation of the one – stop – shop to speed investment application process and to remove bureaucracy.

- Design of an investment map and its modernization, and it includes detailed information about investment related laws and regulation and available investment opportunities in Syria . All required information be found on the web site of SIA in 13 languages , Arabic , English , French , Chinese , Japanese , Spanish , Turkish , German , Korean , Persian . Russian , Portuguese and Italian .
- Providing a list of implemented projects and potential opportunities .
- Establishing 8 branches in governorates the latest was launched in Tartus in 2013 . Effort are exerted with embassies abroad towards countries communication with investors to promote for investment .
- Contribution of review of investment related laws , such as arbitration and companies laws .

2-5-2- Industrial Cities :

In 1996 the government adopted the notion of establishing industrial cities as per resolution by the prime minister Nr.326 which stipulated establishing industrial cities in all governorates , to be organized internally according to kinds of industries (Chemical , engineering , electric , textile and foodstuffs) in 2004 law Nr.57 organized building and operation of three industrial cities in Adraa in Damascus , Hyssieh in Homs , and Sheikh Najar in Aleppo and one in Deir Ezzour all are supervised by the ministry of local administration . Those cities provide organizational and financial incentives to attract investments including FDIs , such as infrastructure , tax exemptions , as projects established in industrial cities enjoy one grade tax exemption more than usual tax rate .

Projects in Hyssieh and Deir Ezzour industrial cities enjoy two grades tax exemption .

Projects established in industrial cities enjoy all privileges and incentives as per investment decree ,land is also sold by premiums to investor , in encouraging prices . Boards of industrial cities have authorities of SIA concerning projects .

No ownership ceiling for foreign investors when investing in industrial cities (100% ownership) . In each industrial city there is an immigration office to facilitate granting residence permits for investors and workers in much more flexibility .

2-5-3- Free Zones :

General Establishment of Free Zones was established as per decree Nr.18 of 1971 and the investment system in it was approved as per decree Nr. 84 of 1972 , and it was amended by decree Nr.40 of 2003 which is applicable till now . This entity is affiliated to the minister of economy and trade , it administrates investment in free zones , and it suggests projects of establishing free zones or their cancellation . It is important due to the strategic geographic location of Syria as one of the important economic gates on the world . Free Zones are of great importance as economic resource in economic national growth ,by establishing industries for export purpose and profiting from modern technology , and providing foreign currency , in addition to the branches of free zones , inside the capital , and sea and borders outlets , as they play a vital role in the trade , exportation and transit movement . The new investment system related to administration and investment in free zones , ratified by decree Nr.40 of 2003 is a qualitative step in Syria , with the great support of government and political leadership to serve national economy to cope with international development and to attract investments .

Investment Incentives in Syria Free Zones :

- Foreign trade system :
- Exemption from customs duties .

- Exemptions from resolutions imposed on exportations to local markets (to what its rate is 25% of the total of exports) but with being subject to customs duties .
- No minimum limit of exports as a rate of total production , is required to be achieved .
 - Taxes : Exemption from taxes and duties :
- Inward and outward of products : exemption of building materials and machines for restrictions import .
- Financial dealings : retransferring of profits .
- Foreign ownership : foreign companies own regardless of nationality or sectors .
 - Work system :
- Freedom to employ foreign workers .
- Workers should not be registered at the Social Insurance Establishment .
- Possibility of having employment contracts for limited period .
 - Obtaining land :
- Encouraging land prices .
- Long term land rent contracts (for 20 years) .

Chapter Three : Remarks and recommendations :

Remarks and recommendations statistical survey refers to that FDI flow in Syria increased during the last few years , most of attracted investments was towards resources mainly oil resources , which had a remarkable effect on revenues of treasury and on exports proceeds and on country's foreign currency , but no enough technology transfer is noticed . The survey showed that most of the FDI flows , were investments looking for market , which are attracted by Syrian economy liberalization and by the volume of market during the two past decades . Investors were mostly Syrian expatriates and Arab . It is worth mentioning that multi-nationality companies which are looking for competence began to come into Syria, but still in low rates . That is to say , economic effect of FDIs on economy is still simple .

This image of FDI in Syria , reflects a noticed contradiction of international mode of FDI in the world , (the reason is the new experience which foresees a good future as per indicators of the study) . New types of FDI are seen in the world and in emerging countries , those investments have an increasing share in the flow of its global capital leaving an increasing deep effect on work force in hosting countries .

The motive was the quick spread of information technology , and liberalization of work trade , as multi-nationality companies (TNC) look for competitiveness which depends upon :

- A- Costs discrepancies among locations .
- B- Type of infrastructure .
- C- Kind of services related to commercial works.
- D- Easiness of business performance .⁹

This is considered a serious challenge to policy makers in both developed and in developing countries . Some states mainly in Asia , seem to be profiting more from FDI to encourage their industrial development . Those countries adopt industrial and technological policies , providing good locations for those foreign investments mainly in the industries of interlocking components (such as garments , electronics cars , food preparationetc) . Among those policies we find selective policies which aims at orienting towards strategic sectors . To encourage FDI , new policies should be adopted to target development needs according to priority , especially in productive sectors , in addition to keeping on responding to FDI which looks for resources and markets , mainly Syrian expatriates and Gulf investors Also Syria should become attractive to FDI looking for competence , in order to enforce growth possibilities and to enable its economy to join global production and marketing net works . Suggestion to develop and activate the role of FDI in national economy :

- Removing institutional restrictions which impede any foreign investment regardless of its source , kind or of its sector . By enforcing competitiveness , and limiting bureaucracy and decreasing dealings costs . And to guarantee quick and just contracting , and disputes settlement as per clear mechanism , and providing logistic services and solutions for trades and amending adopted concepts of industrial cities and free zones .

⁹ FDI which looks for market : It aims at penetrating local markets at the hosting countries , and it is usually linked to market's growth and reaching international and regional markets , This FDI may be profitable by modernization of local market and marketing by increasing competitiveness , but over competitiveness may bother local competitors , mainly if foreign companies were of a high level of competitiveness .

- Adoption of clever intervention to encourage FDI in sectors of priorities , by following the policy of encouraging and restricting , to support certain investments and to attract high quality investments . Thus , new policies should be formulated and built on incentives which fulfill development priorities by encouraging incentives system towards :
 - Unification of investment laws and regulations by expanding authorities of SIA .
 - Linking incentives with economic sectors priorities .
 - Rationalization of tax incentives and putting them in a conditional variable framework .
 - Adoption of the principle of using specific rates from local inputs to encourage local production in case of availability of adequate competence or low limits application of export and linking them to incentives .
 - Incentives should be flexible and variable to suit all stages and priority changes .
 - Granting incentives to the private sector expenditure on research and developing .
 - Taking into consideration investment sources when granting incentives .

Syria expatriate investors requirements differ from those of Arab investor and of foreign investor coming from emerging economics or multi-nationality companies . The most competent group of incentives is that which is suitable for all types of investments and from all sources and which fulfills conditions of liberalization and organization and it supports capability of national economy and human workforce , institutions , industry and technology in private and public sectors as well as civil society , protecting national industrial entities from unjust competitiveness with foreign investment . Because capacity building enforces national economy's ability to profit from imported technology .

Components of capacity building can be summarized by :

Building national specialized technological capacity , based on establishing innovation developing and research systems , and developing industrial , institutional and economic infrastructure for economy . Those systems are composed of :

- A- Developing and research activities which are linked to development goals and priorities of sectors .
- B- Finding human capital which is capable of identifying , adopting and using of technology .
- C- Setting an innovation policy based on enforcing initiation .
- D- Establishing technology parks , and services to help in integrating business sector with scientific research and financing establishments .

Developing capacities of private sector :

A private dynamic , independent , private sector is a vital component to attract FDI ,and building links with it . Developing of this sector is very important , including coordination among ministries and direct participation between private sector and institutions which support it .

Enhancing human capacities and skills and encouraging initiatives :

Developing human skills is essential to raise competitiveness and to profit from new technologies all by administrative developments towards knowledge and identifying weakness points and gaps and performing training courses .

Enforcing linkage between FDI and local enterprises :

Attraction of qualitative FDI and technology attached to it, helps competitiveness capacity off local enterprises and helps in their penetration into markets and international financing sources. But achieving this successful linkage needs finding capable qualified and competent companies which are able to support commodities and services required by multi-nationality companies , and to find mechanisms which specify linkage between local companies and multi-nationalities companies and at the same time to help local companies to overcome difficulties to fulfill quality standards required from multi-nationalities companies .¹⁰

The main goal at the end , is to guarantee a competitive environment which is capable of attracting FDI looking for competence and which enables Syria to contract with international production and marketing networks , to profit from their technologies and wide markets . As well as rehabilitation of existing industries which are not so active from the technological point of view and looking for new industries and technologies which comply to Syria's development level and to investments and technologies of multi-nationalities companies .

Efforts of SIA towards encouraging FDI:

In order to encourage and follow-up FDI situation SIA performs the following activities :

- Establishing a national observatory for FDI , in the Syrian Investment Agency , with the help of all related entities from the view point of experience , application , collection of data or performing surveys , The observatory aims at :
 - 1- Preparation and modernization of a comprehensive data base of FDI projects their volume , development , sources , distribution and control of their performance and tracking of their activities .
 - 2- Preparation of detailed reports each two years and briefed annual reports about FDIs.
 - 3- Following –up and application of national reports to encourage FDI with all government and non-government authorities and following – up performance of Syrian economy and developing of its sectors , development strategy , production indicators, doing business easiness , competitiveness observatory and labor market . As well as studying what is published about FDI in Syria in international reports .
 - 4- Making partnerships with regional and international institutions .

Which are concerned with FDI and collecting all international documents and global periodical reports about FDI and following –up experiences of emerging countries in this field .

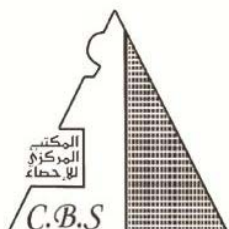
- To form a committee , headed by SIA and other related entities , such as the ministry of local administration , the Commission of Planning and International Cooperation and Regional Planning Commission and others . The mission of the committee is to study Syrian governorates and areas , taking into consideration their relative and absolute privileges, indicators and existing projects in order to participate in directing proper investments including FDIs .

¹⁰ Types of linkages (10)

- Back linkages with suppliers , this what happens when multi-nationalities companies buy spare parts , components , materials and services from local suppliers , either an absolute commercial relation or strong cooperation between two parties , it depends upon what can a local company provide of services.
- Links with partners in technology field . when multi-nationality companies have joint projects with local enterprises or when they grant licenses to them to use their technologies or when they make strategic alliances with local partners , as per which they give them the right to get technologies and exchange of charts and consultancies .
- Front linkages with customers , when multi-nationalities companies , distribute their products which bear special trademarks , to marketing outlets . Or when those companies which manufacture machines and equipments , propose private services after sale more than services about usage and maintenance .

- Establishing a data bank for investment which includes information about costs of production means , publishing available investment opportunities so that they are ready for investment .
- Building an information network about foreign markets which are alternative to traditional ones .
- Cooperation with the government to specify sectors according to priorities which fulfill growth conditions and production and technology development , and to invite investors to invest in those sectors .

Annex Nr/1/:



**Central Bureau of
statistics**



**Syrian Investment
Agency**



**The Project of Enhancement on
Investment environment (UNDP)**

مسح المؤسسات والشركات التي يساهم فيها الاستثمار الأجنبي المباشر

في سورية

***Survey of FDI Enterprises
in Syria***

2010

Survey of FDI in Syria (2010)

Objective of the Survey :

- Evaluation of FDI status in Syria 2010 .
- Identification of the effect of FDI on Syrian economy .
- Characterization of attraction factor of FDI into Syria
- Identification of restraints impeding FDI in Syria .

Targeted information in the survey have a special importance in the framework of preparation of the first economic FDI report in Syria of 2010 , By Syrian Investment Agency in cooperation with the Central Bureau of Statistics and the UNDP.

Questionnaire parts :

- The first section company's information (page 3-4)
- The second section : Statues of FDI in 2010 (page 5-6).
- The third section : Economic effect of FDI in Syria (page 7-9).
- The fourth section : Encouraging and restraining factors of FDI in Syria (page 9-10).

Your valuable participation :

- Providing us with information required from your company , to look at your opinions about incentives and restrictions of FDI in Syria . The thing which helps us in preparing the first economic report about FDI in Syria 2010 to be an annual benchmark study FDI status in Syria , its aspects and means of encouraging it .

Data secrecy :

We confirm that all replies will be treated in ultimate secrecy , no data of a single company shall be proposed all to be stated as a whole and on activity level .

User Manual:

The questionnaire consists of 40 questions to be completed in no more than 30-35 minutes , the principles of multi-choice is adopted . When replying multi-choice questions , please follow the remarks listed in the questionnaire , and attached to the proposed question . Some questions require putting a circle or (√) on the correct choice . Some questions may have more than one reply , so please , take this into consideration when you notice the phrase (Multiple response) in the questionnaires .

Example :

The question is as it looks in the following table , if the proper choice was the second , you put a circle :

No.	Question	الرجاء وضع دائرة حول الخيار المناسب أدناه	السؤال	رقم السؤال
	Option (I)	1	خيار أول	
	Option (II)	2	خيار ثان	

To guarantee the digital accuracy of questionnaire , we allocated fields to fill in Written data and other to be filled in by digits , and according to available column . please , stick to the required unit wherever seen in the questionnaire . Some questions needs replies in millions Syrian Pounds and others need replies in thousands Syrian Pounds .

Beside some questions there is a special field (code) , Please leave fields related to it to be filled in by employees of the Central Bureau of Statistics (as it is referred to in the

questionnaire) . In the part related to benefits achieved from foreign partner (question 36) and what is related to investment incentives (question 37) , and concerning investment constraints (question 38) , the question depends upon classification principles according to importance , what is required is to put a circle around proper number , so that Nr(5) refers to the most important factor , and Nr(1) refers to the less importance .

Example :

The Question.....						السؤال	رقم السؤال
Use circle to rank from 1 for most important to 5 for least important						ضع دائرة لتصنف 5 للأكثر أهمية إلى 1 الأقل أهمية	
1- Factor	5	4	3	2	1	1- عامل ما (مثلا" أسواق للتصدير)	

Putting a circle around Nr.5 means that this factor is very important .

Putting a circle around Nr.4 means that this factor is important to some extent.

Putting a circle around Nr.3 means that this factor is of a medium importance.

Putting a circle around Nr.2 means that this factor is not so important to some extent.

Putting a circle around Nr.1 means that this factor is not important to a great extent .

The questionnaire is ended by an optional field (question 40) to give the chance to the targeted company to add any opinion or remarks , it finds useful to fulfil the purpose of the questionnaire.

Section (I): Corporate Information

القسم الأول: بيانات الشركة

Identification :

بيانات تعريفية:

1- Governorate	للا	.....	1- المحافظة
2-City/Village	للا	.....	2- المدينة/القرية
3- Company Name	.....		3- اسم الشركة
4- Commercial Registration no.	.....		4- رقم السجل التجاري
5- Year of licensing	.....		5- سنة الترخيص
6- Year of start of operation	.....		6- سنة بدء العمل
7- Address of head office	.....		7- عنوان المكتب الرئيسي
8- Tel- Mobile	.....		8- هاتف ارضي - موبايل

9- Fax	.....	9- الفاكس
10- Website	.....	10- الموقع الالكتروني
11- E-mail	.....	11- البريد الالكتروني
12- Name of Managing Director / CEO	.....	12- اسم المدير العام/المدير التنفيذي

Public information

بيانات عامة:

13	What is the type of your Business?	..... الـ	13	ما هو نوع نشاط شركتكم؟
14	Location of your production & operations?		14	ما هو موقع الإنتاج؟
14-1	Governorate:	الـ	1-14	المحافظة:
14-2	City/Village:	الـ	2-14	المدينة/القرية:
14-3	Specification of location	الرجاء وضع دائرة حول الخيار المناسب أدناه	3-14	تحديد الموقع
	1- Inland (outside industrial cities)	1		1- خارج المناطق الحرة والمدن الصناعية
	2- Free Zone (please specify name)	2		2- المنطقة الحرة (الرجاء تحديد اسمها)
	3-Industrial City (Please mark (✓) where appropriate)	3		3- المدينة الصناعية (الرجاء وضع (✓) حول الخيار المناسب أدناه)
	A. Adra	()		1. عدرا
	B. Sheikh Najjar	()		2. الشيخ نجار
	C. Hesieh	()		3. الحسياء
	D. Deir-Ezzor	()		4. دير الزور

15	Under which investment Law your company is licensed?	الرجاء وضع دائرة حول الخيار المناسب أدناه	15	تحت أي قانون استثمار تم الترخيص لشركتكم؟
	1- Investment Law no. 8 of 2007 OR Investment law no. 10 of 1991	1		1- قانون الاستثمار رقم 8 لعام 2007 أو قانون الاستثمار رقم 10 لعام 1991
	2- Decree no. 186 of 1985 for tourist accommodation projects	2		2- القرار رقم 186 لعام 1985 لمشاريع الإقامة السياحية
	3- Law no. 21 of 1958 / law no. 103 of 1952 (for industry)	3		3- قانون رقم 21 لعام 1958 و القانون رقم 103 لعام 1952 (بخصوص الصناعة)
	4- Law no. 28 of 2001 for private banks / Law no. 35 of 2003 for Islamic Banks	4		4- قانون رقم 28 عام 2001 للبنوك الخاصة أو قانون رقم 35 لعام 2003 للبنوك الإسلامية
	5- Other (Please specify especially in case of pharmaceutical, oil & gas, real estate, education and health projects)	لا		5- قوانين أخرى (الرجاء التحديد خاصة في حالة المشاريع الدوائية، النفط والغاز، المشاريع العقارية، التعليمية، والصحية). تحدد
16	What is the legal status of your company?	الرجاء وضع دائرة حول الخيار المناسب أدناه	16	ما هي الحالة القانونية لشركتكم ؟
	1-Public Corporation (Shares are subject to the Public Offering)	1		1- مساهمة عامة (أسهمها مطروحة للاكتتاب العام)
	2-Private Corporation (Shares are not subject to the Public Offering)	2		2- مساهمة مغلقة (أسهمها غير مطروحة للاكتتاب العام)
	3- Limited Liability	3		3- محدودة المسؤولية
	4- Partnership	4		4- تضامنية
	5- Other (please specify)	لا		5- أخرى (تحدد):
17	How did your company acquire its core technologies? Multiple response	الرجاء وضع دائرة حول الخيار المناسب أدناه.	17	كيف حصلت شركتكم على التكنولوجيا الأساسية التي تعتمد عليها في العملية الإنتاجية؟ (يقبل أكثر من إجابة)

1- Turn-key	1	1- استيراد وتنفيذ من شركة أجنبية (مفتاح باليد)
2- Direct Purchase of Technology from various suppliers	2	2- شراء مباشر للتكنولوجيا المستخدمة في الشركة (من مورد أو أكثر)
3- License agreement	3	3- اتفاق ترخيص من شركة أجنبية
4- Franchise	4	4- فرانشايز (امتياز من شركة أجنبية)
5- Local development	5	5- تطوير محلي
6-Other (specify)	6	6- أخرى (تحدد) :

القسم الثاني: حالة الاستثمار الأجنبي المباشر في سورية في العام

Section (II): The State of FDI in Syria in 2010

2010

18	What is the type of foreign investment at your company? Multiple response	يقبل أكثر من إجابة	ماهو نوع الاستثمار الأجنبي في شركتكم ؟
	1- Start Up	1	1- استثمار جديد
	2- Follow Up (expansion)	2	2- توسع لمشروع قائم
	3- Merger / Acquisition	3	3- اندماج / استحواذ
19	What is the share of Syrian & foreign shareholders in your company's capital (in SYP million)?	SYP Million	ملايين الليرات السورية
		2011	2010
			2009
			ما هي حصة المساهمين السوريين والأجانب في رأسمال الشركة (بملايين الليرات السورية)؟
	1- Equity share of Syrian residents	.....	.....
		١١١١.١١	١١١١.١١
	2- Equity share of all foreign shareholders (excluding Syrian expatriates)	.....	.....
		١١١١.١١	١١١١.١١

	3- Equity share of Syrian expatriates (residing outside Syria)	.....	.....	.....	كتابة	3-حصة رأسمال المغتربين السوريين (المقيمين خارج سورية)	
		.....	.....	.....	رقما"		
		ل.ل.ل.ل.	ل.ل.ل.ل.	ل.ل.ل.ل.			
	4-Total Equity capital of your company	.....	.....	.....	كتابة	4-إجمالي رأسمال شركتكم	
		.....	.....	.....	رقما"		
		ل.ل.ل.ل.	ل.ل.ل.ل.	ل.ل.ل.ل.			

21	What are the main products/services that were produced at your company in 2010?	الرمز (ترمز من قبل المكتب المركزي للإحصاء بعد إتمام الاستبيان)	كتابة	ما هي المنتجات / الخدمات الرئيسية التي كانت تنتجها شركتكم في العام 2010 ؟	21	
	Core Products/ services representing the largest share of your sales	..... 1-1	..... 1-1	المنتجات/الخدمات الأساسية التي تمثل الحصة الأكبر من المبيعات	
		..... 2-1	..... 2-1		
	Other secondary products/ services	..... 1-2	..... 1-2	منتجات/خدمات ثانوية أخرى*	
		..... 2-2	..... 2-2		
22	What was the value of your total sales (domestic & exports) in 2010 in SYP million?	رقماً	كتابة	ماذا كانت القيمة التقريبية لمبيعاتكم (محلية وتصدير) في العام 2010 بملايين الليرة السورية ؟	22	
				
23	What was the share of exports in your total sales in 2010?	%		ماذا كانت نسبة حصة الصادرات من إجمالي مبيعاتكم في العام 2010 ؟	23	
42	What were the main destinations of your exports in 2010?	الحصة % من إجمالي الصادرات	الدولة / Country		ما هي الأسواق الرئيسية لصادراتكم في العام 2010 ؟	24
	Please indicate share of contribution of each destination		الرمز	كتابة	يرجى تحديد حصة مساهمة كل سوق	
		..... 1-	..... 1-	..... 1-	
		..... 2-	..... 2-	..... 2-	
		..... 3-	..... 3-	..... 3-	
		..... 4-	..... 4-	..... 4-	
		..... 5-	..... 5-	..... 5-	
..... 6-	..... 6-	..... 6-			

25	What was the share of your Imports of your total materials of all purchases in 2010?	% ()	ماذا كانت نسبة وارداتكم من مشترياتكم الإجمالية في العام 2010؟	25
26	What is your company's approximate domestic market share during 2010?	% ()	ماذا كانت الحصة السوقية المحلية لشركتكم خلال العام 2010؟	26
27	What was the total number of employees in your company in 2010?	()	ماذا كان العدد الكلي للموظفين في شركتكم في العام 2010؟	27
	27-1 Total number of local employees(Syrian)		1-27 العدد الإجمالي للموظفين المحليين (سوري)	
	27-2 Total number of Arab employees		2-27 العدد الإجمالي للموظفين العرب	
	27-3 Total number of foreign employees		3-27 العدد الإجمالي للموظفين الأجانب	

28	Education of employees in your company	أجنبي	سوري	التحصيل العلمي للموظفين في شركتكم	28
	28-1 Number of employees with university degree (B.A.)			1-28 عدد الموظفين من حملة الشهادة الجامعية (إجازة)	
	28-2 Number of employees with Master and/or PhD degrees			2-28 عدد الموظفين من حملة درجة الماجستير و/أو الدكتوراه	
29	How many training courses did your Company offer to its employees during 2010? Multiple response	عدد الدورات Number of courses		كم عدد الدورات التدريبية التي قدمتها شركتكم لموظفيها خلال العام 2010؟ يقبل أكثر من إجابة	29
	1- Management skills (all soft skills)	للا		1- مهارات الإدارة	
	2- New technology and applications	للا		2- التكنولوجيا الجديدة والتطبيقات	
	3-deployment and operation of production lines	للا		3-عمليات تركيب وتشغيل خطوط الإنتاج	
	4- English courses	للا		4- اللغة الانكليزية	

30	What is the total cost of training spent in 2010? SYP Thousand	كتابةً رقماً للملا		ماذا كانت التكلفة الإجمالية المنفقة على التدريب خلال العام 2010 ؟ ألف ليرة سورية	30
31	Research & Development (including deployment and development of production lines)			أنشطة البحث والتطوير (بما فيها تركيب وتطوير خطوط الإنتاج)	31
	31-1 How much did your company spend on R&D in 2010? SYP Thousand	كتابةً رقماً للملا		1-31 ماذا كانت التكلفة الإجمالية المنفقة في مجال البحث والتطوير خلال العام 2010؟ ألف ليرة سورية	
	31-2 How many employees are involved in R&D activities in 2010?			2-31 كم كان عدد العاملين المشاركين بأنشطة البحث والتطوير لديكم في عام 2010*؟	
	31-3 How many of these above aren't Syrian?			3-31 كم من هؤلاء هم من غير السوريين ؟	
32	Did you incur any costs related to royalty agreements, licenses or patents in 2010? (Please mark a circle in the right field)	1	Yes/نعم	هل تحملت شركتكم أي تكاليف متعلقة بحقوق الملكية أو التراخيص أو براءات الاختراع في العام 2010؟ (يرجى وضع دائرة حول الخيار المناسب)	32
		2	No /لا		
33	If yes, then how much did that in 2010?SYP Thousand cost	كتابةً رقماً للملا		إذا كانت الإجابة نعم، فكم كانت التكلفة في عام 2010 ؟ ألف ليرة سورية	33
34	Did your company introduce new product(s) to the market in 2010? (Please mark a circle in the right field)	1	Yes/نعم	هل أدخلت شركتكم منتجات جديدة إلى السوق في عام 2010؟ (يرجى وضع دائرة حول الخيار المناسب)	34
		2	No /لا		
35	If yes, could you give us some details on the product(s)?	..... ..... .....		إذا كانت الإجابة نعم، هل تستطيع تزويدنا ببعض الأمثلة عن هذه المنتجات؟	35

36	What benefits does your company derive from linkages with its foreign investors? Use circle to rank from 1 for most important to 5 for least important						36	ما هي المنافع التي حصلت عليها شركتكم من خلال ارتباطها بالمستثمرين الأجانب؟ ضع دائرة لتصنف 5 للأكثر أهمية إلى 1 الأقل أهمية
	1- Equity capital	5	4	3	2	1		1- حصة في رأس المال
	2- Credit	5	4	3	2	1		2- التمويل الائتماني
	3- Brand name	5	4	3	2	1		3- العلامة التجارية
	4- Export markets	5	4	3	2	1		4- أسواق التصدير
	5- Domestic market share	5	4	3	2	1		5- حصة من السوق المحلي
	6- Guaranteed sale	5	4	3	2	1		6- مبيعات مضمونة
	7- Guaranteed inputs	5	4	3	2	1		7- ضمان مدخلات الإنتاج
	8- Product diversification	5	4	3	2	1		8- تنوع المنتجات
	9- Management	5	4	3	2	1		9- الإدارة
	10- Technology	5	4	3	2	1		10- التكنولوجيا
	11- Marketing network	5	4	3	2	1		11- شبكة التسويق العائدة للشركة الأجنبية
	12- Training	5	4	3	2	1		12- التدريب

Section (IV): Factors Influencing Foreign Investors
Decision to Invest in Syria

القسم الرابع: العوامل المؤثرة على قرارات المستثمرين الأجانب للاستثمار في سورية

37	What were the main attractions for the foreign partner(s) to invest in Syria? Use circle to rank from 1 for most important to 5 for least important						37	ماذا كانت عوامل الجذب الرئيسية للشريك الأجنبي للاستثمار في سورية؟ ضع دائرة لتصنف 5 للأكثر أهمية إلى 1 الأقل أهمية
	1- Size of domestic market	5	4	3	2	1		1- حجم السوق المحلية
	2- Growth of domestic market	5	4	3	2	1		2- النمو المتوقع في السوق المحلية

3- Access to regional markets/ Arab free trade agreements	5	4	3	2	1	3- الدخول إلى الأسواق الإقليمية/ اتفاقيات التجارة الحرة العربية
4-Avoidance of double taxation agreements with mother country	5	4	3	2	1	4- اتفاقيات تجنب الازدواج الضريبي مع البلد الأم
5-Bilateral free trade agreements with the mother country	5	4	3	2	1	5- الاتفاقيات الثنائية للتجارة الحرة مع البلد الأم
6-Expected Euro-Med Association Agreements	5	4	3	2	1	6- اتفاقية الشراكة الأوروبية المتوسطية المتوقعة
7- Investment/ Tax incentive law(s)	5	4	3	2	1	7- قوانين الحوافز الاستثمارية/ الضريبية
8- High profit margin	5	4	3	2	1	8- هامش ربح مرتفع
9- Fair tax regime	5	4	3	2	1	9- نظام ضرائب عادل
10- Access to raw materials	5	4	3	2	1	10- الحصول على المواد الأولية
11- Access to low cost labour	5	4	3	2	1	11- الحصول على عمالة منخفضة التكلفة
12- Access to domestic skills	5	4	3	2	1	12- الاستفادة من المهارات المحلية
13- Availability of natural resources	5	4	3	2	1	13- وجود موارد طبيعية
14- Geographic location	5	4	3	2	1	14- الموقع الجغرافي

38	<p>How Important have the following factors been as obstacles to your doing business in Syria?</p> <p>Use circle to rank from 1 for most important to 5 for least important</p>						<p>ما مدى أهمية العوامل التالية كعقبة للقيام بالعمل في سورية ؟</p> <p>ضع دائرة لتصنف 5 للأكثر أهمية إلى 1 الأقل أهمية</p>	38
	1- Unpredictable macroeconomic policies	5	4	3	2	1	1- عدم إمكانية التنبؤ بسياسات الحكومة الاقتصادية	
	2- Poor physical infrastructure	5	4	3	2	1	2- ضعف البنية التحتية	
	3- Inefficient tax administration	5	4	3	2	1	3- عدم كفاءة الإدارة الضريبية	
	4- Unsatisfactory access to credit	5	4	3	2	1	4- صعوبة الحصول على التمويل	
	5- Inconvertibility of currency	5	4	3	2	1	5- عملة محلية غير قابلة للتحويل لعملة أجنبية	
	6- Inflexible labor laws	5	4	3	2	1	6- عدم مرونة قوانين العمل	
	7- Unsatisfactory Foreign Trade Policy	5	4	3	2	1	7- سياسة غير مرضية للتجارة خارجية	
	8- Customs procedures	5	4	3	2	1	8- إجراءات الجمارك	

	9-The legal system	5	4	3	2	1	9- القضاء
	10-Arbitration	5	4	3	2	1	10- التحكيم
	11- Corruption	5	4	3	2	1	11- الفساد
	12- Red-tape & bureaucratic procedures	5	4	3	2	1	12- الروتين والإجراءات البيروقراطية
	13- unavailability of qualified local partner	5	4	3	2	1	13- عدم وجود شريك محلي مؤهل
	14- Unreliability of local suppliers	5	4	3	2	1	14- صعوبة الاعتماد على موردين محليين
	15- Shortage of data	5	4	3	2	1	15- ندرة المعلومات
	16- Absence of skilled labor	5	4	3	2	1	16- غياب العمالة المدربة
	17- Poor ICT	5	4	3	2	1	17- ضعف التكنولوجيا الرقمية
39	Is your company planning to expand its activities in Syria over the next 5 years? (Please mark a circle in the right field)	1	Yes/نعم	هل تخطط شركتكم لتوسيع نشاطاتها في سورية خلال الأعوام الخمسة القادمة؟ (يرجى وضع دائرة حول الخيار المناسب)	39		
	2	No /لا					
40	Free comments	تعليقات إضافية				40	

A- The Company

أ- الشركة

Position of person(s) filling the questionnaire		المنصب الإداري للشخص الذي أجاب على الاستبيان
Date of filling the questionnaire	2012/...../.....	تاريخ ملء الاستبيان
Stamp of the company		ختم الشركة

B- In case of not completing the questionnaire, please specify the reason

ب- في حال عدم استيفاء الاستمارة، يرجى تحديد السبب

1-Establishment under construction	1	1- منشأة قيد الإنشاء
2-Establishment has not started working yet	2	2- منشأة لم تبدأ العمل
3-Other, please specify	3	3- غير ذلك يرجى التوضيح

C- The Survey

ج- المسح

Name of surveyor:.....	اسم الباحث الذي قام بالمسح:.....
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Name of supervisor:.....	اسم المشرف :
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هاتية الاسنيان

End of Questionnaire

Experiences of five countries in FDI policies and practices (Malaysia , Turkey, Jordan, Egypt and Tunisia)

The purpose of this annex is to highlight FDI incentives systems and resolutions in five selected countries , three Arab countries (Egypt, Tunisia and Jordan) and two foreign countries (Malaysia and Turkey) , All those countries had a long experience in the field of FDI .

First : Foreign countries :

Malaysia : The incentives systems specifies sectors of priorities and which are targeted by incentives , either by laws of investment incentives or by subsequent industrial main plans . Incentives are reviewed and amended constantly , mainly , when targeted industries and sector are mature . Some industries are described as "pilot industries" , and they enjoy tax relief and preferential dealing , as well as developing and research incentives as per activity or sector . Incentives in Malaysia went through the following phases :

- 1-The promotion of export oriented and labour intensive industries in the 1970s (such as consumer goods and electronics) , in this phase FDI was clearly encouraged mainly multi-nationality companies under the law of incentives of 1968 and beyond .
- 2- Promotion of heavy and capital intensive industries in the 1980s (e.g steel, cement and engines) and industries which depend on local resources such as rubber products, palm oil industries and manufacturing of cocoa.
- 3- Promotion of technology and high skills , activities of developing , research and industrial clusters in the 1990s (such as electronics and cars assembly) .
- 4- Promotion of new growth engines at the beginning of this century (such as halal foodstuffs industries , biological technology, optoelectronics , wireless technology and developed materials) . And promotion of services and logistic sectors .

The most important investment incentives :

- Pioneer statues : private sector's investors including foreign investors benefit from pioneer statues when they invest in targeted industries , and also they enjoy exemption from income tax from two to five years (to be extended for three additional years) upon certain conditions such as the volume of capital .
- Re-investment incentives : The government presented incentives for re-investment in selected sectors (industries which depend upon local resources , food industries , equipments machineries and palm oil .

- Economic corridors : Encouraging FDI in high technology on a spatial model of development concentrated on developing specialized economic corridors , the first and the most mature is the "Malaysia Super Corridor , Malaysia's hub in ICT. Recently Malaysia developed five economic corridors and Iskandar Malaysia has already proven attractiveness to FDI (10 million USD in 2011) .

Turkey : After the economic crisis in 2002 , the Turkish government adopted an explicit economic liberalization policy to attract foreign investments to specific sectors (industry and retail sector) . With great concentration on export (FDI law Nr.4875 of June 2003) , which was very stamped with transformation from (ex-ante control) prior planning principle to a framework based ex-post monitoring . This new approach created an attractive climate for investors , without prior screening , approval or requirements of minimum of capital . Incentives were expanded to fields of research and development and innovation to encourage technology sector mainly ICT . In addition to the previously mentioned law , a governmental coordination committee has been established to enhance investment environment , it is composed of high level representatives of related ministries , private sector , and NGOs to help in removing bureaucracy .

Investment incentives in Turkey :

Research and development incentives are offered to investors in Turkey under two legal umbrellas , and local and foreign investors are treated equally .

1- Research and development incentives as per law Nr.5746 of 2008 :

- Fiscal subsidies : 100% of R+D and innovation expenditure are deducted from profits subject to tax , but the location of those companies should be R+D center . with 50 person as a staff minimum , and 100% of expenditure of R+D should be projects which target new technology , are deducted from profits subject to tax . Number of researchers should be 500 .
- Stamp duty exemption : All documents related to R+D and innovation enterprises under this law are exempted from stamp duties .
- Income tax incentives : Salaries of the R+D staff are exempted from income tax for five years (till 2013) as follows :

90% for PHD employees and 80% for other employees .

Incentives of social insurance premiums : 50% of the contributions of employees in the installments of social insurance for five years are supported for five years for all workers in R+D and the supporting staffs . The incentive is covered by the ministry of finance .

2- R+D incentives in technology development zones as per law Nr.4691 :

Research and development in international technology companies within "Technology parks" and activities of programming or transformation of technology innovations into products , model or service all enjoy the following incentives:

- Exemption from income tax of staff and stamp duties , on fees of researches and programmes till 31 January 2023 .
- 50% of the contribution of business owners in social insurance premiums is supported for five years for R+D personal .
- Delivery of goods and services presented strictly for research and development purposes are exempted from VAT till 21 January 2013 .

Second : Arab countries :

Jordan : Investment law Nr.16 of 1995 and investment law of 2003 , regulate FDI in Jordan as per Jordan's international commitment to WTO requirements . The above mentioned laws regulate investment process and incentives and privileges in certain sectors (Industry, agriculture , tourism , hospitals, sea transport . railways, leisure complexes , fairgrounds and pipelines of distribution of main natural resources).

Investment incentives as per law 16 of 1995 and investment law of 2003:

- Tax incentives : Exemption of imported fixed assets from duties and taxes . And imported as spare parts are exempted from duties and taxes , but their value should not exceed 15% of the value of fixed assets .
- Incentives of reinvested profits: Fixed assets for the purpose of expansion, if development and modernization led to increase of production in not less than 25% .
- Non discrimination : Jordanian and non Jordanian investors are treated equally . foreign investor is allowed to own any projects partially or totally and to participate in any economic activity in the kingdom except some trade and contracting services which require a Jordanian partner .
- Capital repatriation : Foreign investors are allowed to transfer abroad without any delay and in convertible currency , the invested capital with revenues and profits , also revenue of liquidation of investments and revenues coming out of selling part for all the project .

Disputes: Investment disputes between foreign investors and government Jordanian agencies are settled amicably within 6 months period maximum , otherwise the disputes shall be settled by the International Center for the Settlement of Investment Disputes (ICSID).

In addition to the above mentioned incentives , law of Development Areas of 2008 , granted additional incentives to certain development areas , such as king Hussein Business park , the park of King Hussein Bin Talal , the Aqaba Special Economic Zone (ASEZ) , such as deduction of income tax to 5% , exemption from sales tax on good sold within development area which are used in economic activities , also exemption from import duties on all materials , tools and equipments used for the purpose of building and establishing the project , and exemption from social services tax on achieved income , as well as exemption from profits tax on incurred income inside the Area or outside the Kingdom .

Egypt : Investment law Nr.8 of 1997 regulated FDI and it granted distinguished incentives to foreign investors , Since 2006 the government adopted the strategy of private – public partnership (PPP) to improve quality and to lessen financial burden laid on it .

Most important incentives as per law 8 of 1997 :

- Foreign investment and national one are treated equally .
- Except for agricultural lands no restrictions are found regarding projects or land ownership .
- Investors enjoy the guarantee of non-confiscation or nationalization , and products of their projects are not subject to price contracts .
- Investors have the right to repatriate profits and revenues .
- No minimum requirements concerning employment or Egyptians or wages .

Fiscal incentives :

- Important capital assets and projects building materials are subject to a unified import duty of 5% .
- New investors are granted tax relieves from five to twenty year (as per location of project).
- Salaries of foreign experts are exempted for income tax if their residence in Egypt is for less than one year .
- Tax exemptions are granted to capital profits which are reinvested and for paid capital in companies their shares are offered for public subscription .
- Exemption for duties of notification and documentation .
- Tax relief for ten years for land cultivation activities .

- Disputes are settled within the framework of the mutual agreement with ICSID or by a regional arbitration center in Cairo , which apply rules of UN organizations about international trade .

Incentives outside the scope of law Nr.8 of 1997 :

- FDI in oil sector is organized by franchise agreements between Egypt public petroleum company (EGPC) .
- FDI in the field of local insurance market is regulated by law Nr.91 of 1995 .
- B.O.T projects of public roads and airports are regulated by laws Nr.229 of 1996 and Nr.3 of 1997 .

In addition to investment law Nr.8 of 1997 , Egypt adopted another methodology to encourage investment in investment areas as per law Nr.19 of 2007 , where bureaucracy restrictions are less , to obtain licenses and approvals , less taxes and duties according to region , and each area has an integrated customs and tax bodies , also for approvals and disputes settlements , as well as public services for investors for projects in those areas , including guarantees and incentives for special economic zones : 5% fixed tax on personal income , fixed tax at 10% on activities inside that zone , an Egyptian certificate of origin for exporters from the special economic zones which allow them to profit from Egyptian International Trade agreements .

Tunisia : Investment incentives in Tunisia aim at attracting export –oriented investments , as it is an important exporter of fabrics and garments to Europe . In recent years and till 2010 , Tunisia enjoyed a balanced economy with low inflation rates and fixed growth rates . During the period 1997-2007 economy used to grow at 5% annually , the thing which put the country within the countries the most growing countries in the Middle East and North Africa region (MENA) while growth rates in other countries did not exceed 4.3% in the same period . Two main factors contributed to the flow of FDI into Tunisia in the (1990s) , first was the structural adjustment adopted by the government to encourage business environment , including fiscal system , and enhancing competitiveness capacity in the industrial sector and related services , second , the partnership agreement with the European Union , as Tunisia was the first in MENA countries which signed this agreement on 17 July 1995 and which came into force as from the first of March 1998 .

Investment incentives law of 1994 and its amendments regulate national and foreign investment as per the following classification :

- Offshore : As per which the foreign capital should amount 66% at least of ownership and 80% of the production is allocated for export .
- Onshore : As per which foreign ownership should be 49% in most of the non-industrial projects (Foreign ownership may reach up to 100% and the investment may

rest onshore . Difference between offshore and onshore lies in orientation towards export as well as the rate of foreign ownership .

Incentives granted to export companies :

- Export companies are exempted from customs duties , regarding raw materials and equipments required for the purpose of export , in addition to tax relief on main commodities of which no alternative is available locally . And 10% VAT is imposed on imports of main commodities .
- Companies which export 70% at least of their production enjoy ten years corporate tax relief , after this period they are subject to 50% of the tax of standard companies tax (35%).
- Foreign investors can repatriate their profits and they do enjoy a tax holdiday on repatriated tax and profits up to 35% of income and profits subject to tax.
- Foreign investors , staff and their foreign representatives who administrate the company in Tunisia , pay a fixed tax of 20% of the total income and also they enjoy exemption from similar customs and tax duties .

We notice that each country adopted different policy in attracting FDI , Malaysia concentrated on continuous developing of incentive systems and encouraging technology and Turkey adopted the principle of "Freedom for Investor" , and transformation from incentives which target certain areas into incentives oriented to use of technology .

Jordan enforced the concept of "Special Economic Area" and other incentives and guarantees granted by investment law , and Egypt depended upon the diversification of industries and encouraging industrial zones and the role of (GAFI) General Authority Free Zones and Investment while Tunisia encouraged FDI in export sector and it linked export industry to world production networks and supply circles .

Annex Nr/3/:

Investment and double taxation evasion agreements :

Bilateral Investment agreements signed by Syria :

	Country	Date of signature	Valid as from
1	Germany	2/8/1977	20/4/1980
2	Libya	8/2/1993	4/10/1995
3	Pakistan	25/4/1996	4/11/1997
4	Belarus	11/4/1998	1/10/1998
5	Egypt	28/4/1997	5/10/1998
6	Indonesia	27/1/1997	20/2/2000
7	UAE	26/11/1997	10/1/2001
8	Sudan	7/1/2000	1/9/2001
9	China	9/12/1996	1/11/2001
10	Bulgaria	21/5/2000	10/11/2001
11	Bahrain	20/9/2000	18/12/2001
12	Jordan	8/10/2001	11/5/2002
13	Tunisia	23/1/2001	12/3/2003
14	Morocco	23/10/2001	29/3/2003
15	Italy	20/2/2002	13/11/2003
16	Greece	23/2/2003	27/2/2004
17	Kuwait	16/8/2001	23/3/2004
18	Spain	2003/10/20	14/12/2004
19	Yemen	9/10/1996	22/7/2005
20	Iran	5/2/1998	16/11/2005
21	Turkey	6/1/2004	3/1/2006
22	Russia	27/1/2005	13/7/2007

23	Cyprus	10/1/2007	30/12/2007
24	Switzerland	9/5/2007	1/7/2008
25	India	18/1/2008	22/1/2009
26	Malaysia	7/1/2009	3/5/2009
27	Czech Republic	21/11/2008	14/7/2009
28	Romania	24/1/2008	26/7/2009
29	Slovakia	18/2/2009	9/12/2009
30	Armenia	17/1/2009	4/1/2010
31	Azerbaijan	8/7/2009	4/1/2010
32	Senegal	14/11/1975	
33	Algeria	14/9/1997	
34	Ukraine	21/4/2002	
35	Iraq	29/8/2002	
36	Qatar	24/10/2003	
37	Oman	14/9/2005	
38	Democratic Republic of Korea	14/5/2006	
39	Tajikistan	10/2/2007	
40	France	12/5/2009	
41	Lebanon	18/7/2010	

Source : Minister of Finance , UNCTAD – prepared by SCB ¹¹

Ratified double taxation evasion agreements in Syria :

	Country	Date of signature	Valid as from
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¹¹ In 1977 a special law issued , to enable Syrian government to accept the insurance cover , presented by the American company for the Guarantee of overseas Investment (OPIC) of American contracts and investments in Syria , Syrian guarantees had the form of letters exchanged by representatives of the two governments and a special law about them was issued . Those correspondences are not considered bilateral investment agreement , and then do not include non-confiscation of projects and capital repatriation guarantees . The purpose of those letters was just to help American oil companies to invest in Syria , after law Nr.9 of 1974 which opened oil exploration sector in front of international companies . But American contracts and investments in Syria are not covered by (OPIC) for the guarantee of investment , because of the American sanctions imposed on Syria.

1	Egypt	19/7/1991	1/1/1991
2	Cyprus	15/3/1992	22/5/1995
3	Lebanon	12/12/1997	10/3/1998
4	Indonesia	27/6/1997	19/8/2000
5	Malta	22/2/1999	5/10/1998
6	Tunisia	22/6/1998	1/12/2001
7	Democratic Republic of Korea	20/2/2000	8/6/2001
8	Algeria	12/9/1997	22/6/2001
9	Kuwait	9/12/1997	4/7/2001
10	Bulgaria	20/3/2001	4/10/2001
11	Bahrain	20/9/2000	25/10/2001
12	Iran	1996 آب 20 20/8/1996	3/12/2001
13	UAE	26/1/2000	12/1/2002
14	Italy	23/11/2000	16/2/2002
15	Belarus	11/3/1998	3/4/2002
16	Sudan	31/5/2001	19/4/2002
17	Yemen	23/7/2001	20/4/2002
18	Jordan	8/10/2001	12/6/2002
19	Pakistan	16/3/2001	23/9/2002
20	Russia	17/9/2000	1/8/2003

21	Poland	15/8/2001	23/1/2003
22	Qatar	23/11/2003	31/3/2004
23	Ukraine	5/6/2003	4/6/2004
24	Turkey	6/1/2004	21/8/2004
25	France	17/7/1998	16/12/2004
26	Morocco	19/6/2005	4/9/2005
27	Oman	14/9/2005	17/1/2006
28	Armenia	29/6/2005	31/5/2006
29	Malaysia	28/2/2007	1/7/2007
30	Libya	10/5/2007	15/11/2007
31	India	18/6/2008	11/9/2008
32	Romania	24/6/2008	30/9/2008
33	Croatia	18/7/2008	6/11/2008
34	Czech Republic	18/5/2008	1/12/2008
35	Slovakia	18/2/2009	17/6/2009
36	Iraq	26/11/2007	19/11/2009
37	Kingdome of a Saudi Arabia	7/10/2009	20/12/2009
38	Germany	17/2/2010	11/7/2010
39	Austria	3/3/2009	1910/2010
40	China	31/10/2010	30/4/2011

Source : Minister of Finance , UNCTAD – prepared by SCB

List of Bilateral Investment Agreements - Syria

	<i>Country</i>	<i>Date of Signature</i>	<i>Date of Entry into Force</i>
1	Germany	2-Aug-1977	20-Apr-1980
2	Libya	8-Feb-1993	7-Oct-1995
3	Pakistan	25-Apr-1996	4-Nov-1997
4	Belarus	11-Mar-1998	1-Oct-1998
5	Egypt	28-Apr-1997	5-Oct-1998
6	Indonesia	27-Jun-1997	20-Feb-2000
7	UAE	26-Nov-1997	10-Jan-2001
8	Sudan	7-Jan-2000	1-Sep-2001
9	China	9-Dec-1996	1-Nov-2001
10	Bulgaria	21-May-2000	10-Nov-2001
11	Bahrain	20-Sep-2000	18-Dec-2001
12	Jordan	8-Oct-2001	11-May-2002
13	Tunisia	23-1-2001	12-Mar-2003
14	Morocco	23-Oct-2001	29-Mar-2003
15	Italy	20-Feb-2002	13-Nov-2003
16	Greece	23-Feb-2003	27-Feb-2004
17	Kuwait	16-Aug-2001	23-Mar-2004
18	Spain	20-Oct-2003	14-Dec-2004
19	Yemen	9-Oct-1996	22-July-2005
20	Iran	5-Feb-1998	16-Nov-2005
21	Turkey	6-1-2004	3-Jan-2006
22	Russia	27-Jan-2005	13-July-2007
23	Cyprus	10-Jun-2007	30-Dec-2007
24	Switzerland	9-May-2007	1-July-2008
25	India	18-Jun-2008	22-Jan-2009
26	Malaysia	7-Jan-2009	3-May-2009
27	Czech Republic	21-Nov-2008	14-July-2009
28	Romania	24-Jun-2008	26-July-2009
29	Slovakia	18-Feb-2009	9-Dec-2009
30	Armenia	17-Jun-2009	4-Jan-2010
31	Azerbaijan	8-July-2009	4-Jan-2010
32	Senegal	14-Nov-1975	-
33	Algeria	14-Sep-1997	-
34	Ukraine	21-Apr-2002	-
35	Iraq	29-Aug-2002	-
36	Qatar	24-Oct-2003	-
37	Oman	14-Sep-2005	-
38	Korea, DPR	14-May-2006	-
39	Tajikistan	10-Feb-2007	-
40	France	12-May-2009	-
41	Lebanon	18-July-2010	-