



# Syria: Issues for the 112<sup>th</sup> Congress and Background on U.S. Sanctions

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## Summary

This report analyzes bilateral issues between the United States and Syria. Unrest in Syria and the Asad government's violent response are adding new complexity to the troubled U.S.-Syrian relationship. The Obama Administration's policy of limited engagement with Syria to address areas of longstanding concern has been met with criticism from some, including some Members of Congress. Critics believe that the Administration should apply further pressure to the Syrian government and consider implementing harsher economic sanctions against it. The use of violence against Syrian protestors has been accompanied by calls for new U.S. sanctions but also some expression of concern by experts that political unrest in Syria could evolve into a broader civil conflict that in turn could destabilize Syria's neighbors.

Despite its weak military and lackluster economy, Syria has leveraged its geographic location and its foreign policy alignment to remain relevant in Middle Eastern politics. At times, Syria has participated in substantive negotiations with Israel, from whom it seeks the return of the occupied Golan Heights. However, Syria also acts at times as a "spoiler" by hosting U.S.-designated Palestinian terrorist groups such as Hamas and facilitating the rearmament of Hezbollah in neighboring Lebanon. Syria's long-standing relationship with Iran is of great concern to U.S. strategists, insofar as Syria serves as a conduit for Iranian power projection in the broader Middle East. As the Syrian government has grown more estranged from the United States over the last ten years, Syrian-Iranian relations have improved, and some analysts have called on U.S. policymakers and their regional allies to offer incentives to Syrian leaders in order to realign them away from Iran.

These dynamics are complicated by long-standing U.S. concerns about Syrian sponsorship of terrorism, pursuit of weapons of mass destruction technology, and regional policy in Lebanon and Iraq. A variety of U.S. legislative provisions and executive directives prohibit direct foreign assistance funding to Syria and restrict bilateral trade relations, largely because of the U.S. State Department's designation of Syria as a sponsor of international terrorism. On December 12, 2003, President Bush signed the Syria Accountability Act, H.R. 1828, as P.L. 108-175, which imposed additional economic sanctions against Syria. Syrian individuals and government officials are subject to targeted financial sanctions pursuant to seven executive orders relating to terrorism, proliferation, and regional security. In recent years, the Administration has designated several Syrian entities as weapons proliferators and sanctioned several Russian companies for alleged weapons of mass destruction or advanced weapons sales to Syria.

For two years, the Obama Administration attempted to promote some U.S. engagement with Syria, and several Congressional delegations visited Syria during the 111th Congress. However, prior to the outbreak of the recent unrest, the Administration appeared to be shifting tactically toward applying more pressure on the Syrian government to play a more constructive role in stabilizing Lebanon and advancing the Arab-Israeli peace process. The Asad government's use of force to contain growing protests across Syria may reshape congressional attitudes toward Syria, which have varied. Some in Congress may choose to impose new sanctions against the Asad regime. Other lawmakers may seek to continue U.S. engagement as a means of mitigating the unpredictable and potentially negative consequences of the unrest. Many observers believe that the violence could preclude a return to engagement and the offering of incentives to address other issues of U.S. concern, absent a fundamental shift in the Syrian government's actions toward its own citizens.

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## **Uprising and Crackdown in Syria**

For a full account of recent events and an assessment of their implications, see “Recent Developments,” below.

### **Overview: Syria’s Changing Political Landscape and Repercussions For U.S. Policy**

Since 1970, the Asad family has ruled Syria. President Bashar al Asad, like his father Hafez al Asad before him, has wielded almost total control over domestic politics and has steered the country’s outsized foreign policy to play key roles in multiple arenas in the Middle East (Lebanon, Israel-Palestine, Iran, and Iraq) despite Syria’s small size and lack of resources. Now, with the country in turmoil, many observers are interested in how prolonged Syrian instability (or a possible changing of the guard there) might affect other U.S. foreign policy priorities in the region, such as Lebanese stability and countering Hezbollah, limiting Iranian influence, and solving the Arab-Israeli conflict. Unlike in Egypt, where the United States has provided support to the military and democracy assistance to newly empowered political groups, in Syria the U.S. role is more limited. Some U.S. sanctions are already in place and Syria has been ineligible for U.S. aid due to its inclusion on the State Sponsor of Terrorism list. Military and intelligence cooperation is sporadic and limited. Thus, what role the United States can play in Syria’s evolving domestic crisis is in question, and policymakers may be searching for channels of influence in order to preserve U.S. interests in a rapidly changing political landscape.

### **Background**

In March 2011, the public anger on display in other Arab countries surfaced in Syria, putting the regime of President Bashar al Asad on the defensive for the first time in his 11-year presidency. While Tunisia and Egypt experienced revolution and Bahrain, Libya, and Yemen continue to struggle with unprecedented degrees of civil unrest and conflict, Syria had largely been free of large-scale public protests that have been occurring elsewhere across the Arab world since December 2010. Syria has long shared many of the socio-economic and political conditions that bred deep dissatisfaction with the status quo in other Arab autocracies, including high unemployment, high inflation, limited upward mobility, rampant corruption, lack of political freedoms, and repressive security forces. These factors fueled opposition to the Syrian government, although activity among exiles largely overshadowed internal opposition in the eyes of most outside observers. Many observers believed that Syria’s pervasive police state, its lower level of Internet usage, and deep public sensitivity to avoiding Sunni-Alawite sectarian tensions would serve as a bulwark against spreading unrest.

Those assumptions have proven unfounded. Limited calls in February 2011 to organize protests and gatherings failed but a violent government response to an isolated incident in the southern town of Dara’a in March provided a decisive spark for the emergence of protest movements. The use of force against demonstrators in Dara’a and later in other cities has created a corresponding swell in public anger and public participation in demonstrations. An escalating cycle of tension has continued to intensify, as the Asad government has paired responsiveness to some public demands for political reform with the use of military force against some protestors.

To date, the international community is divided over Syria. On April 27, the United Nations Security Council failed to unanimously issue a press statement calling on Syria's leaders to stop the violence against their own people. Russia is opposed to condemning Syrian behavior, and one official said that "The current situation in Syria, despite the increase in tension, does not represent a threat to international peace and security." On the other hand, members of the European Union may be preparing sanctions, an arms embargo, asset freezes, and travel restrictions against Syrian regime officials.

As of April 28, 2011, reports suggest that up to 500 civilians have been killed, and expert observers warned of the potential for the unrest to create divisions within the Syrian security forces or among the majority Sunni Arab and Kurdish populations and the ruling minority Alawites.

## Recent Developments

On Friday, February 4, activists using social networking sites attempted to launch their own "day of rage" after prayers, but few demonstrators appeared amidst a heavy presence of security forces. On February 9, the state unexpectedly granted citizens access to Facebook, YouTube, and other popular social media websites as part of President Al Asad's pledge to ease Internet restrictions. Critics charged that easing access to social media would allow the government to more closely monitor dissidents, and several Syrian bloggers were subsequently arrested.<sup>1</sup> For the next several weeks, small demonstrations persisted, but no single event was able to spark larger public protests.

### Dara'a

On Friday, March 18, the first large-scale demonstrations took place in multiple locations across Syria, most notably in the southern town of Dara'a<sup>2</sup> near the Jordanian border (80 miles south of Damascus), where weeks earlier, local police had arrested 15 youths who had sprayed buildings with graffiti, that contained, among other things, the slogan that drove the revolutions in Tunisia and Egypt: "The people want the regime to fall."<sup>3</sup> With tensions already high, police opened fire on the protestors, killing six. The next day, during funeral processions for the slain victims, an estimated 20,000 people turned the procession into a protest, demanding the resignation of the town's mayor and police chief. Instead, Syrian security forces sealed off Dara'a, police continued to use excessive violence to disperse protestors, and the government promised an investigation and sent mediators to calm citizens. On the third day (March 20), crowds chanting "no fear after today"<sup>4</sup> set fire to the Baath Party's headquarters and other government buildings, and police again used live ammunition, killing another demonstrator. Protestors turned a centrally-located mosque in the old quarter of Dara'a into a gathering point and makeshift hospital, which police

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<sup>1</sup> Open Source Center, "Syria: Commentators Question Motives in Lifting Social Media Ban," Document ID# FEA20110301015070, March 1, 2011.

<sup>2</sup> The town of Dara'a (alt. sp. Dera) is located in Dara'a province, a mostly tribal and rural area of some 300,000 Syrians, many of whom are Sunni Muslims. Before the recent outbreak of violence, it was considered an area supportive of the regime. Vice President Farouk al Sharaa is from Dara'a province. In recent years, the area has been hit hard by drought, and like many areas beyond the capital Damascus, it had suffered economically.

<sup>3</sup> "Syria's Revolt: How Graffiti Stirred an Uprising," *Time.com*, March 22, 2011.

<sup>4</sup> "Officers Fire on Crowd as Syrian Protests Grow," *New York Times*, March 20, 2011.

units subsequently stormed on March 22, resulting in additional casualties (including a prominent local doctor).

By March 24, news reports indicated that between 15 and 50 people had been killed by police, as the city had been reinforced by army soldiers and secret police while crowds as large as 20,000 continued to demonstrate and hold funerals for those slain days earlier. Mobile phone access to Dara'a was severed as well, and President Asad dismissed the provincial governor. He also pledged to increase salaries for public workers and allow more media freedom. He suggested that he was willing to study "the possibility of lifting the emergency law"<sup>5</sup> (as well as licensing political parties) that had been in place since 1963 (it was lifted in April 2011, see below).

On Friday, March 25, a day dubbed as "Dignity Friday" by protestors in Syria, government forces reportedly opened fire again on demonstrators, killing an unknown number of civilians. By then, confrontations were no longer confined to Dara'a and were occurring in several cities, though the capital Damascus was fairly quiet. Protests occurred in the port city of Latakia, where at least 12 people were reportedly killed between March 25 and March 27. Latakia is a mixed Sunni and Alawite town, and the government has deployed the army there to maintain order.

By March 27, at least 61 people had died during the government crackdown that started in Dara'a on March 18. Many reports indicate that the government has deployed armed gangs or irregular militias to intimidate and kill protestors.

### **March 30: Asad's Speech**

On March 30, President Asad gave a widely anticipated speech before parliament in which he blamed the country's ills on foreigners and accused protestors of advancing "an Israeli agenda" against Syria and said they had been "duped" or were conspiring to destroy the nation.<sup>6</sup> Though he dismissed his cabinet, critics charge that the move was merely "window dressing," as he appointed a former Agricultural minister and Ba'ath party loyalist as the new prime minister. He also pledged to form committees to "study" new reforms, including replacing the emergency law. Some analysts characterized President Asad's speech as a missed opportunity to stem further public unrest by offering fundamental political reform, and others interpreted the speech as a clear signal that his regime intended to use any means necessary to stop further demonstrations. Many observers had hoped otherwise. According to one Syria analyst, even until recent weeks, "there was a tendency to see him [Asad] as separate from the regime, that he could step out of his role." The ensuing violence suggests to some that President Asad has chosen to protect the interests of his immediate family and the segment of the Alawite community they represent by any means necessary. Others note the probable influence of Asad's family and associates on the government's decision to use force to suppress protests as a means of preventing even larger demonstrations that could threaten the regime.<sup>7</sup>

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<sup>5</sup> The law prohibited public congregations and enabled the authorities to detain people without trial. Protestors had demanded that it be canceled.

<sup>6</sup> "Syrian Leader Blames 'Conspiracy' for Turmoil," *New York Times*, March 30, 2011.

<sup>7</sup> According to one report, "Mr. Assad is surrounded by relatives with reputations for ruthlessness, including his brother Maher al Asad, who commands the army's Fourth Armored Division, and his brother-in-law Assef Shawkat, an intelligence chief. The family is said to fear that easing up on protestors could embolden them, bringing much larger crowds into the streets."

## **April 2011: Regime Brutally Suppresses Protests, Makes Limited Reforms**

Throughout the month of April, President Asad suggested that reforms were forthcoming, even as his regime's security forces brutally suppressed protestors. On April 11, Syrian state media carried a statement from the Interior Ministry which stated that:

“In recent weeks, groups of citizens gathered in demonstrations in several areas in Syria, particularly on Fridays, making a number of demands that were met with immediate response from the leadership.... The Syrian authorities, in order to preserve the security of the country, citizens and the governmental and services establishments, will confront these people and those behind them according to the law,.... The Ministry of Interior affirms that there is no more room for leniency or tolerance in enforcing law, preserving security of country and citizens and protecting general order.”<sup>8</sup>

The violence culminated on Friday April 22, when an estimated 109 people were killed in a single day and many other activists and protestors are reported to have simply disappeared. As demonstrations increased with each passing Friday after prayers, the regime admitted that unrest in Syria was not simply a result of foreign meddling. Despite the regime's warning that it would deal harshly with all internal dissent, crowds of protestors kept growing, though some observers suggested that despite the alleged atrocities committed by the security forces, the size of the protests had not reached a critical mass, as they had in Tunisia and Egypt during each country's respective revolution. Though protests have occurred in Damascus and Aleppo, Syria's second largest city, they have not been on the same scale as elsewhere, perhaps reflecting some degree of popular support for the Asad regime.

Toward the end of the month, demonstrations were taking place in most Syrian cities, particularly in Homs where security services were reportedly particularly harsh in their crackdown on residents. On April 25, the regime ordered armored army units to enter towns such as Dara'a in a demonstration of President Asad's resolve to quash the symbol of where the uprising started.

As of April 28, an estimated 500 Syrian citizens have been killed by government forces. Some observers suggest that the casualty count could be even higher since the government has refused to release some of the bodies of protestors killed by police units.

### ***Limited Reforms***

In Syria, President Asad has chosen to couple the violent suppression of his security forces with some limited reforms. On April 19, the decades-old Emergency Law was lifted, though many experts believe it will simply be replaced by an anti-terrorism law which will be equally as restrictive as its legal predecessor. According to Radwan Ziadeh, a Syrian human rights activist and visiting scholar at George Washington University in Washington, “The emergency law might be lifted but the state of emergency that governs every aspect of our lives will be the same.”

President Asad also has pledged to loosen media restrictions, abolish state security courts, release political prisoners, and allow “approved” demonstrations. He has appointed new governors of Homs and Dara'a provinces. He also has promised to address longstanding Kurdish grievances such as finding a solution to the estimated 300,000 Kurdish Syrians who have been denied

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<sup>8</sup> “Syrian University Protests Violently Suppressed,” *New York Times*, April 11, 2011.

citizenship for decades. He also has ordered an investigation of police killings. After a meeting with the town leaders of Dara'a, President Asad allegedly remarked that "I saw how people from Dara'a destroyed my father's statues and my posters, but don't worry. I will forgive that as a father forgives his sons."

The Syrian opposition considers these reforms mere window dressing designed to buy the regime time in order to stave off even larger protests. In the meantime, numerous media reports suggest the government has deployed snipers on the rooftops of buildings overlooking street protests, as well as plain-clothes policemen who have attacked citizens.<sup>9</sup> Some reports even suggest that security forces have attacked ambulances and have entered hospitals to commit further violence.

## Administration and Congressional Response

The Obama Administration, already consumed with formulating policy responses to revolution, unrest, and war occurring in other parts of the region, could face significant challenges in dealing with another crisis, particularly one that is of great concern to regional stability. Some critics initially charged that the Administration was slow to respond to the unfolding crisis, and some critics contend that the Administration sent mixed signals to the Syrian opposition, President Asad, and the region by intimating that the U.S. government believed that President Asad might choose reform over repression.<sup>10</sup> In late March, Secretary of State Hillary Rodham Clinton said, "We deplore the crackdown that is occurring in Syria and we call on Syria, as we have throughout the last months, to respect the rights of its citizens, to allow people to protest peacefully, to work toward political and economic reform that would be to the benefit of the Syrian people." Unlike in Libya, the Obama Administration also stated in March that it would not militarily intervene in Syria at that point to stop the government's killing of civilians.<sup>11</sup> It is not clear how or if that position may change. In recent statements, U.S. officials have "condemned" the Syrian government's brutal repression of demonstrators. In late April, the Department of State ordered all eligible family members of U.S. government employees as well as certain non-emergency personnel to depart Syria.

Some lawmakers have asserted that the United States should completely alter its foreign policy toward Syria due to President Asad's suppression of the protests. Some Members have called on President Obama to recall the U.S. Ambassador to Syria, Robert S. Ford, back to Washington in order to demonstrate U.S. disapproval of the regime's treatment of its own people. Others have called for new, more robust sanctions against the regime, Syria's energy sector, and President Asad's family.

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<sup>9</sup> Syrians call plain-clothes security agents, usually distinguishable by their black leather jackets, *shabbiha* (translated literally as "ghosts").

<sup>10</sup> In an interview published in late March, Secretary of State Hillary Rodham Clinton remarked that "There's a different leader in Syria now. Many of the members of Congress of both parties who have gone to Syria in recent months have said they believe he's a reformer." Critics assert that the statement implied support for the Asad government. In response, Secretary Clinton insisted that she "referenced opinions of others" and "was not speaking either for myself or for the Administration."

<sup>11</sup> Secretary of State Hillary Rodham Clinton stated in late March that "each of these situations is unique." She added that "What's been happening there [in Libya] the last few weeks is deeply concerning, but there's a difference between calling out aircraft and indiscriminately strafing and bombing your own cities than police actions [in Syria] which, frankly, have exceeded the use of force that any of us would want to see." "Twelve Killed in Syrian City of Latakia in Fighting With Security Forces," *Bloomberg*, March 27, 2011.

## ***New U.S. Sanctions?***

Multiple media reports indicate that the Obama Administration may be drafting new targeted financial sanctions against President Asad's family and inner circle. Previous Executive Orders that targeted individual Syrians or Syrian institutions were based on Syria's meddling in Lebanon, its obstruction of U.S. operations in Iraq by allowing foreign fighters to traverse its border, and its alleged pursuit of weapons of mass destruction. Any new Executive action may need to reference the current domestic unrest and may widen the circle of targeted individuals, such as the President's brother, Maher al Asad who heads the Republican Guard. Most experts believe that while the practical effect of U.S. financial sanctions may be limited, U.S. leadership on the issue may encourage other countries to take action, particularly European countries which have more extensive banking and trade relationships with Syria.

### **Key Members of the Asad Family**

**Bashar al Asad** - The 45-year-old President of Syria. He has ruled Syria since 2000 after the death of his father. He is married to Asma' al Akhras, a British-born Syrian Sunni Muslim and formerly an investment banker at J.P. Morgan.

**Maher al Asad** - The younger brother of Bashar, he heads the Presidential Guard and other military units, such as the Army's Fourth Division—the Syrian Army's equivalent of Special Forces.

**Bushra al Asad & Assef Shawkat** - Bushra is the older sister of Bashar, and she is rumored to be a key decision-maker. Her husband, Assef Shawkat, is intelligence chief and deputy chief of staff of the Army. He used to be head of military intelligence and is part of the President's inner circle.

**Rami Makhluf**, the 40 year-old cousin of President Bashar al Asad. Makhluf is a powerful Syrian businessman who serves as an interlocutor between foreign investors and Syrian companies.

## **Implications**

Foreign observers are now debating what could result from a period of sustained unrest. Many foreign governments are concerned that a breakdown in law and order in Syria could lead to civil war or sectarian conflict inside Syria or embolden Sunni Islamist groups to carry out operations against foreign targets.<sup>12</sup> Other observers also are concerned that Syrian weaponry, including advanced surface-to-air missiles, advanced anti-tank weapons, or chemical weapons, could fall into the hands of terrorist groups. Israel, which has grown accustomed to having a familiar enemy in the form of the current Syrian regime, may fear that the overthrow of President Asad would lead to a power vacuum and would possibly compel it to increase its force posture on its northern front at a time when Israel is already having to reconsider its defense strategy vis-à-vis Egypt and facing more rocket attacks from Gaza.<sup>13</sup> There is also uncertainty surrounding how Iran or Hezbollah in Lebanon will react to threats against the Asad regime, their ally. Syrian opposition groups in Europe and the United States have been spreading rumors of Hezbollah fighters quelling protests inside Syria, though these reports remain unconfirmed. Some U.S. reports suggest that the Iranian government has provided some logistical support to the Asad government. According to one unnamed official, "There are 'very strong indications' that Iran is helping the

<sup>12</sup> Some protestors have been cautious to portray their movement as nationalist and cross-sectarian. In one march through the coastal town of Baniyas, crowds chanted "Not Sunni, not Allawi. Freedom is what we all want." However, if majority-Alawite units are found to be committing atrocities against Sunni protestors, an increase in sectarian tension may be inevitable despite protestor efforts to the contrary.

<sup>13</sup> Some Israelis believe that a democratic Syria is in Israel's interest. According to President Shimon Peres, "I believe that finally a democratic system in Syria is our best bet for the future."

Syrians crack down on protesters with advice on how to track or block their Internet use, training on how to put down demonstrations and the supply of riot control equipment.”<sup>14</sup>

On the other hand, the possibility of revolution in Syria may present opportunities for the United States, under some conditions. Few observers expect that a more democratic Syrian government would abandon long-standing nationalist goals of, for instance, seeking a return of the Golan Heights. However, if Syrian protestors somehow succeed in toppling the Asad regime in a peaceful manner, a more democratic Syria may seek to broaden its relationships with Western democracies and could choose to reduce its dependence on its current alliance with Iran. However, most experts believe that this scenario is a distant possibility and it depends on the ability of any Syrian protest movement to overthrow the Asad government without destabilizing the country and upsetting its ethnic/sectarian balance between Alawites, Sunni Muslim Arabs, and Kurds.

Early reports indicate that Syria’s elite are not unified in supporting the heavy-handed actions of the security forces, and since protests are taking place in areas once considered regime strongholds, that could be an indication that the Asad family’s base of support has considerably eroded. On April 27, 233 local members of the ruling Ba’ath Party resigned over the government’s siege of Dara’a and other towns.<sup>15</sup> Syria also has a number of overlapping security forces and a large standing military, though how loyal the army will be if the crisis deepens also is unknown. Some unconfirmed reports suggest that regular army officers have been killed for refusing to fire on protestors and that the regime has relied exclusively on Alawite-dominated units, including a division led by Mr. Maher al Asad. Some observers suspect that the crisis has already created a series of events that will make it difficult for the regime to recover. One unnamed Western diplomat’s comments summarize these views: “It’s over; it’s just a question of time.... It could be a slow burn, or Qaddafi-esque insanity over the next few days. It’s very tense here, very tense. You can feel it in the air.”<sup>16</sup>

## Issues for Congress

### **Syria-Iran-Hezbollah-Hamas: The “Axis of Resistance”**

Syria derives much of its regional importance from being considered a weak link in the so-called Syria-Iran-Hezbollah-Hamas “Axis of Resistance” against Western, moderate Arab, and Israeli interests in the Middle East. For many years, some experts have hoped that a Israeli-Syrian land for peace deal would not only promote Middle East peace, but permanently reorient Syria foreign policy toward the more moderate Sunni Arab regimes, such as Egypt and Jordan, and away from Iran, the primary U.S. adversary in the Middle East. However, with the Arab-Israeli peace process stalled, Syria lacks the incentive to switch “camps” and may continue to behave in ways contrary

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<sup>14</sup> “Iran said to help Syria track protesters’ Web use,” *Reuters*, April 14, 2011.

<sup>15</sup> According to *Oxford Analytica*, “The resignations are mostly of local officials, mainly from Dera’a and Baniyas; those in Baniyas—a mixed Sunni-Allawi city—are the more important (the roots of dissent in Dera’a are complicated by the presence of the Druze minority and stronger tribal affiliations). See, *Oxford Analytica*, “Ba’athist resignations raise pressure on Syria’s Assad,” April 28, 2011.

<sup>16</sup> “Syria Tries to Ease Deep Political Crisis,” *New York Times*, March 27, 2011.

to U.S. goals in the Middle East. Some experts suggest that even if Syria made peace with Israel, it would not cut its ties entirely to Iran and others.

**Figure I. Map of Syria**



Source: Map Resources. Adapted by CRS.

## Syria and Iran

Syria’s historic rivalry with neighboring Iraq<sup>17</sup> created opportunities for improved Syrian relations with Iran, Iraq’s main rival until the 2003 U.S. overthrow of the Saddam Hussein regime. The Syrian-Iranian alliance has always been considered a “marriage of convenience,” as both countries have placed a higher value on regional strategic interests rather than shared cultural and

<sup>17</sup> For many years, Syria and Iraq had an uneven and often troubled relationship, stemming from political disputes, border tensions, demographic differences, and personal animosity between the two countries' late leaders: Syrian President Hafiz al Asad and Iraqi President Saddam Hussein. Moreover, the two countries were governed by rival wings of the pan-Arab Baath Party. Syria severed diplomatic relations with Iraq in 1982 after it accused Saddam Hussein's regime of inciting and supporting Syrian Muslim Brotherhood-led riots. In the late 1990s bilateral relations improved markedly, primarily in the economic sphere. The two countries formally restored relations in November 2006.

religious affinities.<sup>18</sup> In recent years, as Syria has grown more estranged from the West, Syrian-Iranian relations have improved, and some analysts have called on U.S. policymakers to “flip” Syria and woo it away from Iran. Others assert that the foundation of the Syrian-Iranian relationship—a shared concern over a resurgent Iraq, support for Hezbollah in Lebanon, and countering Israel—is deeply rooted in the geopolitics of the region and cannot be easily overturned.

Reliable information on the extent of Iranian economic influence in Syria is difficult to quantify. Nevertheless, there have been several reports of increased Iranian investment and trade with Syria. In the financial sector, Iran has stated its intention to establish a joint Iranian-Syrian bank, possibly involving Bank Saderat and the Commercial Bank of Syria – two entities which have been sanctioned by the U.S. Treasury Department.<sup>19</sup> In the manufacturing and industrial sectors, the Iran Khodro Industrial Group has established a car assembly plant in Syria through a joint venture known as the Syrian-Iranian Motor Company (Siamco).<sup>20</sup> Another joint venture, the Syrian-Iranian Vehicle Company (Siveco), assembles Iranian cars in Syria. Its chief stakeholder is the Iranian company Saipa. Iranian companies also have invested in concrete production, power generation, and urban transportation. In the energy sector, Syria, Iran, Venezuela and Malaysia jointly established a petroleum refinery in Homs, Syria. In addition, Iran and Syria reached a natural gas deal that would allow Iran to export gas to Syria via Iraq (Persian Pipeline). Despite increased Iranian investments, the overall volume of Iranian-Syrian trade remains low. According to the *Economist Intelligence Unit*, bilateral trade may total between \$160 and \$400 million.<sup>21</sup> Ironically, the total volume of U.S. trade with Syria exceeds that of Iran-Syria.

Iran also supplies Syria with weaponry, though Russia and North Korea have traditionally been Syria’s two main suppliers. In June 2010, Iran reportedly sent Syria an air defense radar system designed to detect Israeli aircraft or possibly increase the accuracy of Syrian and Hezbollah missile strikes against Israel in the event of a regional war. According to one unnamed U.S. official, “The Iranians have two interests.... They need Hezbollah to be a powerful threat against Israel, and they are interested in knowing what is coming to them from Israel.”<sup>22</sup> In response to the alleged transfer, U.S. State Department Spokesman Philip J. Crowley stated that “Well, it's hard for us to determine if such a transfer has taken place. We have concerns about the relationship between Iran and Syria. And as we've said before, we don't believe that Iran's designs for the region are in Syria's best interest.”<sup>23</sup>

In March 2011, various news sources reported that an Iranian aircraft suspected of carrying military or nuclear cargo was ordered to stop in Turkey on its way to Syria. The plane was headed for the Syrian city of Aleppo. According to one report, boxes on the plane contained rocket

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<sup>18</sup> Thousands of Iranian Shiites visit Syria annually on pilgrimages to several famous shrines and mosques.

<sup>19</sup> Iranian state news reported in August 2010 that the bank is to be named Al Aman. Its initial capitalization is estimated at \$32 million, and Iran's Saderat Bank, Alghadir Company, and Saipa Company own 25%, 16%, and 8% of the bank's shares respectively. The rest will be offered on Syria's new stock exchange. See, Open Source Center, “Iran, Syria To Establish Private Bank In Damascus,” IAP20100801950070, *Tehran Mehr News Agency* in English, August 1, 2010.

<sup>20</sup> In May 2010, an Iranian businessman and shareholder in Siamco, was killed outside his home in Damascus in an apparent assassination. No group has claimed responsibility for the killing

<sup>21</sup> “Syria Economy: Iran Bank Deal?,” *Economist Intelligence Unit*, October 14, 2008.

<sup>22</sup> “Iran Arms Syria With Radar,” *Wall Street Journal*, June 30, 2010.

<sup>23</sup> “U.S. State Department Press Release,” Daily Press Briefing, July 1, 2010.

launchers, mortars, Kalashnikov rifles and ammunition, although there was no Turkish official statement on the cargo.<sup>24</sup>

## **Syria's Role in Lebanon**

Syria still exerts a great deal of influence in Lebanese domestic affairs through its local surrogates and through Hezbollah. Syria has benefitted both internationally (improved relations with France and Saudi Arabia) and inside Lebanon since the 2008 formation of a unity government comprised of pro and anti-Syrian political parties, and led by Sunni politician Saad Hariri, the son of the late Prime Minister Rafiq Hariri who was assassinated in 2005. As prime minister of a unity government that includes Hezbollah, Saad Hariri has had to accommodate his formerly anti-Syrian political positions to new regional realities, even though his father was assassinated in a plot that many observers believe was hatched by Syrian leaders, Hezbollah, or both. Saad Hariri has not only refrained from challenging Syria, but has gone out of his way to accommodate his larger, more powerful neighbor, traveling to Damascus and even publicly absolving Syria of any responsibility for his father's murder. In November 2010, he remarked in an interview that "I do not think that President Assad had anything to do with that. . . . I'm the Prime Minister. I do not have the luxury of speculating these days."<sup>25</sup> Other Lebanese leaders also have accommodated Syria. In March 2010, Lebanese Druze leader Walid Jumblatt met President Asad, having previously apologized for past criticisms of Syria's role in Lebanon. Jumblatt said that his remarks were "indecent, out of context and go beyond the political manners."

In anticipation of indictments and in response to Hariri's refusal to denounce the Special Tribunal for Lebanon (STL), Hezbollah and its allies withdrew from the cabinet on January 13, 2011, forcing the government's collapse. On January 25, Hezbollah and its allies nominated former Prime Minister Najib Miqati to replace Hariri as Prime Minister. Miqati was approved by a parliamentary vote of 68 in favor to 60 opposed. Many analysts agree that Miqati's nomination likely came after he agreed to Hezbollah's demands on the STL, and that Hezbollah's actions amount to a coup that tilts the balance of political power firmly in Hezbollah's favor. In response, Hariri's supporters staged a number of protests, and the security and political situation in Lebanon remains tenuous.<sup>26</sup> Hariri has announced that he and his allies will not take part in the Hezbollah-backed government, but observers question his resolve.<sup>27</sup>

### ***The Special Tribunal For Lebanon (STL)***

With possible indictments pending from the Special Tribunal for Lebanon (STL) at The Hague, Syria's role in Lebanon has resurfaced as a major issue of concern. Syria is clearly worried that its high level officials could be named as possible suspects in the 2005 Hariri assassination. Syria does not consider the STL a legitimate international legal body, and many observers believe that it has worked behind the scenes to obstruct the STL's investigation while signaling that any move

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<sup>24</sup> "Turkey confiscates Iranian plane's "illegal" cargo," *Reuters*, March 22, 2011.

<sup>25</sup> "Prime Minister Absolves Syria of Blame over Father's Assassination in Bid to end Tension," *The Times* (London), November 1, 2010.

<sup>26</sup> "Hariri Refuses to Join Government Headed by Hizbullah," *Naharnet*, January 24, 2011. See also "After Riots and Rage, Lebanon is ready to move on," *Haaretz.com*, January 27, 2011

<sup>27</sup> "Hariri Refuses to Join Government Headed by Hizbullah," *Naharnet*, January 24, 2011. See also "After Riots and Rage, Lebanon is ready to move on," *Haaretz.com*, January 27, 2011.

against its leadership could destabilize Lebanon. Government officials have denounced the STL's work, and a Syrian judge issued arrest warrants for a number of officials who were accused of having helped provide false testimony to tribunal investigators. In late October 2010, President Asad remarked that "The political situation in Lebanon is not good—it is even troubling.... Any clash at any given moment ... will destroy Lebanon."<sup>28</sup> Hezbollah has forcefully said that anyone cooperating with the STL will be considered an agent of Israel.

At the same time, Syria has benefitted from almost three years of stability in Lebanon and has therefore approached the issue cautiously. At times, it has tried to portray itself as a disinterested third party. Syria and Saudi Arabia have urged all sides in Lebanon to refrain from sectarian strife and have worked to keep the coalition government led by Saad Hariri together. If Hezbollah members are indicted and a trial takes place (perhaps with Hezbollah members in absentia), Syrian officials may be called as witnesses.

### *Support for Hezbollah*

Syria cannot match Israel's conventional warfare capability and therefore relies on Hezbollah's guerilla tactics, terrorist attacks, and rocket and missile arsenals as a deterrent and source of pressure against Israel. According to one unnamed U.S. official, "The Syrians are doing things in terms of deepening their entanglement with Iran and Hezbollah that truly are mind-boggling. They are integrating their military/defense systems to unprecedented levels. Hafez al-Assad never would have gone so far and it is becoming hard to see how they can possibly extricate themselves."<sup>29</sup>

For years, media reports have revealed Syria's repeated attempts to supply Hezbollah with weapons originating either from its own stocks or from Iran, North Korea, and elsewhere. In November 2009, Israeli forces seized the *Francop*, a freighter allegedly en route from Iran to the Syrian port of Latakia which contained, according to reports, thousands of medium-range 107- and 122-millimeter rockets, armor-piercing artillery, mortar bombs, hand grenades, and ammunition for Kalashnikov rifles possibly destined for Lebanon for Hezbollah.<sup>30</sup> In April 2010, multiple reports surfaced suggesting that Syria may have transferred Scud<sup>31</sup> missiles to Hezbollah in Lebanon or trained Hezbollah members based in Syria on the use of Scud missiles at Syrian missile bases.<sup>32</sup> In the fall of 2010, media reports indicated that rockets resembling Scuds missiles were visible on satellite images using Google Earth at a military encampment north east of Damascus near the town of Adra.<sup>33</sup> In addition, Israel has accused Syria of transferring its own M-600 rockets to Hezbollah. The M-600 is a copy of Iran's Fateh-110 surface-to-surface missile and has a range of 155 miles. According to an unnamed Pentagon official, Hezbollah possesses

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<sup>28</sup> "Syria Working to Prevent Lebanon Violence: Assad," *Agence France Presse*, October 26, 2010.

<sup>29</sup> International Crisis Group, *DRUMS OF WAR: ISRAEL AND THE "AXIS OF RESISTANCE"*, Middle East Report #97, August 2010.

<sup>30</sup> "Israeli Navy Seizes Weapons Believed to Be for Hezbollah," *Wall Street Journal*, November 5, 2009.

<sup>31</sup> According to *Janes*, Syria possesses an indigenously produced 'Scud D' variant of the North Korean Hwasong 7 that can travel up to 430 miles. See, "Israel Claims Syria has Transferred 'Scuds' to Hizbullah," *Jane's Defence Weekly*, April 16, 2010.

<sup>32</sup> Open Source Center, "Syria Sends Scud Missiles to Hizballah, Israel Threatens War," *Kuwait Al-Ra'y Online in Arabic*, April 11, 2010, GMP20100411184001.

<sup>33</sup> "Scud Missiles Spotted from Space may be in the Hands of Hezbollah Militants; Lebanon," *The Times (London)*, October 9, 2010.

up to 50,000 rockets and missiles, including 40 to 50 Fateh-110 missiles and 10 Scud-D missiles.<sup>34</sup>

### *Hamas*

Syria's support for Palestinian terrorist groups, such as Hamas, is a major impediment both to improved Israeli-Syrian relations and to Syria's relationship with the United States. In March 2011, Israel intercepted a Liberian-flagged container ship named the *Victoria*, that contained 50 tons of Iranian smuggled weaponry on its way to Hamas, including Chinese-designed C704 anti-ship missiles. According to Israeli sources, the cargo was loaded at the Syrian port city of Latakia.

For years, U.S. policymakers and some lawmakers have sought Syrian cooperation in moderating Hamas. Syria has indirectly supported a number of U.S. State Department-designated Foreign Terrorist Organizations (FTOs), including Hezbollah in Lebanon and the Palestinian groups Hamas, Palestinian Islamic Jihad (PIJ), the Popular Front for the Liberation of Palestine (PLFP), and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC), all of which have offices in Damascus and operate within Syria's borders. Syria acknowledges its support for Palestinians pursuing armed struggle in Israeli occupied territories and for Hezbollah raids against Israeli forces on the Lebanese border, but insists that these actions represent legitimate resistance activity as distinguished from terrorism.

### **The Israeli-Syrian Peace Process**

Israel and Syria are technically still in a state of war, as direct or indirect peace negotiations during the Clinton Administration and most recently brokered by Turkey in 2008 have failed to resolve their conflict. Syria seeks to regain sovereignty over the Golan Heights, 450 square miles of land along the border that Israel seized in 1967. Israel applied its law and administration to the region in December 1981, an act other governments do not recognize. Approximately 20,000 Israeli settlers reside in 33 settlements on the Golan.

Although the Obama Administration would like to see the Israeli-Syrian peace track revived, both parties continue to differ over the framework for a resumption in either direct or indirect negotiations. Israel insists that any new negotiations with Syria should be conducted without preconditions (such as an Israeli pledge to withdraw fully from the Golan Heights) and has ruled out a return to Turkish-mediated talks. Syria would like Turkey to mediate indirect talks with Israel before moving on to direct talks and wants full withdrawal to be the basis of the talks. In February 2011, an unnamed Israeli former official in the Olmert government was quoted saying that Israel and Syria had come close to launching direct talks in 2008 and that "the border the Syrians proposed in the Ankara-mediated talks offered Israel more land between the water and the frontier."<sup>35</sup>

In November 2010, the Israeli *Knesset* (parliament) passed a bill that would require any peace deal involving the ceding of territory annexed by Israel — namely East Jerusalem and the Golan Heights — to be put to a national referendum. This new "Referendum Law" mandates that a public referendum over ceding land under Israeli sovereignty to another country, whether by

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<sup>34</sup> "U.S. Strains to Stop Arms Flow," *New York Times*, December 6, 2010.

<sup>35</sup> "Direct Israel-Syria talks were close," *Associated Press*, February 6, 2011.

treaty or unilateral decision, be held if the *Knesset* fails to approve the deal by a two-thirds majority (80 votes). The Palestinians and Syria have condemned the new law, which also was criticized by the Israeli left-wing labor party.

## Russian Arms Sales to Syria

Over the past several years, Russia and Syria have concluded several arms deals, and Russia remains Syria's primary arms supplier.<sup>36</sup> In May 2010, Russian President Dmitry Medvedev became the first modern Russian leader to visit Syria, and in 2010 there have been reports of new arms agreements, though Russian-Syrian arms deals are notoriously opaque.<sup>37</sup> Some sources have reported that Russia intends to upgrade Syria's Mig-29 fighters and possibly sell Syria advanced Mig-31 (Foxhound) aircraft.<sup>38</sup> In September 2010, Russian news sources indicated that a planned sale of P-800 Yakhont anti-ship supersonic cruise missiles worth \$300 million was moving ahead as planned. Israel protested the deal, asserting that Syria would transfer the missiles to Hezbollah. Russian Defense Minister Anatoly Serdyukov responded, saying that "The United States together with Israel ask us not to supply the Yakhont system to Syria. But we see no (grounds) for apprehensions expressed by them that these weapons will get into the hands of terrorists."<sup>39</sup>

In January 2007, under the legal authority set forth in the 2005 Iran and Syria Nonproliferation Act (P.L. 109-112), the Administration imposed sanctions against three Russian companies (Rosoboronexport, Tula Instrument-Making Design Bureau, and Kolomna Machine-Building Design Bureau) for WMD or advanced weapons sales to Syria. The sanctions banned U.S. government business and support to the companies for two years and blocked U.S. firms from selling them items that require export licenses. On October 13, 2006, President Bush signed P.L. 109-353 which further expanded the scope of the original law by adding North Korea to its provisions, thereby renaming the law the Iran, North Korea, and Syria Nonproliferation Act (or INKSNA for short).

## Nuclear Proliferation and the IAEA

On September 6, 2007, an Israeli air strike inside Syrian territory destroyed what is now referred to as Al Kibar (or Dair Alzour), a remote desert facility which may have housed a nuclear reactor. According to reports in the *Washington Post*, Syria and North Korea were suspected of

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<sup>36</sup> The former Soviet Union was a longtime ally of Syria and a main supplier of arms to the Syrian military. Soviet advisors and military personnel were welcomed by the late Syrian President Hafiz al Asad, even as Soviet relations with other Arab governments, such as Egypt, deteriorated after successive Arab defeats at the hands of the Israeli military in 1967 and 1973 respectively. It is estimated that the Soviet Union provided Syria with up to \$26 billion worth of arms until 1991. Between 1999 and 2003, Russian-Syrian military relations revived. In 2005, Russia cancelled most of Syria's \$13.4 billion debt from previous arms agreements.

<sup>37</sup> According to one Israeli analyst, "Syria has not purchased any significant weapon system from Russia since the fall of the Soviet Union; the only purchases were the Kornet-E anti-tank missiles (some of which ultimately reached Hizbollah), and the Pantsyr-S1 air defense system. In the past year, Syria was offered a number of MiG-31 planes (almost certainly to be used for intelligence missions). Other Syrian requests, such as the S-300 air defense system or the Iskander-E surface-to-surface missiles, were refused." See, Zvi Magen and Yiftah S. Shapir, "Adornment of the Syrian Bride?," *INSS Insight*, No. 209, September 21, 2010.

<sup>38</sup> "Syria: PROCUREMENT," *Jane's Sentinel Security Assessment—Eastern Mediterranean*, November 26, 2010.

<sup>39</sup> "Israel DM Concerned over RF's Yakhont Missile Supply to Syria," *Itar-Tass*, September 21, 2010.

collaborating on a secret nuclear program since 1997.<sup>40</sup> Since then, senior North Korean officials and scientists from North Korea's Yongbyon nuclear complex reportedly visited Syria several times before construction began at Al Kibar, between 2001 and 2003. In the spring of 2007, Israel reportedly provided the Administration with photographs of the interior of the alleged facility still under construction. According to the *Washington Post*, the "pictures depicted a site similar to the one at Yongbyon, which produces plutonium for nuclear weapons."

In June 2008, U.N. inspectors visited some areas surrounding Al Kibar. In late 2008, the U.N. International Atomic Energy Agency (IAEA) concluded that the facility had similarities to a nuclear reactor and chemically processed uranium particles were found at the site, but that a final determination could not be made until Syria provides "the necessary transparency."<sup>41</sup> Syria has barred any additional IAEA access since 2008.

In a follow-up report in early 2009, the IAEA said that enough uranium particles had turned up in soil samples to constitute a "significant" find. In response, Syria claimed that the uranium particles came from depleted uranium used in Israeli munitions. Syria also claimed that the site was a conventional military base, but then disclosed in February 2009 that a new missile facility had been constructed at Al Kibar.<sup>42</sup>

The IAEA reported in February 2010 that uranium particles found at a Syrian desert complex bombed by Israel in 2007 point to possible Syrian covert nuclear activity. Previous IAEA reports said only that the uranium particles raised concern because they did not come from Syria's declared inventory.

In September 2010, Ambassador Glyn Davies, the Permanent Representative of the United States to the International Atomic Energy Agency (IAEA), told the 35-member IAEA board that unless Syria cooperates with the agency's probe of its suspected nuclear site bombed by Israel in 2007, then the IAEA must "consider all available measures and authorities to pursue the verification assurances the international community seeks," in other words, a special inspection.<sup>43</sup> Nevertheless, some suggest that the board is divided over pressuring Syria, and the lack of consensus will lead to continued stalemate. In August, Davies said "Our position is we are not going to postpone this indefinitely, we can't. The agency needs to do its duty and it needs to get answers to these questions. A special inspection is one of the tools that is available, so that's something that needs to be considered."

In November 2010, the IAEA reported that "With the passage of time, some of the information concerning the Dair Alzour site is further deteriorating or has been lost entirely. It is critical, therefore, that Syria actively cooperate with the Agency on these unresolved safeguards implementation issues without further delay."<sup>44</sup> In November and December 2010, a German

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<sup>40</sup> "U.S. Details Reactor in Syria," *Washington Post*, April 25, 2008.

<sup>41</sup> Introductory Statement to the Board of Governors by IAEA Director General Dr. Mohamed ElBaradei, November 27, 2008, Vienna, Austria, IAEA Board of Governors.

<sup>42</sup> "Diplomats: Damascus has Built Missile Facility on Suspected Nuclear Site," *Associated Press*, February 25, 2009.

<sup>43</sup> The IAEA's director general has the authority to call for a special inspection of suspect facilities in any member country suspected of violating its commitment to non-proliferation. If the member country rejects the IAEA's request, the agency can refer the case to the United Nations Security Council as an act of noncompliance, potentially triggering sanctions.

<sup>44</sup> Implementation of the NPT Safeguards Agreement in the Syrian Arab Republic, Report by the Director General, GOV/2010/63, Date: 23 November 2010.

newspaper revealed three suspected nuclear sites related to the Al Kibar near the cities/towns of Masyaf, the village of Marj as-Sultan near Damascus, and Iskandariyah.<sup>45</sup>

In addition to the suspected reactor, the IAEA is investigating other nuclear activities which Syria failed to disclose to the agency.<sup>46</sup> For example, the IAEA is investigating the origin of anthropogenic uranium particles found at a Syrian research reactor, as well as evidence of undeclared uranium conversion activities in the country. Damascus has not yet provided all of the information and site access that would enable the agency to resolve its outstanding questions about these suspected activities.

Syria's Foreign Minister stated in a February 6, 2011, letter to IAEA Director General Yukiya Amano that Syria "would continue to work with" the IAEA to "resolve all outstanding technical issues in accordance with" the country's IAEA and NPT commitments. Syria subsequently agreed to allow IAEA inspectors to visit a site at Homs, where Syria has produced nuclear material used in experiments at the research reactor facility discussed above. The IAEA has requested access to the site for some time.

## **Human Rights and Democracy**

The Syrian Arab Republic is a dictatorship in which little opposition is tolerated. The president is not elected, but rather approved by a voter "yes or no" referendum, held most recently in 2007. In the parliament, the ruling Ba'th party controls 134 of 250 seats, with no other party holding more than 8 seats. Since 1963, Syria has been under a State of Emergency which gives the security services free reign in suppressing dissent. According to the U.S. State Department's most recent report on human rights in Syria, "During the year the government and members of the security forces committed numerous serious human rights abuses, and the human rights situation worsened. The government systematically repressed citizens' abilities to change their government. In a climate of impunity, there were instances of arbitrary or unlawful deprivation of life. Members of the security forces tortured and physically abused prisoners and detainees. Security forces arrested and detained individuals—including activists, organizers, and other regime critics—without due process."<sup>47</sup>

Before the widespread unrest that broke out in March 2011, authoritarianism had persisted in Syria for several reasons. First, before the late Hafez al Asad came to power, Syria suffered repeated coups and counter-coups perpetrated by competing regime elites that left it politically unstable for several decades. Factionalism within the armed forces was a key cause of instability in the past, as military cliques jockeyed for power and secured and toppled governments frequently. This situation changed abruptly after 1970 as the late Hafez al Asad gained a position of unquestioned supremacy over the military and security forces. The power base that he built, an alliance of his immediate and extended Alawite<sup>48</sup> family, the Alawite-controlled military

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<sup>45</sup> David Albright and Paul Brannan, *Satellite Image Shows Syrian Site Functionally Related to Al Kibar Reactor*, Institute for Science and International Security, December 1, 2010.

<sup>46</sup> "Syria Suspected Of Nuke Activity," *Washington Times*, March 3, 2011.

<sup>47</sup> "2009 Human Rights Report: Syria," Bureau of Democracy, Human Rights, and Labor, 2009 Country Reports on Human Rights Practices, March 11, 2010.

<sup>48</sup> The Alawite religious sect, which evolved from the Shi'ite sect of Islam, constitutes approximately 12% of the Syrian population. Formerly the most economically deprived and socially disadvantaged group in Syria, the Alawites rose rapidly in the ranks of the military establishment and the ruling Ba'th Party in the 1960s and have dominated (continued...)

intelligence services, the socialist pan-Arab Ba'th Party,<sup>49</sup> and various Sunni business families, has persisted for four decades and shows no sign of weakening.

Second, the Alawites, as a religious minority, fear sectarian conflict and are committed to maintaining the primacy of their community, and the Asads have sought with some success to coopt support from other sects; many senior positions, including that of prime minister, are held by members of the Sunni Muslim majority. However, most key positions, particularly in the security institutions, remain in Alawite hands, and some observers believe that any weakening of the central regime or an outbreak of political turmoil could precipitate a power struggle between entrenched Alawites and the majority Sunni Muslims, who comprise over 70% of the population. In addition to the Sunni Muslims, Syria has several religious sectarian minorities including three small sects related to Islam (Alawites, Druze, and Ismailis) and several Christian denominations.

Since its independence in 1946, Syria has defined itself as an Arab state, despite the presence of a large, ethnically distinct Kurdish population in Damascus and in several non-contiguous areas along Syria's borders with Turkey and Iraq. Syria's Kurds are the largest distinct ethnic/linguistic minority in Syria (7%-10% of total population). Discrimination against Kurdish citizens is prevalent, and Kurdish political activism is not tolerated.

Before protests broke out in March 2011, there had been little organized political opposition in Syria. Once considered the most imminent threat to Syrian stability, the Syrian Muslim Brotherhood, formerly the largest Islamist opposition group, has been largely in exile since its crushing defeat at the hands of the Asad regime in 1982, when Syrian forces attacked the Brotherhood's stronghold in the city of Hama and killed approximately 10,000 people. In 2005, a group of 274 civil society activists, reformers, communists, Kurdish rights advocates, Islamists, and intellectuals signed the Damascus Declaration, a document calling for the Syrian government to end the decades-old state of emergency and allow greater freedom of speech. Some signatories were subsequently arrested. Since it is difficult for opposition activists to organize inside Syria, an array of dissident groups and individuals operate abroad, particularly in Western Europe.

In 2010, the Democracy Council of California conducted a public opinion survey inside Syria. The survey, which was not approved by the Syrian government, resulted in many findings. Among these are the following: first, a majority believes that the political and economic condition of Syria is poor, and worse than it was five years ago; second, a majority has little faith in the government's ability to confront the country's problems; third, a substantial majority believes that corruption is widespread; and, fourth, a substantial majority believes that the State of Emergency should be lifted.<sup>50</sup>

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(...continued)

political life since then.

<sup>49</sup> The socialist, pan-Arab Ba'th Party, whose rival wing governed Iraq before the collapse of Saddam Hussein's regime, came to power in Syria in 1963. Although the Syrian constitution specifies a leading role for the Ba'th Party and the party provides the regime with political legitimacy, the Ba'th is more an instrument for the execution of policy than an originator of policy. Many Ba'thists are not Alawites, but there is a complex synergistic relationship between the party and the community. Still, barring a major governmental change, a Syrian leader would need to enjoy the support of the Ba'th Party apparatus. The party's top decision-making body, known as the "Regional Command," sits at the top of the policy-making process, and membership in this body is a stepping stone to top positions in Syria.

<sup>50</sup> Democracy Council Of California, "Survey Findings: Syria 2010 Public Opinion Survey," August 5, 2010.

## U.S.-Syrian Relations

Though the Obama Administration has made small gestures toward the Asad government, such as sending several high level delegations to Damascus for discussions<sup>51</sup> and allowing sanctions-exempted materials to be exported to Syria, it has not fundamentally changed the U.S. approach to Syria that was established during the George W. Bush Administration. U.S. sanctions have remained in force since President Obama took office in January 2009. Barring an unforeseen breakthrough in Israeli-Syrian relations, most observers contend that the United States and Syria will remain at odds over a host of issues, such as Iran, Hezbollah, and nuclear proliferation (among others), for the foreseeable future. According to Paul Salem, an expert at the Carnegie Endowment for International Peace, “Syria wants to engage but it is not desperate.... It has no real dependency on the US particularly as the peace process is pretty much dead. Syria is doing well with Turkey, the Gulf, the Saudis, China, some European countries. The US is not the only game in town.”<sup>52</sup>

## U.S. Sanctions

Syria remains a U.S.-designated State Sponsor of Terrorism and is therefore subject to a number of U.S. sanctions. Syria was placed on the State Department’s State Sponsors of Terrorism List in 1979. Moreover, between 2003 and 2006 Congress passed legislation and President Bush issued new Executive Orders that expanded U.S. sanctions on Syria. At present, a variety of legislative provisions and executive directives prohibit U.S. aid to Syria and restrict bilateral trade.<sup>53</sup> Principal examples follow.

### General Sanctions Applicable to Syria

*The International Security Assistance and Arms Export Control Act of 1976* [P.L. 94-329]. Section 303 of this act [90 Stat. 753-754] required termination of foreign assistance to countries that aid or abet international terrorism. This provision was incorporated into the Foreign

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<sup>51</sup> U.S. Special Envoy for Middle East Peace Senator George Mitchell has made several trips to Syria. His deputy, Fred Hof, also has traveled to Syria to jumpstart Syrian-Israeli peace negotiations. In September 2010, Secretary Clinton met with Syrian Foreign Minister Walid Moullem on the sidelines of the U.N. General Assembly meeting in New York. In June 2010, State Department officials and a delegation of American senior executives from Microsoft Corp., Dell Inc., Cisco Systems Inc., and Symantec Corp. traveled to Damascus and Aleppo for meetings with President Asad and Syrian businessmen. The visit was intended to encourage the Syrian government to promote free speech over the Internet and pass legislation safeguarding intellectual property. Most analysts believe that at a macro level, the delegation was intended to show Syria what the benefits of a better relationship with the United States could look like if it provided the diplomatic cooperation being sought by the Administration.

<sup>52</sup> “US-Iran Dynamic: Why U.S. Effort to Leverage Syria is Flagging,” *Christian Science Monitor*, July 3, 2010.

<sup>53</sup> Because of a number of legal restrictions and U.S. sanctions, many resulting from Syria’s designation as a country supportive of international terrorism, Syria is no longer eligible to receive U.S. foreign assistance. Between 1950 and 1981, the United States provided a total of \$627.4 million in aid to Syria: \$34.0 million in development assistance, \$438.0 million in economic support, and \$155.4 million in food assistance. Most of this aid was provided during a brief warming trend in bilateral relations between 1974 and 1979. Significant projects funded under U.S. aid included water supply, irrigation, rural roads and electrification, and health and agricultural research. No aid has been provided to Syria since 1981, when the last aid programs were closed out.

Assistance Act of 1961 as Section 620A [22 USC 2371]. (Syria was not affected by this ban until 1979, as explained below.)

*The International Emergency Economic Powers Act of 1977* [Title II of P.L. 95-223 (codified at 50 U.S.C. § 1701 et seq.)]. Under the International Emergency Economic Powers Act (IEEPA), the President has broad powers pursuant to a declaration of a national emergency with respect to a threat “which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States.” These powers include the ability to seize foreign assets under U.S. jurisdiction, to prohibit any transactions in foreign exchange, to prohibit payments between financial institutions involving foreign currency, and to prohibit the import or export of foreign currency.

*The Export Administration Act of 1979* [P.L. 96-72]. Section 6(i) of this act [93 Stat. 515] required the Secretary of Commerce and the Secretary of State to notify Congress before licensing export of goods or technology valued at more than \$7 million to countries determined to have supported acts of international terrorism. (Amendments adopted in 1985 and 1986 relettered Section 6(i) as 6(j) and lowered the threshold for notification from \$7 million to \$1 million.)

A by-product of these two laws was the so-called state sponsors of terrorism list. This list is prepared annually by the State Department in accordance with Section 6(j) of the Export Administration Act. The list identifies those countries that repeatedly have provided support for acts of international terrorism. Syria has appeared on this list ever since it was first prepared in 1979; it appears most recently in the State Department’s annual publication *Country Reports on Terrorism, 2009*, issued on August 5, 2010. Syria’s inclusion on this list in 1979 triggered the above-mentioned aid sanctions under P.L. 94-329 and trade restrictions under P.L. 96-72.

*Omnibus Diplomatic Security and Antiterrorism Act of 1986* [P.L. 99-399]. Section 509(a) of this act [100 Stat. 853] amended Section 40 of the Arms Export Control Act to prohibit export of items on the munitions list to countries determined to be supportive of international terrorism, thus banning any U.S. military equipment sales to Syria. (This ban was reaffirmed by the Anti-Terrorism and Arms Export Amendments Act of 1989—see below.) Also, 10 U.S.C. 2249a bans obligation of U.S. Defense Department funds for assistance to countries on the terrorism list.

*Omnibus Budget Reconciliation Act of 1986* [P.L. 99-509]. Section 8041(a) of this act [100 Stat. 1962] amended the Internal Revenue Code of 1954 to deny foreign tax credits on income or war profits from countries identified by the Secretary of State as supporting international terrorism. [26 USC 901(j)]. The President was given authority to waive this provision under Section 601 of the Trade and Development Act of 2000 (P.L. 106-200, May 18, 2000).

*The Anti-Terrorism and Arms Export Control Amendments Act of 1989* [P.L. 101-222]. Section 4 amended Section 6(j) of the Export Administration Act to impose a congressional notification and licensing requirement for export of goods or technology, irrespective of dollar value, to countries on the terrorism list, if such exports could contribute to their military capability or enhance their ability to support terrorism.

Section 4 also prescribes conditions for removing a country from the terrorism list: prior notification by the President to the Speaker of the House of Representatives and the chairmen of two specified committees of the Senate. In conjunction with the requisite notification, the President must certify that the country has met several conditions that clearly indicate it is no

longer involved in supporting terrorist activity. (In some cases, certification must be provided 45 days in advance of removal of a country from the terrorist list).

*The Anti-Economic Discrimination Act of 1994* [Part C, P.L. 103-236, the Foreign Relations Authorization Act, FY1994-1995]. Section 564(a) bans the sale or lease of U.S. defense articles and services to any country that questions U.S. firms about their compliance with the Arab boycott of Israel. Section 564(b) contains provisions for a presidential waiver, but no such waiver has been exercised in Syria's case. Again, this provision is moot in Syria's case because of other prohibitions already in effect.

*The Antiterrorism and Effective Death Penalty Act of 1996* [P.L. 104-132]. This act requires the President to withhold aid to third countries that provide assistance (Section 325) or lethal military equipment (Section 326) to countries on the terrorism list, but allows the President to waive this provision on grounds of national interest. A similar provision banning aid to third countries that sell lethal equipment to countries on the terrorism list is contained in Section 549 of the Foreign Operations Appropriations Act for FY2001 (H.R. 5526, passed by reference in H.R. 4811, which was signed by President Clinton as P.L. 106-429 on November 6, 2000).

Also, Section 321 of P.L. 104-132 makes it a criminal offense for U.S. persons (citizens or resident aliens) to engage in financial transactions with governments of countries on the terrorism list, except as provided in regulations issued by the Department of the Treasury in consultation with the Secretary of State. In the case of Syria, the implementing regulation prohibits such transactions "with respect to which the United States person knows or has reasonable cause to believe that the financial transaction poses a risk of furthering terrorist acts in the United States." (31 CFR 596, published in the *Federal Register* August 23, 1996, p. 43462.) In the fall of 1996, the then Chairman of the House International Relations Committee reportedly protested to then President Clinton about the Treasury Department's implementing regulation, which he described as a "special loophole" for Syria.

In addition to the general sanctions listed above, specific provisions in foreign assistance appropriations legislation enacted since 1981 have barred Syria by name from receiving U.S. aid. The most recent ban appears in Section 7007 of P.L. 111-117, the Consolidated Appropriations Act, 2010, which states that "None of the funds appropriated or otherwise made available pursuant to titles III through VI of this Act shall be obligated or expended to finance directly any assistance or reparations for the governments of Cuba, North Korea, Iran, or Syria: Provided, That for purposes of this section, the prohibition on obligations or expenditures shall include direct loans, credits, insurance and guarantees of the Export-Import Bank or its agents."

Section 307 of the Foreign Assistance Act of 1961, amended by Section 431 of the Foreign Relations Authorization Act for FY1994-1995 (P.L. 103-236, April 30, 1994), requires the United States to withhold a proportionate share of contributions to international organizations for programs that benefit eight specified countries or entities, including Syria.

The Iran Nonproliferation Act of 2000, P.L. 106-178, was amended by P.L. 109-112 to make its provisions applicable to Syria as well as Iran. The amended act, known as the Iran and Syria Nonproliferation Act, requires the President to submit semi-annual reports to designated congressional committees, identifying any persons involved in arms transfers *to or from* Iran or Syria; also, the act authorizes the President to impose various sanctions against such individuals. On October 13, 2006, President Bush signed P.L. 109-353 which expanded the scope of the original law by adding North Korea to its provisions, thereby renaming the law the Iran, North

Korea, and Syria Nonproliferation Act (or INKSNA for short). The list of Syrian entities designated under INKSNA include: Army Supply Bureau (2008), Syrian Navy (2009), Syrian Air Force (2009), and Ministry of Defense (2008).<sup>54</sup>

## **Specific Sanctions Against Syria**

Specific U.S. sanctions levied against Syria fall into three main categories: (1) sanctions resulting from the passage of the 2003 Syria Accountability and Lebanese Sovereignty Act (SALSA) that, among other things, prohibit most U.S. exports to Syria; (2) sanctions imposed by Executive Order from the President that specifically deny certain Syrian citizens and entities access to the U.S. financial system due to their participation in proliferation of weapons of mass destruction, association with Al Qaeda, the Taliban or Osama bin Laden; or destabilizing activities in Iraq and Lebanon; and (3) sanctions resulting from the USA Patriot Act levied specifically against the Commercial Bank of Syria in 2006.

### **The 2003 Syria Accountability Act**

On December 12, 2003, President Bush signed H.R. 1828, the Syria Accountability and Lebanese Sovereignty Restoration Act into law, as P.L. 108-175. This law requires the President to impose penalties on Syria unless it ceases support for international terrorist groups, ends its occupation of Lebanon, ceases the development of weapons of mass destruction (WMD), and has ceased supporting or facilitating terrorist activity in Iraq (Section 5(a) and 5(d)). Sanctions include bans on the export of military items (already banned under other legislation, see above<sup>55</sup>) and of dual use items (items with both civil and military applications) to Syria (Section 5(a)(1)). In addition, the President is required to impose two or more sanctions from a menu of six:

- a ban on all exports to Syria except food and medicine;
- a ban on U.S. businesses operating or investing in Syria;
- a ban on landing in or overflight of the United States by Syrian aircraft;
- reduction of diplomatic contacts with Syria;
- restrictions on travel by Syrian diplomats in the United States; and
- blocking of transactions in Syrian property (Section 5(a)(2)).

### **Implementation**

On May 11, 2004, President Bush issued Executive Order 13338, implementing the provisions of P.L. 108-175, including the bans on munitions and dual use items (Section 5(a)(1)) and two sanctions from the menu of six listed in Section 5(a)(2). The two sanctions he chose were the ban on exports to Syria other than food and medicine (Section 5(a)(2)(A) and the ban on Syrian aircraft landing in or overflying the United States (Section 5(a)(2)(D)). In issuing his executive

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<sup>54</sup> See, State Department Press Releases And Documents “Near East: Iran, North Korea, and Syria Nonproliferation Act: Imposed Sanctions,” July 20, 2010.

<sup>55</sup> Syria’s inclusion on the State Sponsors of Terrorism List as well as SALSA requires the President to restrict the export of any items to Syria that appear on the U.S. Munitions List (weapons, ammunition) or Commerce Control List (dual-use items).

order, the President stated that Syria has failed to take significant, concrete steps to address the concerns that led to the enactment of the Syria Accountability Act. The President also imposed two additional sanctions based on other legislation.

- Under Section 311 of the USA PATRIOT Act, he instructed the Treasury Department to prepare a rule requiring U.S. financial institutions to sever correspondent accounts with the Commercial Bank of Syria because of money laundering concerns.
- Under the International Emergency Economic Powers Act (IEEPA), he issued instructions to freeze assets of certain Syrian individuals and government entities involved in supporting policies inimical to the United States.

### Waivers

In the executive order and in an accompanying letter to Congress, President Bush cited the waiver authority contained in Section 5(b) of the Syria Accountability Act and stated that he wished to issue the following waivers on grounds of national security:

- Regarding Section 5(a)(1) and 5(a)(2)(A): The following exports are permitted: products in support of activities of the U.S. government; medicines otherwise banned because of potential dual use; aircraft parts necessary for flight safety; informational materials; telecommunications equipment to promote free flow of information; certain software and technology; products in support of U.N. operations; and certain exports of a temporary nature.<sup>56</sup>

Regarding Section 5(a)(2)(D): The following operations are permitted: takeoff/landing of Syrian aircraft chartered to transport Syrian officials on official business to the United States; takeoff/landing for non-traffic and non-scheduled stops; takeoff/landing associated with an emergency; and overflights of U.S. territory.

### Targeted Financial Sanctions

Since the initial implementation of the Syria Accountability Act (in Executive Order 13338 dated May 2004), the President has repeatedly taken action to sanction individual members of the Asad regime's inner circle.<sup>57</sup> E.O. 13338 declared a national emergency with respect to Syria and authorized the Secretary of the Treasury to block the property of individual Syrians. Based on

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<sup>56</sup> According to U.S. regulations, any product that contains more than 10% *de minimis* U.S.-origin content, regardless of where it is made, is not allowed to be exported to Syria. For U.S. commercial licensing prohibitions on exports and reexports to Syria, see 15 C.F.R. pt. 736 Supp No. 1. The Department of Commerce reviews license applications on a case-by-case basis for exports or reexports to Syria under a general policy of denial. For a description of items that do not require export licenses, see, Bureau of Industry and Security (BIS), U.S. Department of Commerce, Implementation of the Syria Accountability Act, available online at [http://www.bis.doc.gov/licensing/syriaimplementationmay14\\_04.htm](http://www.bis.doc.gov/licensing/syriaimplementationmay14_04.htm).

<sup>57</sup> According to the original text of E.O. 13338, the President's authority to declare a national emergency authorizing the blocking of property of certain persons and prohibiting the exportation or reexportation of certain goods to Syria is based on "The Constitution and the laws of the United States of America, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) (IEEPA), the National Emergencies Act (50 U.S.C. 1601 et seq.) (NEA), the Syria Accountability and Lebanese Sovereignty Restoration Act of 2003, P.L. 108-175 (SAA), and section 301 of title 3, United States Code." available online at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13338.pdf>.

section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)), the President has annually extended his authority to block the property of individual Syrians (latest on May 3, 2010). When issuing each extension, the President has noted that the actions and policies of the government of Syria continued to pose an unusual and extraordinary threat.<sup>58</sup>

The following individuals and entities have been targeted by the U.S. Treasury Department (Office of Foreign Assets Control or OFAC):

- On June 30, 2005, the U.S. Treasury Department designated two senior Syrian officials involved in Lebanon affairs, Syria's then-Interior Minister and its head of military intelligence in Lebanon (respectively, the late General Kanaan and General Ghazali), as Specially Designated Nationals, thereby freezing any assets they may have in the United States and banning any U.S. persons, including U.S. financial institutions outside of the United States, from conducting transactions with them.<sup>59</sup> Kanaan allegedly committed suicide in October 2005, though some have speculated that he may have been murdered.
- On January 18, 2006, U.S. Treasury Department took the same actions against the President's brother-in-law, Assef Shawkat, chief of military intelligence.
- On April 26, 2006, President Bush issued Executive Order 13399 that authorized the secretary of the Treasury to freeze the U.S.-based assets of anyone found to be involved in the February 2005 assassination of former Lebanese Prime Minister Rafiq Hariri. It also affects anyone involved in bombings or assassinations in Lebanon since October 2004, or anyone hindering the international investigation into the Hariri assassination. The order allows the United States to comply with UNSCR 1636, which calls on all states to freeze the assets of those persons designated by the investigating commission or the government of Lebanon to be involved in the Hariri assassination.
- On August 15, 2006, the U.S. Treasury Department froze assets of two other senior Syrian officers: Major General Hisham Ikhtiyar, for allegedly contributing to Syria's support of foreign terrorist organizations including Hezbollah; and Brigadier General Jama'a Jama'a, for allegedly playing a central part in Syria's intelligence operations in Lebanon during the Syrian occupation.<sup>60</sup>
- On January 4, 2007, the U.S. Treasury Department designated three Syrian entities, the Syrian Higher Institute of Applied Science and Technology, the Electronics Institute, and the National Standards and Calibration Laboratory, as weapons proliferators under an executive order (E.O.13382) based on the

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<sup>58</sup> The President last extended the State of Emergency on May 3, 2010, stating that "While the Syrian government has made some progress in suppressing foreign fighter networks infiltrating suicide bombers into Iraq, its actions and policies, including continuing support for terrorist organizations and pursuit of weapons of mass destruction and missile programs, pose a continuing unusual and extraordinary threat to the national security, foreign policy, and economy of the United States. For these reasons, I have determined that it is necessary to continue in effect the national emergency declared with respect to this threat and to maintain in force the sanctions to address this national emergency. As we have communicated to the Syrian government directly, Syrian actions will determine whether this national emergency is renewed or terminated in the future." See, Message to the Congress Continuing the National Emergency with Respect to Syria, The White House, Office of the Press Secretary, May 3, 2010.

<sup>59</sup> See, <http://www.treas.gov/press/releases/js2617.htm>.

<sup>60</sup> See, <http://www.treas.gov/press/releases/hp60.htm>.

authority vested to the President under IEEPA. The three state-sponsored institutions are divisions of Syria's Scientific Studies and Research Center, which was designated by President Bush as a weapons proliferator in June 2005 for research on the development of biological and chemical weapons.<sup>61</sup>

- On August 1, 2007, the President issued E.O. 13441<sup>62</sup> blocking the property of persons undermining the sovereignty of Lebanon or its democratic processes and institutions. On November 5, 2007, the U.S. Treasury Department designated four individuals reportedly affiliated with the Syrian regime's efforts to reassert Syrian control over the Lebanese political system, including Assaad Halim Hardan, Wi'am Wahhab and Hafiz Makhluף (under the authority of E.O.13441) and Muhammad Nasif Khayrbik (under the authority of E.O.13338).<sup>63</sup>
- On February 13, 2008, President Bush issued another Order (E.O.13460) blocking the property of senior Syrian officials. According to the U.S. Treasury Department, the order "targets individuals and entities determined to be responsible for or who have benefitted from the public corruption of senior officials of the Syrian regime. The order also revises a provision in Executive Order 13338 to block the property of Syrian officials who have undermined U.S. and international efforts to stabilize Iraq.<sup>64</sup> One week later, under the authority of E.O.13460, the U.S. Treasury Department froze the U.S. assets and restricted the financial transactions of Rami Makhluף, the 38 year-old cousin of President Bashar al Asad. Makhluף is a powerful Syrian businessman who serves as an interlocutor between foreign investors and Syrian companies. According to one report, "Since a military coup in 1969, the Asads have controlled politics while the Makhluףs have been big business players. The tradition continues in the next generation, with Bashar al-Assad (sic) as president and Rami Makhluף as a leading force in business."<sup>65</sup> Makhluף is a major stakeholder in Syriatel, the country's largest mobile phone operator. In 2008, the Turkish company Turkcell was in talks to purchase Syriatel, but, according to *Reuters*, negotiations over the sale were taking longer than expected because some Turkcell executives have U.S. passports.<sup>66</sup> Then, in August 2008, Turkcell said it had frozen its plans for a venture in Syria amid U.S. opposition to the project. Makhluף's holding company, Cham, is involved in several other large deals, including an agreement with Syria's state airline and a Kuwaiti company to set up a new airline. Several months ago, Dubai-based real-estate company Emaar Properties announced it had

<sup>61</sup> See, <http://www.treas.gov/press/releases/hp216.htm>.

<sup>62</sup> On July 29, 2010, President Obama extended that National Emergency with respect to Lebanon for another year, stating that "While there have been some recent positive developments in the Syrian-Lebanese relationship, continuing arms transfers to Hizballah that include increasingly sophisticated weapons systems serve to undermine Lebanese sovereignty, contribute to political and economic instability in Lebanon, and continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States." See, Notice of July 29, 2010—Continuation of the National Emergency With Respect to the Actions of Certain Persons to Undermine the Sovereignty of Lebanon or Its Democratic Processes and Institutions, Federal Register, Title 3—The President, [Page 45045].

<sup>63</sup> See, <http://www.treas.gov/press/releases/hp666.htm>.

<sup>64</sup> A previous executive order, E.O. 13315, blocks property of former Iraqi President Saddam Hussein and members of his former regime. On June 9, 2005, the Treasury Department blocked property and interests of a Syrian company, SES International Corp., and two of its officials under the authority of E.O.13315.

<sup>65</sup> "Sanctions on Businessman Target Syria's Inner Sanctum," *Washington Post*, February 22, 2008.

<sup>66</sup> "Turkcell Continues Talks on Syriatel Stake," *Reuters*, April 14, 2008.

agreed to set up a \$100 million venture with Cham to develop real estate projects in Syria. Makhluof also is a minority shareholder in Gulfsands Petroleum,<sup>67</sup> a publicly-traded, United Kingdom-incorporated energy company. According to the *Wall Street Journal*, a Gulfsands executive said the Treasury Department's sanctioning of Makhluof would have no impact on the company pursuing its partnership with Cham.<sup>68</sup>

## Sanctions Against the Commercial Bank of Syria

As previously mentioned, under Section 311 of the USA PATRIOT Act, President Bush instructed the Treasury Department in 2004 to prepare a rule requiring U.S. financial institutions to sever correspondent accounts with the Commercial Bank of Syria because of money laundering concerns. In 2006, the Treasury Department issued a final ruling that imposes a special measure against the Commercial Bank of Syria as a financial institution of primary money laundering concern. It bars U.S. banks and their overseas subsidiaries from maintaining a correspondent account with the Commercial Bank of Syria, and it also requires banks to conduct due diligence that ensures the Commercial Bank of Syria is not circumventing sanctions through its business dealings with them.<sup>69</sup>

## Effect of U.S. Sanctions on Syria's Economy

U.S. sanctions against Syria have clearly dissuaded some U.S. and some foreign businesses from investing in Syria. With the exception of certain specified goods, most U.S. exports to Syria are prohibited, a policy that has prevented the country's national air carrier, Syrian Air, both from repairing the few Boeing planes in its fleet and from procuring new planes from Europe, since Airbus uses certain American content in its planes. In a possible early good-will gesture, on February 9, 2009, the U.S. Department of Commerce approved an export license for Boeing 747 spare parts<sup>70</sup> to Syrian Air.<sup>71</sup> In July 2009, the Obama Administration pledged to grant more waivers under the Syria Accountability Act to allow for increased U.S. export to Syria of goods related to information technology, telecommunication equipment, and civil aviation components. However, in December 2009, the United States rejected an Airbus request to sell new planes to Syria because the average Airbus plane contains an estimated 40% component parts of U.S. origin – thus making it illegal to export to Syria without an export license under the Department of Commerce's Export Administration Regulations (EAR) implementing provisions in the Syria

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<sup>67</sup> Gulfsands' chief executive and largest shareholder, John Dorrier, is an American citizen, and the company has offices in Houston.

<sup>68</sup> "Syrian Tycoon Bristles At US Sanctions Against Him," the *Wall Street Journal*, March 26, 2008.

<sup>69</sup> See, "U.S. Trade and Financial Sanctions Against Syria." Available online at: <http://damascus.usembassy.gov/sanctions-syr.html>

<sup>70</sup> In 2008, Syrian Air and European aerospace manufacturer Airbus tentatively agreed to a sale of up to 54 commercial aircraft; however, the sale was never completed because Airbus planes contain more than 10% U.S. components.

<sup>71</sup> Executive Order 13338, which implements the Syria Accountability Act, states that the Secretary of Commerce shall not permit the exportation or reexportation to Syria of U.S. products "except to the extent provided in regulations, orders, directives, or licenses issued pursuant to the provisions" of the order. U.S. Department of Commerce Bureau of Industry and Security regulations [Code of Federal Regulations, Title 15, Chapter VII, Part 742.9(b)] state U.S. export licensing policy with regard to Syria. According to the BIS regulations, "applications for export and reexport to all end-users in Syria ... will generally be denied," including licenses for aircraft, helicopters, engines, and related spare parts and components, "except that parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft will be reviewed on a case-by-case basis, with a presumption of approval."

Accountability and Lebanese Sovereignty Restoration Act (P.L. 108-175).<sup>72</sup> In October 2010, Syria’s Transport Minister suggested that due to U.S. sanctions, Syria would consider buying six Russian Tupolev Tu-204 planes for Syrian Air.

According to one report, General Electric, the French power company Alstom, and Japanese-owned Mitsubishi all declined to bid on a Syrian government contract for the construction of power plants.<sup>73</sup> As mentioned above, Turkcell withdrew its bid to purchase Syriatel in August 2008 after the United States sanctioned Syriatel’s primary stakeholder, Rami Makluf. U.S. sanctions under the Patriot Act against the Commercial Bank of Syria have deterred private Western banks from opening branches inside Syria. As Syria’s energy production levels decline, sanctions have prevented major Western energy companies from making new investments there, though other foreign companies have supplanted U.S. firms. One company, Gulfsands Petroleum, moved its principle office to London in order to circumvent U.S. sanctions against its local partner, Rami Makluf.

Syria is still an importer of U.S. agricultural products such as corn and soybeans. According to the U.S. embassy in Damascus, the United States is Syria’s primary corn supplier, and corn sales from the United States to Syria increased from \$61 million in 2001 to \$102 million in 2005. Soybean exports also increased from approximately \$1 million in 2001 to \$28 million in 2005. For the last five years, eastern Syria has experienced a severe drought which has wiped out significant portions of the livestock industry and curtailed wheat farming. Syria used to export wheat, and it is now a net importer, mainly from Russia and the Ukraine.

Although U.S. sanctions have deterred American and some foreign investment in Syria, other countries have sought entry into the Syrian market.<sup>74</sup> Foreign investment from the Arab Gulf States and Iran has been substantial in recent years. Syria’s largest trading partners within the Middle East are Saudi Arabia (\$1.9 billion), Egypt (\$1 billion), Lebanon (\$600 million) and Jordan (\$560 million). Syria’s primary non-Arab trading partners are Italy (\$3.5 billion total volume), France (\$1.2 billion), China (\$1.1 billion), and Turkey (\$1.1 billion).<sup>75</sup>

**Table I. U.S.-Syrian Trade Statistics 2005-2010**  
(\$ in millions)

	2005	2006	2007	2008	2009	2010
U.S. Exports to Syria	\$155.0	\$224.3	\$361.4	\$408.8	\$300.0	\$506.2
U.S. Imports from Syria	\$323.5	\$213.7	\$110.5	\$352.0	\$285.9	\$428.7
<b>Totals</b>	<b>\$478.5</b>	<b>\$438.0</b>	<b>\$471.9</b>	<b>\$760.8</b>	<b>\$585.9</b>	<b>\$934.9</b>

**Source:** TradeStats Express – National Trade Data, Presented by the Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

<sup>72</sup> “US prohibited Airbus selling planes to Syria: Damascus,” *Agence France Presse*, December 29, 2009.

<sup>73</sup> “Tired of Energy Ills, Syrians Doubt the West Is to Blame,” *New York Times*, August 15, 2007.

<sup>74</sup> According to one study by the German Marshall Fund, “From 2000 to 2009, the stock of FDI [foreign direct investment] in Syria witnessed a sharp increase from \$1.244 billion to \$7.334 billion. Specifically, in the 2007-2009 period alone, the stock has increased by more than \$4 billion.” See, Franco Zallio, “The Future of Syria’s Economic Reforms between Regional Integration and Relations with the West,” Mediterranean Policy Program—*Series on the Region and the Economic Crisis*, German Marshall Fund, November 2010.

<sup>75</sup> U.S. Department of Commerce, *Doing Business in Syria: 2009 Country Commercial Guide for U.S. Companies*.

### *Syria's Need for Economic Growth*

Syria is seeking aid, trade, and foreign investment from the international community, particularly the West, to boost its lackluster, mostly state-controlled economy, which is highly dependent on dwindling oil production<sup>76</sup> and foreign remittances.<sup>77</sup> To date, the government has enacted some reforms, such as liberalizing the financial sector, reducing fuel subsidies, opening a stock exchange, and cutting some import tariffs. Nevertheless, President Assad has yet to tackle the most difficult reforms, such as reducing the government payroll, combating elite corruption such as fuel smuggling, liberalizing other sectors of the economy and breaking up family-run business monopolies, halting tax evasion, modernizing the bureaucracy, and increasing overall economic transparency. Some observers believe that the regime cannot act boldly in the economic sphere due to the political backlash and possible unrest it would face from many different parts of Syrian society. Economic reforms may clash with the vested, status quo interests of Syrian business and political elites with ties to the Assad family. Others suggest that the opaque nature of Syria's authoritarian government inhibits the natural development of a transparent market economy that is attractive to foreign capital.

Although Syria has attracted more foreign investment from China, Gulf Arab countries, Iran, and Turkey lately, Syria also is responsible for the lack of strong economic ties to the West. After years of stalled negotiations, the European Union finally ratified its Association Agreement with Syria in 2009, only to see Syria refuse to sign the accord at the last minute. The deal, which would loosen bilateral trade restrictions and increase the flow of European aid to Syria, raised concern among Syrian business elites due to increased European competition in the agricultural and manufacturing sectors.

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<sup>76</sup> According to the Department of Energy's Energy Information Administration, "Since peaking at 583,000 barrels per day (bbl/d) in 1996, Syrian crude oil production declined." Syria produced an estimated 387,000 bbl/d in January 2011, down from 390,000 bbl/d in 2008." U.S. Energy Information Administration, *International Energy Statistics*, April 28, 2011.

<sup>77</sup> Syria needs electric power generation, as its demand is projected to nearly triple by 2025. Already, during the summer months, some Syrians experience lengthy power outages. Companies from Russia, China, India, Qatar, and Iran, among others, have invested in Syria's electricity sector. Syria also receives natural gas from Egypt and Turkey. See, "Damascus Turns to Private Sector," *Middle East Economic Digest*, May 14, 2010.