



# Syria: Background and U.S. Relations

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## Summary

Despite its weak military and lackluster economy, Syria remains relevant in Middle Eastern geopolitics. The Asad regime has its hands in each of the four major active or potential zones of conflict in the region (Lebanon, Israel-Palestine, Iraq, and Iran). In the Levant, Syrian leaders aim to dominate the internal politics of Lebanon, and have been accused of involvement in the assassination of four parliamentarians and former Prime Minister Rafik Hariri. The Asad regime has resisted U.S. and French attempts to bolster the pro-Western government of Prime Minister Fouad Siniora, believing that it can weather the storm of U.S. pressure over time. Syria also plays a key role in the Middle East peace process, acting at times as a “spoiler” by sponsoring Palestinian militants and facilitating the rearmament of Hezbollah. At other times, it has participated in substantive negotiations with Israel, most recently in 1999-2000. A September 6 Israeli air strike against an alleged nascent Syrian nuclear facility heightened an already tense atmosphere between the two countries, though most experts believe that neither side desires a new war. Regarding Iraq, the Iraqi refugee crisis has affected Syria far more than Syria has influenced internal Iraqi politics since the fall of Saddam Hussein. There now may be close to 1.4 million Iraqis inside Syria, many of whom face the dim prospect of remaining in permanent exile. Finally, Syria’s longstanding relationship with the Iranian clerical regime is of great concern to U.S. strategists. As Syria grew more estranged from the United States throughout this decade, Syrian-Iranian relations improved, and some analysts have called on U.S. policymakers to woo Syrian leaders away from Iran. Others believe that the Administration should go even further in pressuring the Syrian government and should consider implementing even harsher economic sanctions against it.

A variety of U.S. legislative provisions and executive directives prohibit direct aid to Syria and restrict bilateral trade relations between the two countries, largely because of Syria’s designation by the U.S. State Department 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. In recent years, the Administration has designated several Syrian entities as weapons proliferators and sanctioned several Russian companies for alleged WMD or advanced weapons sales to Syria. Annual foreign operations appropriations legislation also has contained provisions designating several million dollars annually for programs to support democracy in Syria.

In recent months, the Obama Administration and the 111<sup>th</sup> Congress have increased calls for greater U.S. engagement with Syria. Several Congressional delegations have visited Syria, and Administration officials recently held talks with their Syrian counterparts. Whether or not this dialogue will lead to substantial changes in the U.S.-Syrian bilateral relationship remains to be seen.

This report analyzes an array of bilateral issues that continue to affect relations between the United States and Syria. It will be updated periodically to reflect recent developments.

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## **Syria 2000-2009: From Isolation to Engagement**

Over the last decade, Syria has been isolated by key international players but has endured their pressure and now may be poised to benefit from a more advantageous regional political environment. Syria's diplomatic relations with the United States spiraled downward nearly ten years ago after the breakdown of Syrian-Israeli negotiations that had been sponsored by the Clinton Administration. The ensuing Palestinian *intifadah* (uprising) in 2000 and Syrian support for Palestinian terrorist groups, including Hamas, stalled what had been a slow but steady process of diplomatic engagement with the United States that took place throughout the mid to late 1990s. Although U.S.-Syrian relations slightly improved following the September 11, 2001 terrorist attacks (Syria shared intelligence on Al Qaeda with U.S. officials), the U.S. invasion of Iraq, coupled with the Bush Administration's formulation of a region-wide democracy promotion policy that pushed for a reassertion of Lebanese sovereignty from Syria, placed the Asad regime on the defensive and, for several years, U.S. policymakers openly supported a policy of regime change in Syria. At the height of U.S. pressure, Congress passed a Syria sanctions bill (Syria Accountability and Lebanese Sovereignty Restoration Act of 2003) that curtailed most bilateral trade and authorized further targeted sanctions against Syrian companies and members of President Bashar al Asad's inner circle.

Notwithstanding this deterioration in U.S.-Syrian bilateral relations, Syria had maintained somewhat better relations with European and Arab states until the 2005 assassination of former Lebanese Prime Minister Rafiq Hariri, which nearly all experts believe was orchestrated at the highest levels of the Syrian government. Alleged Syrian complicity in Hariri's murder delayed the European Union's ratification of its Association Agreement with Syria. It angered France, whose former President Jacques Chirac had been a close friend of Hariri. It also angered the Saudi royal family, whose leaders had long-established relationships with Hariri and his construction company, *Solidaire*. International outrage culminated in a series of United Nations Security Council resolutions establishing an independent investigation commission and, ultimately, a tribunal outside of Lebanon to prosecute persons responsible for the Hariri murder.

Events started to turn in Syria's favor beginning in 2006. The Israel-Hezbollah war that summer served to remind the international community of how easily Hezbollah can destabilize the Lebanese-Israeli border. It also emphasized the need for separate Israeli peace deals with Syria and Lebanon. In addition, sectarian violence in Iraq sparked a reevaluation of U.S. policy there, as reflected in the 2006 Iraq Study Group Report (ISG), which, among other things, called for U.S. engagement with Iraq's neighbors, including Syria and Iran. Previously, Syria, among other countries, had been frequently accused of destabilizing Iraq and, while the ISG Report did not absolve the Asad regime for its tacit support of insurgents and foreign fighters, it somewhat redirected the discourse on Iraqi stability by challenging U.S. policymakers to engage Iraq's neighbors constructively rather than merely blame some of them for continued sectarian violence.

Events in Lebanon also worked to Syria's advantage, culminating in Hezbollah's "coup" in the spring of 2008, during which the pro-Western Lebanese government was paralyzed and unable to forcibly prevent Hezbollah gunmen from taking over wide swaths of Beirut. Syria assisted mediators in facilitating a reconciliation agreement between the March 14<sup>th</sup> anti-Syrian coalition, led by Saad Hariri (Rafiq's son), and the Hezbollah-led opposition in Doha, Qatar in May 2008. The "Doha Agreement" solidified the position of Syria's ally, Hezbollah, in Lebanese domestic

politics and exposed the weaknesses in U.S., European, and Saudi attempts to neutralize Syrian influence in Lebanon.

Throughout 2008, as Iraq stabilized and reports surfaced of the existence of indirect Syrian-Israeli negotiations via Turkey, more U.S. foreign policy experts began to argue that an incoming U.S. administration should incorporate a policy of diplomatic engagement with Syria as part of a broader reassessment of U.S. strategy in the region. After the conclusion of the Doha agreement, France reestablished its ties with Syria. As a precondition to improved Franco-Syrian relations, President Asad pledged to formally establish diplomatic relations with Lebanon.<sup>1</sup> Soon thereafter, the European Union and Syria initialed an updated Association Agreement<sup>2</sup> which could dramatically increase EU-Syrian trade.<sup>3</sup> Finally, the UN Development Programme (UNDP) agreed to partially finance a two-year study of commercial reforms to prepare Syria for accession to the World Trade Organization (WTO). For years, the United States has blocked any Syrian attempt to secure membership in the WTO.

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<sup>1</sup> The Syrian embassy in Beirut was opened in December 2008, and a new ambassador is expected to take up residence during the first quarter of 2009.

<sup>2</sup> This free-trade agreement would need to be ratified by all 27 EU member states and by the Syrian parliament before it goes into effect, which may happen later in 2009.

<sup>3</sup> According to the *Economist Intelligence Unit*, “The main element of the agreement is the development of free trade for all goods other than agricultural exports to the EU. Syria will immediately gain tariff- and quota-free access to the EU market, while Syrian tariffs on imports from the EU will be phased out over 12 years. The agreement will also open the way to increased EU aid to Syria, although the EU has already provided substantial support for development projects and economic reforms since negotiations on the agreement started in the late 1990s.”

Figure 1. Map of Syria



Source: Map Resources. Adapted by CRS.

## A New U.S. Approach Toward Syria?

Although there have been some notable setbacks to the West’s “courting” of Syria (e.g., allegations of a clandestine Syrian nuclear program following Israel’s September 2007 air strike, continued Syrian human rights violations, an October 2008 U.S. air strike inside Syria against Iraqi insurgents), advocates of engagement with Syria assert that a normalization of ties with the Asad regime may not only further Middle East peace, but, more broadly, weaken Iran, the primary U.S. rival in the region and one of Syria’s key patrons. Whether or not this assumption will be born out remains an open question. In recent weeks, there have been several developments in U.S.-Syrian relations.

On February 9, 2009, the Syrian government announced that the U.S. Department of Commerce had approved an export license of Boeing 747 spare parts to Syria’s national air carrier,

Syrianair.<sup>4</sup> According to Syria's Transportation Minister Dr Ya'rub Badr, "We received, through the Foreign Ministry, the US Commerce Department's approval of the necessary export license to repair two Syrian Airlines Boeing 747 planes that were taken out of service because it was not possible to repair them at that time due to the US embargo. We see this approval as a positive sign."<sup>5</sup> However, according to one unnamed source, "This was a purely technical decision taken by the U.S. authorities after a long review. It does not represent any change in the sanctions regime."<sup>6</sup> In 2008, Syrianair and European aerospace manufacturer Airbus tentatively agreed to a sale of up to 54 commercial aircraft; however, the completion of the sale may be complicated by U.S. sanctions since the Airbus planes use U.S. components.

In March 2009, U.S. Acting Assistant Secretary of State for Near Eastern affairs Jeffrey Feltman (and former U.S. Ambassador to Lebanon) and National Security Council Middle East Director Daniel Shapiro traveled to Syria for meetings with high level Syrian officials. Their trip followed an earlier February 2009 meeting between Feltman and Syria's Ambassador to the United States, Imad Mustapha. According to Ambassador Feltman, "I don't want to go into a lot of detail in what was discussed in diplomatic channels today or elsewhere, but you know, you've heard the Syrians say that they want a stable, secure Iraq.... Both sides say they want a unified Iraq. There are areas like this where our interests coincide.... And these are areas that we can explore..."<sup>7</sup>

Despite signs of increased U.S. diplomatic engagement with Syria, there are several key unresolved questions facing U.S. policy, including:

- Although there is solid U.S. support for a resumption of Syrian-Israeli negotiations, are Israelis prepared to enter into a peace accord with Syria? What would Israel gain from such a deal? Would Syria be able or willing to control or disarm Hezbollah in Lebanon as Israel has demanded?
- Should Syrian-U.S. relations markedly improve, would closer ties to the West come at the expense of Syria's ties to Iran? From a geostrategic standpoint, are Syria and Iran natural allies?
- Would closer Syrian ties to the West come at the expense of Lebanese sovereignty? Would Syria still be expected to cooperate with the international investigation/tribunal of the Hariri assassination?

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<sup>4</sup> Executive Order 13338, which implements the Syria Accountability Act, states that the Secretary of Commerce shall not permit the exportation or re-exportation 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 re-export 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."

<sup>5</sup> "Syrian Minister: US Approval To Repair 2 SyrianAir Boeing Planes 'Positive Sign'", Open Source Center, Document ID# GMP20090210627002, *Damascus Al-Ba'th Online* in Arabic, February 8, 2009.

<sup>6</sup> "Syria says US approves Syrianair Boeing Overhaul," *Reuters*, February 10, 2009.

<sup>7</sup> U.S. Department of State, "Acting Assistant Secretary Feltman Briefs on Meetings With Syrian Officials," press release, March 7, 2009.

## Current Issues

### 2008-2009 War in Gaza

Syria and Israel have never concluded a peace treaty, and Syrian support for Palestinian militant/terrorist groups, such as Hamas (among others), is its indirect way of maintaining pressure on Israel. Since 2001, Khaled Meshaal (alt.sp. Meshal or Mish'al), the head of the Hamas politburo, has lived in exile in Damascus, Syria.

Syria firmly opposed Israel's Operation Cast Lead in Gaza. Soon after the start of Israeli air strikes, Syria said that Israel's December attack "closed the door on the Syrian-Israeli indirect talks." After both Israel and Hamas declared a cease-fire, Syria called on its fellow Arab countries to suspend the Saudi-sponsored Arab Peace Initiative and demanded, along with Hezbollah and Iran, the unconditional opening of all Israeli crossings into Gaza, echoing Hamas's stance.

Although the Gaza war may have temporarily tabled the Israeli-Syrian track, it has sparked some calls for more engagement with certain elements of Hamas. Although Western governments, including the United States, have refrained from direct contact with Hamas leaders, should calls for more engagement with the group grow louder, Syria could play a key role as an intermediary, though this remains, for the moment, a distant possibility.

### A Syria-Israel Peace Deal?

The recent war in Gaza has temporarily halted talk of a resumption of direct Syrian-Israeli peace negotiations. Indirect, Turkish-mediated talks were announced in May 2008. The goal of the four rounds of talks that were held was to reach common ground on issues relating to an Israeli withdrawal from the Golan Heights, security arrangements, water, and normalization of relations—thus moving toward direct negotiations. President Asad has said that eventually direct negotiations would tackle the details of these matters, but, when dealing with water, Syria would never compromise on its interpretation of the 1967 borders that stretch to Lake Tiberias (the Sea of Galilee).

Details of the indirect talks remain unknown. President Asad has publicly stated on several occasions that he would wait for a new U.S. administration before engaging Israel directly. In late December 2008, Asad referred twice in public statements to his interest in moving from indirect talks with Israel to direct peace negotiations. In his statements, Asad reiterated his demands that direct talks can only take place if Israel assures him that it is prepared to withdraw fully from the Golan Heights and if the United States agrees to be a sponsor.

The possibility of direct Syrian-Israeli negotiations depends greatly on the outlook of Israel's next coalition government. Benjamin Netanyahu, who has been asked to form a government following the Likud party's strong showing in Israel's February *Knesset* elections, has said that his party will not cede the Golan Heights. On December 23, 2008, while Prime Minister Olmert was in Turkey for discussions on negotiations with Syria, Netanyahu remarked:

"We are here to say clearly to the people of Israel and the entire world that the government of Israel under the Likud's leadership will remain in the Golan and safeguard it as a strategic



asset for the country's future....It doesn't matter what Olmert says in Ankara. We say the government under my leadership will not withdraw from the Golan.”<sup>8</sup>

In March 2009, Dore Gold, one of Netanyahu’s key advisors, stated that “Netanyahu has made it clear that presently he would like to focus on the Palestinian track.” He added that those who “suggest that he will begin by working on the negotiations with Syria are basing themselves on an inaccurate reading of Netanyahu's diplomacy in 1998, during his contacts with Damascus.”<sup>9</sup>

While many experts believe that the foundation for an Israeli-Syrian deal exists, larger strategic issues continue to divide the parties. From Israel's standpoint, there is concern about Syria's ability to guarantee that it would rein in Iranian-supported Hezbollah and prevent future attacks against Israel. From Syria's standpoint, a peace agreement with Israel, even a cold peace, could change the entire orientation of its foreign policy away from Iran, a change the Asad regime may be unwilling to make without guarantees of diplomatic and financial support from the United States and Europe. Furthermore, Syria may insist that it would be politically difficult to conclude a separate peace agreement with Israel without significant progress on the Israeli-Palestinian track. Other experts (and some U.S. officials) also oppose separating the Syrian track from the Israeli-Palestinian peace process.

## **Syria’s Role in Lebanon**

During the Bush Administration, U.S. policy toward Lebanon focused on supporting anti-Syrian political factions. Most experts assert that the May 2008 Doha Agreement, which laid the groundwork for the foundation of a unity government in which Hezbollah and the opposition gained a blocking minority (one-third plus one) of cabinet seats, effectively neutralized U.S. and other outside attempts to isolate Syria’s Lebanese allies.

The outcome of the June 2009 Lebanese parliamentary elections and progress (or lack thereof) on the United Nations Hariri tribunal may be critical in determining the future direction of Syrian-Lebanese ties and the overall U.S. policy approach toward the Levant. Some experts believe that the Syrian-allied opposition - Hezbollah, Michel Aoun<sup>10</sup> (the leader of the Free Patriotic Movement, the largest Christian party in parliament), and Amal (Lebanon’s oldest Shiite party) – may be poised for a victory.<sup>11</sup> For the first time, polls will be held on the same day in all electoral districts, a result of a new electoral law issued in late September 2008 following an agreement to redraw the electoral districts. Government officials hope that this change will prevent the outcomes from one district from affecting voting patterns in the rest of the country. If Syria’s allies secure a parliamentary majority, continued U.S. support for Lebanon’s economy, civil society, and armed forces, which has been substantial since 2005, could be in jeopardy.

After months of delay, the Hariri tribunal at the Hague officially commenced on March 1, 2009. It is comprised of seven foreign and four Lebanese judges. Lebanese criminal law will be applied by the Tribunal subject to the exclusion of penalties such as death penalty and forced labor, which

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<sup>8</sup> "Assad Considers Direct Talks as Olmert travels to Turkey," *Jerusalem Post*, December 23, 2008.

<sup>9</sup> "Netanyahu will Focus First on PA, not Syria, Senior Adviser Says," *Jerusalem Post*, March 10, 2009.

<sup>10</sup> In early December, Michel Aoun visited Damascus in a reported attempt to present himself as the leader and spokesman of Christians in Lebanon and to garner Syrian support for his party ahead of parliamentary elections. For more information, see CRS Report R40054, *Lebanon: Background and U.S. Relations*, by Casey L. Addis.

<sup>11</sup> "Election 2009: Lebanese Parliamentary Polls Set for Single Day," *Global Insight*, January 6, 2009.

are otherwise applicable under the Lebanese law. The issuing of formal charges or the start of an actual trial are expected to take place over the next several months. Four Lebanese generals have remained in Lebanese custody without formal charges. Overall, most observers believe that continued delays in the now nearly four-year Hariri investigation work to the advantage of the Asad regime, which would like the entire issue to vanish.<sup>12</sup>

On October 15, 2008, after a series of negotiations, Syria and Lebanon established formal diplomatic ties for the first time since the two countries gained independence sixty years before. However, Syria has not sent an ambassador to Beirut, though it has opened an embassy there. In January 2009 Lebanese diplomat Michel Khoury was named and approved as Lebanon's ambassador to Syria.

## **Iraqi Refugees in Syria**

During the height of sectarian warfare in Iraq between 2006 and 2007, nearly 1.3 million Iraqi refugees flooded Damascus and its suburbs. Syria contends that it has expended significant resources in hosting displaced Iraqis with very little acknowledgment or support from the nascent Iraqi government or international community. Iraqi refugees have settled at least temporarily in the Damascus suburbs, changing the character of entire neighborhoods and creating strains on the Syrian domestic economy in the form of inflation, rising rents, housing demands, and impending water and electricity shortages. The sex trade in Syria has grown, as many Iraqi women work as prostitutes in Syria.<sup>13</sup> The Iraqi refugee population in Syria has many female-headed households in which mothers lack personal savings and cannot work legally. Syrian authorities maintained an open door policy regarding new arrivals until they imposed a visa requirement in September 2007, and demanded more Iraqi government and international assistance. So far, the Maliki government has provided very little, pledging only \$15 million to Syria in April 2007. In addition, Syria's own cumbersome rules have dissuaded international aid organizations from working with its inefficient bureaucracy. As a result, international aid organizations claim that Iraqis in Syria have received insufficient support, though it appears that only the most destitute have been forced to return to Iraq.

In 2008, as Iraq stabilized, some refugees returned home. According to U.N. statistics, more than 220,000 Iraqis who fled abroad (not just to Syria) or were displaced within the country after the 2003 U.S.-led invasion returned home in 2008. Nevertheless, refugees may still be hesitant to return because standards of living in Syria are much better than in Iraq.

## **Clandestine Nuclear Program and the IAEA Investigation**

On September 6, 2007, an Israeli air strike inside Syrian territory destroyed what is now referred to as Al Kibar, a remote desert facility which may have housed a nuclear reactor. On April 24, 2008, U.S. intelligence officials briefed some Members of Congress and provided a background news briefing to the media on the nature of the facility. According to reports in the *Washington Post*, Syria and North Korea were suspected of collaborating on a secret nuclear program since

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<sup>12</sup> For a broader discussion of the tribunal and Lebanese-Syrian relations, see Joshua Hammer, "Getting Away With Murder?" *The Atlantic*, December 2008.

<sup>13</sup> "Desperate Iraqi Refugees Turn to Sex Trade in Syria," *New York Times*, May 29, 2007.

1997.<sup>14</sup> Since then, senior North Korean officials and scientists from North Korea's Yongbyon nuclear complex reportedly visited Syria several times before construction began in Syria 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 order to stress the imminent danger posed by Syria's actions, senior U.S. intelligence officials repeatedly stressed that Al Kibar was nearly operational at the time of the Israeli strike. U.S. officials were quoted saying that, before the Israeli bombing, Al Kibar was within weeks or months of becoming operational.<sup>15</sup> Others noted that the reactor there would have ultimately produced enough plutonium for one or two bombs within a year of becoming operational.<sup>16</sup> Several days after the intelligence briefings, Japanese public broadcaster NHK, citing South Korean intelligence officials, reported that 10 North Koreans working at Al Kibar had died in the September 2007 air raid and that the dead included officials of the North Korea's communist party unit that exports weapons and military technology and members of the North Korean military unit which made nuclear facilities in the country.<sup>17</sup>

For many experts, the Israeli attack has implications that go far beyond Syrian-Israeli relations. Although the veil of secrecy surrounding the attack may reflect U.S. efforts not to derail ongoing Middle East peace negotiations, the attack has been largely seen through the prism of restoring Israeli deterrence at a time when some analysts expect Israel to take action against Iran's uranium enrichment facilities. Though a strike against Iran would be far more difficult than the September 6 bombing or even Israel's strike against the Osirak nuclear facility in Iraq in 1981, Israel's bombing may be intended to send a signal to its opponents in the region that it has the will to act, if necessary unilaterally, to stop Iran and others from developing an advanced nuclear weapons program.

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 be made until Syria provides "the necessary transparency."<sup>18</sup> 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 claims that the uranium particles came from depleted uranium used in Israeli munitions. Syria also claims 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>19</sup> According to Gregory Schulte, U.S. ambassador to the IAEA, the IAEA's report "contributes to the growing evidence of clandestine nuclear activities in Syria.... We must understand why such (uranium) material -- material not previously declared to the IAEA -- existed in Syria and this can only happen if Syria provides the cooperation requested."<sup>20</sup>

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<sup>14</sup> "U.S. Details Reactor in Syria," *Washington Post*, April 25, 2008.

<sup>15</sup> "US Shows Evidence of Alleged Syria-N. Korea Nuke Collaboration," *Associated Press*, April 24, 2008.

<sup>16</sup> "Hayden: Syrian Site Could Have Produced Fuel for 2 Weapons," *Associated Press*, April 28, 2008.

<sup>17</sup> "N.Koreans May Have Died in Israel Raid in Syria: NHK," *Reuters*, April 28, 2008.

<sup>18</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>19</sup> "Diplomats: Damascus has Built Missile Facility on Suspected Nuclear Site," *Associated Press*, February 25, 2009.

<sup>20</sup> "Evidence Mounts of Syrian Nuclear Cover-Up - U.S.," *Reuters*, March 4, 2009.

## Relations with Iran

Syria's historic rivalry with neighboring Iraq<sup>21</sup> created opportunities for improved Syrian relations with Iran, another natural rival of Iraq. 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 religious affinities.<sup>22</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 influence in Syria is difficult to quantify. Nevertheless, there have been several recent 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 – 2 entities which have been sanctioned by the U.S. Treasury Department. In the manufacturing and industrial sectors, the Iran Khodro Industrial Group has established two car assembly plants in Syria. Iranian companies also have invested in concrete production, power generation, and urban transportation. In the energy sector, Syria, Iran, Venezuela and Malaysia established a joint petroleum refinery in Homs, Syria. In addition, Iran, Turkey, and Syria reached a new natural gas deal that would allow Iran to export 105 billion cubic feet of natural gas annually to Syria via Turkey. Despite increased Iranian investments, the overall volume of Iranian-Syrian trade remains low. According to the *Economist Intelligence Unit*, bilateral trade may total between just \$160 and \$400 million.<sup>23</sup> Ironically, the total volume of U.S. trade with Syria exceeds that of Iran-Syria.

## Syrian Support for Terrorist Activity

Syria was placed on the State Department's State Sponsors of Terrorism List in 1979. According to the U.S. State Department's most recent annual report on global terrorism, "The Syrian government has not been implicated directly in an act of terrorism since 1986"<sup>24</sup>, although an

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<sup>21</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.

<sup>22</sup> Thousands of Iranian Shiites do visit Syria annually on pilgrimages to several famous shrines and mosques.

<sup>23</sup> "Syria economy: Iran bank deal?," *Economist Intelligence Unit*, October 14, 2008.

<sup>24</sup> Syrian intelligence was implicated in an abortive attempt to place a bomb on an El Al airliner in London in 1986. In what is now referred to as the "Hindawi Affair," the convicted Syrian operative was Nezar Hindawi, a Jordanian of Palestinian origin who gave his pregnant girlfriend a bomb (1.5 kilograms of Semtex) to take on board an El Al jet at Heathrow airport. When the plot failed, Hindawi was given refuge in the Syrian Embassy in London before turning himself in. During his trial in England, a British court concluded that Hindawi came from Damascus to London with a bogus Syrian passport identifying him as a Government official, that he traveled in the company of a Syrian airline crew, and that he had fled to the Syrian Embassy to meet with the Syrian Ambassador after the bomb plot was uncovered. In addition, Scotland Yard maintained that Hindawi had been an agent of the chief of Syrian Air Force intelligence. See, "Britain Breaks Syrian Ties; Cites Proof of Terror Role; El Al Suspect Is Convicted; U.S. Recalls Envoy," *New York Times*, October 25, 1986.

ongoing UN investigation into the February 2005 assassination of former Lebanese Prime Minister Rafiq Hariri continued to examine Syrian involvement.”<sup>25</sup>

With the Hariri investigation and possible trial still unresolved, Syria remains indirectly involved in terrorist activity, as the Asad regime supports terrorist proxy groups to further its foreign policy aims in the Levant region. For years, 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 admits 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.

U.S. military officials continue to assert that Syria remains the primary transit point for foreign fighters entering Iraq. According to the latest U.S. Defense Department report on Iraqi stability, “Syria’s continued tolerance of AQI [Al Qaeda in Iraq] facilitation activity on its soil obstructs further progress on both the economic and diplomatic fronts. Syria has made limited and sporadic efforts to stem the flow of foreign fighters into Iraq by detaining AQI facilitators and operatives, but it continues to be the primary gateway for foreign fighters entering Iraq.”<sup>26</sup>

Anti-Syrian Lebanese politicians have accused Syria of sponsoring Fatah al Islam, a militant Islamic fundamentalist group that fought the Lebanese Army for three months in 2007 from inside the Palestinian refugee camp of Nahr al Bared.<sup>27</sup> On August 9, 2007, Secretary of State Rice designated Fatah al Islam as a Specially Designated Global Terrorist Organization. The designation, among other things, cuts off Fatah al Islam from the U.S. financial system, sanctions any of its property or interests in the United States, and blocks its members from entry into the United States. Fatah al Islam was believed by some to have fractured and dispersed after the siege at Nahr al Bared.

## **U.S. Sanctions**

Syria remains a U.S.-designated State Sponsor of Terrorism and is therefore subject to a number of U.S. sanctions. Moreover, in recent years, in order to compel Syrian cooperation on issues of importance to U.S. national security policy in the Middle East, the Bush Administration and Congress 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>28</sup> Principal examples follow.

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<sup>25</sup> Office of the Coordinator for Counterterrorism, *Country Reports on Terrorism*, U.S. State Department, April 30, 2008, Chapter 3 -- State Sponsors of Terrorism Overview.

<sup>26</sup> Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress, In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, P.L. 110-252), December 2008, p. 5.

<sup>27</sup> Open Source Center Document ID# GMP20081117966001, "The Daily Star: Al-Mustaqbal Publishes 'Proof' That Syria, Not Future, Helped Fatah," *The Daily Star Online*, November 17, 2008.

<sup>28</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 (continued...)

## 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 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 re-lettered 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, 2005*, published on April 28, 2006. 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].

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(...continued)

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.

*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 prescribed 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 over the Treasury Department's implementing regulation, which he described as a "special loophole" for Syria. Since then, several measures have been introduced in previous Congresses to forbid virtually all financial transactions with Syria but none were enacted.

Section 531 of the Consolidated Appropriations Resolution, 2003 (P.L. 108-7) bans aid to countries not in compliance with U.N. Security Council sanctions against Iraq. This ban would be applicable to exports of Iraqi oil through Syria or to reported shipments of military equipment via Syria to Iraq; however, it may be moot following the collapse of Saddam Hussein's regime in Iraq.

## **Specific Sanctions Against Syria**

In addition to the general sanctions listed above, specific provisions in foreign assistance appropriations enacted since 1981 have barred Syria by name from receiving U.S. aid. The most

recent ban appears in Section 7007 of H.R. 1105, the Omnibus Appropriations bill, FY2009. 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.

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

On December 12, 2003, President Bush signed H.R. 1828, the Syria Accountability and Lebanese Sovereignty Restoration Act, as P.L. 108-175. H.R. 1828 was passed by the House on October 15, 2003, and the Senate on November 11, 2003. (The House agreed to a Senate amendment expanding the President's waiver authority on November 20). This act 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) 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 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>29</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>30</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 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 (first on May 5, 2005, then again on April 25, 2006, and lastly on May 8, 2007). 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.

The following individuals and entities have been targeted by the U.S. Treasury Department:

- 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

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<sup>29</sup> According to U.S. regulations, any product that contains more than 10% 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 re-exports to Syria, see 15 C.F.R. pt. 736 Supp No. 1.

<sup>30</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 re-exportation 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>.

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>31</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 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>32</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 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>33</sup>
- On August 1, 2007, the President issued E.O. 13441 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 Makhluf (under the authority of E.O.13441) and Muhammad Nasif Khayrbik (under the authority of E.O.1338).<sup>34</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>35</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 Makhluf, the 38 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. According to one

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<sup>31</sup> See, <http://www.treas.gov/press/releases/js2617.htm>.

<sup>32</sup> See, <http://www.treas.gov/press/releases/hp60.htm>.

<sup>33</sup> See, <http://www.treas.gov/press/releases/hp216.htm>.

<sup>34</sup> See, <http://www.treas.gov/press/releases/hp666.htm>.

<sup>35</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.

report, “Since a military coup in 1969, the Asads have controlled politics while the Makhlufts have been big business players. The tradition continues in the next generation, with Bashar al-Assad (sic) as president and Rami Makhluft as a leading force in business.”<sup>36</sup> Makhluft 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>37</sup> Then, in August 2008, Turkcell said it had frozen its plans for a venture in Syria amid U.S. opposition to the project. Makhluft’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 agreed to set up a \$100 million venture with Cham to develop real estate projects in Syria. Makhluft also is a minority shareholder in Gulfsands Petroleum,<sup>38</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 Makhluft would have no impact on the company pursuing its partnership with Cham.<sup>39</sup>

### **Effect of U.S. Sanctions on Syria’s Economy**

U.S. economic sanctions on Syria have produced mixed results. On the one hand, the Syria Accountability and Lebanese Sovereignty Restoration Act of 2003 (P.L. 108-175) and successive targeted financial sanctions have clearly dissuaded many U.S. and some foreign businesses from investing in Syria. 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>40</sup> As mentioned above, Turkcell withdrew its bid to purchase Syriatel in August 2008 after the United States sanctioned Syriatel’s primary stakeholder, Rami Makhluft. 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 Makhluft.

On the other hand, U.S. economic sanctions have had a limited impact on U.S.-Syrian bilateral trade. In fact, because U.S. commodity exports to Syria are permitted under P.L. 108-175, rising cereal prices and greater U.S. export volumes have combined to actually increase the overall volume in trade in 2008 (see table below). According to several reports, U.S. brands manufactured outside the United States are widely available inside Syria. According to one article, “GM’s cars that are sold in Syria are manufactured in the company’s factories in South Korea. Another major US company, Coca Cola, uses a bottling factory in Syria itself, while

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<sup>36</sup> “Sanctions on Businessman Target Syria’s Inner Sanctum,” *Washington Post*, February 22, 2008.

<sup>37</sup> “Turkcell Continues Talks on Syriatel Stake,” *Reuters*, April 14, 2008.

<sup>38</sup> Gulfsands’ chief executive and largest shareholder, John Dorrier, is an American citizen, and the company has offices in Houston.

<sup>39</sup> “Syrian Tycoon Bristles At US Sanctions Against Him,” the *Wall Street Journal*, March 26, 2008.

<sup>40</sup> “Tired of Energy Ills, Syrians Doubt the West Is to Blame,” *New York Times*, August 15, 2007.

Cargill, an American sugar company, has also invested in a large factory, which is about to open soon in Syria.”<sup>41</sup> In March 2009, after returning from a recent visit to Syria, Senate Foreign Relations Chairman John Kerry stated that “Loosening certain sanctions in exchange for verifiable changes in behavior can actually benefit US businesses.... The sanctions can always be tightened again if Syria backtracks.”

### U.S.-Syrian Trade Statistics 2005-2008

(\$s in millions)

|                         | 2005    | 2006    | 2007    | 2008    |
|-------------------------|---------|---------|---------|---------|
| U.S. Exports to Syria   | \$155.0 | \$224.3 | \$361.4 | \$408.8 |
| U.S. Imports from Syria | \$323.5 | \$213.7 | \$110.5 | \$352.0 |
| Totals                  | \$478.5 | \$438.0 | \$471.9 | \$760.8 |

**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.

## Recent Congressional Action

### New Legislation

H.R. 1206, the Syria Accountability and Liberation Act, would place new sanctions on countries and individuals who help Syria gain access to weapons of mass destruction. It also calls for sanctions against those who invest \$5 million or more in Syria’s energy sector. The bill also states that existing U.S. sanctions shall remain in effect until the President certifies that Syria has, among other things, “ceased support for terrorism, has dismantled biological, chemical, or nuclear weapons programs and has committed to combat their proliferation, respects the boundaries and sovereignty of all neighboring countries, and upholds human rights and civil liberties.”

H.R. 1105, the Omnibus Appropriations Act, 2009, includes in an explanatory statement accompanying the bill a provision appropriating \$2.5 million for U.S. State Department-administered democracy and governance programs for Syria.

## Syria’s Need for Economic Growth and Reform

Although regional politics have heavily influenced Syrian policy in recent years, economic considerations may be driving Syria’s effort to break out of its diplomatic isolation. Syria is seeking aid, trade, and foreign investment from the international community to boost its lackluster, mostly state-controlled economy which is highly dependent on dwindling oil

<sup>41</sup> "Politics aside, US-Syrian trade grows," YANIV BERMAN, *The Media Line News Agency, Special to The Jerusalem Post*, May 19, 2008.

production. In 2009, a drought, the global economic crisis, and a drop in oil prices has led to projections of meager Syrian economic growth (just 2.5%) for the remainder of the year. Though foreign investment from the Arab Gulf States and Iran had been substantial in recent years, Syria's poor relationship with the United States and Saudi Arabia has hindered additional investments.

Overall, the government is running large budget deficits (9.8% of GDP in 2008) which are unsustainable over the long term. Fuel subsidies on imported diesel and other petroleum products cost the Syrian treasury several billions dollars a year. Poor harvests due to drought have led the government to increase public sector salaries to alleviate the loss of agricultural income for farmers, straining the budget even further. In order to reform itself, the Syrian government has taken steps to reduce public subsidies, privatize state-owned businesses, and enact a new value added tax. However, according to Syria expert Andrew Tabler, currently at the Washington Institute for Near East Policy, "The transformation they have in front of them now is enormous.... They must move from a state funded by oil revenues to one funded by taxation, and that has to play some role in their thinking."<sup>42</sup> Economic reforms may clash with the vested, status quo interests of Syrian business and political elites with ties to the Asad family. Thus, the key question facing Syria is whether the regime can modernize society without alienating its key constituents.

## Internal Political Scene

The death of Syrian President Hafiz al Asad on June 10, 2000, removed one of the longest-serving heads of state in the Middle East and a key figure in regional affairs. Hardworking, ascetic, and usually cautious, the late President exercised uncontested authority through his personal prestige, his control of the armed forces and other centers of power, and his success in exploiting regional developments to Syria's advantage. President Bashar al Asad, who succeeded his father in 2000 in a smooth transfer of power, inherited a ready-made politico-military apparatus his father helped build. Although Bashar is generally considered to be less ruthless and calculating than his father, he has essentially sought to preserve the status quo and, above all else, maintain regime stability.

### Key Members of the Asad Family

**Bashar al Asad** - The 41-year old President of Syria 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 agencies.

**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 head of military intelligence and part of the President's inner circle.

## Pillars of the Regime

### The Alawite Sect

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

<sup>42</sup> "Syrians See an Economic Side to Peace," *New York Times*, July 29, 2008.

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 political life in Syria since then. The Alawite community as a whole, and the Asad family in particular, constituted an important power base for the late President Hafiz al Asad and at least for the time being have rallied behind his son and successor. Though committed to maintaining the primacy of the Alawite community, the Asads have sought with some success to coopt support from other sects; many senior positions, including that of prime minister, are ordinarily 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.

### **The Ba'th Party**

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 Syria's policy-making process, and membership in this body is a stepping stone to top positions in Syria. In June 2000, when senior Syrian officials were orchestrating the succession of Bashar al Asad to the presidency after the death of his father, one of their first steps was to arrange for Bashar to be elected Secretary General of the Regional Command, replacing his late father.

### **The Military and Security Establishment**

The role of the armed forces and national security services has figured prominently in most Syrian regimes and predates by some years the establishment of the Ba'thist regime. Factionalism within the armed forces was a key cause of instability in Syria in the past, as military cliques jockeyed for power and secured and toppled governments with considerable frequency. This situation changed abruptly after 1970 as the elder Asad gained a position of unquestioned supremacy over the military and security forces. The late president appointed long-standing supporters, particularly from his Alawite sect, to key military command positions and sensitive intelligence posts, thereby creating a military elite that could be relied upon to help maintain the Asad regime in power. According to one Syria expert, "Within the military, Bashar has replicated the patron-client relationship wielded so effectively by his father. Despite repeated rumors about tension within the Assad family, there is no evidence that any rival—most notably Asaf Shawkat, Bashar's brother-in-law and the head of the *Shu'bat al-Mukhabarat al-'Askariyya* (military security department), or Bashar's younger brother Mahir, an officer in a Republican Guards division—has sufficient power to challenge his rule."<sup>43</sup>

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<sup>43</sup> Eyal Zisser, "Where Is Bashar al-Assad Heading?" *Middle East Quarterly*, Winter 2008.

## The Syrian Opposition

### The Syrian Muslim Brotherhood

Over the last half-century, political Islamist groups have risen to challenge entrenched Middle Eastern monarchical and authoritarian regimes, a process which culminated in the 1979 overthrow of the Shah of Iran. Since then, U.S. policymakers have been concerned that secular Arab dictatorships like Syria would face rising opposition from Islamist groups seeking their overthrow. Although Syria faced violent challenges from such groups during the decades of the 1970s and 1980s, the Syrian security state has by and large succeeded in eliminating any organized political opposition, including Islamists. Once considered the most imminent threat to Syrian stability, the Syrian Muslim Brotherhood, formerly the largest Islamist opposition group,<sup>44</sup> 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. Since then, the government has attempted to coopt the forces of political Islam by continuing to outlaw the Muslim Brotherhood and keep its activists in prison, while promoting Islam as a social force for national unification.<sup>45</sup> Over the past twenty years, the Syrian government has financed the construction of new mosques, aired more Islamic programming on state television, loosened restrictions on public religious celebrations and weddings, and monitored the sermons of clerics, many of whom are on the state's payroll. At the same time, the Syrian government, like other dictatorships in the region, has used the threat of "homegrown" Islamist violence in order to justify one-party rule and has frequently exaggerated its threat in order to bolster its own appeal to Western governments. Syria has received some favorable attention for its reported cooperation with U.S. intelligence agencies in detaining and tracking Al Qaeda operatives in the Middle East and in Europe, although some U.S. officials have discounted these contributions.

### The Damascus Declaration

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. Soon thereafter, many of these same signatories crafted the National Council of the Damascus Declaration, a quasi-political party that has since met periodically to push for political reform inside Syria. However, many observers suggest that the Damascus Declaration lacks a popular base of support amongst the Syrian people and remains an elite-dominated organization.<sup>46</sup> Between 2006 and 2008, authorities arrested a number of high profile activists, many of whom remain imprisoned. According to Human Rights Watch, these activists include Riad al Seif, 61, a former member of parliament suffering from prostate cancer, Dr. Kamal Labwani, a physician, and Michel Kilo and Mahmoud Issa, detainees who have still not been released despite the

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<sup>44</sup> The Syrian Muslim Brotherhood, an off-shoot of its larger Egyptian counterpart, has been banned in Syria since 1958, and according to a 1980 law (Emergency Law #49), known membership in the group is punishable by execution. See, Ghada Hashem Telhami, "Syria: Islam, Arab Nationalism and the Military," *Middle East Policy*, Vol. 8, Iss. 4; December 2001.

<sup>45</sup> See International Crisis Group (ICG), "Syria Under Bashar (II): Domestic Policy Challenges," *ICG Middle East Report #24*, February 2004.

<sup>46</sup> Joe Macaron, "Syria: The Opposition and its Troubled Relationship with Washington," *Arab Reform Bulletin*, February 2008, Volume 6, Issue 1, published by the Carnegie Endowment for International Peace.

decision of the Syrian Court of Cassation to overturn their sentences.<sup>47</sup> In a recent interview, President Asad rejected criticisms of his government's human rights record stating that "We don't allow anyone to make or internal issues a matter for relations. Europeans and Americans supported the occupation of Iraq. Talking about values has no credibility any more. And after what happened in Gaza they have no right (to criticize us) at all."<sup>48</sup>

## **Syrian Dissidents, Exiles, and Defectors Abroad**

Although it is difficult for opposition activists to organize inside Syria, an array of dissident groups freely operate abroad, particularly in Western Europe. In March 2006, former Syrian Vice-President Abd al Halim Khaddam and Sadr al Din al Bayanuni, the London-based leader of Syrian Muslim Brotherhood, formed The National Salvation Front (NSF), a coalition of secular and Islamist opposition activists based primarily outside of Syria. The NSF, which attempts to bridge the gap between religious and secular Syrians, is non-sectarian though its membership appears to be mostly Sunni. It has called for the peaceful removal of the Asad regime without outside intervention, though some analysts doubt that the NSF will be able to make inroads within Syrian society due to the regime's effective security apparatus. Syrian authorities have prevented many dissidents from leaving Syria. Reportedly, the NSF held regular meetings with Bush Administration officials from the State Department and National Security Council in order to discuss ways of promoting democracy in Syria.<sup>49</sup>

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<sup>47</sup> Others included the group's leader and only woman Fidaa Horani (the daughter of Akram Horani, one of the founders of Syria's Baath Party), and writers Ali Abdullah and Akram Bunni.

<sup>48</sup> "Syria's Strongman ready to woo Obama with both Fists Unclenched," *The Guardian (UK)*, February 17, 2009.

<sup>49</sup> "Unlikely Allies: To Check Syria, U.S. Explores Bond With Muslim Brothers," *Wall Street Journal*, July 25, 2007.