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Losing Traction against Syria

By David Schenker
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The September 6 Israeli bombing of a presumed North Korean-supplied nuclear weapons facility in Syria highlights the ongoing policy challenge posed by Damascus. More than three years after President Bush signed the Syria Accountability and Lebanese Sovereignty Restoration Act (SAA), Syria continues to support terrorism, destabilize Iraq, meddle in Lebanon, and develop weapons of mass destruction and ballistic missile systems. This week's headlines tell the story: on September 19, yet another anti-Syrian parliamentarian was assassinated in Lebanon; the same day, *Jane's Defence Weekly* reported that a July 2007 chemical weapons accident in Syria -- involving mustard gas and VX and sarin nerve agents -- killed fifteen Syrian officers and dozens of Iranian engineers.

To date, Syria has proven largely impervious to U.S. sanctions, and Washington's efforts to forge international consensus on isolating Damascus have not gained traction. Although the regime seemed isolated after the 2005 assassination of former Lebanese prime minister Rafiq Hariri, the trend has recently shifted toward diplomatic and economic engagement. If such engagement continues, Syria may avoid accountability for both the Hariri assassination and Western demands to alter its behavior.

Diplomatic Engagement

Over the past year, a stream of foreign officials has flocked to Damascus for meetings with President Bashar al-Asad. The most recent -- and significant -- visit was by Iraqi prime minister Nouri al-Maliki, who spent three days in the Syrian capital in August. The trip was a stunning development: in May, al-Maliki's own national security advisor complained to ABC News that Syria continued to harbor and support insurgents responsible for killing Americans and Iraqis. And just months before that, U.S. Central Command revealed that Iraqi insurgents had established a terrorist training camp on Syrian soil.

Given Syria's demonstrated commitment to destabilizing Iraq, it is not surprising that al-Maliki's meetings were unproductive. Nevertheless, the visit held symbolic importance. The trip -- the first by an Iraqi prime minister to Syria in thirty years -- was the capstone in a series of recent diplomatic engagements: House Speaker Nancy Pelosi's trip in April, Secretary of State Condoleezza Rice's May interlude with the Syrian foreign minister in Sharm al-Sheikh, and French envoy Jean-Claude Cousseran's July talks.

Unsuccessful U.S. Financial Measures

Washington has had little success using financial sanctions to pressure Syria. This is partly due to the unsubstantial trade between the two countries. As a charter member of the State Department's terrorism sponsors list, Syria has been subject to bilateral trade constraints since 1979. In 2004, pursuant to the SAA, Washington implemented additional economic measures. These steps were largely symbolic, however, as they did not affect food and telecommunications equipment, the primary U.S. commodities purchased by Syria.

Statistics from the U.S. Department of Commerce indicate that from October 2006 through March 2007, bilateral trade between the countries actually increased threefold from the same period a year earlier ($116 million to $361 million). While total bilateral trade fell from $478 million in 2005 to $438 million in 2006 due to a decrease in Syrian oil exports to the United States, American exports to Syria actually increased by $69 million during the same period.

From the U.S. perspective, the implementation of Section 311 of the USA PATRIOT Act in March 2006, which imposed sanctions on the Commercial Bank of Syria, was a more effective measure. This action forced U.S. financial institutions to sever accounts with the Syrian bank. Although these sanctions were an irritant, Damascus anticipated them and cushioned the blow: one month earlier, it switched all state foreign currency transactions from dollars to euros.

Heavy Middle Eastern Investment

Efforts to change Syrian policies have been stymied by burgeoning foreign investment in Syria, a development that has been a life raft for the regime. The leading investor is Tehran, whose investment agreements are said to be worth approximately $3 billion (it remains to be seen how much of this will actually materialize).

Persian Gulf states have made large investments as well. For example, Noor Financial Investment, a Kuwaiti firm, has entered into an oil refinery deal in Syria worth $1.5 billion. Another Kuwaiti firm, the Aref Group, is funding a $2 billion project to develop a new business district in Damascus. Several companies from Dubai are also bullish on Syria, including the al-Futtaim Group, which is slated to develop a $1 billion resort complex west of the capital. Qatar and the United Arab Emirates will soon open banks in Damascus. Perhaps the only U.S. Gulf ally largely absent from this investment surge is Saudi Arabia, whose relationship with Syria deteriorated following the assassination of Hariri, a dual Lebanese-Saudi national.

Europe and China Jump In

Europe is an important part of the failed policy to financially pressure Syria. The European Union (EU) continues to deal economically with Syria despite objections from France stemming from the Hariri incident. Although these objections stalled Syrian membership in the EU Economic Association, the union nevertheless provides significant economic and development assistance to the Asad regime through fourteen separate projects. In April 2007, Germany pledged $95 million in development aid to Syria over two years. Berlin dispatched Economic Cooperation and Development Minister Heidemarie Wieczorek-Zeul to Damascus in August to disburse $46 million.

The EU traditionally has been Syria's leading trade partner and accounted for 60 percent of all Syrian exports in 2003. Recognizing the vulnerability of this relationship, Damascus has worked hard to diversify and reduce its reliance on Europe by forging economic agreements with new partners such as China. Between 2005 and 2006, Syrian bilateral trade with China increased 55 percent to $1.4 billion. And by 2006, the percentage of Syrian exports to the EU had declined to 42 percent, reducing the West's ability to use economics as a lever.

Prospects

The Syrian economy is growing -- despite a 6.5 percent decline in oil production, its overall growth rate this past year was a respectable 5 percent. "Barring policy missteps or a deterioration in the regional environment," a recent International Monetary Fund report predicted, "the near-term outlook . . . looks favorable." Based on this assessment, Syria is not under economic duress. The picture is not all rosy, however: Syrian oil revenues are in serious decline, Damascus still has not attained membership in the EU Economic Association, and the $1.3 billion boon to the economy brought by the estimated one million Iraqi refugees will likely evaporate as these unemployed visitors burn through their savings.

As information begins to emerge about the extent of North Korean-Syrian ties, Washington will have another opportunity to focus the international community on the continuing dangers posed by the Asad regime. The UN's Hariri tribunal will add to the pressure on the regime, but that alone will not suffice. To stem Syria's reacceptance into the international community, Washington needs to convince its European and Arab -- particularly Gulf -- allies to freeze their engagement with Damascus. It should also exclude Syria from the Arab-Israeli peace conference scheduled to take place this November.

With Israeli-Syrian tensions rising and the pro-Western Lebanese government on a precipice, renewed political and economic pressure on Damascus is vital. In the absence of effective measures, the Asad regime will continue to undermine Washington's hopes for the region.

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