



Investment in Syria

The Anticipated Legal Environment of the Existing Legislation of Proposed Projects

Introduction:

The project is based on the theory that the investors know enough of the advantages of investing economically in Syria, and its attraction factors. They are interested in forming a legal reality in which guarantees adequate protection of capital and profit margin that forms a stable ground for the growth of the circulated money of projects investments in Syria.

Knowingly, this goal is met by an interest of the Syrian state, through the government's plan for sustainable development, operation, and providing all the service requirements of the Syrian society, covering education, health, transport, and communications. Especially that these requirements will be in their highest rates during the years of reconstruction. This interest must be recognized by investors in general and Syrian investor fortiori.

This understanding of both parties helps in researching for just and equitable solutions for the eligible legislative power to enact laws which guarantee equilibrium for this beneficial exchange. Within this framework and vision, we seek to offer the proposed projects of the texts of laws, carried by the Syrian businessmen to the Syrian government in order to be adapted and approved.

This means that it is not about one law such as, "the law of investment". The fact proves that the legal environment is the generic custodial that embodies one spirit, despite its multiplicity, its many branching, and its multiple names, we should promote it to be carried by the Syrian legislator to review all the relevant legislation to the structure of the legal pyramid to be clearer, compatible, less mixed, complex, and contradictory. As a result, these legislations do not take the temporary character or even personal at times as is the case in the past.

So we do not present a project that is detached from its environment. Thus, we offer what can be considered an integrated chain of laws that constitute together a coherent pattern to allow safe passage for every interested party, hoping to rid of the reality of the current situation of the Syrian law, which is featured by its clutter, messes, vision of narrow self-interest, and the assault on the text instructions, decrees and reports, which reached an extent that prevents specialists from genuine follow up of any issue. Consequently, agreement texts and laws have been neglected, the State of law doesn't exist, and the state of interests, people, and security authority governing are all became overwhelming.

These projects will not be implemented in the NEW SYRIA that you wish and dream of without your support, patronage, and your pioneering role in the real contribution in the formulation of



general policy, which sets economy and economists in their place. This should not be left to the political ideologies that are detached from reality and its necessities and its wooden slogans. So laws breach, fraud, corruption, and bribery are the tools that permit the continuation of the situation, and economic investment abbreviated in building economic gangs, through intermarriage relationship with the ruling power. It is time now to dismantle them and to build a new stable and safe relationship with the Syrian state, so the economic institutions become a registered trademark of Syria, and live as long as the country and the state are living.

This sheet proposes the following preliminary titles:

- 1- Constitutional principles and their impact on the protection of private property.
- 2- The impact of judiciary independence, integrity, and efficiency on investment and development.
- 3- Stimulating policies of investment.
- 4- The relationship between the Law of Investment and relevant laws as (trade labor arbitration companies).
- 5- Law of the General Authority of Development and Investment.
- 6- Stock market Law.
- 7- Anti-money Laundering Law.
- 8- Industrial, agricultural, and tourism investment Law.
- 9- Smuggling Law.
- 10- Law of Currency Office
- 11- Economic sanctions law.
- 12- Customs Law.
- 13- Tax Law.

These proposed titles are not exclusive and infinite, they are primary and essential for the commencement, and are indispensable to anyone who wants to be present in the legal framework, which protects the investment and allows its development and expansion. It is certain that these projects are not just purely theoretical studies formulated by jurists in closed rooms, wording may be in the last phase of the work on these projects, and each has a team and program preparation, which includes field studies, workshops, seminars, and meetings, including the finest specialists, special businessmen, and economists who have tried and suffered from investing in Syria, whether industrial, agricultural, tourism, or other investments.



So the final product will be at the optimum formula, and any coming legislative authority in Syria will not refuse to adopt and approve. The sheet maker believe that the Economic Forum, is fully aware of the impact of the Syrian economists, and their role in the future Syria, and the extent of their ability to contribute to impose political solutions, which means the stability of Syria, and invite them to take advantage of this support is to confirm that the solutions are neither marginal nor black and white, and that there is an honest belief that the joint interests impose finding the commons in formulas solutions, so economy and economists will have the positive role in maintaining the Syrian damage, and to take it back to the path of human creativity and goodness.

Sorry if this paper deviated from the pure legal role in order to present the most comprehensive picture, which allows the attendees to show the areas of control and influence that they can keep when their wills turn from individual to the will of an association that aspires the awakening role which serves the Syrian society within the international system based on the philosophy of (all winners).

Because the general specifications and visions may not be sufficient to demonstrate the seriousness of our ambitious project, we offer some details of one of the titles, and it was my bias from my side to choose it and a departure from scientific neutrality. I apologize because I could not lose the confidence of my fellow judges when they elect me to be (Chairman of the Judges Club in Syria), and in the same time I did not miss the scientific mission. My choice was not the victory to eliminate as much as the victory for a lifeblood economy, which is your mission that God fated you to endure.

And it is: The impact of judiciary independence, integrity, and efficiency on investment and development.

Starting from this question:

What is the feasibility of the legal texts provisions in the absence of ability of judiciary to quickly put these rules into effect (the expeditious and fair), without wasting the rights of litigants and nation?

This necessitates searching:

- 1- The economic reflection of slow litigation.
- 2- The determinants of efficient judiciary.
- 3- The impact of judicial independence on economic performance.
- 4- The more efficient judicial system, is it (Latin) or (Anglo-Saxon)? *
- 5- Dispute resolution alternatives: are conciliation and arbitration an alternative to the ordinary courts or complementary?

We do remind that these detailed titles are signals and not structural finished study; they are



also for approximation and illustration. But the indications of the importance of research stems from the attention and work of the World Bank (World Bank). It has decided: that the reform of the judiciary will leave crucial effects on economic decision-making process for individuals and businesses, and consequently lead to increased investment. Accordingly (World Bank) led operations of judicial reform in 25 countries, and completed 25 projects in various countries around the world, from Venezuela in 1991, passing through the West Bank and Gaza in 2003, and spent more than 400 million dollars. (World Bank) has led this project in collaboration with the American Development Bank, The Asian Development Bank, and the International Development Association, which spent more than 700 million dollars.

Recognizing the importance of these economic actors preceded by scientific recognition started from the economist (Henry Adam) by his book "The Law, The Judiciary And The Economy In 1897" and then (Richard Wiley) and (John Commons) book "Legal Construction of Economic" and after them (Robert Gordon) in 1964 and then (Landes Posner 1975), which received extra attention, support, and cash.

For each of the above, this paper recommends the creation of the Office of Legal Economic Forum in Syria, which contributes in the development of plans and programs, in collaboration with specialists. For the mentioned above, and all necessities to ensure playing the active and real role for economy and economists, in order to contribute to building the legal reality of the Syrian guarantor of making investment environment suitable for them and for other non-Syrians. Working together, and with all international actors, to help re-spin the wheel of economy in Syria through the preparation of reconstruction plans, support its implementation, and achieve safety, which guarantees the return of stability which is the first basis of any investment.

The regulatory environment and decisions made up until 2011 and Syrian memberships with international organizations and bodies:

1. Legislations, laws, & regulations related to investments in Syria – updated 2011:

There are several laws governing investment policies, licensing, and investment incentives in Syria, namely:

- Law /47/ in 1952 specific to small industries and handicrafts
- Law /21/ in 1958 encourages industry
- Legislative decree /108/ in 1971 governs the creation of general corporate law for free zones
- Supreme council's decision on tourism /186/ in 1985 investment in tourism (noting that customs are exempted in this decree that has been replaced by legislative decree /51/ in 2006
- Legislative decree /10/ in 1986 specific to investment in agricultural projects
- Supreme council's decision on tourism /198/ in 1987 specific to investing in tourism
- Law /28/ and /29/ in 2011 on the creation of private banks and their practice
- Legislative decree /36/ in 2001 on licensing of private universities



- Monetary & Loan council Law /23/ in 2003 concerning the licensing of private banks
- Legislative decree /40/ in 2003 governing investments and amendments in free zones
- Legislative decree /57/ in 2004 for the creation of industrial cities
- Legislative decree /35/ in 2005 which allowed the establishment of Islamic banks in Syria
- Decree /43/ in 2005 concerning the investment in the insurance sector, health, and higher education
- Legislative decree /55/ in 2006 includes (bringing the Damascus marketplace to security exchanges)
- Legislative decree /8/ in 2007 to encourage investment
- Legislative decree /9/ in 2007 for the establishment of Syrian Investment Agency
- Trade Law /36/ in 2007
- Legislative decree /60/ in 2007 includes the creation of government securities market
- Legislative decree /61/ in 2007 which allows merging of companies to reevaluate fixed assets
- Law /15/ in 2008 for the development and investment in real estate
- Legislative decree /54/ in 2009
- Law /39/ in 2009 for establishing a public authority called “Public Authority Overseeing Real Estate Funding” which aims to regulate and supervise real estate funding and reinforce its role in the national economy and development of savings in the real estate sector
- Legislative decree /81/ dated 30/9/2010 concerning the establishment of stock-holding Syrian company with stocks owned by the state called the Syrian stock-holding investment company (Syria Investment)
- Law /32/ dated 14/11/2010 concerning the public policy for the electrical sector in Syria
- A system for granting investment in oil companies adopted by the Ministry of Petrol
- Decisions governing the licensing of transportation industry projects

2. The most important laws and decisions concerning investment:

- Law /23/ in 2000 for the creation of “Monetary & Credit Council” to oversee monetary matters and banking systems
- Law /59/ in 2003 for the creation of (Anti-Money Laundering ACML and Anti-Terrorist Financing Authority) establishing a civil court in 2004 in all provinces with a mission to study dispute cases related to investment law (the courts indicate that they will make a distinction in these cases without any delay)
- Decree /51/ in 2006 concerning the modification of tax law, which aims to reduce income tax rates to good rates
- Law /41/ in 2007 for the creation of a public body concerning taxes and fees
- Competition Law and Anti-Trust /7/ in 2008
- Law /9/ dated 23/2/2010 for the creation of a joint stock company on behalf of the bank of innovation to microfinance with infinitesimal analysis
- Law /17/ in 2010 for the organization of labor relations and cooperation in the private sector and Arab, federal, and foreign companies.
- Law /18/ dated 9/6/2010 concerning communications law
- Law /24/ dated 21/6/2010 concerning the protection of emerging industries



- Law /26/ dated 24/6/2010 in the organization of the planning process and development of the provinces in Syria
- Legislative decree /23/ in 2011 for amending some provisions in consumer spending and income tax laws
- Legislative decree /23/ in 2011 for the amendment of some provisions of stamp duty law and the exemption of some Islamic bank fees
- Company law /29/ in 2011.
- Law for the protection of national product from the harmful practice involved with international trade
- Protection Act for distinguishing marks/brands, geographical indications, fees, and industrial designs
- Ministry of Finance resolution /2428/ year 2006 in the creation of a new section servicing senior taxpayers called "Seniors in Charge Department"
- Decision to unify exchange rates for imports, reduce internal interest rates, and allow opening of accounts to deal with foreign currencies
- Allow banks operating in the Syrian Arab Republic to fund investment tourism projects in accordance with the B.O.T. formula/system.
- Adherence to the Hague treaty in the International Registration of Industrial Models.

3. The most important laws and regulations related to Monetary Policy & Finance:

- Law /3/ dated 4/1/2010 which raises the minimum capital for conventional private banks up to 10 (billion Syrian Pounds) and Islamic banks to 15 (billion Syrian pounds), in addition to increasing the maximum ratio for Arab and Foreigner ownership from (49%) to (60%) of the bank's capital with the possibility of it being increased to (75%) with the condition that this increase is in favor of the financial and banking sector
- Legislative decree /56/ dated 25/7/2010 in the creation of investment banks in Syria according to the laws and procedures set forth in Law /28/ year 2011 and its amendments, in order to finance private investment activity, finance investment activities for the economic public sector, provide consultation services, provide securitization services, and contribute to the establishment of companies in accordance to the methods set forth in the decree
- Legislative decree /88/ dated 2/10/2010 concerning financial leasing which allows for the establishment of leasing companies in the form of joint-stock companies
- The president of the Council of Ministers decision No. /85/ dated 2/11/2010 allows for banks licensed to sell foreign exchanges needed for investment projects licensed under Law No. /10/ of 1991 and its amendments, which does not have the necessary funds for foreign exchange with the goal of converting capital gains of Syrian, Arab, and foreign investors, and that is in accordance with the broadcasting of foreign currency exchange rates as issued by the Central Bank of Syria
- The primary system for loans in Syria has been approved even though it has risks. This system has been launched recently and will contribute by enabling banks to expand funding for small enterprise, medium-sized businesses, and the broader Syrian business sector. This is to share the risk between institutions and ensure the risk for loans and banks. In addition



to finding a solution to the problem of providing guarantees to banks for the purpose of financing, this will help in the expansion of funds/grants for industrial investment projects.

4. Decisions and actions taken by the Central Bank of Syria to liberate the current account in order to attract direct foreign investment 2011:

- Current account liberation, primarily in import & export operations, by authorizing banks licensed to deal with the foreign sector in funding both private and joint sectors.
- Allow residents and non-residents to open foreign currency accounts with licensed banks.
- Start a gradual liberalization/editing of capital accounts and governments plan in increasing direct foreign investment. Therefore, there has been a preparation in the mechanism necessary to enabling investors, licensed under the law, and encourage investment when obtaining a loan in foreign currency from any bank for the project, whether in the form of foreign currency or in-kind, and then repay this loan and interest via Syrian banks.
- Complete liberalization of import financing in 2006 due to a decision made by the president of the Council of Ministers No. /5204/ dated 15/11/2006 by allowing banks to fund all imports made by private and joint foreign sectors.
- Allow for exchange companies to sell foreign currencies from open accounts at licensed banks or through the issuance of foreign remittances.
- Cancel the pledge to re-export due to the ability to keep the current export operations with freedom to work with it.

5. Monetary and Credit Council publications regarding decisions and regulations made in creating a favorable environment for attracting investments, most importantly:

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- Resolution /348/ dated 16/1/2008 allowing licensed banks to grant loans in foreign currencies and finance licensed investment projects in accordance with the law for investment. All the while, the borrower has the freedom to repay the loan in foreign currency either at local or foreign banks or purchase items from the loan the bank provides



- Industrial projects providing energy
- Industrial projects that use tools, instruments, and machines to maintain the environment and prevent environmental pollution
- Two levels of the investment projects are licensed under the provisions of decree No. /8/ year 2007 in the eastern region provinces (Raqqqa, Deir Ezzor, AlHasakah)

6. Syria's membership in international organizations and bodies:

- Arab league
- Greater Arab free trade area
- Council of Arab Economic Unity (CAEU)
- Arab Corporation to Guarantee Investment
- United Nations Industrial Development Organization (UNIDO)
- United Nations
- United Nations Development Program (UNDP)
- Islamic Conference Organization
- Islamic Bank for Development
- World Bank (WB)
- International Monetary Fund (IMF)
- Economic & Social Commission for Western Asia (ESCWA)
- Organization for Economic Cooperation & Development (OECD)
- The Euro-Mediterranean Network of Investment Promotion Agencies (ANIMA)
- International Agency For Investment Guarantee (MIGA)
- International Center for Settlement of Investment Disputes (ICSID)
- Syria submitted a request to join the World Trade Organization (WTO)
- Arab Monetary Fund (AMF)

Explanation of some legislation and laws related to the investment in Syria:

Syria exported in several laws containing incentives for private investments since 1952 and long before the adoption of central planning of the mid-sixties. During the era of central planning strict (since the mid-sixties to the mid-eighties) only one law was issued including incentives to encourage investment directed mainly to expatriate Syrians and Arab investors and restricted to specific sectors.

Since 1985 the catalytic investment laws have begun to emerge, with a positive outlook towards the private sector but are still restricted. The laws also remained confined to certain economic sectors, even though it applies to local and foreign investors alike.

Given the current investment laws, incentives are explained by these laws at different stages, but do not necessarily reflect the development priorities and sectoral priorities in the government.



Investment laws in Syria are:

1. Encouragement of Investment Law No. 10 of 1991, as amended by Decree 7 of 2000, which was the culmination of strengthening the investment climate in Syria within the framework of the orientation towards encouraging investment funds of the Arab citizens, the Syrian residents, the expatriates, and the nationals of Arab and foreign countries in investing projects in Syria and who has given a lot of incentives and benefits to investors where that investments flowing into Syria freely and going out of their profits and assets freely.
2. Decree 10 of 1986 (the common agricultural sector companies)
3. Resolution No. 186 of 1985 to encourage investment in the tourism sector
4. Law No. 348 of 1969 to encourage expatriate capital and Arabs capital
5. Decree No. 103 of 1952 to encourage investment in the industrial sector
6. Legislative Decree No. 58 of 1970, which included the exemption of deposits of postage fee for all operations and savings deposits at banks and savings funds, as well as income tax to raise capital in circulation and all the benefits of savings deposits, and also includes that the deposits guaranteed and protected by the state .
7. Law No. 36 of 1972, which provides an exemption for the international class hotels (first-degree and excellent degree) invested within hotels from all taxes and customs duties and others.

Encouragement of Investment Law No. 10 of 1991

The issuance of this law represents an indication of the transformation of the Syrian government from a centrally planned economy to a more open economy on the local private sector and foreign investors. It also represents the government's main tool to encourage private investment, both domestic and external. Where incentives were provided equally to both parties, projects licensed under this law must be consistent with the development objectives of the government and to be committed to these goals. Also the value of machinery, equipment, and supplies imported should be exceed for 10 million SP. The priority has been given to the sectors of industry, agriculture, and transport, but the Supreme Council for Investment has the power to license any project if it is satisfied that it was important to the national economy. It has also become permitted to the foreign investor to own the whole investment project .



Legislative Decree No. /8/ private investment promotion and Legislative Decree No./9/ private creation of the Syrian Investment Agency

President Bashar Al-Assad issued Legislative Decree No. /8/ concerning private investment promotion and ensure that this decree chapters on investment guarantees, benefits, and incentives to invest in Syria and general provisions, Legislative Decree No. /9/ concerning private creation of the Syrian Investment Agency.

1. The incentives provided by the Legislative Decree No. 8 for 2007

- The decree has equated between local investors and foreign investors in terms of features, facilities, and exemptions.
- The decree grants the foreign investors the right of ownership of land, property, and all fixed assets.
- The decree gives local and foreign investments following incentives
 - Exemption of imports which are used in the project of import restrictions and limited and prevention.
 - Exemption of imports of machinery, equipment, fixtures, and work vehicles from customs duties.

(Raw materials used in production are not exempt and are subject to a rate of 1%)

- The project grants a tax deduction based on the dynamic to the provisions of Decree 51 of 2006 over the life of the project.
- Arab and foreigner experts and technicians can convert 50% of their wages and net salaries in hard currency and 100% from their end of service indemnities.
- An estimated income tax on corporations companies that offer more than 50% of its shares on the IPO, 15% (including administrative fee).
- Enjoying projects and investments licensed according to the provisions of this Legislative Decree against confiscation or expropriation or reduce the alienation of investments and revenue, only if the purpose of public benefit, in return payment of immediate compensation and fair for the investor which is equal to prevailing value of the project before the date of expropriation directly in convertible currency for money outside .
- The investor is entitled to an annual transfer of profits and interest generated by the invested foreign capital in accordance with the provisions of this Legislative Decree to the outside and a convertible currency, after the payment of taxes due on those dividends and interest.
- The investor is entitled to re-convert the foreign money abroad after the expiry of six months from the date of receipt if prevented investment difficulties or circumstances beyond the control of the investor due appreciation to the Board of Directors and who is



entitled to the special cases approve the transfer of foreign capital abroad without adherence to the above mentioned period.

- Holding companies are exempted from income tax on profits.
- The investor may employ foreign exchange being in possession inside of Syria or foreign exchange located abroad and which is to enter Syria by assets, in the financing of projects approved under the provisions of the Investment Law, or in the heads of contributing money or buy shares.
- The Supreme Council for Investment can grant additional incentives even if it is not provided by Legislative Decree No. 8 of 2007.

2. The guarantees enjoyed by investors in accordance with the Legislative Decree No. 8 for 2007

Investors can, according to the Legislative Decree No. 8 of 2007, obtain guarantees for their projects from the Arab Institution for Investment Guarantee and Status of Kuwait, or from any institution recognized by the relevant authorities in the Syrian government.

It will not be also licensed investments according to the Legislative Decree No. 8 of 2007 nationalization unless for reasons of public benefit and paid fair compensation.

3. Disputes and Arbitration

Conflicts that can get in the field of investment can be settled in one of the following methods

- Amicably or through a third party
- In front of the Syrian courts
- In front of the Arab Investment Court, which was formed in 1980, according to the unified agreement to invest Arab capital in the Arab countries.
- In accordance with the provisions of the agreements and ensure the protection of investment signed between Syria and the country of the investor in the event of the existence of such agreements .
- Syria also joined the club to settle disputes in the field of investment, based in New York.



Legislative Decree No. /9/ 2007:

In order to standardize the investment policies and the body that oversees the investment in Syria and strengthen the investment environment, President Bashar Al-Assad Legislative Decree No. /9/ was for private creation of the Syrian Investment Agency, which has legal personality, financial, and administrative independence and was linked to the Prime Minister and based in Damascus.

The Authority aims to implement national policies for investment, development, and promotion of the investment environment in the Syrian Arab Republic. The Legislative Decree reshapes the Supreme Council for Investment, functions and management of the Authority and its functions and powers. The decree also includes the creation of single window in the body and its subsidiaries to provide services to investors.

The events of the single window in the Syrian Investment Authority is one of the most important statement by this decree because of what it means to simplify the procedures of demand for all investors.

- Single window in the body and its subsidiaries work for providing services to investors representing the ministries and public bodies concerned with investment and authorized representatives of relevant ministries and authorities all the powers of their ministries or their destinations, which will enable them to accomplish their tasks, and as provided for in the Rules of Procedure of the Commission.
- Organizing mechanism of the functioning of the single window, including various government agencies under the actress issued for this purpose by the Supreme Council upon the proposal of the Board of Directors.

The issuance of these decrees is a step forward in strengthening the regulatory environment for investment in Syria.

Also included a lot of advantages and facilities needed to encourage investment in Syria and the most important is to secure a degree of freedom for investors in the transfer of their earnings and benefits abroad and guarantees non-confiscation of their property, in addition to the creation of the investment and the single window, which are expected to reduce the red tape and bureaucracy and be a new incentive for investors.