INTERNATIONAL TRADE
IN THE CONTEXT OF GLOBALIZATION

FOREIGN TRADE RELATIONS BETWEEN RUSSIAN FEDERATION AND SYRIAN ARAB REPUBLIC IN TERMS OF EURASIAN INTEGRATION

ARINA A. TINKOVA, OLGA B. DIGILINA, YAMEN ALKANJ ALABSEH

RUDN UNIVERSITY,
6 MIKLUKHO-MAKLAYA ST, MOSCOW, 117198, RUSSIAN FEDERATION

tinkova_aa@pfur.ru

Abstract. The issues of the relevance of foreign trade cooperation between Russia and Syria, including the opportunities and risks of the Syrian economy for partners; the current state of bilateral trade between Russia and Syria; Syria as a promising direction for the Russian export business and the need for its development are considered. The authors analyzed the foreign trade potential of the dynamics and structure of foreign trade relations, identified comparative advantages in the world commodity markets, determined the place and role of bilateral foreign trade partnership. Russia is one of the key export markets for Syrian agricultural products, whose price competitiveness is supported by zero preferential duties within the framework of the unified system of preferences of the Eurasian Economic Union. In the course of the study, the authors identified the volume of unrealized export potential of Syria to the EAEU countries and vice versa, including in the structure of goods. It is concluded that it is necessary to develop trade relations on a bilateral basis with the help of instruments aimed at raising awareness of consumer demand and supply of national producers, as well as through “soft power” instruments in the field of education. It seems that Syria’s obtaining observer status in the EAEU will become an incentive to strengthen trust relations and investment attractiveness, which, in turn, will become the basis for joint work on infrastructure cross-border logistics projects in Syria (the Five Seas Strategy) and will reduce costs for increasing mutually beneficial bilateral trade. The study contains...
theoretical and statistical justification, as well as practical proposals for the development of friendly relations and strategic partnership with the Syrian Arab Republic in the context of the development of integration processes of the Eurasian Economic Union.

Keywords: Syria, EAEU, export potential, trade costs

Acknowledgements: This paper has been supported by the RUDN University Strategic Academic Leadership Program. Inspired by people of Syria.

Article history: received January 05, 2023; revised January 25, 2023; accepted February 17, 2023.

Introduction

All governments of the world strive to gain economic power, and each has its own tools to achieve this goal. Foreign trade policy and its instruments are the most important mechanisms for achieving joint economic well-being. At the turn of the 2020s, a new term appears in the literature, characterizing a relatively new direction in trade policy: «friendshoring» — the foreign trade’s direction to neighboring, friendly countries, the creation of regional value chains, which reduces the risk of supply disruptions in a crisis caused by political, military, economic or natural factors. This phenomenon is currently the worldwide basis for the countries and integration blocs’ preferential trade strategies shaping.

Relations between Russia and Syria are currently in allied status, with a predominant military component. However, in the current geopolitical situation, in terms of reorientation of supply chains and the transition of the Syrian economy from military to normal, it is necessary to realize the potential for expanding cooperation in the foreign economic sphere, namely, at the initial stages, bilateral trade, investment partnership, international logistics cooperation.

Indeed, until 2022, the Russian business community has passively interacted with Syrian companies, since 2019 the Syrian economy has been functioning under the sanctions of the American “Caesar’s Law”¹. With the outbreak of economic sanctions against Syria, the difficulties have begun concerning companies’ foreign trade international settlements and foreign exchange operations of the central bank.

In the current situation, when Russian business itself faced Western sanctions, the risks of bilateral cooperation have decreased. Nevertheless, as of the end of 2022, there is no significant increase in trade and economic relations between Russia and Syria.

Thus, the authors are questioning about what opportunities can Russian business realize in bilateral relations with Syria and what institutional conditions should be created for mutually beneficial cooperation on both sides?

Literature review

Syria’s military economy and the war’s socio-economic consequences are the subject of researches by experts from international organizations, including the International Monetary Fund (Gobat, 2016), the World Bank (World Bank, 2017), as well as authoritative foreign economic publications (The Economist, 2021), and Russian and foreign analytical international policy organizations (Aksenenok, 2020; Yazigi, 2014). In addition to serious war damage, the Syrian economy runs in terms of sanctions and, as a result, a severe energy crisis, which is reflected in the scientific works of foreign researchers (Alhaj, 2023; Suliman, 2020). Such conditions have become a reason of the population’s outflow from the country (Homsi, 2018).

Nowadays, in the context of the transition from a military economy to a normal one, the literature raises issues of the relevant Syrian foreign economic policy, namely in the field of foreign trade (Al Khumsi, 2015; Chapluk, 2015) and investments (Shchetinova, 2018; Matar, 2016; Mohsen, 2015).

The history of the strategic partnership between Russia and Syria dates back to the Soviet period. A retrospective of Soviet-Syrian economic relations is reflected in the works of foreign authors (Karsh, 2013; Belcastro, 2019). In turn, the current state of trade, economic and investment cooperation between Russia and Syria is the subject of analysis by Syrian and Russian authors (Iyad, 2019; Eid, 2022; Krizhanovskaya, 2019; Yuzhakov, 2018).

Currently, in terms of the Greater Eurasia idea promotion, friendly relations and strategic partnership with the Syrian Arab Republic are reaching the regional level in the context of the Eurasian Economic Union integration processes’ development (Bortalevich, 2016). The article makes a theoretical and practical contribution in this direction.

Methodology

Authors use analytical methods of processing data provided by the customs authorities of the Russian Federation in order to analyze the current state of bilateral relations. The method of mirror data was used to identify the place and share of Russia in the geographical structure of Syria’s foreign trade partners, based on data from the World Trade Center.

The article presents data obtained by the method of expert assessments and field surveys, namely data on some macroeconomic indicators of the Syrian economy state (inflation, unemployment) and other social indicators.

The authors use an index method for assessing the revealed comparative advantages, calculated via World Bank methodology, as well as an of the untapped export potential assessment via World Trade Center methodology.
Results
The current state of Syrian Arab Republic’s economy: opportunities and risks

Nowadays, the Syrian economy is in a deep post-war crisis: lack of access to energy resources leads to the shutdown of survived enterprises, rationing of electricity use reduces the competitiveness of small businesses; unemployment rate is about 20%; inflation rate in 2020 was estimated at 140%; the population purchasing power is extremely small, the share of the middle class is rapidly decreasing, most of the skilled workforce has emigrated. The Syrians emigration hike leaded to the high demand for foreign currency, which resulted in exchange rate’s increase, consumer goods prices and inequalities between the classes of society. The official exchange rate of the Syrian pound fluctuates around 2500 per dollar since April 2021, but is twice overvalued, and there is a currency shortage in the country.

Nevertheless, foreign economic relations have been recovering, despite the fact that the volume of Syria’s foreign trade has greatly decreased over the past 10 years (fig.1). The trade balance is negative, largely due to the predominance of expensive manufactured goods in the structure of Syrian imports, namely military goods.

Figure 1. Syrian foreign trade dynamics, 2006–2021., mln $.
Source: compiled by authors on the basis: WTO Stats portal. Retrieved December 20, 2022, from https://stats.wto.org/

2 Official assessments of experts.
3 Official assessments of experts.
In 2021, the key Syrian export destinations, according to mirror statistics, are Saudi Arabia, Lebanon, Egypt, UAE, Kuwait, Iran, Germany, Spain, India, Russia (fig. 2). At the same time, there has been a significant increase in the share of Saudi Arabia and Turkey over the past 5 years.

The key sources of imports are Turkey, Russia, China, UAE, Egypt, Iran, India (fig. 3). Russia is the third largest foreign trade partner of Syria by trade turnover. Such a trade structure is justified by the geographical proximity of key foreign trade partners. The shipping connectivity index of Syria, despite the crisis, is at a relatively average level, has been growing steadily since the beginning of 2021 and as of the end of 2022 equals to 9.3, which indicates an increase in trade in maritime transport. Latakia and Tartus are the leading seaports of Syria.

---

4 According to trade partners’ mirror data.
Syria’s foreign trade policy is characterized by protectionist sentiments. Despite this, the simple average tariff rate in 2020 is 10.8%, which is relatively low rate compared to other developing countries. A similar indicator for agricultural goods is 12.9%. Syria currently has preferential trade agreements with Iran, Lebanon, Egypt, Jordan. Syrian export is the subject of general system of preferences by a number of developed countries, including the EU, the EAEU, etc.

In turn, more than 80% of Syria’s total exports account for agricultural goods. Syria has a number of high comparative advantages in industries such as food processing, textiles, etc. (table 1).

---


### Revealed comparative advantages of Syria, 2021

<table>
<thead>
<tr>
<th>Product code</th>
<th>Description</th>
<th>RCA index</th>
</tr>
</thead>
<tbody>
<tr>
<td>[111]</td>
<td>Non-alcoholic beverages</td>
<td>203.8</td>
</tr>
<tr>
<td>[025]</td>
<td>Birds’ eggs, and eggs’ yolks</td>
<td>62.4</td>
</tr>
<tr>
<td>[272]</td>
<td>Crude fertilizers</td>
<td>32.9</td>
</tr>
<tr>
<td>[075]</td>
<td>Spices</td>
<td>29.3</td>
</tr>
<tr>
<td>[223]</td>
<td>Oil seeds &amp; oleaginous fruits</td>
<td>14.1</td>
</tr>
<tr>
<td>[659]</td>
<td>Floor coverings</td>
<td>11.1</td>
</tr>
<tr>
<td>[062]</td>
<td>Sugar confectionery</td>
<td>10.2</td>
</tr>
<tr>
<td>[554]</td>
<td>Soaps, cleansing and polishing preparations</td>
<td>9.2</td>
</tr>
<tr>
<td>[263]</td>
<td>Cotton</td>
<td>8.2</td>
</tr>
<tr>
<td>[001]</td>
<td>Live animals</td>
<td>8.2</td>
</tr>
<tr>
<td>[091]</td>
<td>Margarine and shortening</td>
<td>8.0</td>
</tr>
<tr>
<td>[057]</td>
<td>Fruits and nuts, fresh or dried</td>
<td>7.5</td>
</tr>
<tr>
<td>[773]</td>
<td>Equipment for distributing electricity</td>
<td>7.2</td>
</tr>
<tr>
<td>[041]</td>
<td>Wheat (including spelt) and meslin, unmilled</td>
<td>6.3</td>
</tr>
<tr>
<td>[022]</td>
<td>Milk, cream and milk products</td>
<td>5.7</td>
</tr>
<tr>
<td>[268]</td>
<td>Wool and other animal hair</td>
<td>4.9</td>
</tr>
<tr>
<td>[267]</td>
<td>Other man-made fibres suitable for spinning</td>
<td>4.8</td>
</tr>
<tr>
<td>[264]</td>
<td>Jute, other textile bast fibre, n.e.s., not spun; tow</td>
<td>4.5</td>
</tr>
<tr>
<td>[662]</td>
<td>Clay construction, refracto. construction materials</td>
<td>4.4</td>
</tr>
<tr>
<td>[775]</td>
<td>Household type equipment</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: UNCTADstat Database. Retrieved December 20, 2022, from https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

---

10 Standard International Trade Classification (SITC).
Until 2010, Syria was one of the leading producers in the region. Syria’s GDP per capita estimated at $4,058 in 2010, but during the years of crisis and military conflict, its manufacturing sector declined due to a lack of resources, especially oil. However, there are some companies that have adapted to the situation, the largest of them are:

- Al-Durra Company\(^\text{11}\), the leader of the food industry, is the leading exporter among Syrian companies;
- Syrian Iron and Steel Company in the field of metallurgical industry;
- Ibn Zahr company in the pharmaceutical industry.

The background and current state of bilateral foreign trade relations between Russia and Syria

The basis of friendly relations was established at the times of cooperation between Syria and the USSR after World War II. In addition to significant political support and implementation of infrastructure projects, Syria occupied a significant place among Asian countries in the USSR foreign trade structure: in 1981, foreign trade turnover amounted to 530 million rubles, and the share of Syria in the trade turnover of the USSR reached 0.5\(^\text{12}\)\%.

A separate but important factor in the development of economic relations between the two countries is the “fashion” for Russian culture and language among the Syrian population. This is facilitated by a fairly large proportion of Syrians, graduated from the in the USSR higher education institutions, and currently occupy positions in the government structures and universities of Syria\(^\text{13}\). In addition, mixed marriages are relatively widespread, which also creates a positive environment for the establishment of friendly relations and builds a background for the bilateral relations intensification, including the business sphere.

Syria ranks 64th in the geographical structure of Russia’s exports and 123rd in the geographical structure of Russian imports (table 2). Figure 4 shows the extent of the imbalance in bilateral trade between Russia and Syria.

Russia’s exports to Syria consist of military-purpose goods under implicit commodity headings, which mean and do not include consumer and other industrial goods.

The Syrian Arab Republic is included in the list of least developed countries-users of the general system of tariff preferences of the Eurasian Economic Union (GSP EAEU). This means the application of zero import rates on the certain listed goods, originated from SAR.

\(^{11}\) Official website. Retrieved December 20, 2022, from https://aldurra.com/


\(^{13}\) According to field survey, December 2022.
Table 2

<table>
<thead>
<tr>
<th>Indicator</th>
<th>The value of the indicator in 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total imports of Syria</td>
<td>$6463 mil</td>
</tr>
<tr>
<td>Import of Syria from Russia</td>
<td>$606 mil</td>
</tr>
<tr>
<td>Russia's share in Syria's imports</td>
<td>9.3%</td>
</tr>
<tr>
<td>Total exports of Syria</td>
<td>$739 mil</td>
</tr>
<tr>
<td>Syria’s export to Russia</td>
<td>$12.8 mil</td>
</tr>
<tr>
<td>Russia’s share in Syria’s exports</td>
<td>1.7%</td>
</tr>
</tbody>
</table>


Figure 4. Dynamics of foreign trade between Russia and Syria, 2019-Jan.2022, mil $.

Figure 5. shows the structure of Russia’s imports from Syria. Thus, 63 % of Russia’s imports from Syria accounts for the product group 08 “Fruits and nuts”. 26 % accounts for the products group 25 “Salt, sulfur and cement”. Thus, import duties are not applied to more than 90 % of imports from Syria, since these commodity groups are listed in GSP EAEU. In addition to food products, in the structure of Russia’s imports from Syria there are such industrial goods as vehicles ($138 ths), paper products ($82 ths), plastic ($46 ths), glass ($15 ths)
Syria’s export potential is currently partly achieved. Thus, according to the calculations of the international export center, Syria’s untapped exports to the EAEU countries are:

- $3.3 million to Belarus
- $1.7 million to Russia
- $0.5 million to Armenia

Products with the greatest export potential from the Syrian Arab Republic to the Russian Federation are fresh tomatoes, extra virgin olive oil, as well as fresh apples. Fresh tomatoes show the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $246 ths.

In turn, the untapped export potential of the EAEU countries to Syria is:

- $44 million from Russia
- $4.7 million from Belarus

The products with greatest export potential from Russian Federation to Syrian Arab Republic are wheat, crude sunflower-seed or safflower oil, and coniferous wood lengthwise. Sunflower-seed or safflower oil shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $3.6 mil.

---


Promising areas of foreign trade cooperation between Russia and Syria in the context of Eurasian integration

Syria has a strategic geographical position in Asia. A significant part of Syrian economy recover will be the rebuilding of infrastructure, as well as logistics. Major infrastructure projects and initiatives, such as the Five Seas Strategy (fig. 6), proposed by Mr. Bashar al-Assad, requires considerable investment, which will obviously be foreign, and is primarily of interest to Russia within International North–South Transport Corridor (INSTC) and China within Belt and Road Initiative.

![Figure 6. Project of international cross-border logistics corridors in Syria. Source: The Reconstruction of Aleppo // The International Schiller Institute. Retrieved December 20, 2022, from http://newparadigm.schillerinstitute.com/media/aleppo-the-eternal-city-project-phoenix/](image)

The investments in transport and logistics infrastructure that will promote the benefits of foreign trade between countries. Indeed, the costs of trade between the EAEU countries and Syria are high: for example, according to the ESCAP methodology, the bilateral trade costs between Russia and Syria averagely equaled to 201% of traded goods value in 2010 (fig. 7). Currently, the costs are probably much higher.

Before the war, Syria was one of the largest tourist destinations in the Middle East: in 2010, Syrian exports of commercial travel services accounted for nearly 15% ($6 billion)\(^\text{16}\) of Middle East travel services exports. This was due to a favorable climate for beach tourism, the access to the Mediterranean Sea, as well as widespread pilgrimage tourism.

\(^{16}\) WTO database. Retrieved December 20, 2022, from https://stats.wto.org/
Thus, to strengthen the strategic and mutually beneficial partnership between Russia and Syria, it is necessary, firstly, to raise awareness of the economies’ structure, business practices, institutional conditions of trade and organizations directly accompanying foreign trade on both sides. In this regard, it is necessary to create trade offices of large businesses, specialized and interested in foreign trade; involve consulting agencies, research institutes, marketing companies to research the consumer demand; export educational services to improve business culture, spread the language, by allocating more budget places for Syrian students, as well as attracting highly qualified teachers of Russian as a foreign language in higher educational institutions of Syria; hold industrial exhibitions and expos, invite and engage representatives of large businesses to business forums in Russia, such as “Made in Russia”, etc.

All these measures will help to promote the investment attractiveness of Syria in order to develop infrastructure for transport and logistics projects that will further increase efficiency and reduce the costs of foreign trade between the countries.

In addition, while Syrian economy recovers, its export opportunities will be diversified, and its supply on the world market will go beyond the trade preferences of the EAEU GSP. In this regard, at the initial stages, it is necessary to consider the option of Syria’s participation in international trade negotiations within the framework of the EAEU in the observer status in order to monitor changes in applied trade policy measures and instruments. This will invariably encourage the exchange in foreign trade regulation's experience at the interstate level and will contribute to the simplification of customs procedures.

**Figure 7.** Ad-valorem bilateral trade costs between Syria and EAEU countries, 2002–2010, %.

*Source:* compiled by authors on the basis: ESCAP-World Bank trade cost database.


**Conclusion**
References


Bio notes

Arina A. Tinkova, PhD student, an assistant of the Department of International Economic Relations, Faculty of Economics, Peoples’ Friendship University of Russia (RUDN University). ORCID: https://orcid.org/0000-0002-8822-1945. E-mail: tinkova-aa@rudn.ru

Olga B. Digilina, Doctor of Economics, Professor of the Department of Political Economy of the Peoples’ Friendship University of Russia (RUDN University). ORCID: https://orcid.org/0000-0002-9148-6776. E-mail: o.b.digilina@mail.ru

Yamen A. Alkanj, PhD student, the Department of International Economic Relations, Faculty of Economics, Peoples’ Friendship University of Russia (RUDN University). ORCID: https://orcid.org/0000-0002-6507-3572. E-mail: 1042225126@rudn.ru