

SYRIA

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With the unfolding of the war in Iraq, Syria has been much in the news. Washington has accused it of being a 'rogue nation', developing chemical weapons, and harbouring members of ousted Iraqi President Saddam Hussein's regime. Syria and Gulf Arab states have rejected the charges, which have made the region rather uneasy. President Bashar al-Assad had tried to prepare for a post-Saddam era and in the past maintained low-key talks with the US as well as resisting Iraqi demands to crack down on Iraqi exiles in his country. He has even tried to improve the status of Syria's own large Kurdish minority. Nevertheless, the not yet forty-year-old and British-educated President does not have quite the same tight control over Syria's old guard as his father had. He has tried to promote economic reform and replace a state-run economy with a more market-based, modernised one, and to diversify the country's economic base in preparation for the day when oil reserves are depleted.

Syria has moved extremely slowly and cautiously in this direction and success to date has been spotty. All strategic sectors, including oil, electricity, banking, and chemicals, are run by the government, and any immediate moves to privatise large state-owned enterprises were placed on hold in 2002, concentrating instead on increasing their efficiency. Nevertheless, growth in real gross domestic product (GDP) was 3.3% in 2002, only slightly higher than the rate of population growth; real GDP growth for 2003 is projected at 3.0%. According to the Syrian Government, the country's unemployment rate is under 10%, although according to foreign diplomats, the rate is more likely over 20%. The economy and society should benefit from considerably more openness, and the political as well as economic fall-out from the war in Iraq is yet to be seen.

However, there are hopes for growth in sectors such as banking/insurance/finance, textiles, food processing, cement and steel production, refineries, fertiliser production, water treatment and wastewater treatment, and of course oil and gas. US military engineers have apparently reported that they have shut down the IPC pipeline linking the Kirkuk oil fields in northern Iraq with Syria's port of Baniyas on the Mediterranean. The 900 km, 1.1-1.4 Mbbbl/d (nameplate capacity) pipeline was used for illegal oil shipments from Iraq to Syria; the pipeline was opened in 2000 and believed to have handled about US\$1.2 billion worth of oil annually shipped in violation of the UN.

The oil industry in Syria, a member of the Organisation of Arab Petroleum Exporting Countries (OAPEC) but not OPEC, continues to face challenges. Output and production continue to decline and output has fallen steadily as a result of technological problems and depletion of reserves. Since peaking at 590,000 barrels per day (bbl/d) in 1996, oil output has fallen to an estimated

525,682 bbl/d in 2002 as older fields have reached maturity. This decline is expected to continue while consumption rises, resulting in a reduction in net oil exports so that Syria could become a net oil importer within a decade.

In an effort to reverse this trend, oil and natural gas exploration and production activity have been increased, together with a switch from oil-fired to natural gas-fired electric power plants. Syria also has opened up new blocks for oil and natural gas exploration, with the Oil and Mineral Resources Ministry receiving bids from several international companies in December 2001 on five exploration areas. Awards for these blocks were made in January 2003, with Shell receiving exploration rights in the Damascus-Palmyra area and India's ONGC Videsh receiving another onshore block. Independents, Ocean Energy and Stratic Energy, also received awards. Since the first round of bids closed, bids for a second round of 11 blocks closed in October 2002. Bids for a third round of 11 blocks were solicited in December 2002 and included five blocks from the second round for which bids were not received, as well as six new blocks.

Major shale-oil deposits exist mainly in the Yarmouk Valley. In May 2000, the small Canadian company Tanganyika Oil signed an agreement to develop the Oude oil block in the northeast which currently has only one producing field (2,000 bbl/d), and this may open the possibility of more deals with foreign investment.

Syria's two refineries at Baniyas and Homs have a production rate of 132,725 bbl/d and 107,140 bbl/d, respectively (total 239,865 bbl/d), and there are plans to build a third at Deir ez-Zour (initial capacity of 60,000 bbl/d possibly increasing to 120,000 bbl/d) to supply products to the eastern part of the country. A feasibility study on this project reportedly was completed in January 1998, but it has not been implemented. In addition, Syria plans to upgrade its two current refineries, both of which are in urgent need of overhauling, to replace output of fuel oil with lighter products.

Syria plans to build several natural gas combined-cycle power plants and convert the major oil-fired plants to natural gas in order to save oil for hard currency exports. Proven natural gas reserves are estimated at 8.5 trillion ft³. In 2001 about 206 billion ft³ of natural gas were produced and there are plans to increase this production perhaps even doubling it by 2005. In January 2001, in order to gain access to natural gas imports, Syria signed agreements with Egypt, Jordan, and Lebanon for an onshore pipeline network (the "Arab Gas Pipeline") linking the four countries and allowing imports of natural gas from Egypt. The section of the pipeline running from Egypt to Jordan currently is in the final stages of construction, but it remains to be seen whether the extension to Syria will be built. Another possible link into this network would be Cyprus, which has held talks about a possible sub-sea extension of the pipeline network from Lebanon or Syria.

Syria's gas reserves are located largely in the northeast while its population is in the west and south, and Syria is trying to expand output. Foreign energy companies have been invited to submit proposals on gas projects in the

Palmyra area where Syria discovered a large new natural gas field in 1997. In September 2001, a new integrated natural gas project called Desgas was finished in the Dir ez-Zour region and uses some 175 million ft³/d of previously flared associated natural gas in the Dir ez-Zour fields; TotalFinaElf and Conoco each holds a 50% interest, with Conoco as lead operator.

On the industrial mineral front, Syria has two nitrogenous fertiliser plants and one phosphate-based unit at Homs. There are plans for further expansion including a 450,000 t/y nitrogenous complex near Haseko in the northeast that would use gas from the Omar field. Bechtel and Makad International are building a 500,000 t/y triple super phosphate plant near Palmyra. More than 1 Mt/y of phosphate rock have traditionally been produced and have mainly been destined for Europe. Syria produces phosphate rock through the state-owned company Gecopham. Total phosphate rock production in 2000 has been estimated at 2.4 Mt from open-pit mines in the Palmyra area.

Syria is also a producer of salt, marble, basalt, and limestone as well as possessing reserves of natural zeolites, silica sand and gypsum, plus some chrome and manganese ores. Zeolite deposits were identified several years ago 170 km east of Damascus and reserves are estimated at about 605 Mt. Feasibility has been carried out on a silica sand resource of about 150 Mt, 160 km north of the capital.

Rafiq Burghli & Co. established Jordan Minerals Est. (JME) in 1980 to produce ground calcium carbonate (GCC), and production capacity has grown with several quarries supplying material to the company's plant in Amman which underwent a US\$4 million modernisation project in 1999-2000; production capacity was increased from 125,000 t to 150,000 t/y of natural and stearic acid coated; new equipment allows for the production of 42,000 t/y of treated GCC. Syrian Carbonate Co. Ltd, a joint-venture company with Jordan Carbonate Co., also produces GCC, while Fawaz Istwani & Co. (Syrian Chemical) established its first GCC plant in 1975 and a second in 1998.