

Turkey-Syria Commercial Relations from Past to Present: Challenges and Opportunities of ShamGen

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In this paper, the long history of Turkey-Syria relations will be summarized by focusing on the period starting with 2000's and representing the transition of Syria to liberalism and adoption of Turkey an active Middle East policy. After the independence of Syria from the Ottoman Empire after World War I, economic relations between Syria and Turkish Republic shaped around international politics and trade. Although it is expected that long border and common history could help the commercial relations improve, volume of trade was very low because of some political reasons. Before World War 2, colonial administration in Syria and economic nationalism in Turkey had been the main restrictive factors. In the cold war era, following the ascendance of Baas Party, and polarization of states, commercial relations continued to be low. With the presidency of Bessar Esad in Syria who opened the economy abroad, and with Justice and Development Party's (AKP) rise to ascendance in Turkey, the volume of trade enourmously increased. With ShamGen, which is a project similar to European Schengen, and a step toward creation of a common market between Turkey, Syria, Lebanon and Jordan, it is aimed at establishing strong and consistent financial relationships among Syria, Jordan, Turkey, and Lebanon by setting a single market and by developing cooperation in banking. The potential GDP of the region is estimated as 900 billion USD. And it is planned that trade and investments between these countries would be supported and facilitated; the planned agreement would also complement free trade and visa-exemption agreements signed between the four countries. It is hoped that economic success of the process will bring peace and political stability to the region. The evaluation of the project has been made using SWOT analysis. This analysis indicates that it is an advantageous process for the region.

JEL Codes: F 15, F 36, N 15 and O 53

1. Introduction

Syria, being a hot topic today both in the media as well as in political discussions, is a transition economy with growing importance in the Middle East policy. Although Turks and Syrians shared a long history for almost four centuries under the Ottoman Empire, the relationship between two countries almost froze after the World War I, until the beginning of 2000's. The change in the economic system of Syria to liberalization with 1990's together with 'zero problem' policy with the neighbours initiated by new Turkish government of Justice and Development Party (AKP) in 2000's landmarked a new era in the relationship. And a project called as Shamgen -a term fusing the name of the old Ottoman Sham province with Europe's visa-free Shengen area- aiming at creating a regional cooperation in the area has been started.

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The purpose of this survey is to determine whether the ShamGen established as a regional cooperation following the changes both in Syria's economic system and in Turkey's Middle East policy is sustainable, with the help of a SWOT analysis. The paper consists of three main parts. The first deals with economic history of economic relationship between Syria and Turkey. The second part tries to summarize the development of the relationships between two countries together with the ShamGen project. And the third part tries to determine the potential opportunities for trade between Turkey and Syria, and challenges using a SWOT analysis.

2. Literature Review

Although both Syria and Turkey have been popular economic and political topics, their inter-relation has been rarely studied. Therefore, there is a narrow literature studying the economic performance and potential between Turkey and Syria, so is the literature on ShamGen (also called as Cnetac, and as Levant Quartet) as a regional cooperation.

Among them, Aydin and Yanar (2011) discuss the viability of ShamGen project using gravity equation. Albarracin (2012) gives an important role to Turkey and ShamGen for rebuilding the Middle East. Kösebalaban (2011) discusses the new Middle-East policy of Turkey called as zero-problem policy' in general making references to Turkey-Syria relationships. Kirişçi (2011) studies the transformation of the Middle East emphasizing the importance of visa-free travel thanks to ShamGen.

The most important contribution to the topic has come from a conference held in Turkey in 2011 with the participation of central bank governors and experts of four ShamGen countries (Turkey, Syria, Jordan, Lebanon), and representatives from private and public financial sectors, which has not been published yet.

All the publications above attempt to define the ShamGen project as a usual regional cooperation project. In this study, some advantages and disadvantages coming from Syria's and Turkey's economic and political structures, geographical settings, common history, etc... will be added.

Other studies including *SWOT Outlook* made by Statistical Economic and Social Research and Training Centre for Islamic Countries (SESRIC) in 2011 providing a SWOT profile on OIC Member Countries, as a group, in different socio-economic fields and sectors; a study made by European Union in which strengths, weaknesses, opportunities and threats of each ShamGen country for innovation, technology and development are determined individually make SWOT analyses.

This paper making a derivation from these studies aims at making a special SWOT analysis for the ShamGen project.

3. Methodology

In this paper a SWOT analysis of the ShamGen process will be made. SWOT (**S**trengths, **W**eakness, **O**pportunities, **T**hreats) analysis is an analytical planning tool which provides information that is helpful in assessing the impacts of major factors (internal and external) on the performance of an entity that could be a company or an industry or even a country or a group of countries with a common objective. Scanning the internal and external environment of an entity is an important part of the strategic planning process. In this context, SWOT analysis is very critical in matching the resources and capabilities of an entity to the competitive environment in which it operates, and, thus, it is an instrumental tool in strategy formulation and policy making. Internal factors, which are attributes of the entity itself, can be classified as Strengths (**S**) or Weaknesses (**W**). On the other hand, external factors, which are attributes of the outside environment and are out of the control of the entity, can be classified as Opportunities (**O**) or Threats (**T**).

4. History of Economic Relationship between Syria and Turkey

4.1 Before 2000

Syria had been one of the very important commercial centers in the Ottoman land. Aleppo was deemed in importance the third city in the Ottoman dominions behind Istanbul and Cairo (Masters 1999, p. 17¹). Aleppo's importance as a commercial center in the Ottoman period arose both from its geographical setting and historical developments. The city's probable beginnings stretch back to the origins of urban life in the Middle East. Despite its geographical advantages and antiquity, a more successful rival, Damascus overshadowed it (Masters 1999, pp. 19-20).

Under Islamic rule, Damascus became a major meeting-point for caravans of pilgrims undertaking the holy hajj to Mecca. As the Ottoman Empire expanded, so did the number of pilgrims, with between 25,000-60,000 people assembling in Damascus twice each year – once at the start of the journey, and then at the return. These trade voyages continued until World War I (Lababedi 2012, p. 23).

After the WWI, Syria's borders were broadly defined by the Sykes-Picot agreement in 1916, which placed Syria under a French mandate. After 3 years Syria would gain independence. However, the French remained in power until after WWII. But the common history did not result in close partnership after the Turkish Republic and Syria were established.

Bilateral relations between the two countries have been largely shaped by the Cold War, during which the two countries aligned with opposite camps. Turkey held strong anticommunist sentiments and believed that the Soviet Union had aspirations for regional expansion, which was coupled with Syria's belief that Turkey was an instrument of American imperialism in the Middle East. Another equally important source of historical contention between the two countries is the water of the Tigris and the Euphrates rivers, which originate in Turkey and flow down to Iraq and Syria. The issue of water initially

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emerged as a point of continuous tension in the 1960s but crystallized in the 1980s (Kent 2007, p. 31).

After the Cold War (since the early 1990's), Syria has initiated a process of fundamental transition. It is a transition from a statist economy to greater liberalization or, to use a more accurate term, *infitah* (open-door policy) (Melhem 1997, p. 2). Syria has taken gradual steps to transform the country's economic system of central planning to a more market oriented economy. Strong fiscal incentives to private investors, both foreign and domestic, were provided by Investment Law No. 10 of 1991, basically exempting investment projects from all relevant taxes and customs duties for five to seven years (Lucke 2001, p. 2).

In 2000, Bashar al Assad who inherited governmental power from his father, Hafez al Assad, resorted to relying on balancing through strengthening ties with several countries, for example, with Egypt and Saudi Arabia, as well as Iran, as his father had done. On the other hand, it continued to mend fences with Jordan, Turkey, and even Iraq (Kent 2007, p. 35).

These attempts opened the way for regional cooperation, since Turkey was actively seeking to assume a leading role in the region particularly with the Justice and Development Party (AKP) government. In last decade, Turkey has become an increasingly proactive and prominent player in the Middle East. The policy Turkey has pursued has been based upon three power blocs in the region: (1) Israel, (2) Iran, and the Arab countries that are within Iran's sphere of influence (Iraq, Syria and Lebanon) and (4) the Arab countries which stand in opposition to Iran's increasing dominance in the region (apart from Egypt, Saudi Arabia, the United Arab Emirates and Bahrain). It is evident in this categorization that the most significant factor in Turkish Middle East policy is the increase of Iran's regional hegemony (Kösebalaban 2011, p. 94). After the Iraq War, Turkey's two Arab neighbours, Iraq and Syria, are now within Iran's sphere of influence, which is an unprecedented development in the entire history of Turkish-Iranian competition. Many Arab leaders including the Jordanian King Abdullah II spoke of an emerging Shia crescent, encapsulating the area from Bahrain to Lebanon, and to the fear of many Sunni Arab regimes, might turn into a Shia full moon (Kösebalaban 2011, p. 103). However, Syria's current elite comes disproportionately from a minority sect, the Alawis, who used the army officer corps to rise to power in a society otherwise dominated by Sunni Muslims. Christian Arabs, especially the Greek Orthodox who make up less than 5 percent of Syria's population outstripped the Muslims in promoting the early spread of Arab nationalism in those countries (Goldsmith Jr., 2002, p. 10).

President Bashar made Syria's reform and integration into the World economy a priority for his government. The country embarked on a number of political, economic and administrative reforms ranging from press freedom and reduction of unemployment to creating a climate attractive to private investment. It introduced a series of far-reaching reforms and appointed several committees to look into other areas for improvement. New measures prioritised the strengthening of the financial sector and improvement of the regulatory environment in which it operates and the government is reportedly considering similar changes to the commercial code and to other laws, which impact on property

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rights. In 2001, Syria legalized private banking and in 2003 three private banks were licensed. Law No. 10 - issued in 1991 to encourage private investments - was amended to offer new investment incentives by giving generous tax breaks and custom duty concessions, while removing some of the shortcomings of the original legislation (Galdo 2012, p. 1).

Taken as a whole, Syrian economic reform thus far has been incremental and gradual, with privatization not even on the agenda. The new globalization drive, regional competitions for access to global markets, and internal socio-economic challenges prompted the government to initiate drastic reforms since the country needs modernizing, although the western-style systems is not considered necessarily appropriate for Syria. It is evident from the first years of this government that the obstacles to economic liberalization are mainly political. Free market reforms could not only undermine the regime's base of support, but could also cause social shocks and unrest. The new President nevertheless made it clear that his objectives would be pursued on the basis of change within stability. Thus the pace of reform is foreseen to be slow (Galdo 2012, pp. 1-2). Although Bashar was expected to take a more liberal approach than his father, and had said that democracy in Syria was 'a tool to a better life', he also said that democracy could not be rushed.

Syria's economy is suffering by large numbers of poorly performing public sector firms, low investment levels, and relatively low industrial and agricultural productivity, but some changes like the introduction of private banking and foreign involvement in the country's oil business gave some people hope that things were beginning to change.

4.2 After 2000: A New Beginning

Syrian–Turkish relations were very much affected by the global and regional systemic changes that occurred in the late 1980s and early 1990s (Altunışık&Tür 2006, p. 234). With the Adana Accords signed between the two countries on 20 October 1998, there were immediate developments in bilateral relations, especially in the security field. Relations between the two countries took a new turn after the Adana Accords. The head of the Turkish Parliament and then-acting President, Hikmet Çetin, for example, highlighted the emergence of a new era in Syrian-Turkish relations in 1999 by calling it a 'bright period starting between the two countries.' (Altunışık&Tür 2006, p. 238). A 1999 visit by a delegation headed by an aide to Syrian Prime Minister Salim Yassin led to the reactivation of the Joint Economic Commission, which had been defunct since 1988. These efforts were soon rejected in the economic field, as the trade volume between the two countries reached \$724.7 million in 2000, up from \$539.2 million in 1999, making Turkey the fourth largest trading partner of Syria (Kent 2007, p. 34).

Another major breakthrough in Turkish-Syrian relations occurred in 2000, when Turkey president Ahmet Necdet Sezer went to Damascus for the funeral of Syrian leader Hafez Al-Assad. The prospects of good relations were further improved when Turkey supported Bashar during his deep family power struggle with his uncle, Rifaat al-Assad. Relations between the two countries gained significant momentum under the watch of the AKP

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(Justice and Development Party). Bashar Al-Assad visited Turkey in 2004, marking the first such visit ever by a Syrian president.

During Bashar's visit to Turkey, the institutional framework for economic relations was established. The two sides decided to open up a consulate in Gaziantep and border centers in several Turkish cities to facilitate trade in the border regions. Demining of areas in the border territories to permit organic agriculture was agreed (Altunışık&Tür 2006, p. 242). Assad summarized his official visit to Turkey with the statement: 'We have together shifted from an atmosphere of distrust to trust' (Aras&Polat 2008, p. 509).

During the visit by Turkish Prime Minister Recep Tayyip Erdoğan's in December 2004, a Free Trade Agreement was signed between the two countries, still waiting to be ratified because of the concerns of Syrian businesses that they might be harmed because of the competition from Turkish goods (Altunışık&Tür 2006, p. 242). In that same year, Ankara and Damascus signed a free trade agreement and a strategic partnership treaty.

The level of the political relations between Turkey and Syria, geographical proximity of the two countries and familiarity between two people constitute a favourable atmosphere for the economic relations (Ministry of Foreign Affairs of Turkey 2012). Syria was cited as the most successful diplomatic undertaking of the AK Party government in the last few years as a realization of 'zero problem with neighbours' ideal. In the course of following few years, the two states declared mutual removal of visa requirement in 2009. As of 2010, civilian human traffic between the two countries has reached 100 thousand people per month. While only twenty thousand Turkish citizens visited Syria in 1990, this number reached a record of one million (Kösebalaban 2011, p. 105).

According to the data of the Ministry of Culture and Tourism, the number of the Syrian tourists who visited Turkey in 2007 was 332,847. An increase of 22, 26 % was realized in 2008 with 406,935 tourists. In 2009, the number totaled 509,679 with an increase of 25 %. According to the data of Ministry of Tourism of Syria, on the other hand, the number of the Turkish tourists who visited Syria was 485,953 in 2007 and with an increase of 15 % compared to the previous year, 562,932 in 2008.

While the number of the Syrian tourists in 1999, 2000 and 2009 were respectively 112716, 122376 and 509,679, it reached to 899,494 in 2010. Hence, an increase of 91 % with regard to visitor number was recorded in 2010 compared to the previous year. Syria became the 8th country which sends most tourists to Turkey in 2010.

The number of the Turkish tourists who visited Syria in 2010 was 1,664,209, which constitutes an increase more than 100% compared to the previous year (733,132) (Ministry of Foreign Affairs of Turkey 2012).

Turkish – Syrian Regional Cooperation Meeting concerning bilateral cooperation in the field of tourism (Turkish-Syria Joint Tourism Commission Meeting) was held on 12-14 January 2011 in Damascus. Ertuğrul Günay, Minister of Culture and Tourism of Turkey, participated in this meeting.

Last (6th) meeting of the Joint Economic Commission, which was founded within the framework of the Agreement on Economic, Scientific and Technical Cooperation (1982),

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was held on 28-29 July 2003 in Ankara; the 4th meeting of Turkish-Syrian Partnership Council was held in Ankara on 6-7 January 2011; the 4th meeting of the Industry Follow-up Committee, formed with respect to the Agreement signed in 2004 by the Ministers of Industry of the two countries, was held in Damascus on 7-8 April 2010 under the co-chairmanship of Nihat Ergün, Industry and Trade Minister of Turkey; the last meeting of the Turkish-Syrian Business Council was held in Istanbul on 1-3 May 2006. The Turkish-Syrian Labour Forum, as a part of 2nd Ministerial Meeting of the Turkish-Syrian High Level Strategic Cooperation Council which was held on 2-3 October 2010 in Latakia, took place on 2 October 2010 in Tartous; meeting of Turkish-Syrian Joint Commission for Land Transportation was held in Damascus on 30-31 January 2011. The Deputy Governors of the Central Banks of the ShamGen Region met in Istanbul on March 27, 2011 and made some decisions on cooperation on payment systems, organizing a workshop, supporting cross-training initiatives between central banks.

Trade Agreement, Protocol on Economic Cooperation, Agreement on the Prevention of Double Taxation, Agreement on Mutual Promotion and Protection of Investment and Free Trade Agreement constitute the legal ground of Turkish-Syrian bilateral economic and commercial relations (Ministry of Foreign Affairs of Turkey 2012).

Turkish companies are also fast expanding their investments in Syria. Turkey also encouraged its entrepreneurs to invest in Syria. Between 2005 and 2007, Syrian authorities have approved more than thirty Turkish investment projects in the country (Gordon&Taşpınar 2008, p. 58). The Turkish-Syrian Business Council was established for exploring the possibilities of expanding economic relations between the two countries and entrepreneurs from both sides have begun to meet in the joint Turkey-Syria Economic Forum since 2008 (Altunışık&Tür 2006, p. 152). In the new period, non-governmental actors and business associations such as the Turkish Foreign Economic Relations Board (DEİK), the Independent Industrialists and Businessmen's Association (MUSIAD), the Turkish Exporters Assembly (TIM) and the Turkish Industrialists' and Businessmen's Association (TUSIAD) lobbied the Turkish government, and their economic interests in the neighbor states like Syria shaped Turkey's approach to the foreign policy questions (Kirişçi, Tocci & Walker 2010, p. 11). According to a report, 'Turkey has earmarked 180 million euros (247 million USD) in loans for Syria to use for infrastructure projects.' Turkish investments in Syria amounted to USD 700 million in 2010 (Kirişçi 2011, p. 39).

Turkey actively seeks to assume a leading role in the whole region. As a result, Turkey's economic ties with the Middle East have strengthened, and manifested in efforts to expand trade, capital flow and the movement of people (Aydin&Yanar 2011, p. 84). In yet another sign of deepening ties, Turkey announced the creation of an economic council to work toward creating a free-trade zone between itself, Syria, Jordan and Lebanon. This is considered as the cornerstone of a new regional order, one based on more open borders and the free flow of goods and people (some Turkish pundits and officials even started talking about the creation of a 'ShamGen' zone—a term that fuses the name of the old Ottoman Sham province, which encompassed modern-day Syria, with Europe's visa-free Shengen area) (Schleifer 2012).

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In addition to this, Turkey signed Free Trade Agreement with many countries in the Middle East (Syria, 2007; Egypt, 2007; Tunisia 2005; Morocco, 2006 and Jordan 2011). Hence Turkey's trade volume with the MENA (Middle East and North Africa) has increased.

	2001		2004		2007		2010	
	Export	Import	Export	Import	Export	Import	Export	Import
Syria	281	463	395	358	798	377	1.849	663
Lebanon	184	26	234	147	393	116	619	229
Jordan	119	14	229	14	389	12	572	42

Table 1 derived from Turkish Foreign Trade Statistics shows that foreign trade of the ShamGen countries has increased in a dizzy speed in this period. For example Turkey's export to Syria has enlarged over 500 percent compared to 2001 (Aydin&Yanar 2011, pp. 86-7). It is expected that volume of trade between the two countries, in a short time, will reach to 5 billion dollars from 800 million dollars thanks to the Free Trade Agreement. Turkey's trade volume reached to 1, 85 billion dollars as of 2009. This number surpassed 2, 2 billion dollars in the first 11 months of 2010 and it is envisaged to reach to the target of 5 billion in a short period of time (Ministry of Foreign Affairs of Turkey 2012). Likewise Lebanon and Jordan trade with Turkey has increased (Aydin&Yanar 2011, pp. 86-7).

In parallel, Turkish government moved to waive visa requirements for Lebanese and Jordanian citizens visiting Turkey. In addition, Turkey led in the establishment of a free trade zone to include Syria, Lebanon and Jordan creating a market of more than 100 million people (Kösebalaban 2011, p. 105). In 2008 the total GDP of Arab countries with which Turkey has signed free trade agreements and is aspiring to achieve deeper economic integration with was only less than 55 percent of Turkey's GDP. These countries in 2008 and 2010 ran a foreign trade deficit amounting to USD 2.9 and 4.8 billion (Kirişçi 2011, p. 48). In 31 July 2010 a multilateral regional free trade agreement was signed between Turkey, Syria, Jordan and Lebanon, the so-called 'Close Neighbors Economic and Trade Association Council (CNETAC)'. The council envisages establishing a free-trade and visa free area. In addition it aims improving the cooperation in trade, transport, tourism and energy (Aydin&Yanar 2011, p. 84). It is still difficult to substantiate the net impact of visa liberalization. However, the increase of entries from the Arab world was average 62 percent between 2008 and 2010 (Kirişçi 2011, p. 45).

In keeping with this shared vision of the need to create a sort of common future, this agreement is for the explicit purpose of creating a Middle Eastern common market. CNETAC establishes as a medium-term objective the free movement of capital, goods and people through the creation of what has been called the 'Middle Eastern ShamGen Area.' To achieve this area, a High-Level Strategic Cooperation Council (HLSCC) between the four countries has been set up to ensure and oversee the project (Albarracin 2011). The HLSCC provided a concrete mechanism that sought further cooperation in many areas. The Council decided to meet at least once a year with its high level members as the Prime Ministers and other important government officials. In addition to that, within the mechanism the ministers responsible for Foreign Affairs, Energy, Trade, Public Works, Defense, Interior Affairs and Transportation from both sides have been

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scheduled to meet at least twice every year with the aim at building common action plans. In the first meeting of the cabinet members (13 September 13 2009), it was decided to work on 40 protocols and agreements in the political, economic and social realm. In the second meeting of the Council in December 2010, another 11 agreements were signed and both sides agreed on many documents about cooperation in a wide range of areas. Therefore the HLSCC has served as a mechanism for both sides to manipulate economic and social structural changes in the other country. The two states agreed on building a joint dam called as 'Asi Friendship Dam' at the Turkish-Syrian border over the Asi (Orontes) River in the December 2009 meeting of the HLSCC (Güneylüoğlu 2011, pp. 159-60).

Through this agreement, the 'Levant Quartet' - as the four countries are now known - aims to create a common market and monetary union by launching a visa-free zone and establishing a free-trade zone. The agreement also provides the backbone for future financial cooperation, specifically touching on cooperation in intra-regional investment and project financing (Kamhiyah 2011).

Initially, the agreement emphasises the economic building blocks of trade, transport, tourism and energy, designating one country in each case to lead and coordinate progress in the field under its own responsibility. The CNETAC is comprised of three pillars of cooperation: political, cultural and economic. The economic pillar is the one set out in the most rigorous detail and the one for which the most tangible and immediate objectives and deadlines have been established. The three pillars, in turn, encompass fourteen objectives, which range from promoting SMEs to food security, by way of cooperation in third markets, the joint definition and implementation of new infrastructure, educational cooperation and cultural exchanges (Albarracin 2011). Scholars have long pointed out the relationship between economic development and democracy while research has also shown a strong relationship between the level of development and sustainability of democracy. Economic development transforms societies in a number of ways. Most importantly it enlarges the middle class, making it difficult to sustain the concentration of political power in the hands of narrow elite, and encourages social capital to emerge thereby enriching civil society (Kirişci 2011, pp. 36-7). In addition, free trade and economic integration help reduce political conflicts and tension between neighboring countries, hence contributing to international peace and stability (Aydin&Yanar 2011, p. 95).

CNETAC is an intergovernmental agreement, but one of the underlying factors of this attempt to foster closer relations is the manifest interest of the private sectors of the member economies. Their representative bodies offer grassroots support for strengthening these relations. To this end, the Levant Business Forum was set up to consolidate the Project and audit its progress. This Forum, which meets once a year, is responsible, among other things, for preparing the White Book and Action Plan for the satisfactory establishment of the free trade agreement and the agreement for the free movement of all factors of production. Likewise, it is expressly tasked with lobbying each country's government to ensure swift implementation of the necessary reforms to meet these objectives (Albarracin 2012).

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Turkish business civil society in the form of organizations has been involved in activities and projects that constitute examples of how democratization offers the business world a chance to shape politics and foreign policy. For example in December 2010, TOBB (Turkish Union of Chambers), together with DEIK (Turkish Foreign Economic Relations Board), led the initiative for the formation of the 'Levant Business Forum', composed of representatives from Jordan, Lebanon, Syria and Turkey, with the aim of encouraging greater economic integration (Kirişçi 2011, p. 41).

The outbreak of the Arab democratic revolts in the winter of 2010- 2011 caused a dramatic rupture in this regard by forcing a revision of foreign policy, according to which Turkey emerged as the supporter of democratization in North Africa and Middle East. The victim of this revision, however, was the strategic partnership with the Syrian regime that Turkey had built in the last decade (Kösebalan 2011, p. 95).

5. Swot Analysis

SWOT Outlook made by Statistical Economic and Social Research and Training Centre for Islamic Countries (SESRIC) in 2011 highlights the strengths and weaknesses of the OIC countries (of which ShamGen countries are members) with a view to enhancing their competitiveness globally as well as the level of their cooperation as a group. It also indicates major opportunities to be utilised for further growth and development in OIC countries as well as potential threats that they may face in the future. Having a young population, possessing a significant portion of the world's crude oil and natural gas reserves, accumulating increasing international reserves and being among the top producers of agricultural commodities are major strengths of the OIC countries, as a group. The increasing trends in foreign direct investment, intra-OIC trade, and tourism receipts together with the declining trend in external debt burden are opportunities for OIC Member Countries that should be transformed into higher economic growth and development levels.

On the other hand, high unemployment rate, weak participation in labour force, inadequate agricultural mechanization and inefficient use of water in agriculture, and lack of adequate funding for scientific development are weaknesses that should be overcome. Water scarcity, low agricultural productivity, high trade deficit in food, low access to improved water resources and sanitation facilities and inadequate information and communication technology (ICT) infrastructure are threats that are likely to impose serious challenges and, thus, necessitate urgent countermeasures (Sesric 2011).

In another study made by European Union, strengths, weaknesses, opportunities and threats of each ShamGen country for innovation, technology and development are determined (Crehan&Jones 2003, pp. 68-9). And in a conference held in Istanbul, Turkey in 2011 with the participation of central bank governors and experts of four ShamGen countries (Turkey, Syria, Jordan, Lebanon), and representatives from private and public financial sectors, strengths, weaknesses, opportunities and threats ShamGen project have been analysed. Following table has been derived from these entire swot analyses.

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<p>Strengths</p> <ul style="list-style-type: none"> - Historical and cultural ties make regional cooperation much easier. With no cross-cultural barriers and the benefit of a common history, the cooperation and association among the ShamGen nations appears nothing but a most natural and logical family re-union (Youssef 2011). -Being neighbour countries will bring some transaction and transportation cost advantages. -Jordan, Syria, Lebanon and Turkey have signed a lot of agreements in recent years to foster economic cooperation in trade, tourism, and investment. These agreements make creating investment friendly environment & incentives, providing R&D incentives easier. -ShamGen countries have a strategic position that could make it the hub for deliveries of gas from the Middle East to Europe. -Turkey's dams' program could help make available cheaper and cleaner electricity in the region (Iskandar 2011). - ShamGen countries can develop the financial cooperation which is vital for the efficient functioning of the four countries' financial systems and economies. They can easily attract Islamic financial industry by adopting the IFSB's (Islamic Financial Services Board) standards. A very strong Diaspora especially in the US and the Middle East (Crehan&Jones 2003, p. 40) will make contributions to the process. -With the peace and political stability, the region lacking in structural and infrastructural investment will attract foreign investments, mainly from Islamic countries. Great amounts of investment will help the low GDPs increase. 	<p>Weaknesses</p> <ul style="list-style-type: none"> -Turkey is the largest economy in the region. Despite high growth rate in the last decade, Syria, Lebanon and Jordan GDP's are quite small. Trade creation effect may be low, because the sizes of economies are small and disproportionate (Aydin&Yanar 2011, p. 87). - Regional economic integration would be enhanced through better trade facilitation procedures and by better transport infrastructure. There is a poor environment for trade in the region (Aydin&Yanar 2011, p. 90). - Although intra-regional trade in ShamGen has increased rapidly since 2000, intra-regional share in the total trade has very low (3,98 %). While total trade to world was around 316 billion in 2009, intra- regional trade was only around 12 billion. The reasons behind the low intra-regional trade are the low level of complementarity of trade, poor investment climates, weak political commitment to economic integration, lack of a common vision, and ongoing conflicts in the region (Aydin&Yanar 2011, p. 88). - A 'trader mentality' among entrepreneurs indicates a lack systemic vision and organisational skills as well as the ability to cooperate (Crehan&Jones 2003, p. 32). - There is skepticism of small countries in the bloc about economic domination by big players.
<p>Opportunities</p> <ul style="list-style-type: none"> -With ShamGen, Syria could become a gateway to the Arab world for Turkish goods, while Turkey could become a gateway for Syrian goods to the European Union and the West in general. 	<p>Threats</p> <ul style="list-style-type: none"> - To be able to increase the economic returns of the integration, insertion of some other countries having larger economies such as Egypt, Saudi Arabia and Irak into the region will be

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-It is on the agenda to establish reciprocal currency arrangements, or 'swap lines', between countries' central banks. This initiative should facilitate foreign currency transactions between the banks particularly in time of crisis as it reduces the cost of foreign currency liquidity and decreases foreign exchange risk (Saqqaf 2011).

-Central banks have a particular interest in the oversight of central securities settlement systems because they provide services which are necessary for the implementation of monetary policy, and they settle securities transactions whose value and importance to financial market participants make them crucial for financial stability. The smooth operation of payments systems promotes efficiency and effectiveness in the financial system.

-Integration is one of the most important tools to maintain peace and stability in the region. Deeper economic relations mean more security. Democratization of the countries of ShamGen will help implementation of reforms, compensation of structural and institutional deficits.

-Trade liberalization will enhance competition, thus allowing access to finance at competitive costs, expand firms' capacity and export opportunities, enhance efficiency through foreign banks participation, create spillover effects of modern financial techniques and benefit small and medium enterprises (Kandah 2011).

- There are many opportunities for adding value in basic activities in areas such as tourism, agriculture and food processing (Crehan&Jones 2003, p. 56). Political stability and openness will make the ancient region very attractive for tourism.

- Regional cooperation led by Western-sided Turkey can help the integration of this region with Europe against the influence of Iran in the region.

required.

-It is required a strong and sustainable political will in order to be able to achieve the integration of ShamGen countries. The roaring eruption of socio-economic popular uprisings in Tunisia, Egypt, Yemen, Libya, Bahrain and Syria, and to a lesser extent in Jordan is open threat for this process.

- The total liberalization of trade between two countries at different levels of development imposes on the less developed country forms of specialization, which severely restrict the possibilities for organizational evolution and development in those branches of production that characterize the developed economies (Petraikos 2012, p. 2).

-Safety of commercial relations and investment is very important for regional integration. In the region, such risks are still higher and sometimes unaffordable. Legislative restrictions on investment and ownership still exist in some countries. Credit bureaus which are crucial to expanding foreign banks that are not familiar with local borrowers in other countries are unavailable (Kandah 2011).

- Ongoing conflicts and permanent threat for political changes and instability in the region will retard the investments and increase the costs.

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When we compare the positive side to the negative, we can see that strengths and opportunities are superior to the weaknesses and threats. The countries are strong enough to overpower the weaknesses; and the opportunities the project offers are greater than the threats to it. Positive sides are of greater economic value: common history and common cultures will make cooperation easier; being neighbours will bring cost advantages; being on the gateway to Europe from the Middle East will bring some strategic advantages; possible inflow of Islamic finance will help the investments, etc... And it is hoped that this value will encourage the parties to implement it. And it can be said that the success of the project will bring advantages not only to the region, but also to a greater area including Middle East and Europe.

6. Concluding Remarks

It is hoped that active policies of Turkey who inherited the Ottoman legacy who could maintain peace in the region lasting 4 centuries, can bring stability and peace in the region back. Since free trade and economic integration help reduce political conflicts and tension, and increase security in the region in consequence, the ShamGen project led by Turkey seems to be an appropriate initial attempt.

We can observe from the SWOT analysis that the positive sides of the project are superior to negative ones. Since the strengths and opportunities are of greater value, the countries should eliminate the weaknesses and overcome the threats for their own interests. In the first run, the great increase in the volume of intra-regional trade from the beginning has met the expectations and encouraged the parties for sustaining the project. The big increase in the intra-travel indicates the interest and participation of the people.

Turkey and Syria have been the main actors of this performance. Although ShamGen Project temporarily seems to come to an end following the civil war in Syria, since Turkey and Syria have proved that they are able to repair the long-time broken relationship by solving very complicated problems as in the beginning of 2000, we can expect that they will continue the process by overcoming the problems. Since the economic results of this cooperation are satisfactory, the people involved can not neglect it. This success is the evidence of irreversibility of the process. This cooperation can bring peace and stability to the region, and help the integration of the Middle Eastern market with Europe through Turkey. These are positive externalities of ShamGen which can bring support of the developed world to the project.

Endnote

¹ from Alexander Russell, *The Natural History of Aleppo* (London, 1794), vol. 1, pp. 1-2

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