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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

THE ECONOMY
OF THE
SYRIAN ARAB REPUBLIC

October 23, 1963

Department of Operations
South Asia and Middle East

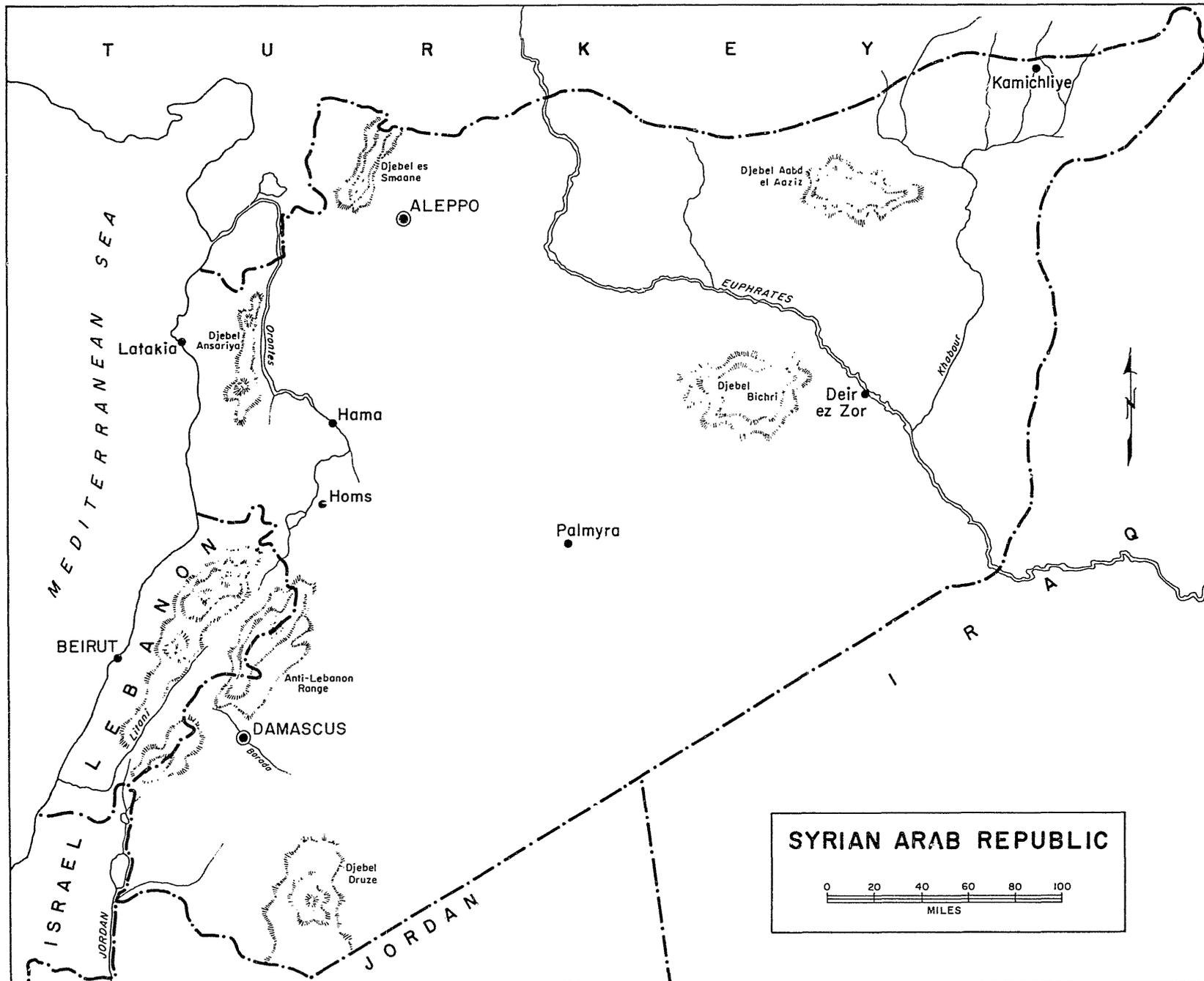
CURRENCY EQUIVALENTS

1 Syrian pound = 0.26 U.S. dollar
1 U.S. dollar = 3.80 Syrian pounds

Before the Syrian pound was devalued
in July 1961, the official rate was
LS 3.60 = \$1.

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BASIC STATISTICS

Area: 181,000 square kilometers = 70,000 square miles.

Population: About 4.8 million.

National Income: (LS Million)

	<u>1961</u>	<u>1962</u>
	<u>2,357</u>	<u>2,786</u>
Of which: Agriculture	805 33%	1,129 41%
Industry	352 15%	350 13%
<u>National Income per Capita</u>	Around \$150	
<u>Gross Domestic Investment, 1962</u>	About LS 400 million	
<u>Gross Domestic Saving, 1962</u>	About LS 410 million	

Foreign Trade (LS Million)

	<u>1957</u>	<u>1961</u>	<u>1962</u>
Exports	<u>548</u>	<u>395</u>	<u>617</u>
of which: Cotton	203	215	272
Wheat	89	-	74
Barley	52	-	75
Imports	<u>616</u>	<u>711</u>	<u>862</u>
Trade balance	-68	-316	-245
Balance of payments surplus on current account (\$US Million)	2.6	-38.6	2.2

Money Supply (LS Million)

	<u>Dec. 31, 1957</u>	<u>Dec. 31, 1961</u>	<u>Dec. 31, 1962</u>
Total money supply	636.5	888.0	<u>1,009.7</u>
Currency	<u>461.8</u>	<u>583.8</u>	661.0
Deposits	174.7	304.2	328.7
<u>Net Foreign Assets</u> (\$Million)	45	-23	-12

Summary and Conclusions

- i. Although Syria has developed its economic potential at a good pace it is still a relatively poor country, with a per capita income of around \$150. In spite of limited availabilities of water, the country's main natural resources are agricultural; agriculture is the main occupation, and provides between 60 and 80% of exports. Invisibles, including oil transit royalties, play an important role in the balance of payments, which is normally in equilibrium on current account in years of satisfactory rainfall.
- ii. The population is on the whole conscious of economic opportunities and able to seize them. Domestic saving and investment have averaged about 12-14% of GNP since the war and there has been little reliance on foreign capital. Until 1957 national income grew by about 5-6% annually, thanks mainly to private initiative in agriculture and industry.
- iii. From 1958, the year when Syria joined with Egypt in the UAR, to 1961, Syria suffered from four consecutive years of drought. This brought about a large trade deficit and a decline of national income even though the growth of non-agricultural sectors continued at first. The effects of the drought were aggravated by government deficit financing. Foreign exchange reserves fell rapidly. Trade and exchange controls introduced in 1961 and followed by nationalization measures were of little avail because they led to a complete loss of confidence in the private sector, which showed up in capital flight and in declining industrial investments.
- iv. After the breakup of union with Egypt, a stabilization program was introduced in late 1961. Public investment was cut down to a manageable size, trade and exchange controls were gradually lifted, and most nationalization measures were rescinded. The effect of these measures was enhanced by the good 1962 crop and the fortunate \$10 million windfall of a settlement with TAP-line. In 1962 there was no fiscal deficit; the balance of current foreign payments registered a slight surplus, and net foreign exchange reserves increased. In an unstable political situation, private confidence was recovering only slowly; nevertheless at the time of the March 8 coup, the short-term outlook was promising. It is yet too early to evaluate developments since then.
- v. The Bank Survey Mission which studied the Syrian economy in 1954 had already noted that the country's infrastructure was increasingly inadequate to the needs of the economy, and that the scope and size of public investment had to be extended. Since that time a fivefold expansion did indeed take place; and a further increase can be expected because it has been decided to undertake several new large projects in the coming years. Loans or commitments to cover the foreign exchange costs of these projects have already been secured; but local currency costs would overtax the Government's financial resources unless planning is very careful and effective measures are taken to increase public savings.

vi. Assuming sound fiscal and development policies the long-range prospects of Syria's economy are favorable. However, the country's present economic situation is precarious. Foreign exchange reserves are low, and are more than equalled by short-term liabilities. Another drought would have serious consequences. Since service payments on Syria's existing external public debt, including undisbursed amounts, are already fairly high (some 9% of expected foreign exchange earnings in the next few years, and rising to a peak of 15% by 1970) it would therefore for the time being not be prudent for Syria to assume any additional debt at conventional terms.

I. THE SETTING

Introduction

1. Syria's political life, never noted for its stability, has been particularly turbulent in recent years. In February 1958 Syria merged with Egypt in the United Arab Republic. However, important differences in the economic, political and social structures of the two countries put the union under growing strain. In September 1961 a coup by the Syrian Army led to the severance of the ties with the UAR. Subsequent attempts to re-establish a constitutional government failed. Finally, in March 1963 and as a result of an army coup, a "National Council of the Revolutionary Command", consisting of high army officers, was created which assumed all government prerogatives and installed a cabinet in which the Baath Party - whose proclaimed aims are Arab unity and socialism - was predominant. This reflected developments in Iraq where, shortly before, the revolution against Premier Kassem had led to similar results.

2. The new Government, together with its Iraqi ally, immediately took the road to Cairo in order to explore the possibility of creating a new type of union with Egypt which this time would also include Iraq. A period of difficult negotiations followed but finally, on April 17, a new United Arab Republic was proclaimed in which the three countries were to be incorporated. The new State was to be officially established only after a referendum in each of the three partner countries, to be held in September 1963, would have approved constitutional arrangements which were supposed to be worked out in the meantime. However, serious disagreements between the Governments of Syria and Iraq on the one hand, and the Egyptian Government on the other hand soon became apparent, and the tripartite federation failed to materialize. Recently, there have been indications that the Governments of Iraq and Syria intend to work out some form of bipartite union.

3. The political uncertainties have had, of course, immediate and unfavorable repercussions in the economic sphere, which will be discussed in more detail later in this report. Private investment - which has been the principal force behind Syria's past impressive rate of economic growth - will remain stunted as long as doubts persist about future political developments and economic policies.

Natural Resources ^{1/}

4. Syria has an area of about 70,000 square miles (181,000 square kilometers), about three-quarters of the size of the United Kingdom.

5. The country's principal natural resources are agricultural. Fertile land is abundant but its use is limited by the availability of water. Not more than 30% of Syria (about 5.5 million hectares), particularly the coastal region and the northern and northeastern part of the country, receive sufficient rainfall for some type of cultivation. Only about 500,000 hectares are irrigated - two-thirds by pumps and one-third by gravity. Half of the irrigated land is along Syria's two main rivers, the Euphrates and its tributary, the Kabour.^{2/}

6. Known mineral resources are limited. Petroleum exploration in the extreme north-east, the Karatchuk region, is continuing, apparently with promising results; in two of the five fields in which the government-owned General Petroleum Organization is prospecting, with the help of Russian experts and equipment, reserves totalling 100 million tons are said to have been discovered, which are expected to yield a production of about 5 million tons per year. Exploitation is delayed, however, by long drawn-out negotiations about granting concessions to private companies.^{3/}

7. The Soviet Union also provided equipment and experts for producing a complete geological map of Syria which was finished recently but has not been fully translated yet, and has further assisted in geological exploration work designed to assess quantities and qualities of certain known mineral reserves. Phosphate deposits have been found near Palmyra, and it is planned to produce superphosphate for local consumption. There are also deposits of rock salt near ~~Deir-es-Zor~~ and bituminous sandstone, usable for asphalt production, in the Jebel Bishri region.

^{1/} A survey mission to Syria was organized by the Bank in 1954. Its report, which was published eight years ago, (The Economic Development of Syria, The John Hopkins Press, 1955) is still relevant in its description of the country's economic structure and potential.

^{2/} According to Syrian reports, the annual flow of the Euphrates is 25 billion cubic meters per year and that of the Kabour 1.7 billion cubic meters. Syria's third major river, the Orontes (Al Asi) has a yearly flow of approximately 1 billion cubic meters and all other rivers and streams combined about 2.3 billion cubic meters.

^{3/} Negotiations have been going on for several years with the German Company Concordia which already has an exploration concession.

Population

8. Syria's population numbers approximately 4.8 million and grows at an annual rate estimated to be between 2% and 3%; as a result its structure is heavily weighted in favor of the low-age groups.

9. Successive governments have paid special attention to education. Between 1948 and 1956 expenditures on education always made up more than 16% of the ordinary budget; and they grew by more than 30% between 1957 and 1961/62. During the decade 1951/52 - 1960/61, the number of primary schools increased from about 2,200 to 3,500, and the number of pupils attending them from about 300,000 to about 480,000 (30% of whom are girls). It is estimated that in urban districts about 80-95% of all boys and girls attend primary school; in rural areas the percentage is only 70% for boys, and much lower for girls. As a result, the literacy rate of the population is relatively high (about 50%). Facilities for secondary and higher education have been expanding continuously as well; however, facilities in some branches - science, engineering, agriculture - have not kept up with the number of students seeking admittance.^{1/} Some improvement is likely as the program of existing universities expands and new institutes of higher learning are created, partly with foreign help. Although vocational training has expanded faster than general education the available facilities are still very insufficient. The shortage of trained personnel is acute, and highly skilled workers often earn three or four times the daily ES 3 generally paid to unskilled laborers; agricultural laborers also may earn much more during the harvest season when some parts of the country experience acute labor shortages.

10. The government administration faces a special problem in attracting and keeping adequately qualified people; various defects mentioned in detail by the survey mission^{2/} - excessive centralization, antiquated administrative methods, inadequate coordination and low salary scales - are still hindering the improvement and rejuvenation of the administrative apparatus, which nevertheless is reasonably effective.

11. A three-thousand year old tradition of industry and international commerce has left a strong impact on the country; the population is in general "business-minded" and Syria has a relatively large and energetic entrepreneurial class. New opportunities are seen and exploited quickly, not only in the field of trade, but also in agriculture and industry where past expansion has been quite rapid, and due almost entirely to private initiative.

^{1/} In 1960, 6,100 of the 13,800 students of Damascus University and 1,000 of the 1,300 students of Aleppo University were studying law, but only 1,100 students in all were studying the sciences, 700 engineering and 120 agriculture.

^{2/} Op. cit. p. 193-195.

Economic Growth^{1/} (Tables 1 & 2)

12. The survey mission estimated that real national income in Syria had been rising at an annual rate of 5-6% up to 1953. National income figures available for later years indicate that the same rate of expansion continued through 1957; then a period of stagnation set in, due mainly to exceptionally unfavorable weather conditions, but increasingly also to the loss of confidence of the business sector brought about by political circumstances.

National Income Estimates In Selected Years (Constant 1956 Prices)

	<u>1953</u>	<u>1957</u>	<u>1961</u>	<u>1962</u>
Total (LS millions)	1892	2451	2357	2786
Per Capita (LS)	485	578	495	580

13. The 2.6% annual rate of growth which prevailed between 1957 and 1962 - two equally good crop years - is not very impressive. In view of the relatively high rate of capital formation one would have expected better results. Throughout the past ten years gross investment ^{2/} amounted to about 12-14% of GNP. Private investment reached a peak in 1956, and then, largely because of non-economic factors, gradually fell by more than 40%. Public investment, which had made up less than 20% of total gross investment before 1954, doubled between 1954 and 1958 and had more than doubled again by 1960/61 (when it reached LS 282 million, as against the private sector's LS 180 million). This accounts for the high capital-output ratio of the more recent years. While private investment had gone mainly to fast-maturing projects of relatively low capital intensity, public investment generally took more capital intensive forms; also, many of the public investment projects have been slow-maturing ones and have not yet been completed.

^{1/} National income figures are given in constant 1956 prices; they are calculated, no doubt with very little accuracy, on the basis of 1956 sectoral income figures multiplied by constant-weight production indices. Investment and savings figures are at current prices. However, 1956 prices and current prices of later years are fairly comparable. There is no general price index, but available indications are that from 1957 to 1961 the price level increased only slightly (3% for the Damascus wholesale index). After the good 1962 crop, prices may have come back even closer to the 1956 level.

^{2/} Investment figures in fact relate to gross fixed capital formation. Accumulation of inventories and their financing are excluded from both the investment and the savings estimates.

14. Domestic savings have roughly followed the course of investment; the two have been about equal in good crop years, when current foreign payments are generally in balance.

Agriculture (Table 3)

15. Agriculture provides the livelihood of an estimated 65-75% of Syria's population, and in years of normal rainfall its share in GNP is between 35% and 40%. Syria's principal crops are wheat and barley grown mainly on rainfed areas, and cotton, which is mainly produced on irrigated lands. These are also Syria's main export commodities.

16. Between 1950 and 1957 the area under barley almost doubled and the area under wheat increased by about 50%, largely through the action of private commercial entrepreneurs often operating on very large, mechanized units. Much new land was opened up in the country's humid and semi-humid north-east, but some land which does not normally receive adequate rainfall was also put under crops; on these production dropped to zero during the drought years.

17. Syria grows mainly durum wheat, a variety which normally sells well in the Mediterranean region and enjoys a price premium over soft wheat. Unfortunately, the quality of much of the country's wheat is poor; the supply of new seed is insufficient. Grading, too, is very inadequate and last year this led to about 100,000 tons remaining unsold. For barley these factors proved to be much less of an obstacle to sales. The administration is aware of this problem and efforts are being made to solve it, in spite of the shortage both of competent personnel and of funds. In the future the Cereal Bureau of the Ministry of Supply will control the quality of wheat presented for export (this year with the help of a private foreign firm) and the Ministry of Agriculture is making efforts to step up its seed distribution program.

18. Cotton production on a large scale is relatively new to Syria. Its fast expansion began during the Korean boom. The production of cotton increased more than sixfold between 1950 and 1955, to about 87,000 tons (ginned equivalent) in that year. However, the area that could be easily brought under irrigation by private pumps had then about reached its limits, and after 1955 production increased at a slower pace, largely through improvements in yields. As non-irrigated cotton amounts to only between 5% and 10% of the total crop, the influence of the drought was relatively slight and total production reached 124,000 tons in 1961. Thanks to good ginning and grading facilities, and to the control of the powerful Cotton Bureau, Syria's medium staple cotton is of excellent quality and is easily sold; there are no holdover stocks.

19. Animal products account for only about 25% of total agricultural production. Most of the animals are raised by nomadic tribes, and rather ill-cared for. Livestock holdings fluctuate with rainfall; during the recent drought years serious setbacks were experienced. Not much has yet been done to improve the situation; it actually worsened as the Bedouins were gradually excluded from all the good rainfed areas by the expansion of settled agriculture.

20. Agrarian reform legislation was instituted in 1958 and twice amended since then. In its present form, the law limits private property from 15 to 55 hectares on irrigated land and 80 to 200 hectares on rainfed land. The expropriation and redistribution operations are to take place over 10 years, and compensation is to be paid over 40 years. About 740,000 hectares had been expropriated, and 130,000 hectares distributed by the end of March 1963. That part of the expropriated land which has not yet been distributed is leased to peasants or sometimes to the old owners. Until now, the reform measures have, in general, been applied in a sensible way and have not adversely affected agricultural output.

Industry (Table 4)

21. Industrial expansion, dating back to the war and immediate post-war years, continued at a high rate (value added increased by approximately 6% per year), throughout the past decade until the nationalization measures of 1961 discouraged further investment in manufacturing industry.^{1/} The country's largest industrial sector - cotton textiles - has shown a comparatively slow rate of growth during the past decade - although its production still increased by 60% in volume. Much faster expansion took place in the food industry; from 1953 to 1961 the production of a number of goods - sugar, vegetable oils, dry noodles, chocolate - doubled. Construction activity also more than doubled during the period, and the output of building materials kept up with it; cement production increased from 224,000 tons in 1953 to 540,000 tons in 1961. Electric power generation increased at an annual rate of about 18%, equivalent to a five-fold increase in ten years.

Commerce (Tables 5-10)

22. Commerce has traditionally played an important role in Syria's economic life. Its current share of GNP is about the same as that of industry and it has provided much of the capital for the expansion in manufacturing and in commercial agriculture.

23. Import and export trade are the principal basis of commercial activity in Syria but the country's geographic position has also stimulated transit trade. The value of Syria's international trade normally amounts to about 50% of GNP, roughly 20% for exports and 30% for imports.

^{1/} Although the nationalization measures were later rescinded, private confidence never quite returned; the new state of affairs never had a complete air of permanence about it.

24. Western Europe is Syria's most important trading partner; it accounts for about half of Syria's exports and together with North America for about three quarters of its imports. Middle-Eastern Arab countries account for 15-25% of trade; the Soviet bloc and China for the rest; Syria's surpluses with the Communist countries are periodically settled in convertible currency.

25. In recent years, raw cotton has accounted for more than 40% of exports; in good years, cereals make up another 25%; in all, the share of agricultural products in total exports never falls below 60%, and reached 87% in 1962 - an exceptionally good crop year, during which, moreover, Syria was cut off from its industrial export market in Egypt. Cotton and silk textiles and cloth are the country's main industrial exports. Fluctuations in export earnings are determined primarily by weather conditions and, particularly as concerns industrial exports, by the state of political relations with neighboring countries.

26. Intermediary products - goods utilized for further production - make up less than a third of Syria's total import requirements. Consumer goods - fruits, vegetables, cereals in bad years, better quality cloth, durables, etc. make up another third, and capital goods - agricultural and industrial machinery, transport equipment etc. the rest. Apart from the cereals needed in bad crop years, consumer good imports are largely of a semi-luxury type, and can therefore be restricted fairly easily. Demand for capital goods is very sensitive to business expectations, which react unfavorably to trade and exchange restrictions. As a result, demand for imports generally reacts rather strongly to the imposition of such restrictions, as the trade statistics for 1961 show.

27. Syria's trade deficit is usually offset by income from invisibles. Major items in order of their relative importance are oil transit royalties, local expenditures of foreign oil companies, remittances from Syrians living abroad, earnings from transit trade, and UNWRA expenditures in Syria; usually travel and tourism also provide a net revenue.

Transport & Communications

28. The Survey Mission noted with concern the many deficiencies in Syria's transportation system.^{1/} Railways were and still are inadequate to handle the country's traffic requirements and have to be subsidized. Although the major roads have been improved since 1955, little has been done towards what the Survey Mission considered "the most urgent transport problem", namely the inadequate communications between the port of Latakia, Aleppo, and the major grain producing area of the country, the Jezira, resulting in high transport charges for wheat and barley.^{2/} Meanwhile, the number of

^{1/} Op. cit., pages 114 and 130-131.

^{2/} The Survey Mission calculated that in 1953 transport charges amounted to one-third of the F.O.B. export price of barley and somewhat more than one-fifth of that of wheat. (Op. cit. p. 136). An even more serious situation was indicated by a 1959 FAO report on Syria.

motor vehicles has kept increasing. The port of Latakia has been completed and appears to be well organized and well operated. In 1962 the port handled about 800,000 tons of exports and 930,000 tons of imports. The port's total capacity is about 3 million tons. Another harbor is now being constructed at Tartus.

29. Telecommunications are being steadily improved. Internal savings provide a substantial amount of the capital required for further expansion. In 1960, the DLF made a loan of \$2.5 million to help finance an inter-city telegraph and telephone network.

Public Finance (Tables 11 & 12)

30. Budgetary procedures are extremely complicated. There are four types of budgets; the ordinary budget of the central Government; the annexed budgets; the budgets of independent agencies and municipalities; and the development budget. The interrelationship between these various budgets is not always clear; transfers from one budget to another are not easily distinguished from actual expenditures or revenues of the public sector; neither is it always clear whether certain government receipts are actual revenues, or are only the counterparts of an increase in public indebtedness; further, specific receipts are allocated to each specific budget; all of this makes it almost impossible to obtain an overall view of the financial position of the public sector.

31. During the past decade, ordinary revenues of the Central Government more than doubled (LS 247 million in 1950/51; LS 507 million in 1961/62), a rate of increase of nearly 7%, faster than that of national income. Direct taxes provide about 16% of all revenues. These are specific taxes on various sources of income, i.e., profits, wages and salaries, and interest and dividends, but not on agricultural incomes; there is no land tax either, but production taxes are levied on all crops (rates go from 9% to 12% of the value of production). Indirect taxes, including customs duties and registration fees, provide almost 50% of tax revenues; more than half of them are levied at the export and import stages. A further 20% of tax revenue consists of oil transit royalties.

32. Ordinary expenditures of the Central Government have kept up with, and often gone a little ahead of ordinary revenues. They increased by about 60% between 1950/51 and 1957, when they amounted to about 14% of national income, and reached LS 519 million, about 20% of national income in 1961/62. The structure of expenditures underwent no profound change, except for some increased emphasis on the "social" sector. Defense expenditures make up over half of total current expenditures - around 10% of national income. Education is the next most important item, with about 15% of current expenditures in recent years. The remaining 30% covers all other normal functions of government although some current operations have probably been shifted to the development budget during recent years.

33. The development budget - supposed to cover gradually all public investment expenditures - is a relatively recent concept, dating back to 1960, and still being worked out; therefore, successive yearly data are not comparable. Public investment figures have to be obtained from other sources. The rapid increase in public investment has already been noted (paragraph 13). A peak of LS 280 million was reached in 1960/61, followed by a decline to LS 227 million in 1961/62. Revenues allocated to the Development Budget consist mainly of the surpluses of social security organizations and pension funds, net revenues of government enterprises, and various earmarked municipal revenues, as well as, in recent years, the proceeds of foreign loans obtained for specific projects and some P.L. 480 counterpart funds.

34. Development projects are executed partly by the various Ministries and by municipalities, but largely by a number of independent authorities, such as the School Building Authority, the Major Projects Board, the Euphrates Project Board, the Latakia Harbour Authority, the Railway Administration, etc.^{1/} These authorities have high-ranking directors whose posts are quite stable. This system assures a degree of continuity to all programs, irrespective of sudden shifts in the balance of political power. But, in combination with the policy of allocating only special revenues for development purposes, it also has important drawbacks in that it makes it difficult to pay adequate attention to matters of coordination and priorities and to the need for increasing the level of public savings.

^{1/} A number of such independent authorities also pursue current activities. These too are financed by specific revenues inscribed in the autonomous budgets of the authorities. No particular inflationary or deflationary impact can be attributed to the current activities of the autonomous agencies.

II. RECENT DEVELOPMENTS

Introduction

35. The fast growth of Syria's national income was interrupted when four years of low rainfall followed the excellent 1957 crop. At first, the non-agricultural sectors continued to grow; but industrial expansion ground to a halt as fears of government intervention and nationalization became widespread in the business community towards the end of 1960 and were justified by events in 1961 when strict trade and exchange restrictions were imposed in February and the larger industrial and trading firms and all banks were nationalized in July.

36. Despite the crop failures, domestic savings remained on the whole above 10% of GNP, but this was insufficient to finance the rapidly increasing public investment program. The public sector had to rely heavily on bank financing, which amounted to £S 429 million from the end of 1957 until September 30, 1961 - more than two thirds of the total 1957 money supply. Nor was there any sign of moderation towards the end of the period, on the contrary: public sector debts to the banks increased by £S 246 million during the one year ending September 30, 1961. The money supply increased by about 40% between December 1957 and September 1961. That the price level nevertheless remained almost stable in a period of falling production is due to a number of reasons. The fall in national income, while availabilities of goods were maintained through increased imports, exercised a deflationary influence. Industrial production kept up well with demand, and in services there undoubtedly remained a large excess capacity. The great increase in the relative importance of industrial, as opposed to food crops increased the monetization of the economy. No doubt also large funds found their way into speculative and precautionary hoards.

37. The fiscal and monetary policies aggravated the trade deficit resulting from decreased exports and increased imports of agricultural commodities. The balance of payments deficit on current account reached \$60 million in 1960, and was still at \$40 million in 1961, in spite of the imposition of severe exchange controls, which precipitated the flight of private capital. Syria's net foreign exchange reserves stood at \$45 million in December 1957; in spite of important foreign aid mainly under the form of PL 480 food shipments, total short term foreign exchange liabilities exceeded assets by \$9 million in September 1961 - a fall of about \$55 million in net foreign assets.

38. Such was the situation which rendered imperative the introduction of a stabilization program, after the severance of the union with Egypt. Under this program, public finances were put on a sounder footing by the elimination of the budget deficit. Most nationalization measures were rescinded, and while the private sector did not regain the buoyant optimism that had propelled Syria's economy forward at such an impressive pace in previous years, at least it recovered from the paralysis of 1961. Fortuitous circumstances also contributed to the improvement; exports were boosted by the year's excellent crop; and a settlement was reached with TAP-line in February 1962, whereby royalties were raised and a \$10 million payment was made in settlement of back claims. In all, the country had been making good economic progress until the coup of March 1963. It is still too early to say to what extent since then the renewed tendency toward nationalization and the reintroduction of exchange controls have again checked the growth of the still rather tender plant of economic recovery.

Income, Savings and Investment

39. Four years of drought were followed by a record-breaking crop in 1962. The wheat crop reached 1.37 million tons as against .75 million tons in 1961 and 1.35 million tons in 1957; barley did even better with 798,000 tons, as against 335,000 tons and 721,000 tons respectively in 1961 and 1957; cotton now reached 150,000 tons (ginned equivalent) as against 124,000 tons in 1961 and 107,000 tons in 1957. Agricultural income for the year reached £S 1,129 million, as against £S 805 million in 1961 and £S 1,067 million in 1957.

40. Five months after the rupture of the union, in February 1962, the nationalization measures concerning industrial enterprises were rescinded (only flour mills and one big textile company remained nationalized); some limitations were maintained on individual shareholdings, and the law also maintained the provision that employees were to be allocated 25% of profits. However, business confidence returned only slowly as political conditions remained unsettled. Little new investment took place in the industrial sector. Production, however, moved cautiously forward as trade relations with neighboring Arab countries were resumed and helped to offset the loss of the Egyptian market. For the year as a whole, industrial production remained just below the 1961 level.

41. Trade and transportation incomes increased because of the higher agricultural production and exports; the other sectors also kept their forward momentum. Total national income reached a record level: £S 2,780 million, a 19% increase over 1961 and 14% higher than the previous peak of 1957.

National Income Estimates

	<u>1961</u>	<u>1962</u>
Agriculture	805	1,129
Industry	352	350
Building construction	120	125
Government	203	216
Trade, transport & services	<u>877</u>	<u>960</u>
	<u>2,357</u>	<u>2,780</u>

42. As mentioned in paragraph 33 public investment was cut down from £S 280 million in 1960/61 to £S 227 million during the fiscal year ending June 30, 1962, the last period for which figures are available. For the calendar year 1962 the most likely figure is about £S 210 million. The sectoral distribution of public investment (Table 2) shows that most of the cutback occurred in the field of so-called "unproductive investment": a social sacrifice was no doubt involved, but it cannot be said that financial stability was being bought largely at the expense of future economic opportunities with the exception perhaps of the cutback of investment in the transport sector. In

agriculture, the investment corollary to the land distribution program was being slowed down ; but higher private investment in agriculture offset this fall.

43. The latest available figures on private investment relate to fiscal year 1960/61, when it totalled £S 189 million. For 1962 only a rough guess can be attempted. Private investment in industry decreased considerably, but imports of "machines and equipment" in 1962 rose to £S 119.5 million - as against £S 96.7 million in 1961 and £S 106.9 million in 1960. The main reason for this seems to have been an exceptionally high level of investment in agricultural machinery, due to the excellent crop expectations and the fear of labor shortages. Construction for private housing also increased substantially (enough to make up for the sharp fall in the rate of public building activities). In all, while the sectoral distribution of private investment changed substantially, its total value probably did not differ very much from the 1960/61 level.

44. Total investment, therefore, amounted to about £S 400 million. As the current account balance of payments had a small surplus, the total of domestic savings was about £S 410 million - roughly 14% of GNP,^{1/} including the £S 36 million TAP-line back payment windfall.^{2/}

Public Finance

45. The cornerstone of the stabilization program worked out in cooperation with the International Monetary Fund consisted of eliminating public borrowings from the banks. This aim was indeed achieved; the public sector which had relied on the banking system for an amount of £S 249 million during the year ending September 30, 1962, repaid on a net basis £S 7 million during the following year.

46. The reduction of the deficit was not achieved by any change in tax structure and rates, admittedly a difficult task in a period with various cabinet changes and a nervous business community, nor by any cut in ordinary expenditures. Current revenues increased only thanks to the fortunate windfall of the TAP-line agreement, and total expenditures fell only because of the fall in public investment. This is illustrated by the following table, which however, because of the inadequacy of budgetary figures, does not give a full explanation of the change in the public sector's net position as shown in the monetary data.

^{1/} The yearly National Accounts relate to national income, not GNP, but in the National Products series used for the purposes of the Plan the depreciation and tax elements together equal about £S 100 million; therefore GNP in 1962 = 2786 + 100 = roughly £S 2,900 million.

^{2/} As already stated in footnote 2 p.4, the investment and saving figures do not include inventory accumulations and are on a gross basis.

Public Revenues and Expenditures

	<u>1960/61</u>	<u>1961/62</u>
Government current expenditures	500	519
Public investment	<u>282</u>	<u>227</u>
Total expenditure	782	746
Current revenue of Government	466	507
Of which TAP-line back-payment	-	(36)
Subsidy from UAR	22	-
Contribution of public enterprises and funds	<u>121</u>	<u>134</u>
	609	641
Balance	-173	-105
(Including certain self-financed projects of agencies & municipalities & foreign credits)		

47. It should be noted that although for 1962 as a whole banking statistics showed that the public sector had repaid more than it borrowed, the reverse was again true in the later months of the year, but borrowing remained well below its previous levels.

Foreign Trade and Payments

48. By September 1961, in spite of the accumulation of a large short-term debt, the Central Bank's gross convertible foreign assets had been drawn down to the hard core of the gold reserve ("favorable" bilateral balances were still valued at \$17 million). The net foreign assets of the Central Bank had fallen by \$51 million since December 1957 - by \$23 million in 1961 alone; for the banking system as a whole, short-term foreign liabilities exceeded assets by \$9 million. This exhaustion of exchange reserves was the main stimulus to the adoption of the stabilization program in the autumn of 1961 which provided the basis for an IMF stand-by and various other credits, totalling \$41.6 million^{1/}. This "Stabilization Fund" became available in June 1962; this was followed by the re-establishment of the free exchange market^{2/}; in July the official rate was brought in line with the free rate (\$1 = ES 3.80), a devaluation of 6.6%.

49. The foreign exchange and trade situation greatly improved in 1962, despite the fact that the relaxation of restrictions and better business expectations resulted in higher imports: about \$234 million, as against \$197 million in 1961. The good crop resulted in high export levels; (raw cotton exports ES 272 million; barley exports

1/ IMF: \$6.6 million; Kreditanstalt: \$16 million; AID: \$9 million; Eximbank: \$5 million; Italian banks: \$5 million.

2/ Roughly speaking, the free market was reserved to invisible transactions and to trade with neighboring Arab countries. Proceeds of exports to other countries had to be surrendered to the Exchange Office but it was permitted to buy on the free market foreign exchange for all imports. Oil transit royalties were also exchanged at the official rate. The free market was again suspended, and complete exchange control reintroduced on May 3, 1963.

£S 75 million; wheat exports £S 74 million.) Increased industrial exports to Iraq and Saudi Arabia almost made up for the loss of the Egyptian market. Exports totalled \$167 million, as compared to \$109 million in 1961. The surplus on invisibles in 1962 was also particularly high, so that the current account closed with a \$2.2 million surplus - including the \$10 million TAP-line windfall - as compared to a deficit of \$38.6 million in the previous year. The private capital outflow subsided, but no important inflow seems to have taken place either. Against these improvements, the subsidy from the UAR, which had amounted to about \$15 million in 1961 was no longer available, and PL 480 aid was also about \$5 million lower than in the previous year.

50. In all foreign exchange reserves for the whole year increased by about \$27 million of which \$11.4 million were drawn from the German and Italian stabilization loans. Significantly, some of this increase took the form of debt repayment by commercial banks, a sign of still somewhat shaky confidence. Net drawings on the IIF amounted to about \$3 million during 1962; this represents an equal addition to assets and liabilities and therefore does not affect the net figures.

Monetary Developments (Tables 13 & 14)

51. The stabilization program of November 1961 fixed a ceiling for credits to the private sector; the level of loans actually granted remained well below the ceiling during most of the following year, albeit they increased very fast at first, in late 1961. The net increase during 1962 was about as great as that achieved in the last three months of 1961: about £S \$3 million.

52. The stabilization program also provided that no new credits should be made to the Government beyond the level reached in September 1961. The new fiscal policies indeed succeeded in reducing public sector reliance on the banking system by about £S 250 million.

Summary of Factors Determining Changes in Money Supply^{1/}

	Year ending Sept.30, 1961	4th Quarter 1961	Year ending Dec.30, 1962
Change in money supply	148.4	2.7	121.7
Net claims on public sector	249.3	11.2	-6.9
Net claims on private sector	-110.8	93.6	93.4
Net foreign assets	-40.0	-51.3	33.3
Errors & omissions	49.9	-50.8	1.9

^{1/} See Appendix Table 14.

53. After a last burst in late 1961, when restrictions were somewhat relaxed, and the impact of the huge monetary and fiscal expansion of the previous period made itself fully felt, the foreign exchange outflow was reversed. The inflow, however, never took very large proportions, and the £S 33.3 million increase in net reserves during 1962 was smaller than the loss of reserves during the last three months of the previous year.^{1/}

54. Monetary expansion was very moderate during 1962, especially when compared with past rates and if the sharp rise in national income during the period is taken into account. Credits to the private sector were by far the most important factor behind this expansion.

55. About 80% of the new money took the form of currency; during the year following September 30, 1961, both time and demand deposits actually decreased by £S 2.7 and £S 20.9 million respectively. This, in Syria, is indicative of lack of confidence on the part of the private sector. Only during the last quarter of 1962 was this tendency reversed; what has been happening recently can only be guessed.

56. Syria's monetary policies are enforced mainly by varying Central Bank rediscount facilities. There also exist compulsory liquidity ratios which can be varied by decision of the Council of Credit. Also, during periods of foreign exchange shortages, importers have to deposit in advance a sum corresponding to given fractions of their foreign exchange requirements. Open market policy is not used for there is no market for government paper and the banks have no government bonds in excess of their compulsory holdings.

57. In July 1961 all private banks and insurance companies were nationalized; this, however, did not affect drastically the operations of monetary policy, for there has been little direct Government intervention in the policies of nationalized banks. Most banks belonging to Arab nationals were denationalized in 1962; but all banks were once again nationalized on May 3, 1963.

^{1/} The banking statistics figure for the increase in net foreign assets differs from the balance of payments figure. The difference is partly attributed to changes in deposits in Syrian pounds held by foreigners. At any rate, the net foreign exchange position did not improve by more than about £S 60 million during 1962, and was about the same as that at the start of the stabilization program. But reserves were falling fast at the first date, and increasing at the second.

III. PROSPECTS

General

58. If a reasonable degree of political stability could be assumed, Syria's long term prospects for economic growth would be favorable, given sound fiscal and developmental policies allowing sufficient scope for expansion in the private sector. The country has no population pressure problem. To the contrary, as mentioned earlier certain areas are already experiencing labor scarcity during the harvest season and one of the principal problems in the execution of the ambitious Euphrates Dam project apparently is finding settlers and labor for the land that will be newly irrigated. The available area of cultivable land compares favorably with most of the Middle East^{1/} and possibilities for expanding irrigated agriculture are still quite substantial. There is a large potential for the production of hydroelectric power. Oil may, in the near future, prove an additional valuable resource and, most important perhaps, Syria's population has always shown a remarkable ability to capitalize on new opportunities which open up.

59. Syria's past performance in economic development has on the whole been good. Gross domestic savings and investment have usually amounted to some 12-14% of GNP, which grew at an annual rate of about 5-6% until the exceptional circumstances following 1957. In recent years the public sector began to play an increasingly important role as an investor. This in itself was badly needed. Already in 1955 the survey mission had concluded that Syria was reaching a stage in its development at which the government had to take a more important promotional role notably because of the exhaustion of idle land suitable for cultivation at low investment cost, of the increasingly inadequate transportation facilities, etc. The mission suggested a public investment program of £S 986 million over six years (1955-60), i.e. £S 164 million per year. In recent years this level has been surpassed and a number of suggestions of the survey mission, especially in the field of medium and small-scale irrigation projects, the expansion of power generating capacity, the completion of Latakia port, some road improvements, etc., have been or are being implemented.

60. Thus far the major weakness in the development activities of the government has been that the increase in public investment has not been accompanied by commensurate attention to sound development planning. The need for raising the level of public savings has not been fully appreciated, nor have the authorities sufficiently realized the necessity for establishing sound priorities between projects and between sectors. In addition, inadequate attention has often been paid to coordinating the planning and execution of projects in related sectors (roads and railways, irrigation and land development and settlement). Even more important perhaps, there has been inadequate recognition of the fact that public investment needs to be closely geared

^{1/} About 2.6 acres of cultivated land per inhabitant, as compared to 0.28 in Egypt, 1.0 in Jordan and 2.2 in Iran (U.S.O.M. Priorities in Jordan Agriculture, p.4). This, of course, is only a rough indication particularly as it does not take into account varying availabilities of water.

in with growth prospects of the private sector.

61. The five-year development plan, introduced during the UAR regime for the period 1960/61 to 1965/66, called for total public investments of £S 1.7 billion, or an average of £S 340 million per year. In accordance with the Egyptian model the plan was seen as a first step towards a doubling of Syria's national income over a ten-year period. It soon became evident, however, that the plan was overambitious in relation to Syria's resources and after the secession from the UAR it has in effect been shelved although it has never been officially withdrawn and no real attempts have been made to prepare a more realistic program. Public investment activities have, as a result, in recent years been determined on a rather piecemeal basis, taking into account factors such as the need to re-establish monetary equilibrium, the desirability to complete projects already underway, the degree of strength within the government of individual ministries and development agencies, and hopes raised by promises made under the UAR regime.

62. The Planning Ministry, which was also established during the period of union with Egypt, has had little influence on overall government policies related to development and its coordinating activities have in general not been very effective. The newness of the planning concept, the strongly individualistic mentality of many Syrians inside and outside of the public sector, the inadequacies of budget procedures, the feeling which prevailed in many quarters that planning and nationalization were synonymous terms, the frequent government changes, have all played a role in this, as has the lack of an effective organization.

63. A Bank mission, at the request of the Syrian authorities, reviewed Syria's planning machinery in the summer of 1962. It concluded that development planning should be given a much more central place in Syria's overall economic policies and that as a first step toward this goal a rather drastic reorganization of the existing organizational structure should be carried out, partly as an indication of the Government's determination to make planning a really effective instrument of policy. The Syrian Government, after a long delay, accepted in principle the Bank's recommendation. As a result a member of the Bank's development advisory service, together with an assistant from the Bank's staff, have been in Syria for a period of about three months to advise the authorities on the details of the contemplated reorganization of the Planning Ministry. Their proposals have been largely accepted by the authorities. Syria will in the future have a Supreme Planning Council, consisting of about ten ministers and the Governor of the Central Bank, under the chairmanship of the Chief of State. This Council will have full powers over planning and the Ministry of Planning will be its secretariat. All projects will have to be submitted to the Council through the Ministry of Planning and all contracts over £S 1 million, including those of autonomous government boards and agencies, will have to be approved by the Council. The Supreme Planning Council will meet at least once a month. It will have to formulate the annual plan as well as longer term plans and will be required to follow up on the progress of the plan. It will also have to coordinate the ordinary budget and fiscal and

monetary policies with the overall plan.

Future Investment Requirements

64. Stronger and better organized planning will indeed be badly needed in Syria in the years ahead. Future investment requirements in the public sector are likely to be quite heavy. Existing plans call for an average public investment figure of about £S 400 million during the next five years or so as compared to £S 227 million for 1961/62.

65. There is first of all the need to continue expenditures on projects which have a direct relationship to previous development efforts. Medium and smaller scale irrigation projects, already underway or in an advanced stage of preparation will have to be completed. Construction work on the new port of Tartus is not likely to be broken off midway. Nor will it be easy to reduce the level of investment in the social sector much below that of 1961/62 when a drastic cut had already been enforced as compared to the preceeding year. Investments in roads, agricultural credit and extension, public utilities and municipal development will also continue to require their share of public funds. In all, it can be calculated on the basis of past experience that there exists a "hard core" of public development expenditures of this nature which is not likely to fall below £S 175 million per year and might easily reach £S 200 million.

66. The Syrian Government is further limited in its freedom of choice as to the future level of public investment because it, or its predecessors, have committed themselves to carrying out various large-scale new projects for which foreign exchange financing has already been obtained.

67. Principal among those is the Euphrates Dam project, the foreign exchange costs of which the Federal Republic of Germany undertook to finance in February 1963 up to a maximum of DM 350 million.^{1/} This project reportedly consists of a dam which would create a reservoir of about 8-9 billion cubic meters of water north of Tabqa on the Euphrates; this water would be used to generate approximately 1.5 billion KWH per year (for which a generating capacity of 200,000 KW would be installed) and to irrigate approximately 200,000 hectares. Very preliminary cost estimates indicate that the total cost of the project over the next seven years or so - when irrigation development will be restricted to 50,000 hectares, the remaining 150,000 hectares to be completed in subsequent years at a rate of 30,000 hectares per year - would amount to about £S 1 billion or approximately £S 140 million per year. It should be noted that the Syrians during their negotiations with West Germany agreed to have consultants undertake a macroeconomic study (to be carried out by the Netherlands Economic Institute under the guidance of Professor Tinbergen) aimed at assessing the indirect effects of the project on the Syrian economy as a whole and the availability of adequate local resources for the execution of the project; the results of this study may provide useful data for future planning.^{2/} The Kreditanstalt fuer Wiederaufbau will make an independent study of the project as such.

^{1/} This loan will draw an interest of 3.25%, and will be repayable in 20 years, including a 6-year grace period.

^{2/} The agreement between Germany and Syria presupposes the positive result of the studies to be carried out by the consulting firms chosen by the Syrian Government.

68. The second major project on which preparatory work is already underway is the construction of a railway line from Latakia or Tartus on the Mediterranean through Aleppo to Kamechlie in the north-eastern corner of Syria. The completion of this project is likely to take about ten years; annual average expenditures may amount to about £S 40 million, of which £S 15 million can yearly be obtained from an existing Soviet credit.

69. In addition to these two major projects there is an advanced plan to build a fertilizer factory in Homs which is likely to cost some £S 100 million over a period of three years, half of which will be covered from a Russian line of credit. Additional investment is required in power facilities in Homs estimated to cost about £S 24 million spread over three years. Also, agreement has been reached with A.I.D. on the construction of grain silos at a total cost of £S 80 million, of which £S 56 million is to be financed by A.I.D. in foreign exchange over a period of three years.

70. If the above-mentioned projects are all executed along the lines and according to the time schedule presently contemplated by the authorities concerned, they would add an additional burden of £S 225-250 million per year, giving total annual public investment requirements of at least £S 400 million. The financing of this program is not likely to present difficult problems as far as the direct foreign exchange component of the larger projects is concerned. The total amount of foreign aid available for development (including the German credit for the Euphrates project) can be estimated at £S 120 million per year. In addition Syria has been negotiating with France with a view to obtaining credits for the import of capital goods and, recently, an agreement with Red China involving a credit of £S 80 million for various purposes was concluded. Overall balance of payments problems are, however, still possible, for most loans are tied to specific projects and to purchases in the lending country.

71. The most difficult problem will be to find the local currency resources of about £S 280 million per year which will be required to complement the foreign exchange made available from abroad. Thus far non-inflationary funds available for development purposes in the public sector (surpluses of pension and insurance funds, net earnings of government companies, etc.) have not exceeded a level of approximately £S 160 million and little increase is expected for the next few years.

72. There is little, if any, possibility to divert private savings to the financing of public investment. There is no market for government securities in Syria and even if there were one, prevailing political uncertainties would make such a market very unattractive. Besides, if public investment is to produce adequate returns it will have to be complemented by substantial private investment in agriculture, industry, transportation, etc., which in view of past experience would probably absorb most, if not all, private savings.^{1/} Also Syria no longer

^{1/} The argument that, if private confidence does not return, private investment is likely to remain low thus making private savings available for public investment, is of doubtful value. Under those circumstances, private savings would be relatively low too, and there would be a preference for investing them abroad.

has, as it did in the past, any foreign exchange reserves which could be used to finance development.

73. Possibilities of increasing public savings, including net earnings of government enterprises, are also limited. Although there is no doubt scope for a general overhaul of Syria's complex taxation system, the margin available to increase taxation, which already absorbs almost 20% of GNP, without adversely affecting private business in its already depressed state, seems to be small. Most additional resources for development would therefore have to come from a careful control of current public expenditures which thus far have always grown at least at the same rate as ordinary revenues.

74. In addition, priorities will have to be very carefully set and the timing and phasing of the various major projects submitted to a thorough review. Some projects will probably have to be deferred; others may require modification with a view to reducing Syria's financial burden. It may, for example, be advisable to reconsider the timing of the railway project; the survey mission already expressed doubts about the wisdom of starting on such an expensive undertaking at a time when capital is scarce and before a satisfactory road system, at much lower investment cost, has been built. It may also be worthwhile to reconsider the question of whether further oil exploration should not be left to private companies. And, of course, special attention should be paid to the most appropriate phasing of the Euphrates Dam project.

75. Of course, planning in Syria will not reach a stage of near perfection at short notice, given the political, staffing and organizational problems involved. On the other hand, the execution of projects is also likely to lag behind present intentions. On balance, probably the best that can be expected for the next few years is that a gradual improvement in overall planning policies, combined with the effects of administrative and technical limitations in the pace of project execution, will reduce the danger that public investment would result in another round of inflation; but an overambitious investment program may also slow down unduly the rate of completion of individual projects and thereby result in unfavorable capital-output ratios.

Balance of Payments

76. In 1961, a year of bad cereal crops, and in 1962, a year when cereal crops were plentiful, Syria's export earnings amounted to respectively \$109 million and \$167 million to which agriculture contributed respectively about \$76 million and \$145 million. Total foreign exchange earnings in these two consecutive years were \$170 million and \$252 million, including private remittances (but not official transfers nor capital movements).

77. Despite earlier expectations, the current crop was not quite as good as last year's, although for the third consecutive year the cotton crop increased substantially. Capital flight has also been taking place, and balance of payments difficulties are at present acute.

78. Looking ahead for the next five years or so Syria's average annual exports are not likely to exceed the 1962 level by a great margin. Unless optimistic assumptions are made with respect to future government policies toward the private sector, the level of activity in industry is likely to remain low and so will industrial exports. The industrial expansion plans in the public sphere (the Homs fertilizer plant and - in the longer run - perhaps some chemical industries based on local minerals) will have little effect on balance of payments receipts. Oil production may reach about 3-5 million tons in a few years time provided a production concession can be negotiated without further delays.^{1/} The value of yearly royalties will probably be around \$12 million.

79. Cotton production and exports should continue to rise. Of the 100,000 hectares which will be brought under cultivation after the various medium and small-scale irrigation projects now under construction are completed, perhaps up to 50% will be devoted to cotton. Assuming yields of 1.5 tons of unginmed cotton per hectare of irrigated land and a world price for Syrian cotton of 29¢ per lb., c.i.f. Liverpool, cotton exports might reach a level of \$85 million by say 1966. Cereal production and exports will continue to fluctuate as years of good and bad rainfall succeed each other, although the future may show somewhat more regularity as plans to return to pasture some marginal areas now under cereals take effect and as more wheat is being grown in newly irrigated areas. On the average wheat exports of about 150,000 tons per year (\$10 million) and barley exports of about 200,000 tons per year (\$9-10 million) can probably be maintained during the coming five or six years, assuming some increase in productivity and taking into account the growth in internal consumption of wheat and the need to replenish barley stocks for feeding animals in years of low rainfall. Exports of other agricultural goods (fruits, vegetables, animal products) are unlikely to change much since production growth will probably not be able to outpace the expected increase in local consumption.

80. Syria's total export earnings might thus, by 1967, be around \$170-180 million. Receipts from invisible sources, (oil royalties, government, tourism, transport) are not likely to show great variation in the coming years. The level of private remittances, on the other hand, could become quite small. Obviously a variable part of those remittances, which were almost \$10 million in 1959 and 1960 but not more than \$2.8 million in 1961, passes through official channels and, if exchange controls are maintained, the declared inflow might decrease substantially.

81. In all total foreign exchange receipts by 1967 might amount to between \$245 million and \$265 million per year. Nothing very concrete can be said about the expenditure side. Developments there will be greatly dependent on future government policies. In a rigidly controlled

^{1/} Present consumption of petroleum products is about 850,000 tons; consumption increased during the last five years at a rate of ... per year.

economy imports could be held down but this would be at the expense of stagnation in the private sector and probably also of a continued tendency to capital flight. In a free economy the demands for imports would largely depend on the rate of activity in the internal economy which, in turn, would be influenced by fluctuations in agricultural production and by the general fiscal and monetary policies of the government. On balance, the tendency in Syria seems to go in the direction of more rather than less government regulations.

Foreign Debt (Tables 15 & 16)

82. While until now Syria has not drawn heavily on foreign loans, present public external foreign debt, including undisbursed amounts as well as the German loan for the Euphrates project which is not yet effective, amounts to \$364 million. Annual service charges on this debt will average about \$22 million during the next few years. From 1967 onward they will increase rather steeply to reach a peak of \$34.3 million in 1970.^{1/}

83. In terms of expected gross foreign exchange earnings service payments on external public debt would thus go up from about 9% in the next few years to some 15% by 1970 and they would absorb respectively about 13% and 19% of ordinary government revenues.

84. Over the long run prospects for further economic growth in Syria are reasonably good. Syria has weathered many political storms in the past. On the civil service level its administration has on the whole remained remarkably stable. This is probably one of the main reasons why with the exception of the period between 1957 and 1961 when consecutive crop failures coincided with a situation in which the country was not master of its own economic destiny, its record in the field of economic and financial policies has been reasonably good.

85. However, for the time being it would not be prudent for Syria to assume additional foreign debt on conventional terms, and the authorities are aware of this. Although last year's stabilization program has been effective, the economy is still quite vulnerable. The country is relatively poor; (per capita income is approximately \$150). Exchange reserves and short-term borrowing possibilities have been well-nigh exhausted by an unprecedented four-year period of drought, and may have deteriorated further as a result of renewed tendency to capital flight after the coup of March 1963. Another year of low rainfall could have serious effects in view of the very weak foreign exchange position.

86. As stated earlier Syria's foreign exchange requirements for the financing of public development are virtually covered insofar as the more spectacular and costly projects are concerned, but for smaller projects such as the presently considered project for road development, the need for some

^{1/} If the Syrian Government were to draw further on the still outstanding balances of the Stabilization Fund - for which a new agreement with IMF would be required - service payments in the initial years would be much higher: up to \$30 million in 1965 and 1966.

foreign aid, (including, for roads, an important element of technical assistance,) still exists. Syria will no doubt be able to put to good use such limited aid for a project which would yield quick returns and be of special importance to the country's dynamic private sector.

Table 1 : NATIONAL INCOME ESTIMATES IN SYRIA (base year 1956)

(£S Million)

<u>Sectors</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Agriculture	824	927	636	936	1,067	702	721	636	805	1,129
Industry	227	246	264	267	288	304	315	341	352	350
Construction	60	80	95	98	75	90	79	117	120	125
Residential dwellings	116	122	130	137	144	155	163	170	178	185
Financial institutions	22	37	41	44	48	46	45	45	32	49
Government	114	127	140	150	157	168	178	182	203	216
Transport & Communications	129	142	139	137	124	130	136	140	131	153
Trade	270	349	319	375	386	335	320	308	336	367
Services	130	146	156	159	162	172	176	184	200	212
<u>Total</u>	<u>1,892</u>	<u>2,176</u>	<u>1,920</u>	<u>2,303</u>	<u>2,451</u>	<u>2,102</u>	<u>2,133</u>	<u>2,123</u>	<u>2,357</u>	<u>2,786</u>
<u>Index</u>	<u>82</u>	<u>94</u>	<u>83</u>	<u>100</u>	<u>106</u>	<u>91</u>	<u>93</u>	<u>92</u>	<u>102</u>	<u>121</u>

Table 2 : BREAKDOWN OF INVESTMENT IN 1960/61 & 1961/62

(\$S Million)

	<u>1960/61</u>		<u>1961/62</u>	
	<u>Private</u>	<u>Public</u>	<u>Private</u>	<u>Public</u>
<u>Productive Investment</u>				
Irrigation and land reclamation	9	56		34
Agriculture	42	15		6
Industry, mining and geology	46	9		10
Electricity	--	17		25
Petroleum	--	19		50
Transport and Communications	<u>27</u>	<u>62</u>		<u>36</u>
	124	179		161
<u>Other Investment</u>				
Education	--	26		14
Culture, guidance, entertainment	--	2		1
Health	--	7		2
Public service, housing, tourism	65	60		42
Social and labor services	--	2		2
Government agencies and services	<u>--</u>	<u>6</u>		<u>5</u>
	65	103		66
	<u>189</u>	<u>282</u>		<u>227</u>

Source: Ministry of Planning.

Table 3 : AREA, PRODUCTION & YIELD OF MAIN CROPS

		<u>AREA</u>									
		('000 hectares)									
		1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Wheat		1,314	1,347	1,463	1,537	1,495	1,461	1,422	1,550	1,315	1,341
Barley		439	543	614	636	813	769	727	742	727	n.a.
Cotton		128	187	259	272	258	261	227	212	249	302
	Rainfed	(51)	(81)	(56)	(76)	(72)	(64)	(57)	(37)	(46)	(73)
	Irrigated	(76)	(106)	(203)	(196)	(187)	(197)	(170)	(175)	(202)	(229)
Sugar beet		4	5	3	3	3	2	5	5	4	n.a.
Dry legumes		187	199	200	194	222	269	192	159	138	n.a.

		<u>YIELD</u>									
		(tons/hectare)									
Wheat		0.7	0.7	0.3	0.7	0.9	0.4	0.4	0.4	0.6	1.0
Barley		1.1	1.2	0.2	0.7	0.9	0.3	0.3	0.2	0.5	n.a.
Cotton											
	Rainfed	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.36
	Irrigated	1.4	1.7	1.1	1.2	1.4	1.2	1.4	1.5	1.5	1.6
Sugar beet		11.6	11.0	11.6	15.1	18.1	14.2	18.2	23.6	19.6	n.a.
Dry legumes		0.9	0.8	0.5	0.9	0.8	0.3	0.4	0.2	0.6	n.a.

		<u>PRODUCTION</u>									
		('000 tons)									
Wheat		870	965	438	1,051	1,354	562	632	555	757	1,374
Barley		472	635	137	462	721	228	218	156	335	798
Cotton (unginned)		126	221	232	253	291	250	265	279	325	405
	Rainfed	(18)	(37)	(16)	(28)	(22)	(18)	(19)	(11)	(16)	(26)
	Irrigated	(108)	(183)	(216)	(230)	(270)	(232)	(246)	(268)	(309)	(379)
Sugar beet		50	51	35	45	61	32	97	122	86	n.a.
Dry legumes		159	158	97	164	176	82	76	36	84	162

		<u>PRODUCTION INDICES</u>									
		(1956 = 100)									
Vegetables			73	100	106	82	110	97	115	178	
Fruits			80	100	95	99	85	86	72	142	
Milk & products			82	100	88	55	34	23	28	90	
Meat & hides			98	100	105	123	138	134	123	115	
Wool & hair			96	100	106	95	99	64	63	65	
Other			100	100	96	93	71	95	103	100	

Source: Ministry of Planning, Damascus

Table 4 : PRODUCTION OF MAIN INDUSTRIES IN SYRIA

('000 tons)

	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Cement	224	249	246	326	315	408	447	489	540
Rubber shoes ('000 prs)	312	751	950	789	1,125	1,198	1,673	1,700	1,870
Paints	n.a.	n.a.	.39	.5	.5	.6	1.0	1.1	1.1
Vegetable Oil	n.a.	7	10	10	12	13	14	15	16
Chocolate	n.a.	n.a.	.3	.3	.35	.41	.78	.8	.82
Soap	n.a.	n.a.	11	11	17	19	25	25	26
Macaroni	1.1	1.1	1.2	1.5	1.6	1.7	2.1	2.1	2.1
Sugar	30	36	45	50	45	57	61	70	72
Electricity (mn. kw/h)	114	129	147	164	262	293	334	368	431
Wool yarn	.04	.06	.21	.22	.32	.31	.32	.32	.32
Silk & cotton textiles	16	19	20	n.a.	21	22	23	25	26

Source: Statistical Abstract, Ministry of Planning, Damascus.

TABLE 5: BALANCE OF PAYMENTS, 1957 - 62

(In millions of U.S. Dollars)

	1957		1958		1959		1960		1961		1962 ^{5/}	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
A. Goods and Services	206.2	203.6	171.8	205.4	175.4	195.4	198.4	257.2	167.4	206.0	248.2	246
1. Merchandise ^{1/}	162.5	185.0	128.0	197.5	131.0	187.6	136.9	248.8	109.1	197.4	166.9	233.8
2. Non monetary gold	5.6	--	--	3.5	0.7	--	3.4	0.6	0.5	0.2	--	--
3. Foreign travel	12.6	16.8	8.4	2.8	6.1	5.6	11.2 ^{3/}	5.6 ^{3/}	11.2	5.6	13.5	8.1
4. Transportation	...	...	...	...	...	...	3.6 ^{3/}	0.8 ^{3/}	4.2	1.4	5.4	1.4
5. Insurance	...	...	...	...	...	...	...	...	...	...	...	...
6. Investment income	...	...	...	...	...	...	...	...	...	...	...	...
7. Government, n.i.e.	12.3	0.8	23.2	0.8	27.0	1.4	6.9	1.4	6.9 ^{5/}	1.4	13.0	2.7
8. Miscellaneous ^{2/}	13.2	1.0	12.2	0.8	20.6	0.8	34.4	--	35.5 ^{5/}	--	49.4 ^{7/}	--
Net goods and services	2.6	--	--	33.6	--	20.0	--	58.8	--	-38.6	2.2	--
B. Donations	4.5	--	7.5	--	15.4	--	20.0	--	17.4	--	4.1	--
9. Private	3.0	--	4.2	--	9.7	--	9.7	--	2.8	--	4.1	--
10. Official	1.5	--	3.3	--	5.7	--	10.3	--	14.6	--	--	--
Net donations	4.5	--	7.5	--	15.4	--	20.0	--	17.4	--	4.1	--
Net total (1 through 9)	5.6	--	--	29.4	--	10.3	--	49.1	--	35.8	6.3	--
Net total (1 through 10)	7.1	--	--	26.1	--	4.6	--	38.8	--	21.2	--	--
C. Capital and Monetary Gold	--	1.4	4.6	--	3.2	--	32.7	--	30.0	--	--	3.9
Private, excluding banks (items 11-14)	--	2.8	--	4.2	2.8	--	--	4.1	--	20.8	5.4	5.4
Official and Banking Institutions	1.4	--	8.8	--	0.4	--	36.8	--	50.8	--	--	--
15. Long-term liabilities ^{4/}	--	--	--	--	--	--	9.2	--	30.2	10.3	20.9	8.4
16. Short-term liabilities	--	3.0	--	9.5	19.2	--	21.0	--	0.3	--	--	6.6
16.1 Central Bank	--	0.2	--	0.3	2.3	--	14.4	...	20.7	...	10.2	--
16.2 Commercial Banks	--	2.8	--	9.2	16.9	--	6.6	--	--	20.4	--	16.8
17. Long-term assets	--	--	--	--	--	0.1	--	--	--	--	--	--
18. Short-term assets	9.5	--	18.3	--	--	18.7	6.6	--	30.6	--	--	9.8
18.1 Central Bank	7.0	--	15.9	--	--	7.2	2.8	--	17.4	--	--	9.8
18.2 Commercial Banks	2.5	--	2.4	--	--	11.5	3.8	--	13.2	--	--	--
19. Monetary Gold	--	5.1	--	--	...	...	...	...	...	...	--	--
Net Errors and Omissions	--	5.7	21.5	--	1.4	--	6.1	--	--	8.8	--	2.4

Source : International Monetary Fund, Balance of Payments Yearbook.
For 1962: Central Bank of Syria.

^{1/} Exports f.o.b.; imports c.i.f.

^{2/} Mainly transit royalties and local expenditure of the oil companies.

^{3/} On international shipments.

^{4/} Mainly deposits arising from U.S. aid under P.L. 480.

^{5/} Converted into dollars, taking into account the mid-year devaluation.

^{6/} Including approximately \$8.2 million local expenditure and \$27.4 million royalties by the oil companies.

^{7/} Including approximately \$8.6 million local expenditure and \$40.8 million royalties, of which \$10 million once and for all back

payment, by the oil companies.

Table 6 : SUMMARY OF BALANCE OF PAYMENTS

(Millions of U.S. dollars)

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Exports f.o.b.	162.5	128.0	121.0	136.9	109.1	166.9
Imports, c.i.f.	<u>-179.4</u>	<u>-200.1</u>	<u>-186.9</u>	<u>-246.0</u>	<u>-197.1</u>	<u>-233.8</u>
Trade balance	- 16.9	- 72.1	- 65.9	-109.1	- 88.0	- 66.9
Royalties & current expenses of the Oil Companies	12.2	11.4	19.8	34.4	35.5	49.4
Other services, net	<u>7.3</u>	<u>28.0</u>	<u>26.1</u>	<u>15.9</u>	<u>13.9</u>	<u>19.7</u>
Total goods & services	2.6	- 33.6	- 20.0	-58.8	-38.6	2.2
Private transfer payments, net	3.0	4.2	9.7	9.7	2.8	4.1
Private capital, net	- 2.8	- 4.2	2.8	- 4.1	-20.8	-
Government transfer payments	1.5	3.3	5.7	10.3	14.6	-
Government capital, net	-	-	-	9.2	19.9	12.5
Net errors & omissions	<u>- 5.7</u>	<u>21.5</u>	<u>1.4</u>	<u>6.1</u>	<u>- 8.8</u>	<u>- 2.4</u>
Total	- 1.4	- 8.8	- 0.4	-27.6	-30.9	16.4
Monetary sector's capital						
Gross assets	4.4	18.3	- 18.7	6.6	30.6	- 9.8
Gross liabilities	<u>- 3.0</u>	<u>- 3.5</u>	<u>19.2</u>	<u>21.0</u>	<u>0.3</u>	<u>- 6.6</u>
Total	1.4	8.8	0.4	27.6	30.9	-16.4

Table: 7 MAIN EXPORTS
(L.S. Million)

Period	Meats	Wheat	Barley	Fruits, vegetables, grains & roots	Raw Cotton (fiber)	Wool	Textiles	Industrial Products (Chemicals, glassware & metals)
1952	21.2	29.7	29.4	20.2	124.3	14.7	38.1	6.4
1953	23.4	46.0	24.8	25.5	134.7	21.5	34.7	5.4
1954	21.9	70.3	85.8	32.6	124.6	23.3	34.1	5.8
1955	23.9	10.6	7.5	37.9	233.8	32.9	38.3	7.7
1956	33.3	56.7	56.3	39.8	149.0	33.8	40.9	10.3
1957	7.3	88.6	52.0	46.5	188.6	29.9	48.7	12.3
1958	13.5	37.6	12.9	36.5	171.1	26.3	43.6	11.1
1959	18.5	0.1	....	41.6	169.7	32.5	69.5	8.3
1960	22.3	....	....	30.2	174.7	17.8	69.3	10.6
1961	11.9	....	3.6	28.5	207.3	17.5	57.8	7.2
1962	18.3	74.2	75.4	53.4	260.6	15.5	48.6	5.2

Source: Central Bank of Syria

Table 8 : MAIN IMPORTS
(£S million)

Period	Fruits & Vegetables	Other Food-stuffs	Fuels	Textiles	Precious Metals & stones	Metals & Products thereof	Machines & Equipment	Transport Equipment
1952	25.2	79.9	51.0	94.3	14.9	36.7	52.8	19.7
1953	24.8	46.0	58.1	94.2	31.4	35.5	60.4	28.1
1954	27.9	59.7	70.4	122.6	41.4	38.9	89.2	53.8
1955	33.8	76.2	75.0	109.3	59.9	47.3	96.5	47.9
1956	36.8	67.5	88.6	105.8	60.3	59.4	95.0	57.9
1957	32.9	70.2	79.7	119.5	5.5	65.5	72.3	29.0
1958	38.6	70.4	68.7	131.6	48.6	101.2	87.8	31.5
1959	37.7	91.5	61.9	120.1	8.9	85.0	82.3	31.0
1960	39.1	162.5	62.9	138.3	3.0	94.9	106.9	38.0
1961	36.0	106.3	60.1	99.1	1.0	79.9	96.7	31.1
1962	37.5	131.9	57.4	104.8	0.6	112.3	119.5	31.6

Source: Central Bank of Syria

Table: 9 GEOGRAPHIC DISTRIBUTION OF FOREIGN TRADE
(L.S. Million)

<u>EXPORTS</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Lebanon	120.7	92.9	56.8	52.4	48.5	41.0	92.6
Jordan	15.1	17.7	22.7	23.6	24.1	19.1	21.9
Iraq	28.9	25.8	19.1	11.7	2.5	8.9	21.6
Saudi Arabia	19.3	22.3	24.9	20.4	26.8	15.1	18.4
U.A.R. (Egypt)	<u>9.0</u>	<u>31.8</u>	<u>16.6</u>	<u>68.4</u>	<u>60.9</u>	<u>42.7</u>	<u>5.3</u>
Total, Arab Countries	193.0	190.5	140.1	176.5	162.8	126.8	159.8
Soviet bloc	47.6	96.1	135.1	48.5	80.4	98.6	144.3
Other Countries	<u>227.6</u>	<u>251.2</u>	<u>145.9</u>	<u>182.3</u>	<u>144.2</u>	<u>157.8</u>	<u>298.9</u>
TOTAL EXPORTS	498.2	537.8	421.1	407.3	387.4	383.2	603.0
 <u>IMPORTS</u>							
Lebanon	61.7	24.6	37.3	29.1	28.6	22.9	30.9
Jordan	14.5	12.6	10.3	7.6	7.4	9.0	10.0
Iraq	43.5	34.0	24.2	14.9	7.2	6.8	8.5
Saudi Arabia	34.3	30.8	18.7	5.2	3.3	1.3	1.9
U.A.R. (Egypt)	<u>12.8</u>	<u>14.3</u>	<u>25.5</u>	<u>41.8</u>	<u>52.5</u>	<u>67.6</u>	<u>3.2</u>
Total, Arab Countries	166.8	116.3	116.0	98.6	99.0	107.6	54.5
Soviet bloc	33.2	55.5	95.4	78.5	78.0	73.8	122.2
Other Countries	<u>484.9</u>	<u>443.2</u>	<u>535.9</u>	<u>494.8</u>	<u>637.6</u>	<u>487.1</u>	<u>641.1</u>
TOTAL IMPORTS	684.9	615.0	747.3	671.9	814.6	668.5	817.8

Source: Ministry of Planning, Damascus.

Table 10: OUTSTANDING BALANCES ON BILATERAL ACCOUNTS^{1/}
(In thousands of U.S. dollar equivalent)

	<u>Dec.31, 1958</u>	<u>Dec.31,1959</u>	<u>Dec.31,1960</u>	<u>June 30,1961</u>	<u>Dec.31,1961</u>	<u>Dec.31,1962</u>
China (Mainland)	140.84	-123.20	26.60	2,735.68	2,401.50	1,523.38
U.S.S.R.	6,214.95	-21.34	3,065.96	3,800.44	2,416.27	-903.50
Eastern Germany	-644.22	1,143.66	502.26	451.16	460.34	-391.17
Hungary	-	-23.52	213.92	1,051.40	952.27	682.21
Poland	62.70	50.40	530.50	221.80	-103.65	-70.27
Rumania	-283.90	-196.90	-323.60	635.60	-839.51	-2,066.10
Egypt	8,553.72	11,240.85	16,985.36	3,489.64	1,012.04	4,649.92
Iraq	454.72	1,816.92	1,388.24	212.24	748.66	-
Ceylon	-	-	-	-	-45.82	-179.70
Spain	-	-	-	-	-73.77	-943.70
Total	<u>14,498.45</u>	<u>16,856.90</u>	<u>22,389.24</u>	<u>14,542.26</u>	<u>6,928.33</u>	<u>2,301.07</u>

^{1/} No sign denotes balance in favor of Syria and a minus sign balance against Syria.

Source: Central Bank of Syria

Table 11: A. EVOLUTION OF THE ORDINARY BUDGET ^{1/}
(Million L.S.)

	<u>Expenditures</u>	<u>Revenues</u>	<u>Balance</u>
1950/51	234	247	13
1951/52 (18 months)	266	297	31
1953	197	219	22
1954	219	247	28
1955	261	281	20
1956	343	368	25
1957	365	387	22
1958/59	450	428	-22
1959/60	491	434	-57
1960/61	500	488	-12
1961/62	519	507	-12

B. EVOLUTION OF PUBLIC INVESTMENT
(Million L.S.)

1954	39
1956	69
1958	84
1960/61	282
1961/62	227

^{1/} Annual figures are not strictly comparable.

Source: Ministry of Planning and Ministry of Finance, Damascus.

Table 12: ORDINARY BUDGET IN RECENT YEARS

(Million £S)

	1960/1961 actuals	1961/1962	1962/63 estimates June 30- Dec. 31	x $\frac{2}{3}$
<u>EXPENDITURES</u>				
Salaries & Related	123	150	281	188
General Expenditures)			30	20
Special Expenditures)	41	61	71	47
Debt service payments	7	-	3	2
Other	329	307	558	372
Unclassified	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
	500	519	943	629
<u>REVENUES</u>				
Direct taxes & similar fees	89	81	166	110
Indirect taxes & similar fees	190	169	372	25
Registration fees	58	64	122	81
Revenue from state domains	5	5	7	4
Revenue from Gov't enterprises	1	4	7	5
Miscellaneous revenues ^{1/}	109	144	204	136
Special revenues	2	3	3	2
Extraordinary revenues	-	2	62	41
Subsidy	22	-	-	-
Unclassified	<u>13</u>	<u>14</u>	<u>-</u>	<u>-</u>
	488	507	943	639

^{1/} This item represents the oil transit royalties

Source: Ministry of Finance, Damascus

Table 13: CONSOLIDATED STATEMENT OF THE BANKING SYSTEM *

(\$ Million)

End of Period	A S S E T S					L I A B I L I T I E S						
	Foreign Assets (Net)	Claims on Government	Claims on Official Entities & Specialized Financial Institution	Claims on Private Sector	Unclassified Assets	Money Supply	Of which currency	Quasi-money	Restricted deposits & prepayments	Gov't deposits including counter-part funds	Capital & Reserves	Unclassified Liabilities
	1	2	3	4	5	6	7	8	9	10	11	12
1951	127.5	254.6	-	121.6	44.5	337.3	236.1	6.7	30.6	68.0	20.1	85.5
1952	146.8	289.6	-	144.3	2.9	300.2	234.4	11.9	35.2	165.6	25.7	45.0
1953	135.4	297.9	-	227.3	4.5	352.3	271.5	15.7	23.8	204.4	33.7	35.1
1954	87.1	283.4	-	397.5	14.1	439.6	335.1	23.6	31.5	222.0	40.2	25.2
1955	124.4	277.6	-	412.2	19.0	424.5	316.3	29.3	50.0	231.2	69.9	28.3
1956	163.1	308.5	9.2	445.0	12.1	569.4	409.6	31.9	52.1	158.2	85.4	40.9
1957	163.7	310.7	5.0	464.4	14.7	636.5	461.8	35.5	27.8	117.1	86.4	55.2
1958	126.8	367.6	16.5	431.3	19.2	606.2	420.2	43.4	34.1	132.4	79.3	66.0
1959	125.9	422.8	74.0	521.9	21.9	736.0	485.7	50.8	33.2	183.4	88.9	74.2
1960 M	69.0	451.1	81.5	531.8	22.9	779.2	492.6	54.8	41.0	159.5	91.4	64.7
J	61.9	458.6	88.2	576.5	24.7	742.6	475.3	84.5	55.0	175.4	91.9	60.2
S	9.9	462.6	95.8	627.0	24.7	736.9	456.2	70.6	67.4	180.3	92.1	72.7
D	32.3	487.6	100.0	667.9	26.7	840.3	513.8	74.3	65.5	163.8	93.9	76.7
1961 M	17.7	505.5	99.4	652.3	26.2	842.5	534.2	70.8	69.0	152.1	94.9	71.5
J	2.4	573.6	136.4	606.4	27.4	830.2	516.5	63.1	66.3	198.8	98.0	89.8
S	-30.1	613.0	201.0	545.4	27.7	885.3	570.8	55.1	77.8	186.6	100.7	101.4
D	-81.4	624.4	207.4	617.6	28.2	888.0	583.8	54.1	67.3	193.2	99.7	93.0
1962 M	-50.4	619.0	198.1	657.4	28.6	908.5	593.6	54.5	80.0	210.9	100.2	98.6
J	-55.3	641.6	200.4	661.6	29.1	918.2	623.3	50.5	91.9	224.8	101.0	91.2
S	-39.7	621.6	187.1	638.3	28.7	924.9	631.3	52.4	78.2	243.6	102.1	99.8
D	-48.1	700.7	180.3	732.6	29.1	1,009.7	681.0	60.6	72.2	249.3	102.2	101.1

* Banking system comprises the Central Bank (including Exchange Office and Coin Fund) and the commercial banks.

1 Gold, Foreign exchange and balances of payment agreements - IMF account.

2 Advances to Treasury, subscriptions in Public Debt notes, consolidated debt, Development Budget financing, capital stock increase of the Agricultural Bank, and counterpart funds of coin issuing.

3 Claims on Lattakia Port Authority, Tobacco Monopoly, and Petroleum Public Agency, the Agrarian Reform Organization, the Economic Agency, the Industrial Bank (including subscription of the banking system in its capital stock) the Agricultural Bank, and the financing of cooperative societies.

4 Includes nationalized industries.

6 Comprises demand deposits of the private sector, public entities and specialized financial institutions plus their currency holdings.

7 In circulation out of Central Bank, less currency holdings of Treasury and commercial banks.

8 Comprises time and savings deposits of the private sector, public entities and specialized financial institutions (if any), in national currency plus their deposits in foreign currency.

9 Comprises mainly deposits required as guarantees in connection with special contracts, such as construction, and the Statutory 15%-40% prepayments against a large category of imports. Prepayment ratios are subject to revision by decisions of council of money and credit. Prepayments against imports of public agencies (through Central Bank) are included.

10 Cash at the Treasury, creditor balances of the Treasury with the Banking System, deposits of Public administrations and municipalities, restricted deposits and import prepayments of these administrations, deposits of the Social Security Organization and the Government Officials Pension Fund and counterpart of American deliveries of agricultural surpluses under P.L. 480.

Source: Central Bank of Syria.

Table 14: Factors Determining Changes in Money Supply

	4th Qtr. 1960	1st Qtr. 1961	2nd Qtr. 1961	3rd Qtr. 1961	4th Qtr. 1961	1st Qtr. 1962	2nd Qtr. 1962	3rd Qtr. 1962	4th Qtr. 1962	1962
<u>Increase in money supply</u>	<u>103.4</u>	<u>2.2</u>	<u>-12.3</u>	<u>55.1</u>	<u>2.7</u>	<u>20.5</u>	<u>9.7</u>	<u>6.7</u>	<u>84.8</u>	<u>121.7</u>
<u>Domestic Factors</u>	<u>81.0</u>	<u>17.1</u>	<u>2.7</u>	<u>37.7</u>	<u>104.8</u>	<u>-11.4</u>	<u>14.6</u>	<u>-13.9</u>	<u>97.2</u>	<u>86.5</u>
Net Claims on Public Sector	45.7	29.0	58.4	116.2	11.2	-32.4	11.2	7.7	6.6	-6.9
Claims on Private Sector	40.9	-15.6	-45.9	-61.0	72.2	39.8	4.2	-23.3	94.3	115.0
Quasi Money	-3.7	3.5	7.7	8.0	1.0	-0.4	4.0	-1.9	-8.2	-6.5
Other Assets & Liabilities	-1.9	0.2	-17.5	-25.5	20.4	-18.4	-4.8	3.6	4.5	-15.1
<u>Foreign Assets (net)</u>	<u>22.4</u>	<u>-14.6</u>	<u>-15.3</u>	<u>-32.5</u>	<u>-51.3</u>	<u>31.0</u>	<u>-4.9</u>	<u>20.6</u>	<u>-13.4</u>	<u>33.3</u>
Errors & Omissions	-	-0.3	0.3	49.9	-50.8	0.9	-	-	1	1.9
Total Money Supply at end of period	840.3	842.5	830.2	885.3	880.0	908.5	918.2	924.9	1,009.7	1,009.7
Of which currency	513.8	534.2	516.5	570.8	583.8	593.6	623.3	631.3	681.0	"

Table 15: SYRIA - EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED
AS OF MARCH 20, 1963 ^{/1}

(In thousands of U.S. dollar equivalents)

Item	Debt outstanding March 20, 1963	
	Net of undisbursed	Including undisbursed
TOTAL EXTERNAL PUBLIC DEBT	<u>98,680</u>	<u>364,055</u>
Privately-placed debt	<u>5,000</u>	<u>5,000</u>
Loan from U.S. Government - AID	<u>--</u>	<u>14,700</u>
Loans from Germany	<u>6,400</u>	<u>93,900</u>
Kreditanstalt Stabilization Credit	<u>6,400</u>	<u>6,400</u>
Other	<u>--</u>	<u>87,500</u>
Loans from Soviet Bloc	<u>87,280</u>	<u>250,455</u> ^{/2}

^{/1} Does not include undisbursed portions of the following "Stabilization Credits":

Total	\$ <u>23,600,000</u>
Germany	<u>9,600,000</u>
United States	<u>14,000,000</u>

^{/2} The "Including undisbursed" figure includes those portions of U.S.S.R. - Syrian Agreements totalling \$163,175,000 which can reasonably be assumed to be disbursed at future dates.

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SYRIA - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF
MARCH 20, 1963 1

(In thousands of U.S. dollar equivalents)

Table 16: - Page 1

Year	Debt out- standing plus un- disbursed January 1	Payments during year			Year	Debt out- standing plus un- disbursed January 1	Payments during year		
		Amorti- zation	In- terest	Total			Amorti- zation	In- terest	Total
Total debt				Privately-placed debt					
1963/2	364,055	17,710	2,723	20,433	1963/2	5,000	5,000	150	5,150
1964	346,345	16,159	3,459	19,618					
1965	330,186	18,569	4,092	22,661					
1966	311,617	18,113	4,578	22,691					
1967	293,504	18,913	5,072	23,985					
1968	274,591	19,441	5,559	25,000					
1969	255,150	27,402	6,093	33,495					
1970	227,748	28,627	5,714	34,341					
1971	199,121	28,626	5,000	33,626					
1972	170,495	22,899	4,284	27,183					
1973	147,596	21,208	3,712	24,920					
1974	126,388	20,871	3,190	24,061					
1975	105,517	18,462	2,676	21,138					
1976	87,055	16,044	2,216	18,260					
1977	71,011	13,916	1,809	15,725					
U.S. Govt. loan - AID				Loans from Germany - Total					
1963/2	14,700	-	42	42	1963/2	93,900	-	368	368
1964	14,700	-	96	96	1964	93,900	1,600	842	2,442
1965	14,700	-	110	110	1965	92,300	1,600	1,224	2,824
1966	14,700	-	110	110	1966	90,700	1,600	1,606	3,206
1967	14,700	-	110	110	1967	89,100	1,600	1,988	3,588
1968	14,700	-	110	110	1968	87,500	-	2,370	2,370
1969	14,700	-	110	110	1969	87,500	5,833	2,844	8,677
1970	14,700	-	110	110	1970	81,667	5,833	2,654	8,487
1971	14,700	-	110	110	1971	75,834	5,833	2,465	8,298
1972	14,700	241	110	351	1972	70,001	5,833	2,275	8,108
1973	14,459	482	107	589	1973	64,168	5,833	2,085	7,918
1974	13,977	482	104	586	1974	58,335	5,833	1,896	7,729
1975	13,495	482	101	583	1975	52,502	5,833	1,706	7,539
1976	13,013	482	97	579	1976	46,669	5,833	1,517	7,350
1977	12,531	482	93	575	1977	40,836	5,833	1,327	7,160

See footnotes at end of table.

SYRIA - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF
MARCH 20, 1963 /1 (CONT.)

(In thousands of U.S.dollar equivalents)

Table 16

Page 2

Year	Debt out- standing plus un- disbursed January 1	Payments during year			Year	Debt out- standing plus un- disbursed January 1	Payments during year		
		Amorti- zation	In- terest	Total			Amorti- zation	In- terest	Total
Loans from Germany									
Kreditanstalt Stabilization Credit					Other				
1963/2	6,400	-	368	368	1963/2	87,500	-	-	-
1964	6,400	1,600	368	1,968	1964	87,500	-	474	474
1965	4,800	1,600	276	1,876	1965	87,500	-	948	948
1966	3,200	1,600	184	1,784	1966	87,500	-	1,422	1,422
1967	1,600	1,600	92	1,692	1967	87,500	-	1,896	1,896
					1968	87,500	-	2,370	2,370
					1969	87,500	5,833	2,844	8,677
					1970	81,667	5,833	2,654	8,487
					1971	75,834	5,833	2,465	8,298
					1972	70,001	5,833	2,275	8,108
					1973	64,168	5,833	2,085	7,918
					1974	58,335	5,833	1,896	7,729
					1975	52,502	5,833	1,706	7,539
					1976	46,669	5,833	1,517	7,350
					1977	40,836	5,833	1,327	7,160
Loans from Soviet Bloc									
1963/2	250,455	12,710	2,163	14,873					
1964	237,745	14,559	2,521	17,080					
1965	223,186	16,969	2,758	19,727					
1966	206,217	16,513	2,862	19,375					
1967	189,704	17,313	2,974	20,287					
1968	172,391	19,441	3,079	22,520					
1969	152,950	21,569	3,139	24,708					
1970	131,381	22,724	2,950	25,744					
1971	108,587	22,793	2,425	25,218					
1972	85,794	16,825	1,899	18,724					
1973	68,969	14,893	1,520	16,413					
1974	54,076	14,556	1,190	15,746					
1975	39,520	12,147	869	13,016					
1976	27,373	9,729	602	10,331					
1977	17,644	7,601	389	7,990					

/1 Includes service on all debt listed on table
"Syria - External Public Debt Outstanding In-
cluding Undisbursed as of March 20, 1963"
prepared June 25, 1963.

/2 Amount outstanding as of March 20, 1963; payments
are for remaining nine months of 1963.

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