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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE ECONOMIC SITUATION

AND

CREDITWORTHINESS OF SYRIA

March 22, 1951

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STATISTICAL APPENDIX

SYRIA
BASIC STATISTICS

<u>Total Area</u>	45.3 million acres (70,000 sq. miles)
of which cultivable	8.5 " "
of which cropland	6.2 " "

Population (1949 estimate) 3.2 million

Currency

Unit	Syrian pound (LS)		
Exchange Rate -			
Official (par)	LS 2.19 = US \$1	LS 1 = US \$46	LS 1 million = US\$460,000
Free market (1950 average)	LS 3.60 = US \$1	LS 1 = US \$28	LS 1 million = US\$280,000

National Income (rough estimate) LS 1,200 million

 National income per head LS 390 = \$110

<u>Principal Crops</u> (thousands of metric tons)	<u>1938</u>	<u>1949</u>
Wheat	529	779
Barley	318	357
Grapes	154	136
Olives	43	92
Cotton (unginned)	15	45

Public Finance

	(in million LS)	
	<u>1949</u>	<u>1950</u>
	(actual figures) (estimates)	
Ordinary revenues	136	142
Ordinary expenditure	141	142
Extraordinary war expenditure	67	-
Deficit	72	-

Balance of Payments

	(estimates)	
Imports	360	330
Exports	175	225
Invisibles (net)	<u>✓ 58</u>	<u>✓ 85</u>
Deficit	- 127	- 20

I. SUMMARY AND CONCLUSIONS

Syria is a country with considerable unused resources in the field of agriculture. The economic development of Syria is facilitated by comparatively high standards of education and its importance is enhanced by the impact Syrian development will have on a wider area.

Political stability suffered from forcible changes of central governments during 1949. As private ownership and enterprise predominate in Syria and as there is little state interference in the country's economy, the latter was little affected by political events. Concern about economic development has been a common feature of all Syrian Governments during the last years.

Most of the development possibilities of Syria are based on agriculture, which employs directly some two thirds of the population and provides most of the locally used industrial raw materials, as well as practically all exports. There are regular surpluses of cereals, fruit, vegetables, tobacco and recently cotton, which has been growing steadily in importance and, in 1950, is estimated to have accounted for some 25% of the value of total exports. The growth of agricultural production in Syria can be accelerated primarily by investment in irrigation and transportation; the latter being of singular importance in a comparatively vast and sparsely populated country.

Modern industries in Syria are of very recent date and, apart from lack of technical and managerial experience, suffer from high costs of transport, fuel and power. Cotton and silk textiles, cement and food processing are among the soundest branches.

Apart from asphalt, no large mineral deposits are known to exist in Syria. No commercially valuable quantities of petroleum have

been found in the country until now. Syria derives some financial benefits, however, from the passage of the Iraqi Petroleum Company and Trans-Arabian pipelines through its territory. These benefits are bound to increase with the construction of the IPC oil port in Banyas, the possible construction of a new pipeline (from Iran) and of a new oil port (in Tartous) as well as the erection of an oil refinery in one of the above terminals.

In the long run the ordinary budgets of the Syrian state have been balanced. Reserves accumulating in surplus years are largely used to finance public works in years of budgetary deficits. Were it not for the military expenditure which resulted in a LS 67 million deficit in the extraordinary budget of 1949 and continues to weigh heavily on ordinary budgets, government availabilities for development financing in local currency would probably measure up to the development capacities of the country, as indicated by the existing technical skills and manpower. As it is, government financing of both increased army requirements and investment is leading to a gradual increase of indebtedness with the central bank, which, until now, has not caused any large increase in the note circulation but has been reflected in a deterioration of the note coverage.

Past experiences seem to indicate that private capital in Syria is sufficient to cover the investment needs of industries, motor transport, some forms of housing construction and certain types of agricultural development. The development of the transportation network, as well as large scale and long term investment in agriculture, will have to be carried out by the public sector.

The total development program envisaged by the Ministry of Finance involves an expenditure of LS 243 million, in both local and foreign exchange, over the next five years. This program would obviously prove to be overambitious if its execution were attempted within the above period and without any foreign assistance. It is expected, however, to be slowed down automatically both by the lack of technical preparation and by the necessity of previous international agreements with regard to projects involving neighboring countries.

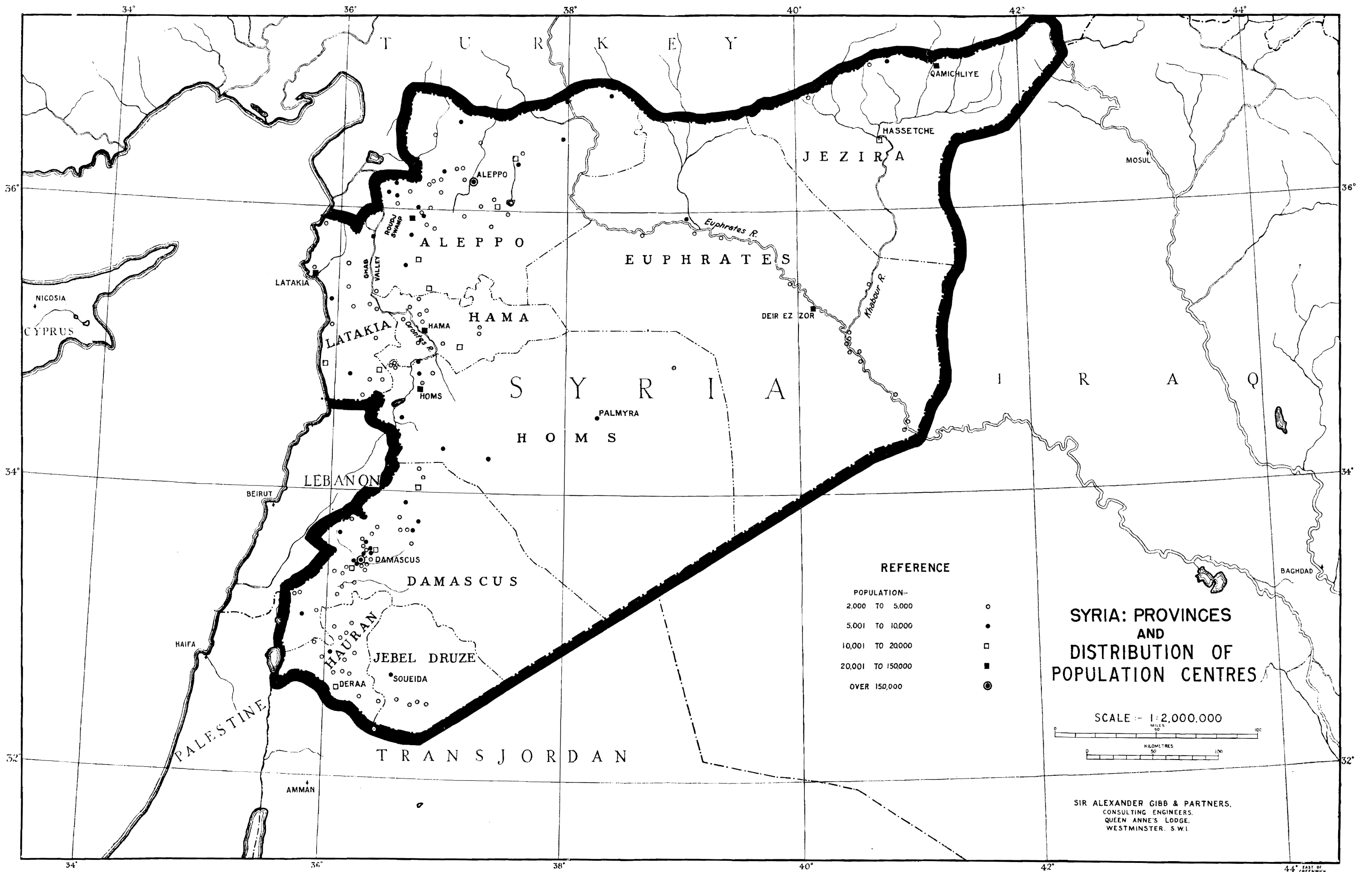
The two small projects (Roudj drainage and irrigation and roads in the Jezira) already submitted to the IBRD promise to contribute to an increase of the productive potential of the country and are completely in line with recent development trends in the Syrian economy. As far as can be established now, the same applies to two of the three additional, larger projects (Ghab drainage and irrigation and imports of agricultural machinery) which are to be submitted in the next few weeks. With regard to the third one of the expected projects (Port of Latakia) a special study may be required to clarify more fully its economic justification.

The balance of payments position of Syria has improved greatly due to the increased volume and value of exports and partly also as a result of the reduction of expenditure in the Lebanon, following the termination of the customs union. The still large deficit of 1949 was financed by further liquidation of private foreign assets held abroad or of gold. It is estimated that the 1950 deficit has not exceeded some LS 20 million and that - barring any serious deterioration of the terms of trade of primary producing countries - the Syrian balance of

payments will show surpluses in the future.

These surpluses are more likely to arise in Western European currencies (especially in sterling, French francs and Italian lira), as Syrian trade with these countries is more extensive and regular than trade with the dollar area. Although Syria had an export surplus with the U.S. during the first eleven months of 1950, it is doubtful whether this situation will continue for a long time. Modest but reliable sources of dollar and sterling receipts from oil transit increase Syria's capacity to service foreign loans. Finally, a certain safety margin is provided by the existence in Syria of a fairly active free market in foreign exchange which enables the government to buy the needed foreign exchange against other currency or even against Syrian pounds.

These considerations lead to the conclusion that Syria should be able to bear, without strain, a foreign debt involving service charges equivalent to \$2 - \$3 million annually and that, within this total capacity, the country is able to service dollar loans requiring payments of \$1 - \$2 million annually.



II. INTRODUCTION

Syria's position among the countries of the Middle East, as seen from both the political and economic angle, is important. Next to the Lebanon, Syria has the highest standards of education and literacy. The country has been fully independent only since 1946, but the fact that the people are racially and religiously fairly homogeneous is facilitating the process of Syria's internal unification. The Syrian civil service lacks experienced personnel, especially below the top levels, but it shows comparatively high moral standards and patriotic devotion to duty.

Three military coups d'etat, which took place between March and December of 1949 must obviously weigh heavily in any evaluation of the degree of political stability in Syria. These forcible changes of the top authorities, however, have not had any deep effects on the economic life of the country because of: (a) the predominance of the private sector in the Syrian economy; (b) her overwhelmingly agrarian character; and (c) the lack of any fundamental differences between the successive Syrian regimes in the field of economic policies and programs.

Apart from personal ambitions and animosities, the driving forces behind the new ascendants to power were primarily contrasting approaches to international relations and particularly to inter-Arab affairs. In domestic economic matters the changing regimes did not differ essentially. An interest in economic development through a fuller utilization of the country's existing resources has been a common feature of all the Syrian Governments during the past few years; the development projects submitted by the kudsi Government to the IBRD in September 1950 are very similar to those proposed by the Zayim regime in 1949.

Together with Iraq and Iran, Syria belongs to the group of Middle Eastern countries which, thanks to a reserve of potentially cultivable land, have a favorable ratio of natural resources to their present number of inhabitants. It is cautiously estimated that the 6.2 million acres of cropland in Syria could be increased to some 8.5 million acres, and that the part of the cropland which is irrigated could be almost doubled from the present 830 thousand acres to about 1.5 million acres. These increases in cultivable land would allow: (a) the thinning out of the few over-populated areas; (b) a further settlement of the pastoral nomads who have an extremely low standard of living and are a socially unstable element; and (c) eventual immigration of surplus population from neighboring areas (Palestine, Lebanon).

The fact that Syria is located in the geographical center of the Middle East gives international significance to most of the development projects of the country. This applies especially to transit facilities provided by Syrian transportation projects and to plans for the fuller utilization of such rivers as the Euphrates and the Yarmuk. Development of border regions necessarily involves agreements with neighboring states, often a factor causing some delay in progress, but in the long run such projects are doubly rewarding.

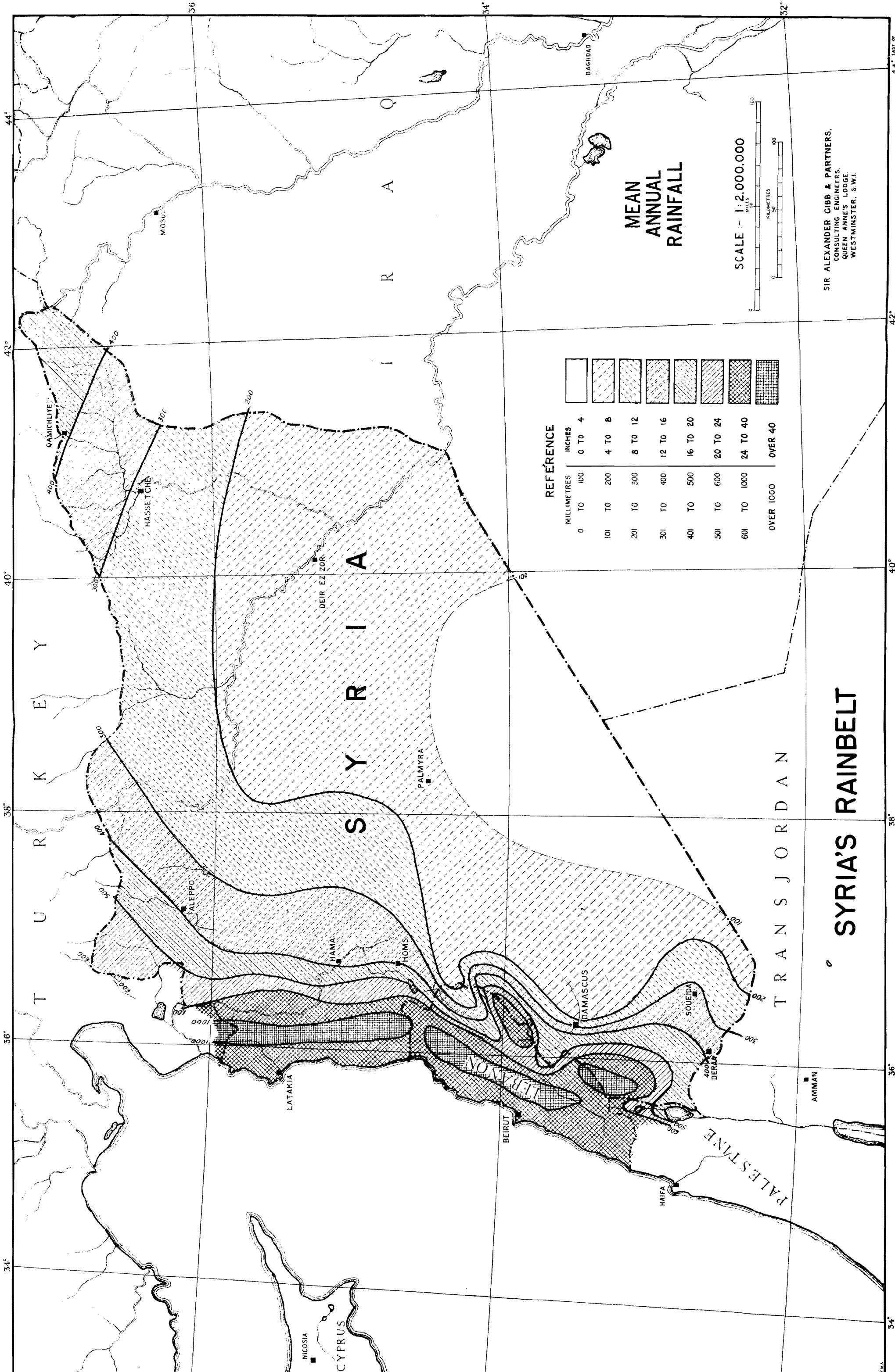
III. THE ECONOMIC STRUCTURE OF SYRIA

Agriculture

Syria is predominantly an agricultural country. Some 60% to 70% of the people are directly employed in agriculture and most of the others are engaged in the processing and trading of agricultural products. Practically all Syria's exports are raw, or slightly processed, agricultural products.

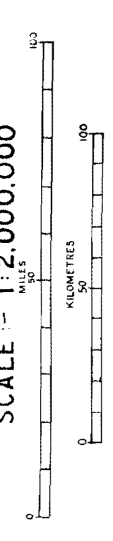
Only the western and northern parts of Syria have sufficient precipitation to allow for rainfed cultivation, and until now only a small additional area has been irrigated. Yet because of the comparatively small population of Syria, the ratio of inhabitants to cultivated land (about 2 acres per head) is more favorable than in Egypt (0.5 acres per head) or in neighboring Jordan and the Lebanon (about 1 acre per inhabitant).

As in the other countries of the Middle East, the structure of land tenure is backward. Available data show that over one half of the land is held by large private owners, or the State; one third is in form of medium holdings of between 25 and 250 acres; and not more than 15% of the area is in the hands of small owners. Tenants lack incentives for improvements in cultivation and large owners often do not take sufficient interest in their land. The new Syrian constitution envisages legislation which would make the proper utilization of the soil a duty of the owner, and which would also limit the maximum size of estates and encourage small and medium ownership. Some distribution of state domains and of communally held land has already started, although it is delayed by the slow progress of cadastral surveying. The recent liquidation of the existing perpetual trusts (WAQF) will also contribute to increase



MEAN ANNUAL RAINFALL

SCALE 1:2,000,000



REFERENCE	
MILLIMETRES	INCHES
0 TO 100	0 TO 4
101 TO 200	4 TO 8
201 TO 300	8 TO 12
301 TO 400	12 TO 16
401 TO 500	16 TO 20
501 TO 600	20 TO 24
601 TO 1000	24 TO 40
OVER 1000	OVER 40

SIR ALEXANDER GIBB & PARTNERS,
CONSULTING ENGINEERS,
QUEEN ANNE'S LODGE,
WESTMINSTER, S.W.1

SYRIA'S RAINBELT

34° 36° 38° 40° 42° 44° 34° 36° 38° 40° 42° 44° 32° 34° 36° 38° 40° 42° 44°

the number of farmer owners.

Cereal crops - mainly wheat and barley with small quantities of millet, corn and rice - account for about 50% of Syria's cultivated area and in recent years averaged around 1 million tons. The wheat yield (around 700 lbs per acre) is slightly lower than even the pre-war yield in the U.S. but higher than the yield in neighboring Iraq. The other most important crops are leguminous plants, vegetables, fruits, tobacco and cotton. The latter has increased rapidly from 18 thousand tons (unginned) in 1948 to over 80 thousand tons in 1950 and it is possible that as much as 160 thousand tons will be produced in 1951. Production costs are at present about one third of the price obtained by the cultivator.

The country is self-sufficient in most of its food supply and has exportable surpluses of cereals (on the average around 200 thousand tons per year); of cotton (over 20 thousand tons of lint in 1950); and of tobacco, vegetables and fruit. Sheep, estimated at around 3 million head, outnumber by far all other livestock and are of special importance because they are the source of carpet wool exports to the United States. Syria, however, is a net importer of livestock and by-products such as hides, with imports coming principally from Turkey and Iraq. Although the level of agricultural techniques in Syria is reputed to be higher than that of some of her neighbors, here as elsewhere in the Middle East, the income of the agricultural population can be raised considerably by improved methods of cultivation, better seed selection, fuller use of fertilizers, improved breeding, anti-pest campaigns, and the extension of short term credit facilities through banks or cooperatives.

Industries

Agriculture provides raw materials for light industries such as food processing and manufacture of cotton and silk textiles. Modern industrial development is of recent origin and, in a substantial part, dates from 1940 when wartime limitations of imports plus the demands of the Allied troops stimulated the output of new products. Tariff protection until now has, generally speaking, not been excessive but in 1949-50 a number of private companies had to be assisted by government guaranteed loans.

Textile Production, the largest and soundest branch of Syrian industry, is based on domestic cotton and silk and makes use of the traditional skills of Syrian artisans. Output covers most local requirements, except for luxury goods. Cement production at present is limited to one plant whose annual production of about 55,000 tons far from satisfies domestic requirements. As a result of the continuing housing boom, and of demands for irrigation and such large projects as the Aleppo water supply project, an extension of the Damascus Cement Plant and the erection of a new one, in Aleppo, are under way. Other industries include an old established tanning industry which depends largely upon imported hides, and the manufacture of olive oil, soap, cigarettes and matches. The rapid increase of cotton cultivation is being accompanied by a growth of the cotton ginning industry, and a greater part of the domestic fruit crop is canned locally.

The main obstacles to further industrial development in Syria are the lack of cheap fuel and power. The industrially important fuel oil has to be imported from Tripoli (Lebanon) or elsewhere. The existing

power plants in the three larger centers are predominantly thermal installations and their power supply, insufficient for the non-industrial uses, has to be supplemented during peak hours by power generated in small plants maintained by most of the larger industrial establishments. These difficulties, in addition to lack of managerial and technical skill and experience and some miscalculations of foreign trade possibilities, have led to serious problems in two new industrial developments, the glass factory of Damascus and the sugar factory at Homs. The latter, a typical mis-investment, does not even have a domestic raw material basis, since beet production in both Syria and the Lebanon is insignificant.

Transportation

In a comparatively vast country where centers of habitation and production are few and far between, transportation becomes a problem of particular importance and difficulty. In Syria its solution is further hampered by the fact that most of the existing facilities were created either at a time when Syria was integrated into a larger area (at first with the Ottoman Empire and, later on, with the Lebanon) or before the north and particularly the northeast of the country had become as important population and production centers as they are now.

Syrian railways aptly illustrate the above points. Only about one half of the trackage consists of an un-interrupted network, the remainder is cut off from this network by long stretches of lines running through neighboring countries. Furthermore, none of the existing railway lines touches the Syrian coast; instead they lead to Tripoli, Beirut and Iskenderon, all of which are now foreign ports.

These conditions have contributed to emphasis on road transport, which is also favored in Syria because of the greater flexibility and suitability of highways for serving remote areas. But even the highway network is badly distributed over Syrian territory since it does not sufficiently open up the four northern provinces (Aleppo, Lathraes, Latakia and Jezira) in which are concentrated about 60% of the total population. These provinces contribute around 75% of the country's agricultural production.

The improvement of transportation facilities in Syria, geared particularly to serve the needs of the main producing areas, deserves a high priority in the country's development program.

IV. RECENT ECONOMIC TRENDS

Expansion of the Economy

General

Although statistics in Syria are, generally speaking, non-existent or unreliable, it is evident that the country's economy has been steadily expanding. Between 1938 and 1949 the total cultivated area increased from 3.6 to 6.2 million acres; the irrigated area increased from 530 to 830 thousand acres. In 1949 in addition to a record crop of cereals (1.2 million tons) and an excellent showing in other crops, production of cotton increased almost threefold over the average of the three preceding years. The 1950 cotton crop is estimated to have doubled that of last year. The capacity of the cotton spinning and weaving industries was increased during the last two years by at least 50%. The postwar building boom has been prolonged by continual heavy demand for housing, in spite of high rents. Transportation and communication bottlenecks have been eased by the importation of a great number of new automobiles, buses, and trucks, and by the installation of automatic telephones in all major cities.

It was possible to maintain this high level of investment owing to the large foreign exchange holdings accumulated during the war and the period of Allied military occupation. Three successive good harvests and recent price increases in some of Syria's export goods (cotton and wool) have helped to sustain this trend at a time when accumulated savings were presumably approaching exhaustion.

Development of the Jezira

This province is a large stretch of incompletely developed

agricultural land, situated in the northeastern corner of Syria. Because it borders on the Tigris and includes the larger part of the Khabour basin, the province has been called Jezira, which means "island" -- an exaggeration typical of the Middle Eastern people whenever water is concerned. The northeastern part of the province has an annual rainfall of from ten to twenty inches, and the Khabour river with its tributaries afford further and considerable irrigation possibilities. Until recently, there were serious obstacles to the development of the Jezira, such as its remoteness from Syrian administrative and economic centers and the constant tension caused by feuds among nomads and various racial and religious minorities inhabiting the area. The latter difficulty has now been successfully overcome by the Syrian Government but transportation continues to be difficult and expensive.

Favorable trends in agricultural prices have attracted private capital to the Jezira. These private interests have invested in agricultural machinery suitable for the extensive type of cultivation prevailing in that area and as a result the local wheat crop, which in 1936 amounted to some 40 thousand tons, had increased to over 350 thousand tons in 1950, or about one half of Syria's total wheat production. A two year crop rotation system is now used in most of the area within the rainbelt, but one large block of unploughed land (possibly around 250 thousand acres) still remains to be cultivated. The irrigated area, now used partly to grow cotton, was doubled between 1947 and 1950 and can be even further expanded. A part of the nomadic tribes of the area have settled down to regular farming and there is a steady influx of new population.

There are, of course, some flaws in the rapid and largely spontaneous development of the Jezira. Title to the land (which is still largely regarded as state domain) has, in most cases, not yet been established. Most of the landholders, in particular tribal sheiks, have no mechanised equipment of their own and must carry out the ploughing and harvesting through contractors, who receive between 10 and 15% of the crop. Under these conditions neither the temporary owners nor the operators have sufficient interest in conserving the soil properly. To further complicate the situation, living conditions for the newcomers are very bad. In contrast to the orderly growth of the new pioneer town of Qamichliye, the economic center of Syria's former Wild East, the new villages in the province are still very congested and ill-equipped.

Effects of the Termination of the Customs Union with the Lebanon

The Syrian and Lebanese economies traditionally have complemented each other to a large extent; whatever competitive elements do exist are noticeable mainly in the field of industrial production and are not very significant. The traditional pattern of exchange between the two countries used to be, generally speaking, as follows: Syria covered Lebanon's deficit in cereals (on the average some 120 thousand tons per year) for which Lebanon paid partly with industrial goods and subtropical fruit from its coastal area, partly with commercial and transit services of the port of Beirut, and partly with services for Syrian vacationists and convalescents who wished to enjoy Lebanon's mountain and sea climate.

Having been freed from Ottoman Rule after World War I, both

countries were linked by a customs and monetary union which survived the end of the French Mandate in 1943. The monetary union was the first to break up (in January 1948) following the conclusion of a financial agreement between France and Lebanon alone. Between this date and the termination of the customs union (March 1950) the two currencies - which had been previously legally interchangeable at par - continued to be accepted in both countries. The fact that during this period the Lebanese pound was at a premium vis-a-vis the Syrian pound indicates that the balance of payments between the two countries was developing in favor of the Lebanon. Negotiations for new arrangements concerning trade payments and the various "common interests" of Syria and Lebanon dragged on until a complete termination of the customs union was imposed by Syria.

There were several economic reasons for this break. Syria wanted to protect its industries with somewhat higher tariffs and to decrease the trade deficit by limiting imports of unessentials. None of these measures was acceptable to the Lebanon where the free trading interests of Beirut merchants predominate and where the availability of imported luxuries is a tourist attraction. There were also differences in fiscal policies, such as higher consumer taxes in Syria, which tended to upset the trade between the two countries. There was, finally, the unsolved dispute of the division of customs revenue, fixed originally at a ratio of 44% for the Lebanon and 56% for Syria, which satisfied neither side.

The abrupt termination of the union on March 13, 1950 was followed for about nine months by restrictive measures on both sides,

mainly initiated by Syria, which limited severely the exchange of goods and services between the two countries, and even the movement of persons. An agreement was finally reached on December 26, 1950 which provided for the exchange of agricultural goods and locally produced industrial goods, required for domestic consumption. This trade remains subject to the existing tariffs and general regulations.

It is apparent now that the producing partner of the former union - Syria - withstood the shock of separation infinitely better than the Lebanon, which partly lost its nearest "Hinterland" and with it over three million customers. While the Lebanon continued even during the interim period to import some of its cereals from Syria, the latter country restricted not only purchases of Lebanese goods but also travel to the Lebanon and the role of Beirutian middlemen; the two last named measures do not seem to have been relaxed by the December agreement. The Lebanese port continues to provide direct transit services for the South of Syria for most of its seaborne trade, and also for the rest of the country with regard to goods requiring proper loading or unloading facilities, but an increasing volume of Syrian trade avails itself of the makeshift arrangements in the Syrian Port of Latakia. Furthermore, the brokerage and entrepot profits of Lebanese operators were curtailed by the increasing role and independence of Syrian importers and exporters. A noticeable effect of this shift of gravity from Beirut to Damascus is the complete disappearance of the premium on the Lebanese pound (followed even by slight indications of a discount) and the disappearance of capital movements from Syria to Lebanon, which took place during 1948 and 1949. There is no doubt, that as a result of the separation from the Lebanon the balance of payments position of Syria has improved.

V. INTERNATIONAL FINANCE

Public Finance

Until the outbreak of the Palestine war, the position of Syria's public finance had been satisfactory. Actual revenues exceeded ordinary expenditures and the surpluses were used to finance public works. However, heavy military expenditure occasioned by the Palestine war caused substantial deficits to appear in 1943 and in 1949.

From 1937 to the end of 1945, the last year for which accounts were formally closed, the Syrian budget position regularly showed surpluses which accumulated into a reserve fund. From 1946 onward the picture is complicated by two facts: (a) drawings on reserves previously accumulated are included in the official Syrian budget presentation as revenue items and (b) in 1949 an extraordinary and separate war budget was set up. The following table indicates actual revenues and expenditures for 1946-1949 as well as the resulting surpluses and deficits, without considering the drawings on cash reserves.

Budget Results
(in million LS)

Year	Expenditures		Revenues	Surplus / Deficit -
	Ordinary	Extraordinary		
1946	113	-	121	/ 8
1947	122	-	116	- 6
1948	136	-	116	- 20
1949	141	67	136	- 72

The deficits for the years 1947 - 1949, totalling LS 98 million, were covered as follows: up to LS 36 million by drawings on the accumulated reserves from previous years; up to LS 15 million by drawings on

other treasury availabilities; up to LS 40 million by a loan from the central bank; up to LS 7 million by the loan from Saudi Arabia.

The official 1950 budget estimate assumed that revenues and expenditures would be balanced at a level of LS 142 million. Actually, however, slightly lower expenditures and increased yields from some of the taxes will result in a probable surplus of about LS 15 million.

During the last four fiscal years Syria's sources of revenue were as shown in the following table:

<u>Budget Receipts</u> <u>(1946 - 1949)</u>	
Direct taxation	15%
Customs receipts	26 $\frac{2}{3}$ %
Tobacco monopoly	11%
Tax on agricultural production	9%
Stamp and registration fees	7%
Other indirect taxation	17%
Other revenues	15%

The low proportion of direct taxation to total revenue is not very different from conditions prevailing in other Middle Eastern countries;

direct taxes include a tax on income from industry and commerce, with rates rising up to 30%, as well as 12 other taxes. The tax on agricultural production represents the main contribution of agriculture to State revenue and amounts to 7% of the value of agricultural products sold outside the producers village. The tax is collected on control posts along the roads. While this is an antiquated and expensive method of collection (the cost of it works out at about 10% of the yield) nevertheless it still is probably best suited for Syrian conditions, where proper accounts are kept only by larger companies.

In 1949 over 40% of expenditures were caused by the Palestinian war. The main fields of expenditures, according to the budget estimate

for 1950, are the following.

Budget Estimates for 1950

Groups of Expenditures

Defense	34%
Police and gendarmerie	11%
Education	17%
Public Works	10%
General Administration	28%

There is no internal bonded debt in Syria. All of the Government's Public Debt is held by the Banque de Syrie et du Liban which serves as the central bank for the country. The debt is composed of the following items:

LS 83 million	Treasury Bills
" 40 "	Special loan to cover the 1949 deficit
" 8 "	Miscellaneous advances
<hr/>	
LS 131 million	
<hr/>	

In addition, various loans totalling LS 64 million, made by the central bank to the Government Wheat Office, to municipalities and to some industrial enterprises are guaranteed by the Syrian Government. Consequently the total government and government guaranteed debt held by the central bank on September 30, 1950, was LS 195 million. A Public Debt Fund created early in 1950 aims at a gradual amortization of the public debt, with a number of small, special revenues allocated to the Fund. No results have yet been published as to the magnitude of revenues actually accruing for this purpose.

Apart from an interest free loan of US \$2 million from Saudi Arabia, repayable in four equal installments between 1955 and 1958, Syria has no external debt. There is, however, the problem of the LS 44 million

of Syrian currency, which were withdrawn from circulation in the Lebanon in February 1948, at the time when the monetary union between the two countries came to an end; this amount is now kept in a blocked account in Damascus. As Lebanese currency has been issued to holders of the withdrawn Syrian notes, the Lebanese Government claims compensation and negotiations between the two Governments are in progress.

Money and Banking

The Syrian pound (LS = 100 piasters) has been the country's monetary unit since 1919. Until 1948, when the monetary systems of Lebanon and Syria were united, the currency was linked to the French franc and most of the note cover was in French franc balances. At present the Syrian monetary system is based on two acts: (a) the new monetary agreement with France, concluded early in 1949, which provides for a gradual liquidation of the remaining French franc assets - still a part of the note cover; (b) the Syrian monetary law of March 11, 1950, which aims at gradually building up the gold cover for the note issue (at present not more than 7%) to about 30% of the circulation. It also stipulates that Government obligations should not exceed 40% of the note cover; this rule is weakened, however, by the fact that it does not apply to some categories of Treasury Bonds.

The money supply (currency in circulation and sight deposits with the central bank^{1/}) has increased gradually over the last years; by the end of September 1950 it amounted to LS 309 million or LS 48 million more than

^{1/} Data on sight deposits with other banks are not available.

it was at the end of 1946. Currency in circulation has increased between these two dates by only LS 3 million (from LS 202 million to LS 205 million), and sight deposits at the central bank have increased by LS 45 million. By the end of 1950, however, currency circulation increased to LS 225 million (which is LS 23 million more than it was by the end of 1946); sight deposit figures, as per the end of 1951 are not available.

The structure of central banking in Syria contains some of the rather unorthodox elements which are found elsewhere in the Middle East. The note issue bank, Banque de Syrie et du Liban (BSL), which is foreign owned - as is also partly the case in Egypt - performs important commercial banking functions, as does the Bank Melli Iran. Furthermore the BSL acts simultaneously as a central bank for the two independent countries, a role the bank had when both these countries were French mandates and which it continued after their independence. Some difficulties arise because of lack of any clear distinction between the currency issuing operations of the BSL and those which it undertakes as the largest commercial bank of the country. This is particularly noticeable in connection with the note coverage. According to the BSL the present note coverage consists of 12% gold and foreign exchange and the currency is backed to the extent of 88% by government obligations. According to the Syrian Government, however, an additional amount of some LS 70 million should properly be considered as also forming part of the note coverage. This amount, which includes some foreign exchange, is at presents merged with the aggregate assets of the Commercial Department of the BSL. With this addition the total coverage at the end of September 1950 would consist

of 21% of gold and foreign exchange; 63% government obligations; and 16% private obligations. If gold and foreign exchange were taken at their free market values, their share in the coverage would increase to 30%.

The remaining nine banks (2 French, 1 British, 1 Egyptian and 5 Arab) with total deposits not exceeding 20% of those of the BSL, operate on a modest scale and concentrate largely on commercial and short term industrial credits.

One of the major problems of the Syrian financial situation is that facilities for middle and long term credit are practically nonexistent, and even the harvest is partly financed by credits from merchants, available only at exorbitant rates. Shortcomings of the credit market have to be explained not only by an outright lack of capital but also by such retarding factors as the traditional inclination to hoard gold and to immobilize assets in form of real estate under conditions where mortgage credit is practically nonexistent.

VI. EXTERNAL FINANCES

Balance of Payments Estimates

No estimate has ever been made of the Syrian Balance of Payments, except for a preliminary survey by one of the internal IMF reports. This is understandable in view of the difficulties encountered: (a) in separating the foreign trade of Syria and Lebanon during the existence of the customs union; (b) in evaluating trade in such items as gold and hashish; (c) in estimating some of the invisibles; (d) in making the necessary adjustments in trade figures to include smuggling. The balance of payments estimate worked out by the Bank mission, in cooperation with two Syrian officials, gives only an approximate picture of the situation.

SYRIA'S BALANCE OF PAYMENTS ON CURRENT ACCOUNT

	(in millions of LS)			
	Estimates for			
	1949		1950	
	<u>Receipts</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>Expenditures</u>
Merchandise	175	360	225	330
Invisibles	<u>70</u>	<u>12</u>	<u>90</u>	<u>5</u>
	245		315	
Deficit	<u>127</u>	<u>==</u>	<u>20</u>	<u>==</u>
TOTAL	<u>372</u>	<u>372</u>	<u>335</u>	<u>335</u>

Foreign trade figures have been adjusted for undervaluation and smuggling both ways. The 1950 exports were estimated to be about 30% higher than those of 1949, owing to the increased volume and value of such exports as cereals, cotton and wool. The total import estimate for 1950 is somewhat lower than the one for 1949 because it takes into account the probable effects of certain import limitations (especially of goods from the Lebanon),

of the somewhat higher tariffs introduced by Syria after the termination of the Customs Union, and of the lower cost of imports brought about by the elimination of some profits for Lebanese trade intermediaries.

Invisible receipts include emigrant remittances; profits from gold and transit trade; the dollar and sterling receipts from the Iraqi Petroleum Company, the Transarabian Pipeline and from the U.N. Refugee Organization. These last three sources yielded more in 1950 than in 1949.

The 1949 deficit of about LS 127 million was probably financed by the liquidation of Syrian private holdings of gold and foreign assets (largely in sterling). The 1950 deficit of some LS 20 million may have been sufficiently covered by the \$2 million (LS 7 million) loan from Saudi Arabia and by drawings on the French franc liquidation account forming part of the currency cover; the drawings on the latter amounted to about LS 17.5 million during the first 10 months of 1950 and according to available information, were only partially used for imports of armaments, which are not included in the estimate of foreign trade.

While large margins of error must be allowed for all the above estimates there is no doubt that there was a substantial deficit on current account in 1949 and that the 1950 deficit must have been comparatively small. There is every hope that this trend will continue for a number of years. Syria's cotton production is expected to double in 1951, and if world prices of cotton stay at approximately the present level, cotton alone is likely to increase the value of the country's exports by 25 - 30% from the 1950 level, which would give Syria a surplus of about LS 40 million if the rest of her balance of payments remains as it is now. Caution is necessary, however, in

predicting future surpluses, since Syria's exports are largely agricultural and are therefore exposed not only to considerable price fluctuations but also to natural perils, such as droughts and damage from boll weevils, locusts, etc.

Foreign Exchange Position

There is a free exchange market in Syria and as a result little use is made of the official exchange rate of LS 2.21 to the \$1, as against an average of LS 3.60 in the free market. Only a few foreign exchange receipts are required to flow through official channels and fewer still actually do. Foreign exchange proceeds from certain important export goods must be registered with authorized banks, which are allowed to sell them only to importers. A great number of transactions are completely unrestricted and Syrian residents are allowed to transfer funds abroad.

Under these circumstances neither the modest foreign exchange receipts of the government (some LS 35 million for the first 10 months of 1950) nor the more substantial amounts registered with banks (the equivalent of some LS 54 million for the first six months following the end of the customs union) allow a full insight into the actual exchange resources of Syria. A more reliable indication are the foreign exchange rates prevailing in the free market which have been, generally speaking, fairly stable during the past year. Prior to the Korean war, the Syrian pound was becoming gradually stronger and before this trend was reversed by excessive import orders placed abroad in the expectation of war, the Syrian Government was even contemplating intervening in the market in order to prevent a further appreciation of its currency, which might have had harmful effects on the country's exports.

VII. DEVELOPMENT PROBLEMS

The Role of Private Capital

The previously mentioned private investment in Syria consists almost exclusively of individual ventures or of enterprises owned by small groups of individuals, usually linked by family ties. Although several stock companies are in operation there is no regular security market.

Private investment has been concentrated on industries, motor transport and real estate. Considering the handicaps to industrial production in Syria, in particular the high costs of fuel, power and transport and the limited raw material basis, there seems to be little scope for further industrial investment in the near future. Additional imports of motor vehicles and an increase in the number of gas and service stations, etc. will presumably keep in step with the development and improvement of the road network. These fields of development can, therefore, be left with confidence to private business.

The same is not unreservedly true of housing, where new construction has been almost entirely limited to higher class dwellings. As general development continues, the government or, preferably, municipalities, may have to provide assistance for the construction of low-rent housing in urban districts as well as in some of the new rural settlements.

In the field of power production, the only private groups which might be capable of financing further development are the existing French and Belgian concessionary companies, which at present are responsible for the Damascus and Aleppo power supply. These companies have been severely handicapped by the fact that, rightly or wrongly, the Syrians regard the terms of

these concessions, originating from the mandate period, as onerous and are determined to bring them to an end. A law nationalising the water, power and electric tramway services in Syria has been enacted recently, though to become effective it requires ministerial decree. The present concessionaires are to be compensated on the basis of the market values of their shares. The law does not apply to smaller power plants and water supply installations.

In recent years there has been much private investment in agricultural machinery and in small scale irrigation (pumps). Private business has also shown some interest in two more ambitious schemes. The first is the construction of grain storage facilities in the Jezira, and possibly also along the transport routes of Syrian cereals. This project, usually connected with the development of agricultural credit, seems to be backed by the BSL; its implementation would fill an important gap in the structure of the country's agricultural economy.

The second scheme involves the drainage and irrigation of the Ghab Valley, an enclosed section of the Orontes basin, where some 100,000 acres of fertile land could be put under intensive cultivation. Combined Syrian and foreign interests, also backed by the BSL but apparently not able or willing to provide all the required funds, are endeavoring to obtain a concession from the Syrian Government which would entitle the group to transform the present swamp area into cropland, exploit it exclusively for a number of years and, later on, retain permanently about one half of it, while the other half would be available to the government for settlement by small or middle sized holders. Serious doubts have been expressed about the soundness of this project. While the swamp area itself is regarded as government

owned wasteland, bordering areas are privately owned and it would be almost impossible for a private concessionaire to disentangle legal problems concerning water rights and claims. It has also been emphasized that the group interested in developing the Ghab Valley consists of large land owners and that allocation of a new area to them would further unbalance the already unsatisfactory agrarian structure of the country. For these and other reasons the government seems determined to have the project carried out by a special public corporation, which would develop the area for immediate new settlement.

In summing up this review of the present and future role of private capital in Syria's development, it can be concluded that private investment is able to cover the development needs of industries, motor transport and some forms of housing construction, and it may also be relied upon for certain types of agricultural development. But development of the transportation network and of power production, as well as large scale and long term investment in agriculture, will have to be carried out by the public sector.

Government Financed Development

The Total Program

The following table shows: (a) the total government development and public works program with cost estimates of both local and foreign exchange expenditures, the latter at the free market rate; (b) the financing of this program as envisaged by the Syrian Ministry of Finance. Outside of the program remains only the construction of a number of public buildings (including schools) which is to be financed from the proceeds of sale of government-owned agricultural land. This program, submitted to the Bank Mission by the Secretary General of the Syrian Ministry of Finance, must be regarded as

tentative. Until now, only some of its elements have been officially agreed upon.

	(in millions of LS)					<u>Total</u>
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	
Irrigation	6	5	2	-	-	13
Roads	7,5	7,5	7,5	7,5	-	30
Agriculture	3	4	3	-	-	10
Cadastral survey	3	3	3	3	3	15
Health program	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>10</u>
Total to be financed from budget revenues	21,5	21,5	17,5	12,5	5	78
Port of Latakia	3	7	7	5	2	24
Aleppo water supply	10	5	3	2	-	20
Yarmuk	1	7	9	3	-	20
Ghab	2	10	15	15	8	50
Yussuf Pasha Dam	1	8	10	8	3	30
Petroleum storage	1	4	-	-	-	5
Grain storage	6	-	-	-	-	6
Mortgage bank	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total to be financed from other sources	39	46	44	33	13	165
	<u><u>50,5</u></u>	<u><u>67,5</u></u>	<u><u>61,5</u></u>	<u><u>45,5</u></u>	<u><u>18</u></u>	<u><u>243</u></u>
GRAND TOTAL	50,5	67,5	61,5	45,5	18	243

A. General Comments

It is easy to predict that - quite irrespective of any purely financial difficulties - the execution of such an ambitious program will be delayed by material shortages and by the fact that most of the projects lack adequate technical preparation. For this reason alone the expenditure involved will have to be staggered over a longer period. Obviously a higher priority has to be given to the completion of projects on which considerable work has been done already. Most of the irrigation projects (totalling LS 13 million) and the LS 20 million Aleppo water supply scheme are included in this group.

Before undertaking the LS 6 million grain storage program the govern-

ment should fully explore the possibilities of having this project carried out by private business.

Two of the ~~other~~ projects, the Yarmuk hydroelectric development and the Yussuf Pasha Dam (with a total cost estimated at LS 50 million), might affect neighboring countries, the first, because the Yarmuk is a frontier river between Syria and Jordan, and the second, because it might considerably diminish the water supply of the Euphrates to Iraq. While technical surveys are being made of both these projects, all the international implications should be studied in order to pave the way for whatever international agreements may be necessary.

The elimination of the grain storage program, and postponement of actual construction work on the Yarmuk and Euphrates projects owing to unavoidable procedural delays, would reduce the development program needs for the immediate future from LS 243 to LS 187 million.

The government cannot borrow from the public nor has it been successful so far in encouraging private financing through guaranteed loans, as was proved by the almost complete failure to obtain subscriptions for the Latakia port project in spite of the patriotic character of the undertaking and the government's guarantee of a minimum 5% dividend. In these circumstances, development projects which fall into the public sphere can be financed by the government only from current revenues or by loans from the central bank.

B. Financing from Budget Revenues

The estimated capacity of the government to finance a substantial part of the development program from current revenues is based on the assumption that, following the general upward trend of the national gross output, the

revenue of the state will also increase, in particular through higher yields from income taxes, the tax on agricultural production, and various indirect taxes. The Syrian Ministry of Finance believes that all revenues estimated at around LS 140 million for 1950 will reach the following new levels during the next budgetary years:

1951/52	LS 160 million
1952/53	LS 170 million
1953/54	LS 180 million
1954/55	LS 190 million
1955/56	LS 195 million

If this assumption is proved to be correct over the whole period, the proportion of current revenues allocated to development seems rather modest. The LS 78 million foreseen by the Syrian Ministry of Finance for five years would, on the average, amount to less than LS 16 million (or less than 10% of the total expenditure) per year. During the past five years expenditure on public works was heavier both in absolute figures and in proportion to totals, although, admittedly, it was partly covered by surpluses from former years.

C. Financing from other sources

The following sources have been indicated: revenues from the new investments themselves - LS 29 million; drawings on foreign exchange with the central bank - LS 76 million; new borrowing from the central bank - LS 60 million.

Some of the investment will be recovered during the five year period, especially during the latter part when the projects themselves will begin to pay dividends. The Syrian Ministry of Finance estimates that such revenue may amount to LS 29 million, but it will probably be lower.

Another source of revenue is the further liquidation of foreign ex-

change held by the central bank, which - as far as it now forms a part of the note coverage - would presumably be replaced by Treasury Bonds. This contribution, expected to reach the equivalent of LS 76 million is again overestimated; the above amount corresponds roughly to the total present exchange holdings of the central bank, at their free market value.

The rest of the financing is supposed to be handled by loans from the central bank, involving changes in note circulation along approximately the following lines:

		(in millions of LS)
Circulation at the beginning of	1951	214 (a)
"	1952	234
"	1953	253
"	1954	261
"	1955	257
"	1956	235

(a) as anticipated by Syrian Government in November, 1950.

Between the beginning of 1948 and the beginning of 1951 the volume of circulation increased by 21% without any noticeable inflationary effect; whatever price movements did occur did not seem to have been caused by changes in the money supply. The further increase of note circulation between 1951 and 1954 is proposed at a rate almost identical with that of the preceding three years. It can be justified only on the grounds that during this period the total economy will continue to expand, that more consumer goods will be produced in the country, and that imports will continue to be large.

It is obvious that the "other sources of financing" discussed briefly under Point "C" are the weakest part of the entire program. In fact, one

can conclude that, unless substantial external aid will cover some of the foreign exchange expenditure involved and unless more current revenue becomes available to finance local expenditure, the total program will have to be either reduced in scope or spread over a longer period of time.

The Possible Role of the Bank

At the time of departure of the IBRD mission from Damascus only two projects - the Roudj swamp drainage and irrigation, and roads within the Jezira - were considered to be more or less in a state of preparation requiring an immediate decision about bank financing. The total costs of these two projects are estimated at LS 3.3 million and LS 26.6 respectively, their foreign exchange components at \$0.3 million and \$1.9 million. Three further projects - the Ghab drainage and irrigation scheme, the Latakia port project and the agricultural machinery project, estimated at total costs of LS 50, LS 24 million and LS 7 million, respectively, are to be submitted to the Bank in the next few weeks.

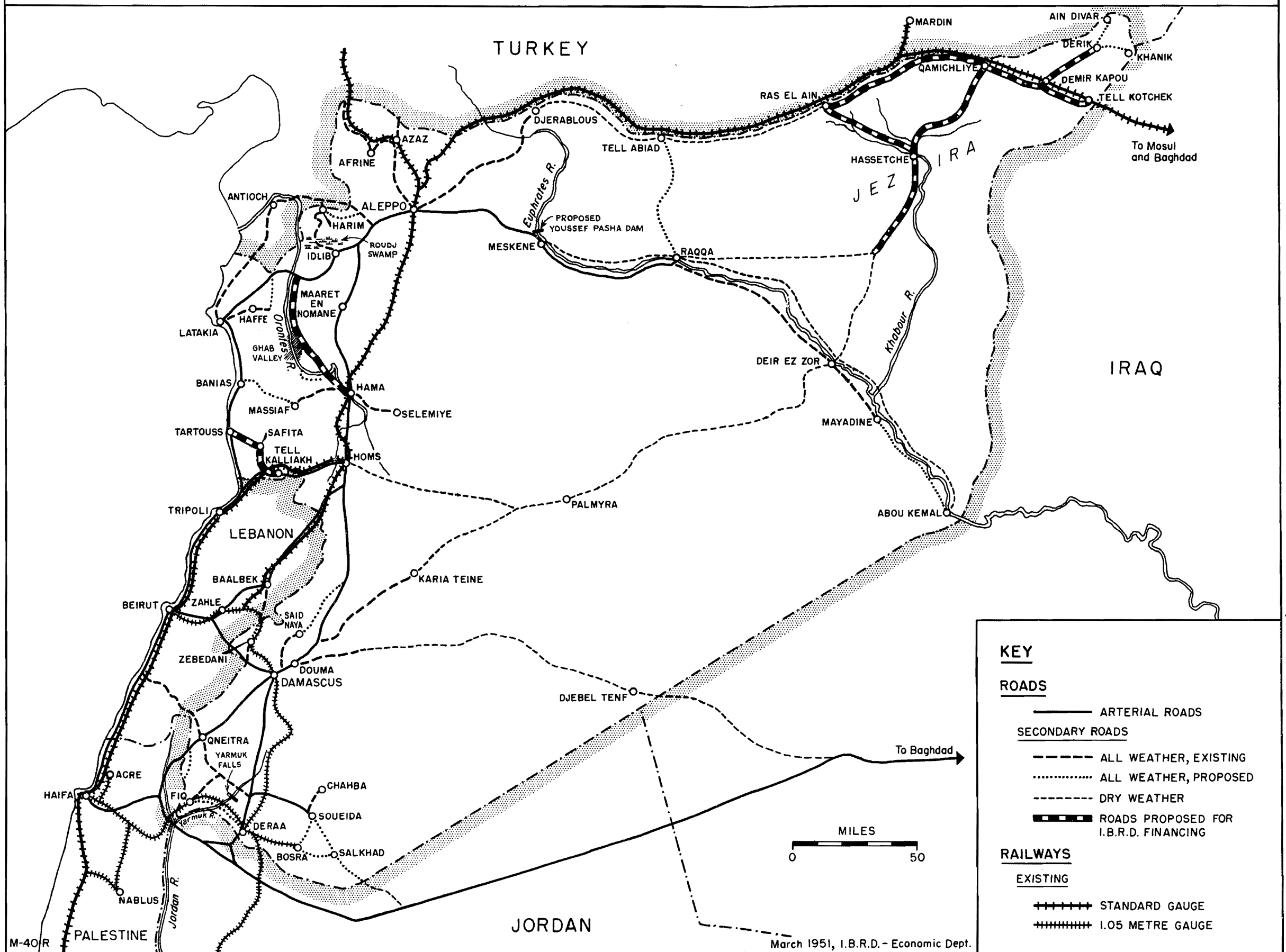
Under present conditions in Syria, the Roudj and Ghab projects to increase the cultivation and irrigation of land are not only sound and economically justified, but they also deserve high priority. They promise to strengthen the Syrian economy by increasing the output of agricultural products and by providing a greater volume of exports as well as of additional internal revenue. If, as the Government wants, middle and small sized holdings are created in the newly reclaimed Roudj and Ghab Valley areas, they will improve the agrarian structure of the country and thus contribute to relieving pressures resulting from too great inequalities of income distribution.

Further imports of agricultural machinery will presumably be used to extend cultivation more fully within Syria's rainbelt and thus allow the completion of the process of increasing the area under dry farming, which has been carried out with such success during the recent years.

Road projects in the Jezira would open up a productive area which at present is completely inaccessible during part of the year. Lack of roads or their deplorable condition threaten every year to prevent the complete moving of crops and in addition bad roads increase costs of transportation and of truck maintenance. All the above four projects are, therefore, fully in line with recent trends in the development of the country's economy.

In the case of the Latakia port project it must be decided whether and to what extent it is necessary to create port capacity in addition to or in place of the capacities of the neighboring ports of Beirut and Iskenderon. Because of the international implications, to a certain extent the Bank's decision will have to consider the interests not only of Syria but of the whole region. A detailed analysis of the problem may be required, but pending such a survey the Bank must keep in mind that past experience and an already existing railroad favor the old, established ports. But against these factors must be weighed the demands which grow out of the new development of Northern Syria; the fact that Latakia already handles considerable tonnage; and the general financial advantages arising for the country from the possession of a port of its own.

SYRIA: TRANSPORTATION AND LOCATION OF PROJECTS



KEY

ROADS

- ARTERIAL ROADS
- SECONDARY ROADS**
- ALL WEATHER, EXISTING
- ALL WEATHER, PROPOSED
- DRY WEATHER
- ROADS PROPOSED FOR I.B.R.D. FINANCING

RAILWAYS

EXISTING

- +++++ STANDARD GAUGE
- +++++ 1.05 METRE GAUGE

March 1951, I.B.R.D. - Economic Dept.

VIII. SYRIA'S CREDITWORTHINESS

Willingness to Service Foreign Loans

The Kudsi Cabinet, which was in power from June 1950 until the middle of March 1951, had a majority in a freely elected Parliament and seemed to have a measure of support among such elements of political power within the country as the Army, the People's Party and various groups of independents. This Government made considerable efforts to regularize relations with the neighbor countries and its attitude towards the economic development of the country was constructive and serious. It is important to realize that, in this attitude, the Government was backed by the various political elements mentioned above. Chances of continuity of such policies beyond the span of life of any one cabinet should be enhanced by the independent Economic Council, provided for in the constitution adopted September 1950. It is generally believed, however, that even though this Council has not been established yet, government changes will not affect the basic approach to problems of the economic development of the country.

There are also certain additional elements which make it almost a certainty that future governments or regimes in Syria would honor international obligations incurred by their predecessors. Such assurance can be found in the general respect for existing obligations of Syria as well as in the fact that, in spite of the violent overthrow of the Zayim rule, his signature on the financial agreements with France and agreements with the oil companies was respected and the agreements were carried out by the succeeding governments. It may also be added that the Syrian Government has expressed its intention to offer "fair and even generous" indemnification

to foreign owners of the public utility companies now threatened by nationalization. All this leads to the conclusion, that Syria has the will to respect its obligations.

Capacity to Service Foreign Loans

Availability of Foreign Exchange in General

There is justified hope that beginning with 1951 Syria's balance of payments will have and -- barring crop failures or a serious deterioration of the terms of trade of primary producing countries -- will continue to have a surplus on current account. Completion of the development projects in the fields of irrigation and transport, the financing of which is contemplated in the proposed loans, should increase the balance of payments surplus.

Even if no surpluses should materialize automatically, a surplus sufficient to meet the servicing of a moderate foreign debt could be achieved with relative ease by restriction of imports. At present, imports are about LS 345 million a year (equivalent to approximately \$96 million) with about half being consumer goods, many of them non-essentials. The determination of the Syrian Government to introduce certain restrictions on luxury imports, in case controls are needed, cannot be doubted and the separation from the Lebanon increases the possibility of both imposing and enforcing such a policy. Furthermore, in view of the fact that importers acquire their foreign exchange through the freely fluctuating market, an automatic check is imposed on import requirements as long as the money supply is kept from expanding too quickly.

Because of the existence of the free currency market in Syria, the

problem of servicing foreign debt is a question of the overall balance of payments position. Even if official holdings of a given foreign exchange should fall short of the amounts required for the servicing of foreign loans, the Government would probably be able to purchase the needed foreign exchange, at least within reasonable limits, on the local free market against other currency or even against Syrian pounds. From what is known of the volume of transactions in this market it would seem that the purchase of between \$1 and \$2 million annually in U.S. dollars or of the equivalent of \$2 - \$3 million per year in Western European currencies, if properly staggered, should not materially affect the exchange rate. The corresponding amounts of local currency (of a maximum of LS 7 to LS 11 million) would represent not more than 5% to 7% of the total budget revenue and could thus be supplied without excessive difficulty. These calculations apply, of course, only to the most unfavorable assumption that all of the foreign exchange required for the loan service would have to be bought in the free market and that only local currency should be available for the purchase.

Availability of Western European Currencies

The overall surplus on current account of Syria's future balance of payments is more likely to occur in currencies other than dollars, in particular in such currencies as sterling, French francs, or Italian lira, in view of the larger and more regular exports to these areas. In 1948 and 1949 the U.K., France, and Italy together took, on the average, about 22% of the country's total exports while the share of the U.S. was less than 4%.

Owing to the fact that until March 1950 statistics of Syria's foreign trade figures were merged with those of the Lebanon, no exact

comparison can be made between 1950 and previous years. Such data as are available indicate, however, that in 1950 the volume of Syria's foreign trade with Western Europe has increased and that it is, generally speaking either balanced or closer to being balanced than it was during the last years of the Customs Union.

Among invisible receipts in European currencies, the greatest single item is represented by earnings from the IPC. This source provided Syria in 1950 with over £ 2 million. After 1952, when the construction period of the pipeline and the oil port will have ended, these receipts will drop but they are not expected in any year to be below £ 0.5 million. According to information received from the Syrian Government, the IPC is under contractual obligation to construct a refinery in Syria during the next four years; the execution of this project would provide the Syrian Government with increased sterling receipts, while its completion would save some of the foreign exchange which is now spent on imports of oil products.

In view of both the volume of Syrian trade with Western Europe trading partners and the fairly balanced character of this trade, as well as of the existence of a modest but reliable and permanent source of sterling receipts from the IPC operations, Syria would find it easier to service a loan made in European currencies rather than a dollar loan. It would seem that if the whole or a substantial part of an IBRD loan were made in such currencies, Syria could meet annual service requirements equivalent to between \$2 and \$3 million.

Availability of Dollars

Judging by the standards of 1950 alone, Syria's dollar position is favorable. During the first eleven months of 1950 Syria's exports to the

U.S. - according to U.S. data - were \$9.8 million, with imports of \$8.0 million. To this export surplus of \$1.8 million can be added the dollar receipts from the TAP line which, for the whole year, must have exceeded \$3 million. However, 1950 was an abnormal year in Syrian trade with the U.S. with the high value of exports caused by exceptionally high prices for raw wool, which constitutes 90% of exports. Even if the price of wool should stay high there is little hope that Syria could expand production; on the contrary a certain decrease in the number of sheep is likely to follow the progress noted in taking pastures under the plough. Dollar receipts from TAP line, moreover, will drop from the high level of the present construction period, but probably not below \$1.5 million annually - up to one third of which will consist of direct payments to the Government in royalties and taxes and the rest in purchases of local currency, largely at the official rate, to meet local expenses.

While future years will not always show such dollar surpluses as in 1950, the proceeds of dollar exports plus TAP line receipts will be more than sufficient to cover dollar import requirements, and some surplus will be left over for developmental imports or for servicing of development loans.

All this leads to the conclusion that Syria's total capacity to service foreign loans - established at the equivalent of between \$2 and \$3 million annually - includes ability to service dollar loans requiring payments of \$1 - \$2 million annually.

STATISTICAL APPENDIX

Statistical Chart .

Table 1 Area and Production of Principal Crops in Syria

Table 2 Syrian Government Ordinary Budgets

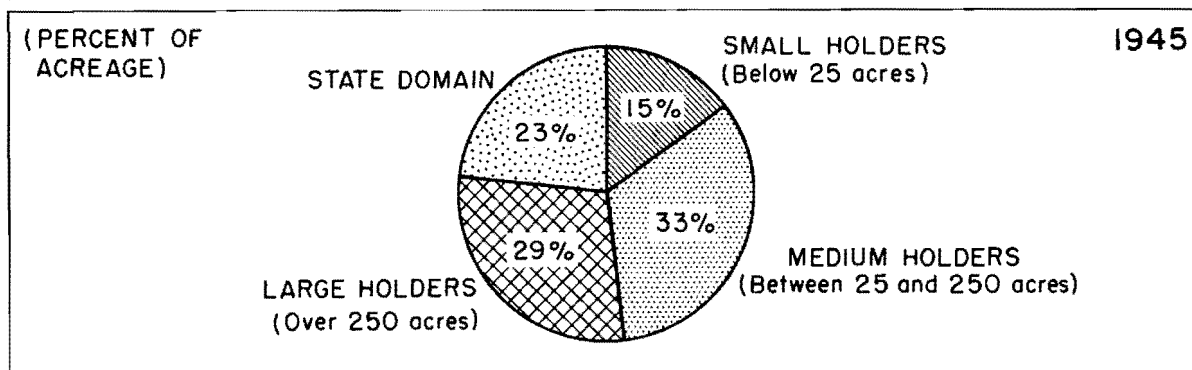
Table 3 Syria's Money Supply

Table 4 Coverage of Syrian Banknotes

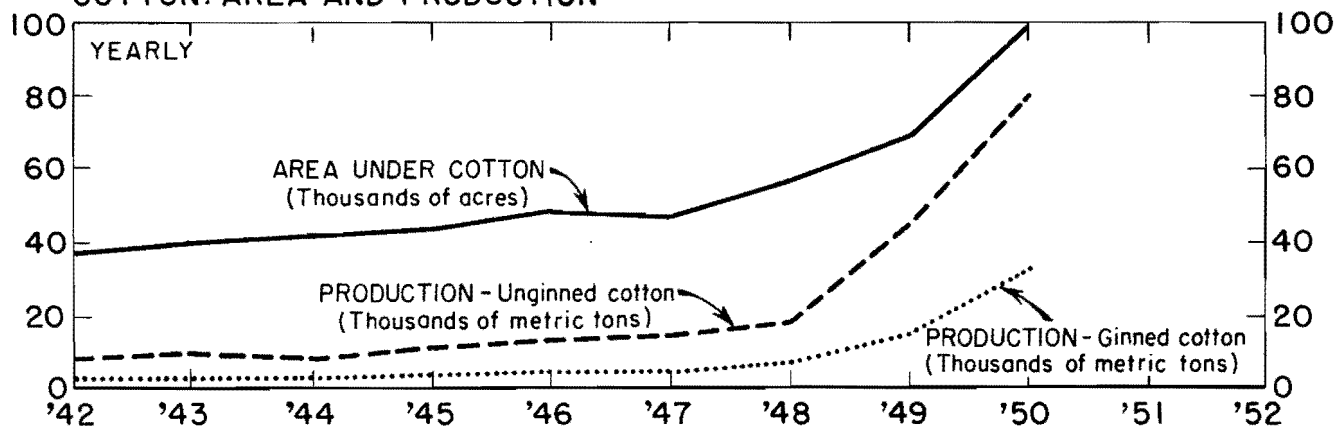
Table 5 Estimate of Syria's Balance of Payments

SYRIA

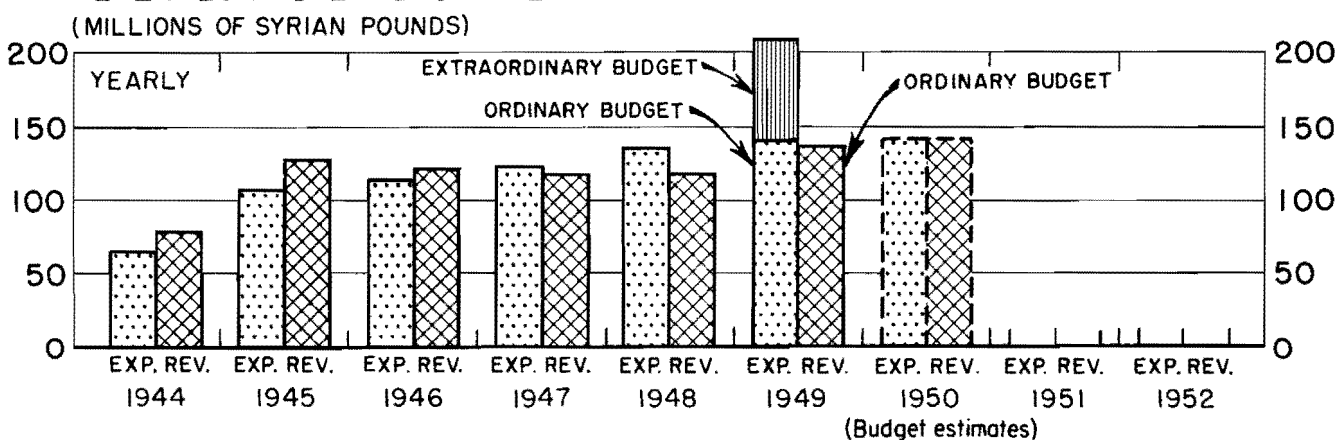
DISTRIBUTION OF LAND OWNERSHIP



COTTON: AREA AND PRODUCTION



REVENUES AND EXPENDITURES



MONEY SUPPLY

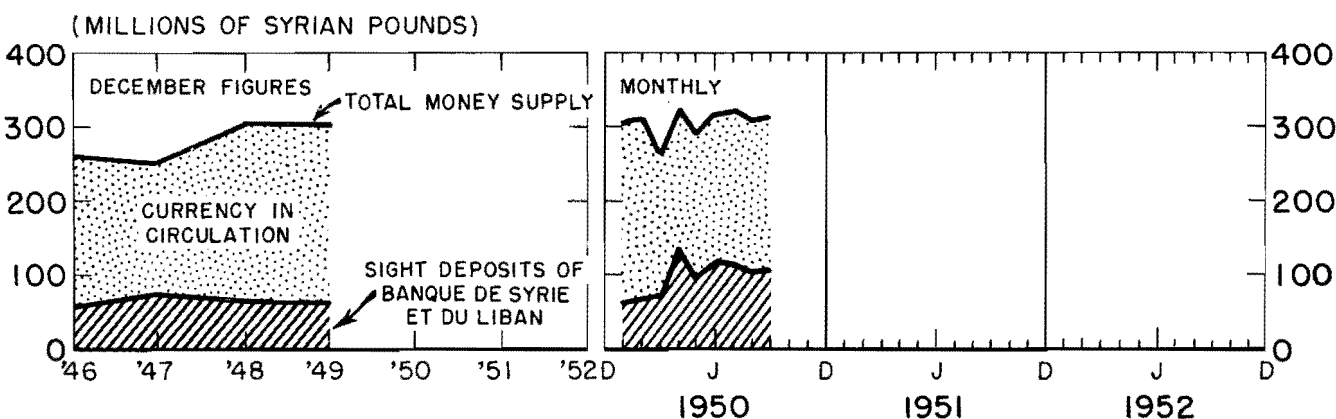


Table 1

Area and Production of Principal Crops in Syria

	<u>Area (in 1,000 acres)</u>			<u>Production (in 1,000 metric tons)</u>		
	<u>1938</u>	<u>1948</u>	<u>1949</u>	<u>1938</u>	<u>1948</u>	<u>1949</u>
Wheat	889	1,946	1,838	529	656	779
Barley	n.a.	842	857	318	305	357
Millet	n.a.	222	227	62	63	57
Corn	n.a.	82	62	19	37	39
Rice	n.a.	17	17	2	30	20
Lentils	n.a.	114	126	40	33	54
Broad Beans	n.a.	47	54	1	21	35
Grapes	n.a.	-	141	154	n.a.	136
Olives	n.a.	-	195	43	n.a.	92
Cotton (unginned)	79	57	69	15	18	45

Source: Syrian Ministry of National Economy. Data on cotton in 1948 and 1949 -- International Cotton Advisory Board.

Table 2

Syrian Government Ordinary Budgets

(in millions LS)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
	Actuals				Estimates
<u>Revenue</u>					
Direct Taxation	21	18	16	19	21
Customs	25	36	35	42)	
Agricultural production tax	13	9	12	13)	
Other indirect taxes	24	21	22	25)	84
Tobacco Monopoly	15	13	12	13)	
Stamp and registration duties	8	9	9	9	9
Various government services and other revenue	15	10	10	31	28
<u>Total Revenue</u>	121	116	116	152	142
<u>Expenditure</u>					
General administration	38	36	37	38	39
Defense	28	21	45	49	48
Police and gendarmerie	14	16	18	16	16
Education	13	18	20	22	24
Public Works	20	31	16	16	15
<u>Total Expenditure</u>	113	122	136	141	142
Total Revenue	121	116	116	136	
Total Expenditure	113	122	136	141	
Surplus /, Deficit -	/ 8	- 6	-20	- 5	
Drawings on reserves (a)	8	12	7	16	
Final result of the year (a)	/16	/ 6	-13	/11	

(a) As indicated in totals of actual revenues and expenditures given by the Syrian Ministry of Finance.

Table 3

Syria's Money Supply

(in millions of LS)

Date End of:	Banknotes in Circulation	<u>Sight Deposits of the BSL</u>			Coins in Circulation	Total Money Supply
		Public Account	Private Account	Total of Sight Deposits		
Dec., 1946	198	44	15	59	4	261
Dec., 1947	180	44	28	72	4	256
Dec., 1948	232 (a)	34	35	69	6	307
Dec., 1949	236 (a)	29	33	62	6	304
Jan., 1950	233 (a)	31	32	63	6	302
Feb., 1950	234 (a)	35	34	69	6	309
March 1950	184	25	53	78	6	268
April 1950	183	80	51	131	6	320
May 1950	185	60	39	99	6	290
June 1950	189	82	36	118	6	313
July 1950	191	82	35	117	6	314
Aug., 1950	196	66	35	101	6	303
Sept., 1950	198	67	37	104	7	309
Dec., 1950 (b)	215	-	-	-	10	-

(a) Including LS 44 million withdrawn from circulation in the Lebanon and blocked.

(b) Unofficial information.

Source: Financial Adviser to Syrian Ministry of Finance.

Table 4
Coverage of Syrian Banknotes
(as per September 30, 1950)

	<u>(in millions of LS)</u>
Gold <u>1/</u>	10.2
French francs	14.8
Other foreign exchange	0.6
Interest free advances to Government	4.9
Advance to government according to Decree No. 85 of November 12, 1949	29.1
Advance to government according to para. 6 of Art 13 of the Monetary Law Accounts No. 1 and No. 2	1.5
Advance to government against value of notes destroyed or lost	2.0
Advance to Wheat Office, guaranteed by government	43.7
Other advances to government or guaranteed by the government	8.0
Treasury Bonds to be received from the government according to Art 2 para. A of Decree No. 22 of April 20, 1949	65.8
Treasury Bonds to be received from the Government according to Art 2 para. B of Decree No. 22 of April 20, 1949	17.4
Total circulation	LS 198.0

1/ Not including LS 4.5 worth of gold which is being minted into gold coins.

Source: Banque de Syrie et du Liban

Table 5

Estimate of Syria's Balance of Payments
(in millions of LS)

	<u>1949</u>	<u>1950</u>
<u>Receipts</u>		
Exports recorded	155	195
Correction for undervaluation of exports	10	30
Unrecorded imports and exports (net)	<u>10</u>	<u>-</u>
Total Exports	175	225
Profits from transit and gold trade	10	10
Oil companies	23	35
UN aid to Palestine Refugees	8	10
Emigrant remittances	15	15
Capital movements	6	12
Other receipts	<u>8</u>	<u>8</u>
Total Invisibles	<u>70</u>	<u>90</u>
TOTAL RECEIPTS	245	315
<u>Disbursements</u>		
Imports recorded at official exchange rate (excluding gold and imports of oil companies)	307	236
Difference between official and free market exchange rates	30	78
Correction for undervaluation of imports	23	4
Unrecorded imports and exports (net)	<u>-</u>	<u>12</u>
Total Imports	360	330
Capital movements	10	3
Other disbursements	<u>2</u>	<u>2</u>
Total Invisibles	<u>12</u>	<u>5</u>
TOTAL DISBURSEMENTS	<u>372</u>	<u>335</u>
DEFICIT	127	20

Source: Estimates of group of Syrian officials and IBRD mission.