Report No. 5563-SYR

Syria
Recent Economic Developments and Prospects

May 1986

Country Programs Department II
Europe, Middle East and North Africa Region

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Document of the World Bank

CURRENCY EQUIVALENTS
(as of September 1985)

Currency Unit = Syrian Pound (SL)

Official Rate	US $1 = SL3.95	SL1 = $0.253
Parallel Market Rate	US $1 = SL5.45	SL1 = $0.183
Tourist Rate	US $1 = SL8.85	SL1 = $0.113

FISCAL YEAR

January 1 - December 31

This report was prepared by an economic mission which visited Syria during October 16-31, 1984. It was updated following a short visit of the Mission Chief in September 1985 during which the draft report was discussed with the Government. The mission consisted of the following:

Mr. Edmond Asfour (Mission Chief)

Delbert Fitchett (Agricultural Economist)
Dale Gray (Energy Economist)
Ivan Christin (Public Finance Specialist, Consultant)
Tarek Khahil (Debt Specialist)

Abstract

The report studies the adjustment of the Syrian economy to a set of unfavorable exogeneous and domestic developments in the first half of the 1980's. These include declining external grants, disappearance of the net oil surplus, and the continued rise in public consumption.

The net effect of these developments was a virtual stagnation of the gross domestic product (following a period of fast growth in the 1970's), increasing budget and balance of payments imbalances, rekindling of inflation and overvaluation of the Syrian pound. The report reviews the problems faced by the Government, its reaction to them, and the policy it followed in order to stabilize the economy. The report examines the areas where the imbalances are still important and recommends possible actions to be undertaken. Among the most important issues are: (a) the rate of exchange which is presently split into four different rates each pertaining to a different set of transactions; (b) the level of Government subsidies which, in present circumstances of greater budget stringencies, has acquired an added importance, and related to the previous point, (c) the maintenance of fixed prices, below the market level, for a number of goods which are not all staple commodities. The report focuses in particular on the balance of payments which at present seems to represent the main constraint for the resumption of a policy of fast growth. In that context an expansion of merchandise exports and workers' remittances and the rationalization of domestic prices of imports are of particular significance, and the report assesses the prospects for such a development by analyzing the likely effects of the exchange rate adjustment and the recent decline in the world price of oil.

SYRIA

COUNTRY ECONOMIC MEMORANDUM

RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

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SYRIA - COUNTRY DATA

Population: 9.9 million (1984)
GNP Per Capita: US$1870 (1984)

Indicator	Amount (million US$ at current prices) 1984	Average Annual Increase (%) (at constant 1980 prices) 1965-70c/	1970-75	1975-80	1980-84	Share of GDP Market Prices (%) (at current prices) 1965	1970	1975	1980	1984
NATIONAL ACCOUNTS										
Gross domestic market a/	18,698	3.6	14.2	5.3	2.6	100.0	100.0	100.0	100.0	100.0
Agriculture a/	3,713	-5.5	12.0	8.9	-2.1	29.0	18.7	17.9	20.0	19.9
Industry a/ b/	4,414	13.0	14.9	0.8	1.1	22.1	29.3	24.8	24.3	23.6
Services a/	10,571	5.9	14.6	6.4	4.8	48.9	52.0	57.3	55.7	56.5
Consumption	17,019	9.0	22.9	5.2	3.6	90.4	90.4	87.6	87.9	91.0
Gross investment	4,116	7.0	22.0	10.3	2.8	9.6	13.1	24.9	27.3	24.2
Exports of goods and NFS	2,212	3.0	1.8	-3.3	2.3	16.7	17.4	21.2	17.9	11.8
Imports of goods and NFS	4,648	4.5	23.2	4.1	5.1	16.7	20.9	33.8	33.1	24.9
Gross national savings d/	2,536	2.5	-7.4	2.1	-5.1	9.6	9.6	12.4	13.0	13.6

	1984	Composition of Merchandise Trade (%) (at current prices) 1976	1980	1984
MERCHANDISE TRADE d/				
Merchandise exports	1,732	100.0	100.0	100.0
Primary	1,268	90.0	93.4	73.2
Industrial products	464	10.0	6.6	26.8
Merchandise imports	3,541	100.0	100.0	100.0
Food	613	17.2	14.1	17.3
Petroleum	1,215	9.7	25.4	34.3
Machinery and equipment	669	25.6	21.6	18.9
Others	1,045	39.5	38.9	29.5

	1978	1979	1980	1981	1982	1983	1984
PRICES AND TERMS OF TRADE							
GDP deflator (1980 = 100)	70.7	82.2	100.0	116.4	119.6	126.4	130.8
Exchange rate e/	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Export price index	45.1	71.0	100.0	105.4	93.6	91.1	89.9
Import price index	65.0	80.0	100.0	93.0	87.0	87.0	87.0
Terms of trade index	69.4	88.8	100.0	113.3	107.6	104.7	103.3

	As % of GDP (at current prices) 1975	1980	1984
PUBLIC FINANCE			
Current revenue	27.5	26.6	24.4
Current expenditure	24.9	30.3	30.5
Surplus (+) or deficit (-)	-19.2	-21.4	-22.2
Investment expenditure	21.7	17.7	16.1
Foreign financing	11.2	11.3	5.0

	1975-80	1980-84
OTHER INDICATORS		
GNP growth rate (%)	5.7	2.7
GNP per capita growth rate (%)	1.9	-0.7
ICOR	7.0	10.4
Marginal savings rate (%) f/	-0.1	-20.2
Import elasticity	1.0	1.9

a/ At market prices.
b/ Includes mining and quarrying, manufacturing, and electricity, gas, water and construction.
c/ Based on constant 1975 prices.
d/ Inclusive of net transfers. For the period prior to 1980 gross domestic savings.
e/ Official rate.
f/ Applies to gross national savings.

SYRIA - BALANCE OF PAYMENTS, EXTERNAL CAPITAL, AND DEBT /a
(million US$ at current prices)

Population: 9.9 million (1984)
GNP Per Capita: US$1870 (1984)

	Actual c/							Projected				
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
BALANCE OF PAYMENTS												
Resource balance	-1337	-1643	-2271	-2701	-1770	-2620	-2636	-2398	-2336	-2258	-2305	-2403
Exports of goods & NFS	1368	2060	2686	2585	2389	2440	2212	2281	2207	2641	3029	3461
Imports of goods & NFS	2705	3703	4755	5286	4159	5060	4648	4679	4543	4899	5334	5864
Workers' remittances	94	111	136	582	302	312	160	319	342	365	390	417
Net Factor services d/	4	7	-12	-16	-142	-126	-91	182	168	132	103	12
Current account balance	-1241	-1530	-2147	-2136	-1608	-2438	-1912	-1202	-1306	-1393	-1602	-1862
Official unrequited transfers (net)	777	1616	1510	1807	1370	1269	1119	1014	862	733	623	529
Direct private investment	-	-52	-36	-23	3	-	2	0	20	100	100	100
Public MLT (gross)	602	562	582	498	455	778	741	609	695	662	730	717
Amortization on MLT	-264	-436	-610	-452	-462	-482	-438	-270	-266	-259	-262	-254
Public MLT (net)	338	126	-28	45	-7	295	303	339	429	403	488	462
Other capital b/	8	67	-32	68	-5	113	-126	750	750	750	750	750
Change in reserves (- = increase)	98	-227	694	367	230	362	616	-1	17	-45	-54	-66
Foreign exchange reserves	380	586	329	268	188	43	91	179	162	206	261	327
Reserves as months of merchandise imports	2	2	1	0.7	0.7	0.1	0.3	0.6	0.6	0.7	0.8	0.9

	Actual						
	1970	1978	1979	1980	1981	1982	1983
GROSS DISBURSEMENTS							
Gross disbursements of MLT loans	59	382	449	367	330	312	325
Concessional	53	253	198	238	281	220	173
Bilateral	50	243	183	232	271	212	161
IDA	3	9	2	2	3	2	1
Other multilateral	-	-	13	4	7	6	11
Non-concessional	1	106	222	83	61	89	91
Official export credits	1	72	163	25	19	54	23
IBRD	-	32	55	55	34	21	51
Other multilateral	-	2	4	3	8	14	17
Private	5	23	29	26	28	3	61
EXTERNAL DEBT							
Debt outstanding and disbursed	232	1737	1998	2107	2195	2240	2305
Official	189	1553	1830	1960	2068	2146	2178
IBRD	-	103	158	215	246	256	287
IDA	4	39	41	42	45	47	47
Other	185	1411	1631	1703	1777	1843	1866
Private	43	184	168	147	127	94	127
Debt outstanding including undisbursed	342	4285	4536	4597	4339	4220	4133
DEBT SERVICE							
Total debt service	36	230	266	298	298	316	304
Payments	30	175	195	221	243	244	232
Interest	6	55	71	77	56	72	72
Total debt service as % exports of goods + NFS + workers' remittances	11.6	15.6	12.1	11.3	9.4	11.7	11.1
Average interest rate on new loans (%)	4.4	4.1	3.7	4.2	3.6	6.4	6.3
Official	2.5	4.1	3.4	4.0	3.5	6.0	6.5
Private	6.5	7.7	6.5	7.0	6.7	7.5	6.1
Average maturity of new loans (years)	8.7	20.2	20.1	14.4	17.8	17.1	10.8
Official	11.7	20.2	21.1	15.1	17.8	20.4	11.4
Private	5.6	6.9	11.2	6.2	21.7	7.5	10.4
BANK GROUP EXPOSURE (%)							
IBRD DOD/total DOD	-	5.9	7.9	10.2	11.2	11.4	12.5
IBRD disbursements/total gross disbursements	-	8.3	12.2	15.9	9.2	6.7	15.7
IBRD debt service/total debt service	-	3.6	5.4	7.0	2.2	9.3	13.2
IDA DOD/total DOD	1.8	2.2	2.1	2.0	2.1	2.1	2.0
IDA disbursements/total gross disbursements	5.1	1.5	0.3	0.5	0.8	0.2	0.3
IDA debt service/total debt service	-	0.2	0.2	0.1	0.1	0.2	0.3

	As % of Debt Outstanding at End of Most Recent Year (1983)
TERMS STRUCTURE	
Maturity structure of debt outstanding (%)	
Maturities due within 5 years	32.6
Maturities due within 10 years	60.4
Interest structure of debt outstanding (%)	
Interest due within first year	12.2

/a All entries on external capital debt section are defined as in the Bank's Debtor Reporting System (only public and private guaranteed MLT debt).
/b Includes error and omissions, and for projected years it includes net IMF, short-term, and unidentified capital inflows.
/c Balance of payments data for 1978-80 and all capital transaction for 1978-84 are converted at the official exchange rate of $1 = 3.925 Syrian pounds. Trade data are converted at a trade weighted average exchange rate, while workers remittances are converted at the tourist exchange rate.
/d Includes investment earnings. Excludes workers' remittances.

SUMMARY AND CONCLUSIONS

Introduction

1. Syria is a medium-sized economy (population 10 million) with a very rapidly growing population (3.4 percent p.a.) and a relatively well-balanced sectoral structure. Urban growth at 4 percent to 4.5 percent is not too far above population growth. GNP per capita is estimated at $1,760 in 1983 (at the official exchange rate) and the social indicators compare favorably with those of other middle income countries. Employment is relatively evenly spread between agriculture, industry and services, and unemployment has been maintained at a very low rate of about 3.5 percent of the labor force. The relatively balanced structure of the economy reflects a diversified resource base, with 0.6 million ha. irrigated land, stable oil production at about 8.5 million tons p.a., some gas and phosphate reserves, and relatively developed manufacturing, construction, and trade sectors. In the past, the country has had a trade surplus in agriculture and oil, but with the rapid increase in domestic demand, the oil surplus has all but disappeared and there is now a deficit in the food balance.

2. Under Syria's socialist system, the Government directly owns and manages through public enterprises the mining, large manufacturing, energy and banking sectors. It also strictly controls prices, credit, international trade, exchange, and all major investments. Public investments represents about two-thirds of total investments and over three-quarters of investments excluding dwellings. The dynamic private sector functions in a controlled environment in agriculture, small and medium-scale industry, building and housing, and domestic trade. The social orientation of government policy is reflected in its near full employment policy (at relatively low wage levels), subsidized basic consumer goods and services, free or subsidized education and health services, and attention to rural and regional development. The Fifth Five-Year Plan (1981-85) sets out the economic and social objectives for the economy and for each sector, and the policy measures and actions to be pursued to achieve them. Social and equity objectives are given as prominent a place in the Plan as economic objectives. The plan sets out the quantitative production and manpower targets for each sector as well as the macroeconomic targets and the indicative investment program.

3. The Syrian economy experienced rapid growth, averaging almost 10 percent per year in the period 1970 to 1982. The particular sources of this growth were government expenditures both current, including military expenditures, and on investment, in pursuit of its rapid industrialization policy and the development of irrigation and other infrastructure. The private sector also shared in the growth of investment and income. Financing this rapid growth was supported by the rise in government revenues from oil, following the price rises of 1972/73 and 1979/80 and in grants from several Arab oil-exporting countries, particularly following the 1978 Baghdad summit.

Signs of overheating of the economy appeared in the latter part of the period, as a substantial jump was recorded in the budget deficit and in that of the external current account, and inflationary pressures increased.

4. Following the very rapid growth in the twelve-year period 1970-1982, GDP growth slumped down to 3.2 percent in 1982, stopped in 1983 and dropped by an estimated 2 percent in 1984. This compares with the Fifth Plan (1981-85) objective of 7.2 percent p.a growth. The slowdown in 1982 and reversal in 1983-84 were mainly due to poor agricultural crops and related drop in trade, transport and other non-government services, combined with stagnation in petroleum and mining, and a fall in value added in manufacturing and utilities. This occurred despite a substantial growth in production in these latter sectors, reflecting the high level of subsidies and price distortion. The major growth sectors were government services, which continued to grow (though at a decelerating rate), and construction by the private sector in 1982 and 1984.

5. In addition to the slowdown in output in 1982 to 1984, total available resources have been constrained by a substantial decline in net imports of goods and services, which dropped from 16.6 percent of GDP in 1981 to 10.6 percent in 1982, 13.7 percent in 1983 and 11.4 percent in 1984 (in current prices). The result of the constraint in total available resources was a slight reduction in the share of private consumption, a corresponding rise in that of public consumption, to about 20 percent of GDP, while that of investment remained stable at about 21 percent of GDP at current prices. Gross domestic savings improved somewhat but remained quite low at 12 percent of GDP in 1982 and 1984, and 10% in 1983. National savings, however, including net factor income and transfers, were much higher, representing 18 percent to 20 percent of GNP, thanks to workers' remittances and particularly to the large level of external grants.

6. A major factor behind the overall resource constraint and the budgetary constraint in 1982 to 1984 has been the drop in the level of external grants to the public sector. These grants dropped from $1.8 billion (10.4 percent of GNP) in 1981 to $1.3 billion (6.7 percent of GNP) in 1983 and $1.2 billion (6.2 percent of GNP) in 1984. Together with public demand rising at a faster rate than domestic revenues and GDP in 1982 to 1984, this created a large overall budgetary deficit of about 9 percent of GDP in 1982-83 and almost 16 percent in 1984. The budgetary gap was financed very largely by borrowing from the Central Bank, leading to a rapid increase in money supply and increased inflationary pressures. The retail price index, despite strict control of many elements, rose by over 14 percent in 1982, 6 percent in 1983, and 9 percent in 1984. It rose further in 1985.

Public Sector Finance

7. A balance in current domestic revenues and expenditures and large overall budget deficits (including investment expenditure) have been a constant feature of Syrian public finance until 1984. The overall deficit excluding grants was about 16 percent of GDP in 1981 to 1983. Including grants, the overall deficit as a share of GDP was over 9 percent in 1982 and

1983 and almost 16 percent in 1984, due to a large drop in revenues. The large structural deficits in Syrian public finance are the result of persistently high levels of expenditures on investment, defence expenditures and subsidies on the one hand, combined with low taxes, low public enterprise profits (apart from oil) and declining external grants on the other. Overall, public expenditures as a share of GDP were at roughly the same level in 1984 as in 1980. On the revenue side, tax revenues rose significantly in real terms in 1980-84 (raising their share from 10 to 12 percent of GDP), while non-tax revenues (representing mainly the current surpluses of the oil industry and financial public enterprises) fluctuated between 15 percent to 17 percent of GDP in 1980 to 1983 but dropped sharply to 12.4 percent in 1984. The share of external grants in total revenues including grants declined continuously from 41 percent in 1979 to 21 percent in 1983 and 1984. The ratio of external grants to defence expenditures also dropped from over 100 percent in 1979 to two-thirds in 1980-81 and one-half in 1982-83.

8. On average, one half of the overall budget deficit in 1980-83 has been financed by external grants from neighboring oil exporting countries (mainly Saudi Arabia, but also Kuwait, UAE, Qatar, Libya and Iran). This ratio dropped to less than 30 percent in 1984. The balance was financed very largely by domestic borrowing, and to a much lesser extent (except in 1981) by net borrowing from external sources. External borrowing increased in 1984, with disbursements estimated at $406 million (compared with $325 million in 1983).

9. In attempting to contain the persistently large overall deficits since 1980, the Government has taken a series of measures to increase revenues and contain the rise in expenditures. Tax Revenues increased at an average of 20 percent p.a. compared with 18.5 percent p.a. growth of nominal GDP, implying a tax buoyancy of 1.08 during 1980-83. The rise in tax revenues was particularly notable in 1982 and 1983 and continued in 1984. This was the result mainly of a rise in the profit tax payment by public enterprises and particularly by the oil sector and also of measures taken by the government to improve tax administration and collection efforts. The tax base was enlarged particularly through discontinuing exemption of public enterprises from the profit tax, starting February 1982; unpaid taxes after that date are considered loans bearing low interest. Also, starting August 1984, arrears due to the government by public enterprises (estimated at over SL5.6 billion), were to be settled by 1986 according to agreed payments plans; this is expected to add SL 1 billion to 1984 revenues and 3.5 billion in 1985.

10. Non-tax revenues have increased more rapidly than tax revenues, their growth averaging 26 percent p.a. during 1980-83. The bulk of these revenues represented the "surpluses" of public enterprises, which include both their net profits as well as their liquidity surpluses (representing depreciation allowance and provisions not allocated). Most of these surpluses were transferred by the petroleum sector enterprises and the banking and financial enterprises. The main measures taken by the Government to achieve this result were the 1982 price adjustment of petroleum products, cement (as well as unrationed rice and sugar) and the efficiency drive that the ministries in charge have undertaken to raise production (to reach a target of at least 85 percent capacity utilization) and to reduce costs.

11. The financial surpluses of the public enterprises as a group were sufficient to finance the bulk of their investments: 98 percent in 1981, 78 percent in 1982 and 97 percent in 1983. This however disguises the fact that the surplus of the oil sector has in effect financed the investment of other sectors. Nevertheless a good part of investments by individual public enterprises were financed directly out of their gross profits after tax. The self-financing ratio outside the oil sector rose from 17 percent in 1981 to 27 percent in 1982 and 24 percent in 1983.

12. Current expenditures have been difficult to contain despite substantial efforts made by the government since 1980, when current expenditures had jumped up by 70 percent. In 1980 to 1983 their growth rate slowed down to an average 11.8 percent p.a. in nominal terms and their level was about the same in real terms. A major action to achieve this was the freezing since 1981 of the scales of government salaries and wages and those of public enterprise in nominal terms, while the cost of living has risen by 40 percent between 1980 and 84. Nevertheless, the total government wage bill continued to increase as employment grew in defence and the administration (which incidentally helped to maintain full employment in this period). In addition, the government considerably slowed down expenditures on social and economic services after 1981 and planned for reductions in their nominal level in the 1984 budget. Finally, price and other subsidies, including production subsidies of public enterprises, which had reached the high level of SL 4.5 billion (equivalent to 6.8 percent of GDP) in 1981 were reduced considerably in nominal terms in 1982 and 1983 (to 5.4 percent and 5.8 percent of GDP) and were planned to be reduced further in the 1984 budget. (Not all subsidies appear in the budget; a substantial part is borne by the Stabilization Fund, which subsidizes prices of essential consumer goods and covers its subsidy by surcharges levied on other goods).

13. The principal measures taken to reduce subsidies in this period were the sharp increases in prices of petroleum products in August 1981 and in July 1982, which together with the decline in international prices reduced the price subsidy on oil products accounts from SL 2.5 billion in 1980 to SL 0.8 billion in 1983. The remaining fuel subsidy applies mainly to butane gas which is sold to households at 50 percent of production cost. Cement prices were also raised to cover costs. Price subsidies on consumer products were contained by raising the prices of better quality bread and unrationed rice, although subsidies remain on bread, sugar, rice and vegetable oil. A major remaining subsidy is that on electricity, where tariffs, unchanged since 1981 cover only about two-thirds of electricity's operating costs. In early 1985 the government raised tariffs on larger household and commercial consumers, which is expected to raise revenues by 7 percent. Larger price increases are needed in all categories to slow consumption and cover costs. So-called economic subsidies to agricultural producers, and to certain industries, such as fertilizers and paper, also remain a heavy burden on the government and public enterprise accounts.

14. Capital expenditures by the public sector have risen at 5% and 7% current prices in 1983 and 1984, or less than the rate of inflation, as part of the effort to contain the growth of total expenditures. It is expected that they will remain at approximately the same level in 1985. Substantial

expenditures were made on large infrastructural and industrial projects under the previous plan. The public investment policy followed under the current Five-Year Plan (1981-85) has been to focus on completion of ongoing projects and not to start new large projects. Among the large completed projects in this period are the fertilizer complex and paper pulp plants and a textile plant, the Banias oil refinery, a large cement plant and two large electric power plants. Large ongoing projects include a barrage on El Kebir River, the Homs-Hama water and sewerage project, Latakia-Tartous and Deir Ezzor-Abukemal railways, Tishrin University and several highways.

15. It is clear that the prospects of reducing the budgetary deficit in 1985 and beyond in the face of uncertain levels of grants will depend upon the reinforcement of the revenue raising fiscal policy of 1984 and on further containment of current expenditures. The government is clearly aware of the issue, as witnessed by the measures it has taken in the last few years to raise revenues and reduce subsidies, and the efforts deployed to improve the efficiency and profitability of the economic public enterprises. Given a continued freeze of public salary scales, and continued economies in spending on administrative materials and social and economic services, the only large expenditure categories that remain are subsidies and defence expenditures (debt servicing is considered inflexible). Defence expenditures lie outside the scope of an economic analysis, although there is a link between their volume and the volume of external aid extended by neighboring Arab countries in support of Syria's defence expenditures. As noted earlier, the ratio between the two has shifted considerably, with an increasing share of the defence burden being carried by domestic resources.

16. Subsidies are the largest single category of expenditure (besides defense) which weigh on the budget. On their own they were equivalent to almost two-thirds of the deficit including grants in 1981-83. Their reduction could therefore make a substantial contribution towards bridging the budgetary gap. Price adjustments of various consumer prices have been periodically made, but the length of the intervening periods points to the well known difficulties and pressures against making such adjustments as well as to the inherent weakness of the adjustment process which aims at most at catching up with the inflated prices of inputs. If subsidies for production purposes are to be reduced there needs to be a less inflexible and preferably a continuous and automatic process by which product prices adjust to changes in input prices. Within the existing system, the effect of inflation on the size of subsidies can be reduced if prices of subsidized products are reviewed frequently (say every 3-6 months) and adjusted automatically to the extent that prices of inputs had risen. In addition, a program for the gradual reduction of the ratios between the cost of inputs and the price of output needs to be prepared and implemented. Such a reform, if applied particularly to pricing of electrictity and butagaz, and to the production of fertilizers, would have a considerable impact in reducing total subsidies and hence the budget deficit.

17. On the revenue side, the relatively low ratio of taxes to GDP of 10-12 percent in 1980-84 point clearly to a considerable potential for raising revenues through reviewing tax rates, enlarging the tax base and improving

collection. Direct taxes are particularly low on all sources of income and wealth, except for the profit tax which is largely paid by the public enterprises. The planned introduction of a consolidated tax system, together with better assessment and collection could improve tax revenues from the private sector. The main indirect taxes and dues which derive from imports cannot be expected to rise considerably under the present exchange and price systems, due to the rigidity of the latter and the need to contain the rise in imports. A less rigid exchange and price system (without full tariff compensation) combined with gradual liberalization of imports would result in a substantial rise in this source of revenue.

18. Increasing non-tax revenues and specifically the surpluses of public enterprises is potentially the most important instrument, next to reducing current expenditures, for correcting the budgetary situation. While the government has made extensive efforts to raise their efficiency (through monthly and quarterly review of performance, worker incentive schemes, rewards for good management and penalties for failure etc.), the objective and focus of these efforts has been the achievement of physical production targets and not financial performance. The latter is closely linked to the price system as noted earlier (and in certain cases to inappropriate technology). A reform of the price system which reduces rigidities and produces small but frequent adjustments of price of inputs and outputs would not only reduce subsidies but also supply a relatively objective measure of the efficiency of enterprises.

Prices, exchange and interest rates

19. On the price policy followed in Syria, the Five-Year Plan document states that "prices of domestic products and imported goods are determined on an economic basis (real cost), but that a final consumer price for all basic commodities is determined on both social and economic considerations." These objectives are of a general nature and leave a wide scope for interpretation or definition of specific policies. In the past year, as the resource and exchange constraints became tighter, a greater emphasis has been put by policy makers on real cost pricing and on compensating subsidized essential commodities with higher prices on other commodities. The pace of price adjustments, however, has been slow and its impact on subsidies has been modest.

20. It would be desirable to reduce the inflexibility or "stickiness" of prices of basic consumer goods and inputs through frequent small adjustments. This would seem a desirable objective as a means of reducing the budget and balance of payments deficits and avoiding the effects of substantial and painful price changes at long intervals with potentially wide repercussions on real incomes and the allignment of relative prices. Flexible price adjustments should also be feasible within the existing framework of administered pricing systems.

21. An appropriate price policy in Syria is clearly not only of direct relevance to narrowing the budgetary deficit, but it is also relevant to narrowing the current account deficit of the balance of payments through its effect on shifting demand for available tradeable resources from domestic consumption to exports. In particular, restraining the rapidly growing demand

for energy (oil products and electricity) at a rate far above the rate of growth of GDP (9.4 percent p.a. for oil products and 15 percent for electricity compared with 4.3 percent p.a. for GDP during 1980-83) can be achieved by raising the prices of energy products in relation to that of other domestic goods and services. Such restraint in domestic demand for energy would translate into increased net exports of oil and oil products. In addition to relative price, the level of oil prices, while generally above international prices at the official rate of exchange ($1 = SL 3.95), would be considerably below international prices if calculated at the parallel market rate ($1 = 5.45) 1/. Similarly, the price of imported raw material or other imports used by domestic industry and agriculture are understated at the official exchange rate and hence tend to lead to understating the relative price of domestic products in which they are used.

22. Concerning the exchange rate, the Plan's policy to set it so as to encourage exports and transfers has been partly successful following the introduction of a fixed parallel market rate for private transactions and a tourist rate for transfers and tourism. It has been less successful in promoting exports of goods, except for textiles, or in rationalizing domestic prices. The use of several rates makes the objective of rationalizing domestic prices on a real cost basis extremely difficult to determine or to implement. In an economy as open as that of Syria, maintenance of a low rate of exchange for a substantial part of external transactions encourages the excessive use of imports at that rate and tends to result in windfall profits to some importers as well as to encourage illegal imports by those who cannot obtain licenses. To reduce the distortion in domestic relative prices arising from the use of several exchange rates, it is desirable to seriously consider integrating the official exchange rate with the parallel market rate at a depreciated level as a first step. The budgetary implications of such a step would have to be considered. Secondly, as in the case of domestic price determination and for the same reasons, it would be desirable to introduce flexible and frequent reviews of the unified rate to reflect changing economic conditions and to bring about a closer balance between the availablity and demand for foreign exchange.

23. Interest rates are generally low in Syria compared with international levels or with the domestic inflation rate. They had been adjusted upwards in February 1981, but remain negative in real terms (i.e. as adjusted for inflation) with the highest lending rate being 9 percent p.a. and the lowest 2 percent. Private current account deposits carry 4 percent interest and public deposits 2 percent, but advance import deposits carry no interest. Time deposits of 6-12 months earn 7 and 8 percent respectively and interest on investment bonds is used by the government to finance public enterprise investments Interest on other loans vary by sector and are lowest in agriculture and highest in real estate and range from 2-9 percent. In industry, interest ranges from 5.5-9 percent. While the higher interest rates outside agriculture and for the private sector are not too far below recent inflation rates, they would seem to be too low in agriculture and real estate and generally low for the public sector (except for investment loans, which are not always serviced). As in the case of price administration it would seem desirable to adjust the rates more frequently, and to reduce

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1/ In September 1985 the Government announced a 38 percent increase in prices of gasoline and 50 percent in those of diesel and kerosene.

the gaps between preferential and nonpreferential rates. Real estate loans and commercial loans are prime candidates for allignment to a positive real level, given the strong demand and high return on these activities. It may also be useful to consider increasing mobilization of private savings by the government through raising term deposit rates and issuing tax free treasury bearer bonds with an appropriate rate of interest, while removing the ceiling on the lending rate.

Trade and Balance of Payments

24. Syria's overall balance of payments has turned from an overall surplus of $220 million in 1979 to an overall deficit of $690 million in 1980. In the following three years, the overall deficit was reduced but still ranged between $230-370 million per year, with corresponding reductions in official exchange reserves and an increase in net external liabilities. In 1984, the overall deficit rose to about $600 million. Net foreign borrowing contributed little foreign exchange receipts until 1983 and 1984, when it reached over $300 million per year. The main sources of foreign exchange were exports of oil, remittances of Syrian workers and entrepreneurs from neighboring oil exporting countries and official transfers from these countries in support of Syria's defence expenditures. The main payments were for imports of capital goods and foodstuffs, as well as for crude oil refined in Syria.

25. The development of Syria's balance of payments in recent years has been determined only partly by the industrial and trade policies Syria has followed, and mainly by external economic and political developments which are not under its control. The external developments find their origin in the rapid rise in oil prices in 1979-81, followed by their continued erosion through 1985, and in the military tensions in the region which necessitated large military expenditures abroad. The fluctuations in oil prices affected not only Syria's revenues from its oil exports - by far the largest component of total exports - but also the volume of remittances (private transfers) which Syrian workers and entrepreneurs could send from the oil exporting countries, and the level of the substantial grants (official transfers) which Syria received from the Gulf countries. Grants declined from their high of $1.8 billion in 1981 to $1.3 billion in 1983 and $1.2 billion in 1984 (converted at the official exchange rate). Similarly, remittances of Syrian workers and entrepreneurs dropped 20 percent between 1981 and 1983 and by a further 30 percent in 1984. The continued weakness of oil prices (and rapid rise in domestic demand) does not presage well for the recovery of either net oil exports or revenues from external grants.

26. Oil exports declined gradually from $1.6 billion in 1981 to $1.3 billion in 1983, and $1.2 billion in 1984, as world prices declined and volume continued to stagnate at about 8.5 millions tons. Oil imports also soared in value in 1979-81 both because of rising world prices and of rapidly rising imports of light crude (which is mixed with heavy Syrian crude oil for domestic refining; surplus refined products are exported). Oil imports stabilized after 1981 at about 6.5 million tons and their value eased as international prices dropped. As a result, the oil trade balance turned from

a positive $600 million in 1980 to -$40 million in 1983 and -$250 million in 1984. In volume, the net trade balance in oil and oil products has also dropped, from net exports of 3.4 million tons in 1980 to 0.9 million tons in 1983 and only 0.1 million tons in 1984. The greater decline in value reflects the increasing share of higher priced imported light crude and exports of lower quality crude and fuel oil.

27. The rapid growth of imports during 1978-81 (at an average 27 percent p.a. in current dollars) was largely due to the growth of imports of oil and of capital goods. Since then, and through 1984, imports declined substantially. This was the result of several factors, including, in particular, the decline in oil prices, a slowdown in investments; greater use of domestic inputs in investments, the increasingly strict control of import of consumer goods and drawdown of stocks. Thus, excluding oil, imports dropped by 24 percent in current terms in 1982, and, following a rise in 1983, dropped in 1984 to the level of 1982.

Trade Policy

28. Syria's trade policy has emphasized import substitution through heavy industrial investment and through agricultural incentives for such imported products as sugar and cereals. It also aimed at changing the structure of exports in favor of semi-finished and manufactured goods rather than raw materials. Exporting was considered secondary to satisfying domestic needs, and export promotion was limited to tourism and other services (through a preferential exchange rate) and to "non-essential" commodities including textiles. The Fifth Plan put a slightly greater emphasis on exports. Its quantitative targets for 1981-85 were 3.4 percent average annual growth for imports of goods and services and 6.5 percent for exports of goods and services.

29. Under the strictly controlled trade and exchange system, the current value of imports was in fact stabilized (except in 1981). Exports, however, declined in current terms but the structure changed as planned, with oil products rising rapidly up until 1982 and other manufactured products growing, particularly textiles which grew at 34 percent p.a. in current terms during 1980-83. The decline in the overall value of exports was partly the result of weak prices of oil and phosphates, but also of the lack of growth of production in these sectors and in cotton, and, in the case of oil, of the rapid growth of domestic demand for oil products. The closeness of the link between the prospect for total exports and the investment policy in industry and agriculture, and with price policy in energy, is obvious. The incentive and pricing system for the growing exports of manufactured products and for agricultural exports including cotton are also important subjects in any future policy review which aims at promoting exports and redressing the current account balance.

Capital Flows and External Debt

30. Net capital flow to Syria has been modest since 1978. Net direct investment, mainly by foreign oil companies has been generally negative. Net short-term flow of capital has averaged under $50 million per year up to 1983

but became negative in 1984. Net long-term public capital inflow, as recorded in the balance of payments, showed a substantial decline and a negative net outflow in 1982. In 1983 and 1984, however, receipts from long-term public capital jumped to $800 million per year while repayments remained at the 1982 level, thus resulting in a net inflow of over $300 million per year. The capital flows recorded in the balance of payments include, however, receipts and repayments in kind with the Eastern Bloc countries which offset transactions in the trade and services but which are not included in the cash transactions of the external public debt.

31. The overall balance of payments deficit has resulted in a small drop in gross foreign exchange and gold reserves but a substantial increase in net external liabilities. Gross reserves fell from $826 million at the end of 1979 to $477 million at the end of 1983 and $463 million at the end of 1984, equivalent to 5 weeks of imports of goods and services. Net foreign assets of $274 million in 1979 turned into net liabilities of to $1.4 billion in 1983 and $2.1 billion at end 1984.

32. Syria's disbursed and outstanding public debt (excluding defense debt) amounted to $2,305 million at the end of 1983, equivalent to less than 12 percent of GDP. Undisbursed commitments were $1,635 million. Of the outstanding debt at the end of 1983, 75.7 percent was owed to bilateral creditors, 18.8 percent to multilateral creditors, 5.5 percent to suppliers financial institutions. The largest multilateral creditors are the World Bank and the Arab Fund for Economic and Social Development. Bilateral creditors include mainly Eastern bloc countries (39 percent of total debt), OECD countries (19 percent), Arab countries and their bilateral agencies (16 percent) and Iran (4 percent). Debt (including undisbursed) owed to the World Bank reached $422 million (10.7 percent of the total), of which $287 million were outstanding. Debt owed to IDA, all disbursed, was another $47 million (2.0 percent of total).

33. Concessional financing played a dominant role in Syria's external debt with 77 percent of debt being on concessional terms. Debt service remained stable during 1978-83, and was $304.4 million in 1983, of which $231.7 million in amortization and $72.7 million in interest payments. This represented 12.0 percent of exports of goods and services. As a percentage of goods, services and official transfers, the debt service represented only 8 percent in 1983.

Policy Issues for Medium-Term Prospects

34. As stated earlier, Syria has made impressive progress in the past decade in raising its gross domestic product, expanding its economic and social infrastructure and ensuring the basic needs and employment opportunities to the bulk of the population. In these achievements, Syria has been the beneficiary of a diversified and moderately rich resource base, a dynamic labor force, the substantial rise in the international prices of its main export, oil, in the early and late 1970's, and the considerable financial assistance of Arab oil exporting capital surplus countries. It also profited from the enormous opportunities for employment, trade and construction in the oil countries.

35. Syria starts the second half of the 1980's with these substantial economic assets, but with a net oil surplus that has disappeared and with a decline in external financial assistance, along with the opportunities for employment and exports in the oil countries. The shift in the high rate of growth and in financial ease coincided with the falling of international oil prices starting in 1981, and has continued since. The persistent pressure of high demand on declining resources in the last few years has inevitably resulted in financial imbalances, both external and internal, suppressed inflationary pressures, and a growing need for quicker and more flexible adjustments to a rapidly changing situation. More radical adjustment measures would be needed to correct the imblances and protect the economy against the effects of further possible reduction in external grants.

36. In the domestic budget, a reduction of subsidies, particularly on electricity and fertilizers would seem essential; subsequent frequent adjustment to price changes would be required. Investment expenditures would have to be compressed and the profitability of public enterprises and their transfers to the budget has to be improved further.

37. To raise the low level of savings and restrain the less productive investments, somewhat higher interest rates are needed, particularly on deposits and on medium and long-term credits in agriculture and construction. Higher deposit rates, if combined with an appropriate exchange rate, should attract a greater volume of transfers from Syrians abroad. In the area of private consumption, a liberalization of the price system for all but rationed basic goods would be a more effective means of restraining consumption, stimulating production of better quality goods in high demand and improving the profitability of public enterprises. Prices of inputs produced by public enterprises would also need to be liberalized. A general and gradual relaxation of price rigidities would ease the adjustment process and would probably release the dynamic energies of private enterprise both in he domestic and export markets.

38. To correct the imbalance in the external accounts and guard against a possible future drop in external grants, an appropriate rate of exchange is needed to promote exports and restrain imports. Such an adjustment should align import prices more closely with domestic prices of substitutes; it would also reduce windfall profits or illegal imports and encourage legal recording of exchange transfers from immigrant workers. In this area, the unification of the official and parallel market rates at a depreciated level should be seriously considered, to be followed shortly by several upward adjustments leading to the unification of all rates at a realistic level. The recent deterioration in the balance of payments situation suggests the need to accelerate the unification of the rates. Flexible adjustment thereafter should take account of the balance of payments situation and of domestic price change relative to international prices. Export promotion could also include incentives to private exporters, e.g., through an exchange retention scheme, export credit facility, technical support and market intelligence services, etc.

39. Besides the exchange rate adjustment and export promotion policies, a set of policies needs to be devised to restrain domestic demand for exportable goods and to support the increase of production for export, including, in

particular, investment policies in oil and agriculture. These policies in the oil sector would include adjustment of oil product prices along with the exchange rate to maintain their relationship to international prices so as to restrain domestic consumption and shift part of that demand to exports, greater investment in oil exploration and the rapid exploitation of gas resources that would substitute for exportable oil. Adjustment of electricity tariffs would also restrain domestic demand for oil products and raise their net exports. In agriculture a lot depends on Syria's success in exploiting the large potential in irrigated agriculture in the northeast and the improvement of agricultural productivity so as to increase exports as well as feed the rapidly expanding population and restrain the growth of the food import bill (agriculture has been given higher share since 1983 in the public investment program). Given the overall financial constraint, such policies would require a shift in public investments from social and economic infrastructure and industry to quickly productive investments in the oil, gas and agricultural sectors.

40. The economic prospects in the medium and long term will depend partly on the actual price, demand management and investment policies that will be followed, particularly in relation to the exchange rate, electricity tariffs, food prices, and investments in agriculture and oil and gas sectors. The appropriate mix of policies should result in raising the productivity of the public enterprise sector as well as in stimulating private investment and output for export. However, future prospects will also depend on several other important factors all of which are not subject to economic policy adjustments. First is Syria's ability to adjust current expenditures effectively to the changing level of external grants. Second is the extent of the recently discovered gas and oil reserves and the speed of their exploitation. Third is the extent to which external borrowing and direct investment will make up for the shortfall in national savings in financing the minimum investment level.

The Medium-Term Projections

41. The medium-term projections assume the effective and early implementation of the macroeconomic policies outlined earlier and which require substantial corrective action on prices exchange rate and public expenditure. On these assumptions, it would be possible for the Syrian economy to continue to grow at 4.1 percent p.a. in the period 1983-88 and at 5.0 percent beyond 1988, while correcting the financial imbalances in the medium term. The main sources of GDP growth would have to come from agriculture, oil, manufacturing industry and non-government services. The keys to achieving this rate of growth is the expansion of agricultural and oil production and the improvement of the productivity of the manufacturing sector. Government services (current expenditures) are assumed to grow at 2 percent p.a. only compared to 4 percent in the past. Based on the latest estimates of the recent finds of oil and gas, the oil and gas sector would grow at 8 percent p.a. in 1983-88 and 7.2 percent p.a. thereafter. The projected growth of value added in the electricity and chemical sectors are reflected in the reduction of subsidies and corresponding rise in net indirect taxes.

42. With net external resources falling rapidly at 4 percent p.a. in 1983-88, total available resources would grow at about 3.5 percent p.a. in the period. This, together with the modest drop in investment, would allow consumption to grow at 2 percent in the public sector and 4.7 percent in the private sector. This compares with a natural population growth of 3.9 percent p.a. In the period following 1988, the higher GDP growth rate would allow a resumption of investment growth at 5 percent p.a. as well as 5 percent annual growth in private consumption.

43. Public finance projections show that the overall budget deficit excluding grants would be reduced from 17 percent of GDP in 1983 to 2.7 percent in 1988, and including grants, from -9 percent to 0.5 percent. In absolute terms this means a reduction of the deficit from SL 6.4 billion in 1983 to a small surplus of SL 0.4 billion in 1988 (in constant prices) and a growing surplus after 1990, which would finance part of investments. This improvement in public savings would be achieved despite the assumed decline in grants from SL 5.8 billion in 1983 to SL 2.9 billion in 1988, and further to SL 1.5 billion by 1992. The main measures that are assumed to achieve this objective are the rise in taxation at 1.1 times the rate of growth of GDP and the rise of revenues from public enterprises at 0.8 times the rate of growth of industry. On the expenditure side the main measure would be to limit current expenditure growth at 2 percent p.a. in real terms, and the reduction of subsidies on basic foods, electricity and production of public enterprises to 40 percent of their level by 1988 and their elimination by 1992.

45. In the projection of external accounts it is assumed that exports are supported by the necessary production policies in agriculture and in oil and gas, and by price policy and export incentives as outlined earlier and that they would therefore grow at about 6.4 percent p.a. in volume in 1983-88 and 5.2 percent p.a. in 1988-92. With fuel imports that cannot be compressed it would be necessary to restrain the growth of food and intermediate imports, if the trade deficit is to be reduced and the growth of external debt contained within acceptable limits. This is more so, given the assumption on stable remittances in real terms and declining grants. The restraint of imports would require both the raising of the price of imports (through the exchange rate adjustment) as well as appropriate policies to raise domestic output of such imports.

46. With these assumptions, the deficit on goods and non factor services would be reduced from $2.6 billion in 1983 to $2.2 billion in 1988 but would rise to $2.6 billion in 1992 (in current dollars). Transfers and worker's remittance would bring down the current account balance to be financed to $1.6 billion in 1988. However, rising interest payments on external debt and declining transfer would lead to a deficit of $2.7 billion in 1992.

46. To finance the deficit it is assumed that Syria would obtain new medium and long term commitments of $600 million a year (in real terms) on terms somewhat harder than in the past. This would seem feasible on the basis of past commitments. Receipts from existing and new commitments and other capital receipts would cover the bulk of the deficit up to 1988 leaving

$220 million to be financed from an increase in short-term credits and commercial loans. However, even with the stringent import assumptions, the increasing current account gap would lead to a rapid rise after 1988 in short term and commercial debt and in interest payments on that debt. This would test Syria's ability to borrow large amounts on commercial terms and would not be sustainable in the long run. The debt service ratio (as a percentage of exports of goods and non factor services) would rise from 12.5 percent in 1983 to 17 percent in 1988 and accelerate to 22 percent by 1992.

47. The projected acceleration of the debt service in the long run and its sensitivity to the growth rates of oil and gas production and consumption and to raising output of agricultural tradeables point to the importance of making the necessary adjustments in the sectoral investment pattern as soon as possible to increase the production of these traded goods. It also points to the need of continued review of exchange, trade and price policies in the next few years so as to orient the economy more towards exports and restraining domestic demand for tradeable goods and services. This would seem necessary if the external deficit and debt are to be kept at manageable levels in the long run.

48. The recent sharp drop in world oil prices, if sustained in the next few years, would have a substantial negative impact on the balance of payments, gross national income and external debt situation. Assuming international oil prices average $15 per bbl in 1986 and would remain below that level in real terms until 1990, rising rapidly thereafter, then the projected accounts as compared with the basic case would show little deterioration in the balance of trade in the near future (because of the approximate balance in the oil trade) but a growing loss estimated at $70 million in 1988 rising to $280 million in 1992 (as net exports increase). The overall deterioration in the terms of trade would represent a loss of 1 to 1.4 percent of GDP in the years 1988-92. The deterioration in the balance of payments would create larger external financing requirements, which would push the debt service ratio to 20 percent in 1988 and over 30 percent in 1992. If the drop in international prices of oil is not allowed to affect domestic prices and if the assumed rise in domestic prices of petroleum products and energy prices is implemented as projected in the basic case then the reduction in the cost of oil imports (as compared with 1984) would mean a gain to the budget and a corresponding reduction of its deficit of SL 2.5 - 3 billion per year in 1988-92. The analysis clearly indicates the need for even greater efforts than assumed in the base case to increase net exports of oil and raising domestic energy prices in order to reduce the budget deficit and prevent a deterioration in creditworthiness.

CHAPTER I - INTRODUCTION

A. The Economic Setting

1.1 Syria can be described as a medium-sized economy (population 10 million) with a very rapidly growing population (3.4 percent p.a.) and a relatively well-balanced sectoral structure. Urban growth at 4 percent to 4.5% is not too far above population growth. GNP per capita is estimated at $1,760 in 1983 (at the official exchange rate) and the social indicators compare favorably with those of other middle income countries. Employment is relatively evenly spread (32:29:39) between agriculture, industry and services, and unemployment has been maintained at a very low rate of about 3.5 percent of the labor force. Output, however, is less evenly distributed, with agriculture accounting for 20 percent of total GDP, industry (including mining and petroleum, manufacturing, construction and utilities) for 24 percent and services for 56 percent. Government and trade account for the bulk of employment and output in the services sector.

1.2 The relatively balanced structure of the economy reflects a diversified resource base, with 5.6 million ha. of cultivatable land of which 0.6 million ha. irrigated, stable oil production at about 8.5 million tons p.a., some gas and phosphate reserves, relatively developed manufacturing, construction, and trade sectors, and a dynamic labor force and private entrepreneurship. In the past, the country has had a trade surplus in agriculture and oil, but with the rapid increase in demand, the oil surplus has all but disappeared and there is now a substantial deficit in the food balance covered by imports (mainly cereals and sugar). Large transfers from the oil exporting countries of the gulf (in the form of grants and workers' remittances) have enabled Syria to finance a large current trade deficit and to maintain civilian external debt at a modest level.

1.3 Other structural characteristics of the Syrian economy derive from its centrally planned socialist system, its social orientation and its high defense requirements. Military expenditures, although alleviated substantially (over 40 percent) by corresponding external grants, have maintained a heavy pressure on public finance. Under Syria's socialist system, the Government directly owns and manages the mining, large manufacturing, energy and banking sectors, strictly controls prices, credit, international trade, exchange and all major investments. Public investments represents about two-thirds of total investments and over three-quarters of investments excluding dwellings. The system, however, has allowed a private sector to function in a controlled environment in agriculture, small and medium-scale industry, building and housing, and domestic trade. The private sector is quite dynamic in industry, construction and trade and has developed a prospering market which complements or parallels and competes with that of the public enterprises in these sectors. The social orientation of government policy is reflected in its near full employment policy (at relatively low wage levels), subsidized basic consumer goods and services, free or subsided education and health services, and attention to rural and regional development.

1.4 Institutionally, the economic activities of the Government are exercised through several thousand establishments of varying sizes found in all sectors. Apart from the large number in the utilities, trade and services

sectors some 900 establishments grouped under general organizations and a few other entities form the core of the economic and public enterprises sector. Among the most important of these are the Central Bank of Syria and the six banks, the Syrian Petroleum Company, the two oil refineries, the Syrian Airlines, the Euphrates Dam Authority and several large trading, manufacturing, construction and distribution general organizations as well as some agricultural enterprises. The Ministries in charge of public enterprises and the general organizations are expected to ensure that they achieve the quantitative production targets set by the Fifth Five-Year Plan (1981-85), and that they show an operating profit except in specific cases which are subsidized for social reasons. Their salaries and wages follow a national scale but with some bonuses. Prices of products are determined essentially on the basis of cost plus a fixed profit margin (except in the subsidized products).

1.5 The Fifth Five-Year Plan (1981-85) sets out the quantitative production and manpower targets as well as the macroeconomic targets and the indicative investment program. It also sets out the economic and social objectives for the economy and for each sector, and the general policy measures and actions to be pursued to achieve them. Social and equity objectives are given as prominent a place in the Plan as economic objectives. Social objectives include reduction of illiteracy, full employment, ensuring basic food necessities and adequate housing, income distribution, rural development and regional balance. The economic objectives include a high rate of growth of productivity and production, raising the savings rate, reducing the overall budget deficit and promoting exports. Sectoral objectives include reaching a positive agricultural balance, higher exploitation of mining and oil resources, energy conservation and increasing the efficiency of workers and institutions.

1.6 Social development and demographic growth in Syria have been quite impressive, as reflected in the Table of Social Indicators, and compare favorably at present with those in other middle income countries. Nutritional levels are substantially above the average. Mortality has declined by almost two-thirds over the past twenty years and life expectancy at birth (65 years for males and 69 years for females) is above average for middle income countries and the highest in the region. With a stable and very high crude birthrate (46 per thousand) and a very low death rate (7 per thousand) Syria has one of the highest natural growth rates in the world (3.9 percent p.a.). The labor force has grown at an increasing rate and is projected to grow at 4.4 percent in the next decade. The population pressure has been relieved in the past decade by the rapid growth of employment in construction and in the public sector and by emigration to the booming oil-exporting countries in the Gulf.

CHAPTER II - MACROECONOMIC DEVELOPMENTS

2.1 Syria's economy grew rapidly in the 1970's. The growth rate of GDP in real terms averaged almost 10 percent from 1970 to 1979, compared with 4.9 percent during 1963 to 1970. All sectors shared in the rapid growth rate, with construction (17 percent p.a.) and Government (15 percent p.a.) being the leading sectors. Both public and private sector investments grew rapidly, rising in total from 13 percent of GDP in 1970 to 26 percent in 1979 (at current prices). Development efforts were accelerated following the 1973 October war, with emphasis on industrialization, irrigation and transport. The unsettled security conditions in the region led to a substantial rise in defence expenditures. Financing the rapid growth of public expenditures on investment and government services after 1973 was made possible by the substantial rise in government revenues from oil following the rise in oil prices in 1972/73 and in the grants from Arab oil-exporting countries, particularly following the Baghdad 1978 summit conference. In addition, the economic boom in the Gulf countries themselves led to a rise in private income transfers of Syrian workers and entrepreneurs working there. The corresponding foreign exchange revenues have enabled Syria to cover the larger part of its current account deficits, maintain a low level of debt and add to its current reserves. The very rapid growth of the 1970's continued into 1980 and 1981, when GDP grew at 8 percent and 10 percent respectively, sustained by a new jump in oil prices, expanding government expenditures and a high level of external grants. There were signs of overheating in the economy as the budget and external deficit jumped up and inflationary pressures increased.

A. Resources and Uses

2.2 Following this very rapid growth over a period of twelve years, GDP growth slumped down to 3.2 percent in 1982, stopped in 1983 (-0.4 percent) and dropped by an estimated 2 percent in 1984 (Table 1). This compares with the Fifth Plan (1981-85) objective of 7.2 percent average growth per year.

2.3 The slowdown in 1982 was mainly due to a 2.5 percent drop in value added by agriculture (due to a one-third drop in the value of cereals output caused by poor rainfall, which was not fully offset by substantial rises in livestock, cotton and fruits), and to a related slowdown in trade and services. Growth was maintained in 1982 thanks mainly to the industrial sector, with construcion growing at over 10 percent and mining and manufacturing at over 5 percent.

2.4 The long-term growth trend was reversed in 1983 and 1984. All sectors showed a decline in value added in 1983 except for government services, which offset most of the declines. In 1984 a very poor harvest and a 5 percent decline in industry was only partly offset by a revival in the construction sector and by the continued growth in government. The decline in value added in industry, despite a 5-6 percent annual overall growth in industrial production and of 8-9 percent in manufacturing production (Table 8.1) is a major indicator of the large subsidies and price distortions in the sector. The growth outlook for 1985 is likely to improve somewhat thanks to good agricultural crops, which should revive trade and services, and to continued growth in construction.

Table 1: RESOURCES AND THEIR USE, 1980-84
(in percent per annum)

	1980	1981	1982	1983	1984 1/
GDP growth (% p.a., 1980 prices)	8.4	10.2	3.2	-0.4	-2.1
Agriculture	39.9	4.2	-2.5-	-0.8	-9.4
Mining, manufacturing and utilities	1.8	3.1	5.3	-5.9	-5.3
Construction	-6.4	4.2	10.5	-0.6	9.3
Trade & services	6.9	17.8	1.8-	-0.1	-3.2
Government	-2.4	9.5	8.8	6.9	5.8
Use of resources (% of total at current prices)					
Consumption & stock changes	76.3	80.3	79.1	79.2	78.7
of which public	(19.9)	(17.5)	(19.6)	(19.3)	(20.5)
Fixed investment	23.7	19.7	20.9	20.8	21.3
of which public	(15.1)	(12.0)	(13.0)	(13.9)	(14.1)
Resource gap, savings & transfers (% at current prices)					
Net imports of goods & services/GDP	15.2	16.6	10.6	13.7	11.4
Gross domestic savings/GDP	12.1	6.4	12.4	10.0	12.4
Gross national savings/GNP	12.9	9.4	13.8	11.6	13.4
Gross national savings incl. public transfers/GNP	24.3	19.8	21.4	18.3	19.6
Public transfers/GNP	11.4	10.4	7.6	6.7	6.2

Source: Annex Tables 2.1 and 2.4

1/ Provisional

2.5 The constraining effect on total available resources of the slowdown and decline in output in 1982 to 1984, was accentuated by a substantial drop in the net external resources (net imports of goods and services) which dropped from 16.6 percent of GDP in 1981 to 10.6 percent in 1982, 13.7 percent in 1983 and 11.4 percent in 1984 (in current prices). The result of the constraint in total available resources was a slight reduction in the share of private consumption, offset by a rise in the share of public consumption (which rose to about 20 percent of GDP), while the share of investment remained stable at about 21 percent of GDP at current prices. Gross domestic savings improved somewhat but remained quite low at 12 percent of GDP in 1982 and 1984, and 10 percent in 1983. National savings, however, including net factor income and transfers, were much higher, representing 18-20 percent of GNP, thanks to workers' remittances and particularly to the large level of external grants.

2.6 A major factor behind the overall resource constraint in 1982 to 1984 has been the drop in the level of external grants to the public sector. These grants dropped from $1.8 billion (10.4 percent of GNP) in 1981 to $1.3 billion or (6.7 percent of GNP) in 1983 and $1.2 billion (6.2 percent of GNP) in 1984. Together with public demand rising at a faster rate than domestic revenues and GDP in 1982 to 1984, this has contributed to a large overall budgetary deficit of over 9 percent of GDP in 1982-83 and almost 16 percent in 1984. The budgetary gap was financed very largely by borrowing from the Central Bank, leading to a rapid increase in money supply and increased inflationary pressures. The retail price index, despite strict control of many elements, rose by over 14 percent in 1982, 6 percent in 1983 and 9 percent in 1984. It rose further in 1985.

B. Public Sector Finance

(i) Overall Development

2.7 A balance in current domestic revenues and expenditures (including debt service) and large overall budget deficits (including investment expenditure) have been a constant feature of Syrian public finance until 1984. The overall deficit excluding external grants has averaged over 40 percent of public expenditures. To finance the deficit, borrowing from the Central Bank has been heavy in recent years, averaging 8.6 percent of GDP in 1980-83. The large size of the deficit and the strong inflationary trend with which it was associated, led the Government to take various steps, described below, which brought down the deficit excluding grants from over 21 percent in 1981 to about 17 percent in 1982 and 1983; it rose again however in 1984 to over 22 percent (Table 2).

2.8 The large structural deficits in Syrian public finance are the result of persistently high levels of expenditures on investment, defense and subsidies on the one hand, combined with low taxes, low public enterprise profits (apart from oil) and declining external grants on the other. Overall, public expenditures in real terms were at roughly the same level in 1984 as in 1980. This was the result of a rise in current expenditures in real terms (defense and subsidies) which were not fully offset by a reduction in capital expenditures. On the revenue side, tax revenues rose significantly in real terms in 1980-84 (raising their share from 10 to 12 percent of GDP), while non-tax revenues (representing mainly the current surpluses of the oil industry and financial public enterprises) fluctuated between 15 percent and 17 percent of GDP in 1980 to 1983 but dropped sharply to 12.4 percent in 1984. The share of external grants in total revenues including grants declined continuously from 41 percent in 1979 to 21 percent in 1983 and 1984. The ratio of external grants to defense expenditures also dropped from over 100 percent in 1979 to two-thirds in 1980-81 and one-half in 1982-83.

2.9 As can be seen from Table 2, on average, one half of the overall budget deficit in 1980-83 has been financed by external grants from neighboring oil exporting countries (mainly Saudi Arabia, but also Kuwait, UAE, Qatar, Libya and Iran). This ratio dropped to less than 30 percent in 1984. The balance was financed very largely by domestic borrowing, and to a much lesser extent (except in 1981) by net borrowing from external sources.

2.10 In attempting to contain the persistently large overall deficits since 1980, the Government has taken a series of measures to increase revenues and contain the rise in expenditures. These are described below.

(ii) Revenues

2.11 Tax Revenues increased at an average of 13.6 percent p.a. compared with 9.7 percent p.a. growth of nominal GDP, implying a tax buoyancy of 1.40 during 1980-84. The rise in tax revenues was particularly notable in 1981-1982 but slowed down sharply in 1983 and 1984 (see Table 5.2). This was the result mainly of a rise in the profit tax payment by public enterprises and particularly by the oil sector (see Table 5.3) and also of measures taken by the Government to improve tax administration and collection efforts, improve tax administration and arrears collection, widen the tax base and increase a few taxes and surcharges. A scheme of prepayment of duties on imported cars and trucks was introduced in 1982 and 1983 and stricter control of illegal imports and of import duty collection were exercised in 1984. The tax base was enlarged particularly through discontinuing exemption of public enterprises from the profit tax, starting February 1982. New taxes and raises in tax rates were very few and included raising stamp duties in 1981 and doubling (from 15 percent to 30 percent) the surcharges for the war effort on all taxes and duties except on income tax on wages and salaries.

2.13 Non-tax revenues have increased more rapidly than tax revenues, their growth averaging 26 percent p.a. during 1980-83, but declined sharply by 25 percent in 1984. The bulk of these revenues (94 percent in 1983) represented the "surpluses" of public enterprises, which include both their net profits (68 percent of total) as well as their liquidity surpluses (representing depreciation allowance and provisions not allocated). Most of these surpluses were transferred by the petroleum sector enterprises (53 percent of total in 1983) and the banking and financial enterprises (17 percent of total in 1983) (see Table 5.4). The main measures taken by the government to achieve this result were the 1982 price adjustment of petroleum products, cement (as well as unrationed rice and sugar) and the efficiency drive that the ministries in charge have undertaken to raise production (to reach a target of at least 85 percent capacity utilization) and to reduce costs. 1/ In addition, starting August 1984, arrears due to the Government by public enterprises (estimated at over SL 5.6 billion), were to be settled by 1986 according to agreed payments plans; this is expected to add SL 1 billion to 1984 revenues and 3.5 billion in 1985.

2.14 The financial surpluses of the public enterprises as a group were sufficient to finance the bulk of public investments: 98 percent in 1981, 78 percent in 1982 and 97 percent in 1983. This however hides the fact that

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1/ The rise in total surpluses however, should not be taken to reflect the improvement in the efficiency of public enterprises because of the impact of administered prices of their inputs and outputs on their profitability. Excluding the petroleum and financial sector enterprises, for example, the surpluses of all other enterprises in 1983 were the same in nominal terms as in 1982, while the latter were 56 percent above 1981. The rise in the surpluses of banking and financial enterprises is attributable in part to the Government's introduction in April 1981 of non-interest bearing import deposits and of evaluation of some imports at the parallel market exchange rate. It is also noted that the surplus of the petroleum sector enterprises rose in 1983 compared with 1981 despite the decline in export prices of oil.

Table 2: SUMMARY OF GOVERNMENT FINANCE
(in millions Syrian pounds)

	1979	1980	1981	1982	1983	Prov. 1984	Budget 1985
Budgetary transactions							
Revenues	9,202	13,757	16,555	19,202	21,228	18,333	24,906
Tax revenues	4,211	5,416	6,588	8,490	8,767	9,027	11,764
Nontax revenues	4,991	8,341	9,967	10,712	12,461	9,306	13,142
of which:							
(oil & mining sector)	(3,451)	(6,697)	(7,691)	(6,861)	(8,557)	(6,327)	(9,367)
Expenditures							
Current	9,213	15,698	17,175	19,166	21,571	22,900	23,548
of which:							
(defense & police)	(6,190)	(8,804)	(9,484)	(10,703)	(11,309)	(n/a)	(13,778)
(Debt service)	na	na	(1,678)	(1,620)	(2,086)	(-)	(-)
Capital	6,071	9,155	9,863	12,052	12,077	12,098	19,436
Deficit, excluding grants	-6,082	-11,096	-10,483	-12,016	-12,420	-16,665	-18,078
Grants	6,385	5,966	6,358	5,354	5,762	4,726 2/	8,378
Deficit including grants	303	-5,130	-4,125	-6,662	-6,658	-11,940	-9,700
External loans	498 b/	-99	2,293	1,180	1,079	964	1,931
Bank borrowing + discrepancy	-801	5,229 /1	1,832	5,482	5,579	10,976	7,769
			(in percent of GDP)				
Tax revenue	10.7	10.4	9.9	12.0	12.0	12.0	..
Nontax revenue	12.7	16.1	15.0	15.2	17.1	12.4	..
Current expenditure	23.4	30.3	25.8	30.6	29.5	30.5	..
Capital expenditure	15.4	17.7	14.8	17.1	16.5	16.1	..
Deficit, excluding grants	-15.5	-21.4	-15.8	-17.0	-17.0	- 22.2	..
Grants	14.7	11.5	9.6	7.6	7.9	5.0	..
Deficit, including grants	-0.8	-9.9 /1	-6.2	-9.4	-9.1	- 15.9	..

Source: Annex tables 5.1-5.11

/1 Of which borrowing from Central Bank 4,406 or 8.5 percent of GDP. Borrowing from the Central Bank during 1980-83 averaged 7.2 percent of GDP.

/2 Estimate from the balance of payments. The provisional valuation of the Ministry of Finance was SL 3768 million.

the surplus of the oil sector has in effect financed the investment of other sectors. Nevertheless a good part of investments by individual public enterprises were financed directly out of their gross profits after tax. The self-financing ratio rose from 17 percent in 1981 to 27 percent in 1982 and 24 percent in 1983 (see Table 5.4).

(iii) Current Expenditures

2.15 Current expenditures have been difficult to contain despite substantial efforts made by the Government since 1980. In that year current expenditures had jumped up by 70 percent as salaries, defense expenditures and budgetary subsidies increased. From 1980 to 1984 their growth rate slowed down to an average 9.9 percent p.a. in nominal terms and their level remained the same in real terms. A major action to achieve this was the freezing since 1981 of the scales of government salaries and wages and those of public enterprise in nominal terms, while the cost of living has risen by 50 percent between 1980 and 1984. 1/ Nevertheless, the total government wage bill continued to increase as employment grew in defense and the administration (which incidentally helped to maintain full employment in this period). In addition, the Government considerably slowed down expenditures on social and economic services after 1981 and planned for reductions in their nominal level in the 1984 budget (see Table 5.5). Finally, price and other subsidies, including operating subsidies of public enterprises, which had reached the high level of SL 4.5 billion (equivalent to 6.8 percent of GDP) in 1981 were reduced considerably in 1982 and 1983 (to 5.4 percent and 5.8 percent of GDP) and were planned to be reduced substantially in the 1984 budget (to approximately 3.6 percent of estimated GDP). 2/ The actual result in 1984 was probably higher.

Table 3: GOVERNMENT SUBSIDIES, 1981-85
(SL million)

	1981	1982	1983	1984 Budget	1985 Budget
Subsidies to social organizations	188	152	244	na	na
Production subsidies	2,344	2,330	2,818	1,502	na
Price subsidies	1,999	1,396	1,400	1,400	1,400
Total	4,531	3,878	4,462	na	na

Source: Ministry of Finance

1/ In September 1985 it was reported that pay rises of 10-25 percent were decreed for public employees.

2/ Not all these subsidies appear in the budget. A substantial part is borne by the Stabilization Fund, which subsidizes prices of essential consumer goods and covers its subsidy by surcharges levied on other goods.

2.16 The principal measures taken to reduce subsidies in this period were the sharp increases in prices of petroleum products in August 1981 and in July 1982, which together with the decline in international prices reduced the price subsidy on oil products accounts from SL 2.5 billion in 1980 to SL 0.8 billion in 1983. The remaining subsidy applies mainly to butane gas which is sold to households at 50 percent of production cost. Cement prices were also raised to cover costs. Price subsidies on consumer products were contained by raising the prices of better quality bread and unrationed rice, although subsidies remain on bread, sugar, rice and vegetable oil. A major remaining subsidy is that on electricity, where tariffs, unchanged since 1981, have not enabled the industry to cover operating costs. Value added has been negative since then. The Government decided in early 1985 to raise tariffs to larger household and commercial consumers, which should help to reduce the operating deficit modestly.

2.17 Total price subsidies have been maintained at their nominal level since 1982. However, so-called economic (or production) subsidies to agricultural producers, electricity and certain industries have remained a heavy burden on government and public enterprise accounts. In addition to electricty, the high production cost of fertilizers - although prices of fertilizers to agriculture are comparable to international prices - have resulted in a large and increasing fertilizer production subsidy. 1/ Other economic subsidies cover the operating losses of a recently completed paper plant and other smaller operations.

(iv) Capital Expenditures

2.18 Capital expenditures by the public sector have risen at 5 percent and 7 percent in current prices in 1983 and 1984, or less than the rate of inflation, as part of the effort to contain the growth of total expenditures. 2/ It is expected that they remained at approximately the same level in 1985. Following substantial expenditures on large infrastructural and industrial projects under the previous plan, 3/ particularly in 1980, the public investment policy followed under the current Five-Year Plan (1981-85) has been to focus on completion of ongoing projects and not to start new large projects. Among the large completed projects in this period are the fertilizer complex and paper pulp plants and a textile plant, the Banias oil refinery, a large cement plant and two large electric power plants. Large ongoing projects include a barrage on El Kebir River, the Homs-Hama water and sewerage project Latakia-Tartous and Deir Ezzor-Abukemal railways, Tishrin University and several highways.

1/ The industry has been established recently and uses expensive imported naphtha as feedstock. At the same time the subsidized product is sold at less than the cost of the naphtha. Plans are under way to replace the naphtha with domestically produced gas at a fraction of the cost.

2/ The national accounts (Table 2.4) which are estimated on a slightly different basis (mainly excluding land value), indicate a substantially lower figure for 1982. This would imply a small increase in current prices in investment expenditures in 1982 but a large increase in 1983.

3/ Such large projects included The Euphrates dam, oil exploration, construction of oil refineries in Homs and Banias, electric power stations in Banias, a fertilizers complex in Homs, cement plants, a paper pulp plant in Aleppo and several large housing projects.

(v) Reducing the Budget Deficit

2.19 It is clear from the above brief analysis that the prospects of reducing the budgetary deficit in 1986 and beyond will depend on the one hand upon the reinforcement of the revenue raising fiscal policy of 1984 and on further containment of current expenditures. This latter would require continued restraint on salary and other administrative expenditures. It would also require a review of the other major categories of expenditures, namely investment, subsidies and defense. The economic, social and political aspects of these categories of expenditures are evident. However, whatever choices are made concerning the level of these categories of expenditures, a parallel review of methods of raising the productivity of the given level of investment expenditures would be desirable to ensure the continued growth of the economy at a rate higher than that of the population.

2.20 The level of grants in aid, which has been gradually eroding in current terms since 1979, would seem subject to greater uncertainty in the future, in view of the developments in oil prices and the consequent adverse effects on the financial position of the donors. Narrowing the large budgetary gap, including grants (i.e. 9 percent of GDP in 1980-83 and 16 percent in 1984), 1/ as quickly as possible would seem a primary objective if the economy is to be prepared to meet possible continued drop in external grants. The alternative would be increased and possibly uncontrollable inflationary pressures and/or unplanned and substantial reductions in essential capital expenditures, with consequent reductions in the growth rate and rise in social pressures.

2.21 The Government is clearly aware of the issue, as witnessed by the measures it has taken in the last few years to raise revenues and reduce subsidies, the reinforcing policies embodied in its 1985 budget and the efforts deployed to improve the efficiency and profitability of the economic public enterprises. Given a continued freeze of public salary scales and continued economies in spending on administrative materials and social and economic services, the only large expenditure categories that remain are subsidies and defense expenditures (debt servicing is considered inflexible). Defense expenditures lie outside the scope of an economic analysis, although there is a link between their volume and the volume of external aid extended by neighboring Arab countries in support of Syria's defense efforts. As noted earlier, the ratio between the two has shifted considerably, with an increasing share of the defense burden being carried by domestic resources.

2.22 Subsidies are the largest single category of expenditure (besides defence) which weigh on the budget. On their own they were estimated at just under 6 percent of GDP in 1983, equivalent to almost two-thirds of the deficit including grants. Their reducton could therefore make a substantial contribution towards bridging the budgetary gap. Both subsidies to consumers and farmers as well as subsidies to cover operational deficits of public enterprises are primarily a functon of the prices charged to the users in relation to the price of the major inputs. As noted earlier, price adjustments of various consumer prices have been periodically made, but the length of the intervening periods points to the well known difficulties and pressures against making such adjustments as well as to the inherent weakness

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1/ Of which borrowing from the Central Bank averaged 7.2 percent of GDP in 1980-1983.

of the adjustment process which aims at most at catching up with the inflated prices of inputs. If producer subsidies are to be reduced there needs to be a less inflexible and preferably a continuous and automatic process by which product prices adjust to changes in input prices. Within the existing system, the effect of inflation on the size of subsidies can be reduced if prices of subsidized products are reviewed frequently (say every 3-6 months) and adjusted automatically to the extent that prices of inputs had risen. In addition, a program for the gradual reduction of the ratios between the cost of inputs and the price of output needs to be prepared and implemented. Such a reform, if applied particularly to pricing of electrictity, fertilizers and butagaz would have a considerable impact in reducing total subsidies and hence the budget deficit.

2.23 On the revenue side, the relatively low ratio of taxes to GDP of 10-12 percent in 1980-84 and the low tax elasticity (less than 1) point clearly to a considerable potential for raising revenues through reviewing tax rates, enlarging the tax base and improving collection. Direct taxes are particularly low on all sources of income and wealth, except for the profit tax which is largely paid by the public enterprises. The planned introduction of a consolidated income tax system, 1/ together with better assessment and collection could improve tax revenues from the private sector. Improvement in the public sector depends essentially on petroleum product pricing (which affect the profitability of the oil sector) and on improvement in the efficiency and financial performance of the other public enterprises discussed above. The main indirect taxes and duties which derive from imports cannot be expected to rise considerably under the present exchange and price systems, due to the rigidity of the latter and the need to contain the rise in imports. A less rigid exchange and price system (without full tariff compensation) combined with gradual liberalization of imports would result in a substantial rise in this source of revenue. Part of the increase could come from a drop in illegal imports as their profitablility decreases.

2.24 Increasing non-tax revenues and specifically the surpluses of public enterprises is potentially the most important instrument, next to reducing current expenditures, for correcting the budgetary situation. While the Government has made extensive efforts to raise their efficiency (through monthly and quarterly review of performance, worker incentive schemes, rewards for good management and penalties for failure etc.), the objective and focus of these efforts has been the achievement of physical production targets and not financial performance. The latter is closely linked to the price system as noted earlier (and in certain cases to the technology utilized). A reform of the price system which reduces rigidities and produces small but frequent adjustments of price of inputs and outputs would not only reduce subsidies but also supply a relative objective measure of the efficiency of enterprises.

1/ The draft law would consolidate incomes from all sources and would include a tax on agricultural incomes, previously exempt, and remove exemptions on nonbusiness capital gains. The draft law would also lower tax rates and raise exemption levels on lower income tranches for social purposes and improve collection.

C. External Trade, Payments and Debt

(i) Overall Developments

2.25 Syria's overall balance of payments has turned from an overall surplus of $220 million in 1979 to an overall deficit of $690 million in 1980. 1/ In the following three years, the overall deficit was reduced but still ranged between $230-370 million per year (Table 4), which resulted in roughly corresponding reductions in official exchange reserves and an increase in net external liabilities (Tables 6.2). In 1984, the overall deficit rose to about $600 million. Net foreign borrowing contributed little to foreign exchange receipts until 1983 and 1984, when it reached over $300 million per year. The main sources of foreign exchange were exports of oil, remittances of Syrian workers and entrepreneurs from neighboring oil exporting countries and official transfers from these countries in suppport of Syria's defense effort. The main payments were for imports of capital goods and foodstuffs as well as for crude oil refined in Syria.

2.26 The development of Syria's balance of payments in recent years has been determined only partly by the industrial and trade policies Syria has followed, and mainly by external economic and political developments which are not under its control. The external developments find their origin in the rapid rise in oil prices in 1979-81, followed by their continued erosion through 1985, and in the military tensions in the region which necessitated large defense expenditures abroad. The fluctuations in oil prices affected not only Syria's revenues from its oil exports - by far the largest component ot total exports - but also the volume of remittances (private transfers) which Syrian workers and entrepreneurs could send from the oil exporting countries and the level of the substantial grants (official transfers) which Syria received from the Gulf countries. Grants declined from their high of $1.8 billion in 1981 to $1.3 billion in 1983 and $1.2 billion in 1984 (converted at the official exchange rate). Net oil exports fell from about $600 million in 1980 to -$40 million in 1983 and -$250 million in 1984. The continued weakness of oil prices (and rapid rise in domestic demand) does not presage well for the recovery of either net oil exports or revenues from external grants. Remittances of Syrian workers and entrepreneurs (which dropped 20 percent between 1981 and 1983 and by a further 30 percent in 1984) may decrease further as demand for services and investments are reduced in the oil exporting countries themselves.

2.27 Syria's outstanding debt (excluding military debt) remains modest at $2.3 billion or 12 percent of GDP, and debt service at $304 million represents 12 percent of exports of goods and services. External debt and debt service can be expected to rise in the medium term, during the period of adjustment to lower external transfers.

1/ There are three exchange rates applied in Syria. The official exchange rate of $1 = 3.95 applies to all public transactions, with a few exceptions (including exports of textiles and agricultural products which are at the parallel rate). The parallel market rate of $1 = 5.45 applies to private sector trade transactions. The tourist exchange rate which applies to private transfers and tourist expeditions has risen several steps to $1 = SL8.0 in December 1984 and a reported SL 11.0 in September 1985. The weighted average exchange rates used by the Central Bank of Syria to estimate the balance of payments are for the US$, in 1979-80: SL 3.952; 1981: SL 4.173; 1982 SL 4.228; 1983 SL 4.206.

Table 4: BALANCE OF PAYMENTS SUMMARY, 1979-84
(in millions of Syrian pounds)

	1979	1980	1981	1982	1983	1984 1/
Trade balance	-5,525	-7,448	-10,258	-6,560	-8,730	-7,622
Exports fob	6,467	8,290	8,752	7,975	7,567	7,298
(oil & fuels)	(4,658)	(6,523)	(6,521)	(5,940)	(5,195)	(4,564)
Imports fob	11,992	15,738	19,010	14,535	16,297	14,920
(oil and fuels)	(3,224)	(4,189)	(6,841)	(5,930)	(5,363)	(5,535)
Services balance	-960	-1,568	-1,081	-1,516	-1,292	-1,719
Receipts	1,842	1,787	2,404	2,226	3,066	2,776
Payments	2,802	3,355	3,485	3,742	4,358	4,495
Private transfers	439	536	2,283	1,750	1,810	1,283
Current account balance	-6,046	-8,480	-9,056	-6,326	-8,212	-8,058
Official transfers, net	6,385	5,966	7,138	5,413	5,015	4,715
Non-monetary capital, net	536	-126	536	83	1,477	1,012
Direct investment	-204	-134	-90	13	-1	-18
Short-term capital	242	-27	347	113	264	-265
Long-term capital	498	36	279	-43	1,214	1,296
(Receipts)	(2,220)	(2,302)	(2,022)	(1,878)	(3,182)	(3,122)
(Payments)	(-1,722)	(-2,267)	(-1,743)	(-1,921)	(-1,968)	(-1,826)
Errors and omissions, net	18	-98	-63	-136	152	-265
Overall balance	893	-2,738	-1,445	-966	-1,568	-2,596
Change in foreign assets (increase -)	-893	2,738	1,445	966	1,568	2,596

Source: Tables 3.1 and 3.7.

1/ Provisional.

The Current Account

2.28 From 1978 to 1981 both exports and imports doubled in value to $2.1 and $4.6 billion respectively, and the trade deficit rose from $1.1 to $2.5 billion. 1/ This large deficit was reduced sharply to $1.6 billion in 1982 but rose again to $2.1 billion in 1983. The evolution of total trade in this period was dominated by the developments of trade in oil and oil products. Oil exports represented 74 percent of total exports in 1979-83 and oil imports 34 percent of total imports.

2.29 Oil exports, 2/ after growing rapidly to a peak of $1.6 billion in 1981 as prices soared while volume stagnated, declined gradually to $1.2 billion in 1984, as world prices declined and volume continued to stagnate at about 8.5 million tons (see Table 3.7). Oil imports also soared in value in 1979-81 both because of rising world prices and of rapidly rising imports of light crude which is mixed with heavy Syrian crude oil for domestic refining (surplus refined products are exported). Oil imports stabilized after 1981 at about 6.5 million tons and their value eased as international prices dropped. As a result, the oil trade balance turned from a positive $600 million in 1980 to -$80 million in 1981 and -$40 million in 1983 and -$250 million in 1984. In volume, the net trade balance in oil and oil products has also dropped, from net exports of 3.4 million tons in 1980 to 0.9 million tons in 1983 and only 0.1 million tons in 1984. The greater decline in value reflects the increasing share of higher priced imported light crude and exports of lower quality crude and fuel oil. 3/

2.30 Syria's other main exports include cotton, phosphates, agricultural products and textiles (Table 3.4). Exports of all these commodities have stagnated or declined in current dollar terms in 1978-83, except for textiles which have shown a healthy growth rate of about 24 percent p.a. in this period. 4/ In 1984 a decline in textile exports was offset by a rise in export of raw cotton.

2.31 The rapid growth of imports during 1978-81 (at an average 27 percent p.a. in current dollars) was largely due to the growth of oil imports, as noted earlier, and of imports of capital goods (Table 3.6). Since then, and through 1984, imports declined substantially, particularly in 1982 and 1984. This was the result of several factors, including, in particular, the decline in oil prices combined with stable volume of imports; the decline in imports

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1/ Values in SL are converted at the weighted average exchange rates.

2/ Values in SL are converted at the official exchange rate.

3/ These estimates are based on customs figures and evaluations. Other calculations (Table 8.3) based on detailed trade output and consumption figures show the same trend but a still positive balance in value in 1983 and a slightly larger balance in volume. In 1983 the average export price fob of Syrian crude per ton was about 8 percent below that of imported crude cif.

4/ Over 60 percent of textile exports and agricultural exports have been valued at the parallel market rate which is 38 percent above the official rate since April 1981. The private sector accounts for the larger part of these exports.

of capital goods associated with a slowdown in investments; greater use of domestic inputs in investments; and the increasingly strict control of import of consumer goods and drawdown of stocks. Thus, excluding oil, imports dropped by 24 percent in current terms in 1982, and, following a rise in 1983, dropped in 1984 to the level of 1982. The drop in imports of all categories except cereals and oil was particularly noticeable in 1984 (Table 3.5).

2.32 The services account of the balance of payments (Table 3.1) shows no significant improvement in recent years. The large items are freight and transport which continued to grow up to 1983 with the growth in the volume of trade (particularly oil). Recorded receipts from tourism, which has benefitted from a promotional exchange rate (rising from SL 5.8 to SL 8 per US$ between 1982 and 1984) have risen rapidly, but have been largely offset by expenditures of Syrians abroad. Interest and dividend receipts have declined rapidly with the decline in foreign assets while interest payments on short-term credits and long-term loans have risen to an annual level of about $150 million in the last three years.

(ii) Trade Policy

2.33 Syria's trade policy, in aiming at reducing the current account deficit, has emphasized import substitution through heavy industrial investment and through agricultural incentives for such imported products as sugar and cereals. It also aimed at changing the structure of exports in favor of semi-finished and manufactured goods rather than raw materials (e.g. exporting refined oil and textiles rather than crude oil or cotton); exporting was considered secondary to satisfying domestic needs, and export promotion was limited to tourism and other services (through a preferential exchange rate) and to "non-essential" commodities including textiles. The Fifth Plan put a slightly greater emphasis on exports. Its quantitative targets for 1981-85 were 3.4 percent average annual growth for imports of goods and services and 6.5 percent for exports of goods and services.

2.34 Under the strictly controlled trade and exchange system, the current value of imports was in fact stabilized (except in 1981), but the basic structure did not change during 1980-84 (see Tables 3.3 and 3.5). Exports, however, declined in current terms but the structure changed as planned, with exports of refined oil products rising rapidly until 1982 (Table 3.7) and exports of other manufactured products growing, particularly textiles which grew at 34 percent p.a. in current terms during 1980-83 (see Tables 3.7 and 3.4). The decline in the overall value of exports was partly the result of weak prices of major export commodities - oil and phosphates - but also of the lack of growth of production in these sectors and in cotton (except in 1984), and, in the case of oil, of the rapid growth of domestic demand for oil products (averaging 9.4 percent p.a. during 1980-83). The closeness of the link between the prospect for total exports and the investment policy in industry and agriculture, and with price policy in energy, is obvious. The incentive and pricing system for the growing exports of manufactured products and for agricultural exports including cotton are also important subjects in any future policy review which aims at promoting exports and redressing the current account balance.

2.35 The pressure on the balance of payments has so far been met by substantial cuts in imports, drawdown on exchange reserves and an increase in net external liabilities. The continuation of a downward trend in the transfers and grants from oil exporting countries would necessititate a greater emphasis than in the past on stimulating exports of goods and

services. A policy shift towards export promotion and growth would have to be supported by appropriate adjustments in investment and sectoral policies (in industry, agriculture energy, and mining) which aims at stimulating production for exports. It will also require a review of the exchange rate policy that would increase the profitability of exports, as well as the adoption of domestic price policies that restrain domestic demand for exportable products, particularly oil.

(iii) Capital Flows and External Debt

2.36 As mentioned earlier, net capital flow to Syria has been modest after 1978. Net direct investment, mainly by foreign oil companies has been generally negative. Net short-term inflow of capital has averaged under $50 million per year in 1981-83 but was negative in 1984. Net long-term public capital inflow, as recorded in the balance of payments (Table 3.1), shows a substantial decline and a negative net outflow in 1982; receipts declined from $600 million in 1978 to $475 million in 1982, while repayments rose from $250 million to $485 million. In 1983 and 1984, however, receipts from long-term public capital jumped to $800 million per year while repayments remained at the 1982 level, thus resulting in a net inflow of over $300 million per year.

2.37 The capital flows recorded in the balance of payments include, however, receipts and repayments in kind with the Eastern Bloc countries which offset transactions in the trade and services but which are not included in the cash transactions of the external public debt.

2.38 The overall balance of payments deficit has resulted in a small drop in gross foreign exchange and gold reserves but a substantial increase in net external liabilities. Gross reserves fell from $826 million at the end of 1979 to $477 million at the end of 1983 and $463 million at the end of 1984, equivalent to 5 weeks of imports of goods and services. Net foreign liabilities turned from -$274 million (net assets) to $1.4 billion in 1983 and $2.1 billion at the end of 1984 (Table 6.2).

2.39 Syria's disbursed and outstanding public debt (excluding military debt) amounted to $2,305 million at the end of 1983, equivalent to less than 12 percent of GDP. Undisbursed commitments were $1,635 million. Of the outstanding debt at the end of 1983, 75.7 percent was owed to bilateral creditors, 18.8 percent to multilateral creditors, 4.9 percent to suppliers and only 0.6 percent to financial institutions (Table 4.1). The largest multilateral creditors are the World Bank and the Arab Fund for Economic and Social Development. Bilateral creditors include mainly Eastern Bloc countries (39 percent of total debt), OECD countries (19 percent), Arab countries and their bilateral agencies (16 percent) and Iran (4 percent). Debt (including undisbursed) owed to the World Bank reached $422 million (10.7 percent of the total), of which $287 million were outstanding (12.5 percent of total outstanding). Debt owed to IDA, all disbursed, was another $47 million (20 percent of total).

2.40 Concessional financing played a dominant role in Syria's external debt with 77 percent of debt being on concessional terms. The grant element was 36 percent to 41 percent during 1979-81. The average terms were quite soft in 1979-81, with the average interest ranging from 3.6 percent to 4.2 percent, maturity 17-22 years with over 5 years grace. In 1982 and 1983, terms of new commitments hardened somewhat, reflecting the rise in

international interest rates, but average interest remained at slightly over 6 percent and although maturity remained at about 20 years on the average, grace periods were shortened to 2-4 years.

2.41 Debt service remained stable during 1978-83, and was $304.4 million in 1983, of which $231.7 million in amortization and $72.7 million in interest payments (Table 4.2) This represented 12.0 percent of exports of goods and services. The debt service ratio varied little from the previous four years. As a percentage of goods, services and official transfers, the debt service represented only 8 percent in 1983.

2.42 Projected disbursements on existing commitments is expected to be about $406 to $450 million in 1984-86, while service payments are projected to rise gradually to $370 million by 1986, resulting in net transfers of less than $100 million per year. New commitments recovered sharply since 1982, mainly from the Eastern Bloc, and reached $443 million in 1983. New commitments in 1984 included a reported oil facility by Iran of $993 million of which $493 million would be repaid in $20 million monthly installments beginning May 1985 and the balance in quarterly installments over three years beginning May 1989.

D. Prices, Exchange Rate and Interest

2.43 Domestic financing of the budget deficit largely by borrowing from the Central Bank has resulted in a rapid expansion in the money supply and a substantial rise in prices, despite a strict price control system. Money supply increased by 20 percent p.a. during 1980-83 as compared with 13.7 percent p.a. growth in total available resources at current prices and 6.9 percent at constant prices. While the growth of money supply slowed down to 16 percent in 1981 it rose at 20 percent in 1982 and surged at the rate of 26 percent in 1983. The source of the growth of money supply was the rapid increase in net domestic credits (24.6 percent p.a.) and particularly in claims on the government and on public enterprises, which together accounted for about 90 percent of the credit expansion. The rapid growth of net domestic credits was offset only partially by the growth in domestic liabilities (including import deposits) or by the continuous reduction in net foreign assets, which changed from a positive level of SL 1.1 billion at the end of 1979 to net liabilities of SL 1.6 billion in 1980, and SL 5.4 billion at the end of 1983 (see Table 6.1).

(i) Price Policy

2.44 The rapid increase of liquidity at a substantially faster rater rate than the growth of total available resources was reflected in a rise in prices and the building up of excess liquidity balances.

2.45 The new wholesale price index rose at an average 11.1 percent p.a. in 1980-83 while that of retail prices rose at 12.9 percent p.a. (Tables 9.2 and 9.3). The retail price index would have been substantially higher if old house rents were not fixed or if prices of such goods as rationed bread, rice, sugar, coffee, tea and electricity were not fixed.

2.46 On the price policy followed in Syria, the Five-Year Plan document states that "prices of domestic products and imported goods are determined on an economic basis (real cost), but that a final consumer price for all basic commodities is determined on both social and economic considerations."

Subsidies should be directed to reach categories of citizens to which such support is intended with the aim of reducing the deficit resulting from support to prices of essential commodities". Thus the policy is "to use pricing as an economic incentive and instrument to increasing production and a just distribution of income." The direct link between the index of retail prices and "minimal increases" of wages and salaries is recognized. On the exchange rate, the policy is to set it so as to encourage exports and transfers from Syrians working abroad. These objectives are of a general nature and leave a wide scope for interpretation or the definition of specific policies. In the past year, as the resource and exchange constraints became tighter, a greater emphasis has been put by policy makers on real cost pricing and on compensating subsidized essential commodities with higher prices on other commodities. The pace of price adjustments, however, has been slow and its impact on subsidies has been modest.

2.47 As discussed earlier, it would be desirable to reduce the inflexibility or "stickiness" of prices of basic consumer goods and inputs through frequent small adjustments. This would seem a desirable objective as a means of reducing the budget and balance of payments deficits and avoiding the effects of substantial and painful price changes at long intervals with potentially wide repercussions on real incomes and the allignment of relative prices. Flexible price adjustments should also be feasible within the existing framework of administered pricing systems.

2.48 In addition, it would be desirable to review the usefulness of a pervasive price control system (based on an estimated cost plus profit margin) whose main benefit is to protect against excessive profits or consumer exploitation, but which in practice tends to delay price adjustments and is often circumvented by changes in the quality of products or by the growth of parallel markets. Such a review should look for means of allowing prices to reflect more sensitively differences in quality and preserving consumer protection against excessive profits through wider competition (in which public sales outlets may play a part). The review could also draw a program for progressively reducing the list of goods and services which would remain subject to price control, limiting it as a first step to basic consumer goods and main industrial inputs.

2.49 An appropriate price policy in Syria is clearly not only of direct relevance to narrowing the budgetary deficit, but it is also relevant to narrowing the current account deficit of the balance of payments through its effect on shifting demand for available tradeable resources between domestic consumption and exports. In particular, restraining the rapidly growing demand for energy (oil products and electricity) at a rate far above the rate of growth of GDP (9.4 percent p.a. for oil products and 15 percent for electricity compared with 4.3 percent p.a. during 1980-83) can be achieved by raising the prices of energy products in relation to that of other domestic goods and services. Such restraint in domestic demand for energy would translate into increased net exports of oil and oil products. In addition to relative price, the level of oil prices, while generally above international prices at the official rate of exchange ($1 = SL3.95), would be considerably below international prices if calculated at the parallel market rate

($1=5.45). 1/ Similarly, the price of imported raw material or other imports used by domestic industry and agriculture are understated at the official exchange rate and hence tend to lead to understating the relative price of domestic products in which they are used.

(ii) Exchange Rate Policy

2.50 Concerning the exchange rate, the Plan's policy to set it so as to encourage exports and transfers has been partly successful following the introduction of a fixed parallel market rate for private transactions and a tourist rate for transfers and tourism. It has been less successful in promoting exports of goods, except for textiles, or in rationalizing domestic prices. The use of three rates makes the objective of rationalizing domestic prices on a real cost basis extremely difficult to determine or to implement. In an economy as open as that of Syria, maintenance of a low rate of exchange for a substantial part of external transactions encourages the excessive use of imports at that rate and tends to result in windfall profits to some importers as well as to encourage illegal imports by those who cannot obtain licenses. To reduce the distortion in domestic relative prices arising from the use of several exchange rates, it is desirable to seriously consider integrating the official exchange rate with the parallel market rate at a depreciated level as a first step, and to make several upward adjustments thereafter leading to the unification of all rates at a realistic level. The recent deterioration in the balance of payments situation suggests the need to accelerate the unification of the rates. The budgetary implications of such a step would have to be carefully considered. Secondly, as in the case of domestic price determination and for the same reasons, it would be desirable to introduce flexible and frequent reviews of the unified rate to reflect changing economic conditions and to bring about a closer balance between the availablity and demand for foreign exchange.

(iii) Interest Rates

2.51 Interest rates are generally low in Syria compared with international levels or with the domestic inflation rate. The retail price index rose by over 14 percent in 1982, slowed down to 6 percent in 1983, but rose by 9 percent in 1984 and accellerated in 1985. Interest rates had been adjusted upwards in February 1981, but remain negative in real terms (i.e. as adjusted for inflation) with the highest lending rate being 9 percent p.a. and the lowest 2 percent. Private current account deposits carry 4 percent interest and public deposits 2 percent, but advance import deposits carry no interest. Time deposits of 6-12 months earn 7 and 8 percent respectively and interest on investment bonds is 9 percent (see Table 6.6). Investment bonds are the instrument used to finance public enterprise investments from the budget (i.e. excluding self financing) at the same rate, but it seems that most public enterprises are in arrears in payment of this interest charge. Interest on other loans vary by sector and are lowest in agriculture and highest in real estate. The range is now from 4-6 percent in public and cooperative agriculture to 5.5-7.5 percent for private farmers (with loans for fruit plantations and electric transformers free of interest). In real estate they are 7 percent for cooperatives and 9 percent for contractors and individuals. In industry, interest ranges from 5.5-7 percent for the public sector, 5.25-8 percent for cooperatives and 7.5-9 percent for the private sector.

1/ In September 1985, the Government announced a 38 percent increase in prices of gasoline and 50 percent in those of diesel and kerosene. Consumer prices for liquid gas were raised by 70 percent.

2.52 While the higher interest rates outside agriculture are not too far below recent inflation rates, they would seem to be too low in agriculture and real estate and generally low for the public sector (except for investment loans, which are not always serviced). As in the case of price administration it would seem desirable to adjust the rates more frequently, and to reduce the gaps between preferential and nonpreferential rates. Real estate loans and commercial loans are prime candidates for allignment to a positive real level, given the strong demand and high return on these activities. It may also be useful to consider increasing mobilization of private savings by the government through raising term deposit rates and issuing tax free treasury bearer bonds with an appropriate rate of interest, while removing the ceiling on the lending rate, starting with credit to the private sector.

E. Preliminary Estimates of the Impact of Exchange and Price Adjustments

2.53 Adjusting price, exchange and interest rate policies along the lines described in the Report will have a significant net positive impact on the mobilization and allocation of resources, particularly by the public sector, and also on external creditworthiness. It will at the same time involve adjustments in the level and distribution of private incomes and consumption. Obviously, a detailed analysis and quantified estimates of these effects on the specific sectors and income groups is beyond the purview of this report and would require a more systematic and extensive effort. A modest attempt is made in the following paragraphs to estimate roughly the expected impact of exchange and price policies on three main areas: the balance of payments, government budget, and income levels. The macroeconomic framework and projections underlying these rough estimates are described in Chapter III (Development Prospects), and the assumed objectives are outlined in paras. 3.12 to 3.18.

(i) Impact on the Balance of Payments

2.54 The overall projected effects of the package of policies on the balance of payments are summarized in Table 9 in Chapter III on Development Prospects. The main policies concerned are the exchange rate adjustment and domestic price adjustment of energy and food products.

2.55 The adjustment of the exchange rate on the balance of payments can be expected to increase the volume of exports of agricultural products and manufactures while restraining imports of goods and services that are at present allowed at the official rate. The major part of exports (60 percent) and a good part of imports (24 percent) represent trade in oil which is not affected directly by the exchange rate. Apart from Government imports, most other trade takes place at the parallel rate. An exchange adjustment would therefore have a direct impact on the balance of trade in the other commodities only after further adjustment of the unified offical and parallel market rate. However, the indirect effect of the exchange rate unification, which would raise the domestic price of traded oil, would be important if that rise is accompanied by corresponding adjustments of domestic prices of fuels and electricity in domestic currency; this would restrain domestic demand for these products and release oil and oil products for exports (or reduction of imports). This effect and the assumptions underlying its estimation are stated in para. 3.15 of the report. The result, compared with a situation where no price adjustment is made, would be an estimated net increase in oil exports of 400 thousand tons of oil valued at $70 million in 1988 rising to 900 thousand tons valued at $200 million in 1992 (in current prices).

2.56 For traded products other than oil the effect on exports of exchange rate adjustments that follow the rate unification will depend mainly on two factors: the price elasticity of demand for exports of manufactures, particularly of textiles, and the volume of agricultural products available for exports, particularly cotton and pulses (but also livestock, fruits and vegetables, etc.). There is no data on price elasticities for Syrian exports but it can be supposed (based on the experience of other Mediterranean countries which similarly export textiles and agricultural products to the EEC) that an annual 6 percent growth in volume is feasible with little adjustment and that it could rise to 10 percent or more assuming tangible exchange rate adjustment and some liberalization of export and exchange controls. On the import side, the main impact would be expected to arise from the fact that the higher domestic prices of imported cereals, animal feed and other foodstuffs would stimulate domestic production, substitute for imported foodstuffs, and stabilize the level of such imports which otherwise could continue to grow at the past rate of over 15 percent p.a. or over $100 million per year.

2.57 The effects of exchange rate adjustments on services and transfer in the balance of payments are largely of an accounting nature, i.e. in terms of domestic currency. These are important for the budget (see (ii) below) but they would affect exchange receipts and payments to a smaller extent. Thus, payments for government services would increase in Syrian pounds, while receipts from the same sources would increase, with a probable small net loss in exchange terms. The more important private transfers of Syrian workers would not be affected since they are already being converted at the tourist rate. The even larger official transfers are recorded at the official rate, so their conversion at the parallel or higher rate would increase their value in Syrian pounds substantially, but should not affect their volume. The same can be said of net capital inflows. The direct accounting impact in Syrian pounds of the unification of the offical and parallel market rate is illustrated in Table 5, estimated for the year 1984. The illustration indicates that assuming no change in demand for foreign exchange arising from the unification of the two rates there would have been a net increase in receipts of SL 2.3 billion which would have almost covered the recorded deficits of SL 2.6 billion at the existing rates. This of course does not take account of the changes in receipts and payments that would be stimulated by the unification and subsequent adjustment of the rates.

2.58 The base case projections in Table 10, which assume only a unification of the official and parallel rates, indicate a reduction in the current account and transfers balance in current terms from $1.4 billion in 1984 to about $1 billion by 1988. The fact that almost half of this deficit would have to be financed by increasing short term liabilities is a clear indication that further exchange adjustments, following the unification of the official and parallel rates, would be necessary so as to stimulate non-oil exports further.

Table 5: RECALCULATION OF THE BALANCE OF PAYMENTS IN 1984
ASSUMING A UNIFIED OFFICIAL AND PARALLEL MARKET RATE OF EXCHANGE
(SL million)

	1984	Change
Exports fob 1/	7298	1658
Imports fob 2/	-14920	-1338
Freight and Transport 3/, Receipts	487	111
Payments	-1808	-162
Travel and Tourism 4/, Receipts	1450	55
Payments	-1220	-46
Investment earnings 5/, Receipts	118	45
Payments	-501	-190
Government services 5/, Receipt	519	193
Payments	-779	-296
Other services 6/, Receipts	202	-
Payments	-187	-
Current Balance	-9341	30
Private unrequited Transfers 6/, net	1283	-
Official unrequited Transfers 5/, net	4715	1792
Direct Investment 6/, net	-18	-
Short-term Capital 7/	-265	-50
Long-term Capital 5/, Receipts	3122	1186
Payments	-1826	-694
Errors and Omissions 6/	-265	-
	6765	2234
Change in Assets 5/	-2596	2264

Source: Mission Estimates

Note: Official rate SL 3.95 = $1; parallel market rate SL 5.45 = $1; tourist rate SL 8 = $1.

1/ Recorded exports, 59.8 percent at the official rate (33 percent at the parallel market and 7.2 percent at tourist rates)
2/ Recorded imports, 23.6 percent at the official rate (67.6 percent at the parallel market and 8.8 percent at tourist rates)
3/ Assuming receipts at the various rates are in the same proportions as exports and payments in the same proportions as imports
4/ Assumed 10 percent at offical rate, the rest at parallel or tourist rates
5 At the official rate of exchange
6/ At the parallel or tourist rates of exchange
7/ Assuming 50 percent at official rate of exchange; private transfers are at the tourist rate, and others are mixed

(ii) Impact on the Budget

2.59 The impact on the budget of the price and exchange adjustments are substantial. This is illustrated in Table 6, which estimates that the direct impact in 1984 could have been a reduction in the overall deficit SL 3.2 billion or by half. The projections for 1988 are shown in Table 9 in Chapter III.

2.60 As seen from the discussions of the effects on the balance of payments, budgetary receipts in Syrian pounds would rise substantially as a result of converting official transfers and net long term capital inflows at the parallel or higher rates. These two items alone would have increased revenues by SL 2.3 billion in 1984. A further increase of revenues would have come from higher customs receipts on imports valued at the official rate (assuming no compensating reduction in the rates) which is estimated at about SL 0.5 billion. Increased budget expenditures, on the other hand, would result from the rise in government expenditures abroad in terms of Syrian pounds (SL 0.3 billion gross).

2.61 The rise in the SL value of exports and imports of the public sector (mainly oil, but also textiles and imported machinery and equipment) would be reflected in the increase both in the gross receipts and in the cost of inputs and investment goods in the public sector. Assuming that trade of the public sector at the offical exchange rate is wholly undertaken by public enterprises and that the rise in domestic prices of imported inputs and investment goods are passed on to them and reflected in an equivalent rise in the price of their products, than the net gain would have been about SL0.3 billion in 1984, which would represent a rise in the "surpluses" of the public enterprises. The small amount reflects the fact that the net balance in oil, the major public export, has become negative, with gains from exports offset by losses on imports. As net exports of oil increase in the future, this surplus could grow significantly, by perhaps SL 2 billion by 1988.

2.62 Budgetary revenues and expenditures will also be affected by the adjustment of prices over and above those resulting from the exchange rate adjustment. In particular, the gradual adjustment of electricity prices and water rates, as well as of subsidized food and fertilizers, would be expected to reduce production subsidies to half their level in 1988 and their subsequent elimination implies a reduction of about SL 0.5 billion per year in constant prices.

2.63 The exchange adjustments and price rises will indirectly affect budget expenditures in an important area, in that it will increase pressures to raise wages and salaries of public sector employees to compensate, in part, for inflation. (The rise in the public wage bill will also be independently affected by the recruitment of additional staff and workers). The rate of future inflation cannot be projected with any degree of confidence, and the compensation for it, because of its social implications, is to a great extent a political decision. It is assumed in the projections that current expenditures would rise at 2 percent p.a. in real terms in the period 1983 to 1988. This would combine the effects of a 6 percent p.a. increase in expenditures on salaries (including both increase in number of employees and of higher real salaries, and on services and materials), offset by a 13 percent p.a. reduction of subsidies to half their level by 1998. Assuming, for example, that employment increases by 4 percent p.a. and subsidies are

reduced by half by the end of the period, this would allow an average increase of salaries and materials of about 2 percent p.a. in real terms to allow for promotions, new materials or higher incomes. If subsidies are reduced by 25 percent only, this would allow 0.4 percent annual increase in expenditures on salaries, services and materials (or 3 percent increase in employment and 1.61 percent in salaries, services and materials.

Table 6: ESTIMATED DIRECT IMPACT OF EXCHANGE AND PRICE ADJUSTMENTS ON THE GOVERNMENT BUDGET
(SL billion)

	Change in 1984
Current revenues	+3.9
Counterpart of public transfers	1.8
Counterpart of capital inflow	1.2
Customs duties (indirect taxes)	0.5
Investment income from abroad	0.1
Surpluses of public enterprises, net	0.3
Direct tax receipts	-
Current expenditures	+0.7
Government expense abroad	0.3
Interest payments	0.2
Debt amortization	0.7
Production subsidies	-0.5
Other current expenditures	-
Investment	-
Net balance	+3.2

Source: Mission estimate.

1/ At 1983 prices. See Table 9 below.

(iii) Impact on Incomes

2.64 The recommended adjustments in the exchange rate and in prices of subsidized products and inputs will result directly in higher levels of domestic prices of imported goods and services, of subsidized consumer goods and services and of products using subsidized inputs. Thus, besides a rise in the general level of domestic prices, a rise in the relative prices of these groups of goods and services would occur. Insofar as wages and salaries of

various groups rise less than the rise in the weighted prices of consumer goods and services, there would be a deterioration in the standard of living of those groups. Hence the need for a preferred gradual reduction in the subsidies of basic consumer goods and services which is orchestrated with appropriate upward adjustments (smaller in real terms) in wages and salaries of the lower fixed income groups that would soften the impact on these groups. The current system of protecting low income groups from price adjustments through rationing of basic subsidized consumer products or fixing lower water and electricity rates for small consumers, while serving the same purpose from a social point of view, does not effectively limit the subsidies to the target groups and encourages the uneconomical use of the subsidized products, because of their low relative price, by those who can afford it.

2.65 With inflation continuing, it has also encouraged the emergence of two overlapping but distinguishable groups - one with low fixed wages and salaries which depends on low-priced subsidized products; and a second with flexible salaries and incomes which bids up the prices of non-subsidized products while profiting from those subsidies. As inflation progresses, the income gap between the two groups would widen, and the price distortions between the two markets would increase, unless direct taxes on incomes and indirect taxes on consumer goods other than essentials are increased. A transition period where a safety net to protect the lowest income groups e.g. through subsidized rationed food and free social services would seem necessary.

2.66 The macroeconomic projections summarized in Table 7 in Chapter III indicate that, with the restricitons on Government current and investments expenditures, it would be possible for overall private consumption to grow at 4.8 percent p.a. for 1983-88, which would represent about 1 percent p.a. per capita in real terms.

CHAPTER III - DEVELOPMENT PROSPECTS

(i) The Policy Framework

3.1 The analysis of past performance in Chapter II shows that Syria has made considerable progress in the past decade in raising its gross domestic product, expanding its economic and social infrastructure and ensuring the basic needs and employment opportunities to the bulk of the population. This is the more impressive when considered in the context of a very rapidly and still accelerating population growth (3.4 percent p.a.), heavy defence expenditures (15 percent of GDP), relatively low external indebtedness (12 percent of GDP) and moderate inflation (8 percent p.a. on average). In these achievements, Syria has been the beneficiary of a diversified and moderately rich resource base, a dynamic labor force, the substantial rise in the international prices of its main export, oil, in the early and late 1970s, and the considerable financial assistance of Arab oil exporting capital surplus countries. It also profited from the enormous opportunities for employment, trade and construction in the oil countries.

3.2 Syria starts the second half of the 1980's with the substantial economic assets listed above, but with a net oil surplus that has disappeared and with a decline in external financial assistance, along with the opportunities for growth of employment in and exports to the oil countries. The shift in the high rate of growth and in financial ease coincided with the falling of international oil prices starting in 1981, and has continued since. Official transfers steadily declined from 11.5 percent of GDP in 1980 to 7.9 percent in 1983 and 5 percent in 1984. On the other hand, investment and defense expenditures remained at relatively high levels (21 percent and 15 percent of GDP in 1980 and 1983). Coupled with drought-affected agriculture and stagnant oil output, the GDP growth rate has declined to less than that of the population after 1981 and has been negative in 1983 and 1984. The persistent pressure of high demand on declining resources in the last few years has inevitably resulted in financial imbalances, both external and internal, suppressed inflationary pressures, and a growing need for quicker and more flexible adjustments to a rapidly changing situation.

3.3 The Government has succeeded in the last few years in a holding operation through a policy of containing the growth of public investment and military expenditures, modestly raising tax revenue and income of public enterprises, and drastically reducing imports. On the other hand, its efforts have been less evident in restraining private consumption or reducing public current expenditures. Subsidies on basic consumer goods, electricity, LPG and fertilizers etc. represent about 6 percent of GDP or two-thirds of the overall public finance deficit in 1981-83.

3.4 On the external side, the main instruments of containing the current account deficit have been greater restriction on imports, coupled with incentives for import substitution and limited export promotion measures.

3.5 While these measures have succeeded in preventing a widening of the balance of payments and budgetary gaps in the short term, they cannot by themselves correct the structural imbalances, particularly if the declining trend in external grants continues, and if oil and agricultural production do

not recover rapidly, and oil prices continue their decline in real terms. More radical adjustment measures would be needed to correct the imbalances and protect the economy against a steep reduction in external grants.

3.6 In the domestic budget, a reduction of subsidies, particularly on electricity and fertilizers would seem essential; subsequent frequent adjustment to price changes would be required. Investment expenditures would have to be compressed and the profitability of public enterprises and their transfers to the budget has to be improved further.

3.7 To encourage savings and restrain the less productive investments, somewhat higher interest rates are needed, particularly on deposits and on medium and long-term credits in agriculture and construction. Higher deposit rates, if combined with an appropriate exchange rate, should attract a greater volume of transfers from Syrians abroad. In the area of private consumption, a liberalization of the price system for all but rationed basic goods would be a more effective means of restraining consumption, stimulating production of better quality goods in high demand and improving the profitability of public enterprises. Prices of inputs produced by public enterprises would also need to be liberalized. A general and gradual relaxation of price rigidities would ease the adjustment process and would probably release the dynamic energies of private enterprise both in he domestic and export markets.

3.8 To correct the imbalance in the external accounts and guard against a possible future drop in external grants, an appropriate rate of exchange is needed to promote exports and restrain imports. Such an adjustment should align import prices more closely with domestic prices of substitutes; it would also reduce windfall profits or illegal imports and encourage legal recording of exchange transfers from immigrant workers. A first step in this area could be the unification of the official and parallel market rates and flexible adjustment thereafter to take account of domestic price changes relative to international prices. The medium-term objective would be to unify all rates. Export promotion could also include incentives to private exporters, e.g. through an exchange retention scheme, export credit facility, technical support and market intelligence services, etc.

3.9 Besides the exchange rate adjustment and export promotion policies, a set of policies needs to be devised to restrain domestic demand for exportable goods and to support the increase of production for export, including, in particular, investment policies in oil and agriculture. These policies in the oil sector would include adjustment of oil product prices along with the exchange rate to maintain their relationship to international prices so as to restrain domestic consumption and shift part of that demand to exports, greater investment in oil exploration and the rapid exploitation of gas resources that would substitute for exportable oil. Adjustment of electricity tariffs would also restrain domestic demand for oil products and raise their net exports. In agriculture a lot depends on Syria's success in exploiting the large potential in irrigated agriculture in the northeast and the improvement of agricultural productivity so as to increase exports as well as feed the rapidly expanding population and restrain the growth of the food import bill (agriculture has been given higher priority since 1983 in the public investment program). Given the overall financial constraint, such policies would require a shift in public investments from social and economic infrastructure and industry to quickly productive investments in the oil, gas and agricultural sectors.

3.10 The economic prospects in the medium and long term will depend partly on the actual price, demand management and investment policies that will be followed, particularly in relation to the exchange rate, electricity tariffs, food prices, and investments in agriculture and oil sectors. The appropriate mix of policies should result in raising the productivity of the public enterprise sector as well as in stimulating private investment and output for export. However, future prospects will also depend on several other important factors all of which are not subject to economic policy adjustments. First is Syria's ability to adjust current expenditures effectively to the changing level of external grants. Second is the extent of the recently discovered gas and oil reserves and the speed of their exploitation. Third is the extent to which external borrowing and direct investment will make up for the short fall in national savings in financing the minimum investment level.

(ii) The Main Assumptions

3.11 In making projections of Syria's likely economic development in the medium term (1983-1992), and in light of the above analysis of the policy framework and the main exogenous factors, several key assumptions have to be made about the following issues. These are: (i) the extent to which the required policy adjustments are made in the areas of restraining consumption demand both in the public and private sectors through an appropriate price and wage policy; (ii) the effectiveness of the investment policy in reallocating resources to the oil, gas and agriculture and in increasing the efficiency of investments; (iii) the extent to which policy adjustments are made in the exchange rate and export promotion; (iv) the future level of external grants and workers' remittances; and (v) the extent to which exploitation of new oil and gas discoveries can exceed the natural decline in the production of existing wells.

3.12 The base case makes favorable assumptions as to the likely policy adjustments and to the efforts that are made in adjusting prices and reducing subsidies, on containing other current expenditures, on compressing and redirecting the volume of investment towards the more productive sectors and on implementing export promotion policies. The financial objective of these policies would be to reduce the overall budget deficit, including declining grants, from 9.0 percent of GDP in 1983 to an approximate balance by 1990 and to produce a growing surplus thereafter to finance part of investments. The major objective in the external accounts would be to reduce the resource gap from 15 percent to about 10 percent in 1988 and to 7 percent in 1992, in the face of declining transfers and rapidly rising interest payments on debt. The main assumptions are a strict containment of the growth of imports, through substitution of food imports, containment of imports of capital goods through a lower investment level and lower import content, and a major effort to increase exports of oil by strongly restraining domestic demand, increasing output of oil and gas, and through substitution of oil with gas.

3.13 On output, the base case assumes a 5 percent annual real growth in value added in agriculture (except in the bumper year 1985 and in 1986). In mining, growth of output will depend on the definite results of the oil and gas discoveries and on investment policy in the sector (as well as on international prices of oil). It is projected that output from old wells would be stable at 8.0 million tons through the projection period, and that

production from new wells would rise to 2 million tons in 1987, 3-4 million tons in 1988-90 and 5.0 million in 1992. Gas production on the other hand is assumed to grow from 0.2 million ton oil equivalent (MTOE) in 1986 to 1.5 MTOE in 1988 and 3.5 MTOE in 1992. 1/ In construction, the growth rate is assumed to follow that of investment. In manufacturing, (including oil refining) value added will depend on the success of the current drive to improve the efficiency of the public enterprises and the package of policies affecting the private sector. The real growth rate is assumed to be 6 percent p.a. Services other than government can be expected to follow the average growth rates of GDP at factor cost. Value added by government services follow that of the assumed growth in current expenditure i.e., a 2 percent annual real growth rate.

3.14 Investment expenditures would have to be reduced somewhat in the base case from their present level in real terms through 1988 if the twin objectives of reducing the budget deficit and the current account deficit of the balance of payments are to be achieved. Thus fixed investment as a share of GDP is assumed to drop from 23.4 percent in 1983 and 23.8 percent in 1984 to 18 percent in 1988. After 1988, they are assumed to rise at the same rate as GDP. To reduce the overall budgetary deficit, it is also assumed that the share of public sector investment would decline gradually in real terms from 16 percent of GDP in 1983-84 to 11 percent in 1992.

3.15 Concerning the projections of exports and imports of oil, gas and oil products, the main assumptions in the base case are the following. Given the assumed oil and gas production levels and a stable level of imports, exports will depend essentially on domestic consumption of oil products and demand of oil for electricity production. Domestic consumption of oil products is projected on the basis of an average income elasticity of 1.2 with reference to GDP for oil products (80 percent of oil product consumption) and an elasticity coefficient of 1.5 for electricity (20 percent of oil product consumption). The effect of price adjustments are calculated on the basis of price elasticity coefficients of -0.2 for electricity and for other oil products. It is also assumed that domestic prices of oil would rise by 25 percent (to match prices at the parallel market rate) over the two year period 1986-87 and that prices of electricity would rise in real terms by 20 percent p.a. over five years (to cover fully its operating costs).

3.16 For exports other than oil, much will depend on agricultural performance and the policies concerning the private sector. In the basic case the growth of agricultural exports and manufactured exports are assumed to be 6 percent p.a. after 1984, i.e., higher than agricultural and industrial growth, and equal to that of manufacturing.

1/ See Bank Report 5822. These projections may be optimistic and assume intensive efforts in exploitation of gas and in petroleum recovery and exploration starting in 1986.

3.17 Imports, in the basic case, would have to continue to be very restrained. Oil imports are assumed stable in volume (any increase in crude imports being offset by a rise in exports of crude oil or oil products). Imports of foodstuffs and other consumer goods are assumed with an elasticity of 0.4 with respect to GDP (except in the bumper year 1985 when food imports would drop). Imports of intermediate goods have an elasticity of 0.8 in relation to industrial GDP. Imports of capital goods which had an elasticity of less than 1.0 in relation to investments in recent years are assumed to remain at 0.8. Non factor services, including freight would have an elasticity of 0.4 with reference to GDP (i.e. grow by about 2 percent p.a. in real terms).

3.18 Assumptions on future international trade prices are made relating to cotton and other commodities following the most recent World Bank projections (January 1986). 1/ Prices of oil are assumed to drop by 28 percent p.a. in current dollar terms in 1986 and to rise by an average of about 3.5 percent p.a. in nominal terms in 1987-90 and 11 percent p.a. thereafter. The Bank's projected international inflation rate (IPI), which is applied to manufactured products, rose 1.3 percent in 1985 and is projected to rise by 7 percent p.a. in 1986-1990 and 4 percent p.a. thereafter. Cotton prices are projected to recover rapidly after a steep drop in 1985 and 1986, and rise by an average 20 percent p.a. in 1986-90 and 4 percent p.a. thereafter. Food and other agricultural prices are projected to rise by 13 percent in 1986, drop 7.5 percent in 1987 then rise 10.5 percent p.a. in 1988-1990 and 4.4 percent p.a. thereafter.

(iii) The Medium-Term Prospects

3.19 The base case macroeconomic projections are summarized in Table 7 below. They indicate that with the effective implementation of the macroeconomic policies outlined earlier it would be possible for the Syrian economy to continue to grow on average at 4.1 percent p.a. in the period 1983-88 and at 5.0 percent in 1988-92. The keys to achieving this rate of growth is the expansion of agricultural and oil and gas production, and the improvement of the productivity of the manufacturing sector. Government services (current expenditures) are assumed to grow at 2 percent p.a. only after 1984 compared to 4 percent in the past. Based on the latest estimates of recent finds of oil and gas, the oil and gas sector could grow at 8.0 percent p.a. in 1983-88, and 7.2 percent p.a. thereafter. The projected growth of value added in the electricity and chemical sectors are reflected in the reduction of subsidies and corresponding rise in net indirect taxes.

3.20 With net external resources falling rapidly at 3.9 percent p.a. in 1983-88, total available resources would grow about 3.5 percent p.a. in the period. This, together with a 1.4 percent p.a. drop in investment would allow consumption to grow, at 2.4 percent in the public sector and 4.7 percent in the private sector. This compares with a natural population growth of 3.9 percent p.a. In the period following 1988, the higher GDP growth rate would allow both a resumption of investment growth at the same rate as GDP (5 percent p.a.) as well as 4.9 percent p.a. growth in private consumption.

3.21 The result of the assumed improvement in the productivity of fixed investments, particularly in manufacturing, oil and power, would be reflected in the maintenance of a relatively low incremental capital output ratio (ICOR)

1/ Variations in projections on the basis of more recent price assumptions of oil are given below in Section (iv).

at 3.2 in 1988 and 3.9 in 1992. This assumed improvement in the efficiency of investment is crucial to the achievement of the projected growth rates. The assumptions on investment and the need to reduce the budget deficit imply that the share of public investment in the total would decline gradually from 67 percent in 1983 to 63 percent in 1988 and 59 percent in 1992.

3.22 The growth of the labor force, at less than 2.8 percent p.a. during 1978-83 (Table 1.2), has been below that of the current population partly due to emigration abroad and partly because of the lower growth of population in the past. The rate can be expected to rise both as a result of the slowdown in emigration to the oil exporting countries and the accelerating growth of the population of working age. With the more modest growth of GDP than in the past, the expected increase in productivity in the public sector, and the need to contain public expenditure, unemployment could be expected to rise in the medium term.

Table 7: SUMMARY OF MACROECONOMIC PROJECTIONS

	SL Million (1983 prices)			Real Growth Rates (% p.a)		
	1983	1988	1992	1979-83	1983-88	1988-92
GDP (mp) 1/	73.05	89.36	108.66	5.3	4.1	5.0
Agriculture	15.57	17.64	21.44	8.9 2/	2.5	5.0
Industry	16.89	20.29	25.90	1.2	3.7	6.3
Services	38.15	44.73	52.63	6.0	3.2	4.2
Indirect taxes-subsidies	2.50	6.70	8.69	2.1	21.8	6.7
Net imports, gnfs 3/	11.07	9.06	7.94	12.4	-3.9	-3.2
Available resources 3/	83.02	98.42	116.60	6.3	3.5	4.3
Consumption	65.74	80.50	95.30	6.1	4.1	4.3
Public	16.03	18.06	19.55	3.9	2.4	2.0
Private	49.71	62.44	75.75	6.9	4.7	4.9
Investment	17.29	16.08	19.56	7.1	-1.4	5.0
Public fixed	11.58	10.13	11.54	5.4	-2.6	3.3
Private 4/	5.71	5.95	8.02	11.1	0.8	7.7
Percentage Share of GDP						
Consumption	90.0	90.1	87.7			
Investment	23.7	18.0	18.0			
Gross domestic savings	10.0	8.7	10.5			
Gross national savings	18.4	11.4	10.0			
Resource gap	-15.2	-10.1	-7.3			
Ratio						
ICOR	5/	3.2	3.9			

1/ GDP is at market prices and sector figures are at factor cost.
2/ Exceptional rate due to a low base in 1979. The average for 1978-83 was 4.7 percent.
3/ Including terms of trade adjustment.
4/ Residual, including changes in stocks.
5/ Negative, due to large drop in agricultural output in 1983.

3.23 Public finance projections are summarized in Table 8. The projection of the overall budget deficit excluding grants shows a drop from 17 percent of GDP in 1983 to 2.7 percent in 1988, and including grants, from a deficit of 9.1 percent of GDP to a small surplus of 0.5 percent. In absolute terms this means a reduction of the deficit from SL 6.4 billion in 1983 to a small surplus of SL 0.4 billion in 1988 (in constant prices) and a growing surplus after 1990 which would finance 38 percent of public investment. This improvement in public savings would be achieved despite the assumed decline in grants from SL 5.8 billion in 1983 to SL 2.4 billion in 1988, and further to SL 1.6 billion by 1992. The main measures that are assumed to achieve this objective are the rise in taxation at 1.1 times the rate of growth of GDP and the rise of revenues from public enterprises at 0.8 times the rate of growth of industry. On the expenditure side, the main measure would be to limit current expenditure growth at 2 percent p.a. in real terms after 1984, including the reduction of subsidies on basic foods, electricity production of public enterprises to half their level by 1988, and their elimination by 1992.

Table 8: PROJECTIONS OF PUBLIC FINANCE

	SL Million (1983 Prices)			Average Real Growth Rates (% p.a)	
	1983	1988	1992	1983-88	1988-92
Revenues	21,228	28,610	35,472	6.2	5.5
Indirect taxes	4,148	6,702	8,693	10.1	6.7
Direct taxes	4,619	7,451	9,180	10.0	5.4
Nontax revenues	12,461	14,457	17,598	3.0	5.0
Net transfers	5,762	2,851	1,488	-13.1	-15.0
Expenditures	28,104	28,192	31,088	0.6	2.5
Current (exc.subs.)	16,027	18,059	19,548	2.4	2.0
(Subsidies)	(4,462)	(1,785)	(-)	(-16.7)	(-)
Investment	12,077	10,133	11,540	-3.4	3.3
Deficits					
Excluding grants	-12,638	-3,758	4,904		
Including grants	-6,378	-417	4,383		
Ratios (%)					
Deficit incl. grants/GDP	-9.1	-0.5	4.0		
Deficit excl. grants/GDP	-17.0	-2.7	2.7		
Public investment/GDP	15.6	11.3	10.6		

3.24 The projections of the external accounts are presented in Table 9. It is assumed that exports are supported by the necessary production policies in agriculture, and in oil and gas, and by price policy and export incentives as outlined earlier. Exports would grow at about 6.4 percent p.a. in volume in 1983-88 and 5.2 percent p.a. in 1988-92, thanks to the rapid export growth of oil, agricultural products, textiles, and miscellaneous manufactures. With fuel imports that cannot be compressed it would be necessary to restrain the growth of food and intermediate imports, if the trade deficit is to be reduced and the growth of external debt contained within acceptable limits. This is more so, given the assumption on stable remittances in real terms and declining grants (at 15 percent p.a. in real terms after 1985) and in the elasticity of imports detailed earlier.

3.25 With these assumptions, the deficit on goods and non factor services would be reduced from $2.6 billion in 1983 to $2.2 billion in 1988 but would rise back to $2.6 billion in 1992 (in current dollars). Transfers and worker's remittance would bring down the current account balance to $1.6 billion in 1988. However, the stagnation of workers' remittances and rise in interest rate payments on both long-term debt and short-term debt, would lead to the growth of the current account deficit and transfers to $2.7 billion by 1992 (all in current dollars). The current deficit would continue to grow in current terms after 1992 and would become unsustainable in the long run unless new resources become available or further trade adjustments are made.

Table 9: PROJECTIONS OF THE BALANCE OF PAYMENTS

	$ Million (current prices)			Real Growth Rates (% p.a)	
	1983	1988	1992	1983-88	1988-92
Current Account					
Exports fob	1,795	2,098	3,529	6.4	5.2
Oil	1,314	1,327	2,232	5.8	5.0
Cotton	133	147	312	5.5	6.0
Textiles	178	258	404	3.6	6.0
Imports fob	4,193	4,019	6,013	-0.8	2.5
Food	783	789	1,135	-1.4	2.0
Fuel	1,357	1,067	1,479	0.6	0.0
Intermediate	867	1,176	1,774	2.2	5.0
Capital goods	1,001	949	1,377	-4.9	4.0
Non-factor services	-222	-250	-128		
Receipts	645	931	1,457	3.5	6.0
Payments	867	1,181	1,585	2.3	2.0
Balance on G & NFS	-2,620	-2,171	-2,612		
Factor services (net)	181	80	-378		
Workers remittances	312	389	483	0.0	0.0
Interest payments	-73	-281	-804		
Current account balance	-2,438	-2,225	-2,990		
Transfers	1,269	623	325	-13.3	-15.0
Current account balance & transfers	-1,169	-1,602	-2,665		
Capital account					
Direct investment (net)	-	100	50		
MLT Capital 1/	94	478	520		
Receipts	325	730	828		
Payments	-232	-242	-308		
Short-term capital	313	83	120		
Other capital 2/	632	775	775		
Other borrowing	-	220	1,271		
Change in reserves	130	-54	-71		
Debt service ratio (%) 3/	12.5	17.3	22.3		
Debt service ratio 4/	11.1	15.3	20.3		

1/ Recorded debt transactions as in Table 4.1 in the Statistical Appendix plus new projected debt. This is substantially less than transactions shown in the balance of payments for 1983 (Table 3.1).

2/ Unidentified net LMT capital including offset for unrequited exports, exchange profits and other errors and omissions.

3/ Debt service as a share of exports of goods and nonfactor services.

4/ Debt service as a share of exports of goods and nonfactor services and worker's remittances.

3.26 To finance the deficit it is assumed that Syria would obtain new medium and long term commitments of $600 million a year (in real terms) on terms somewhat harder than in the past. Receipts from existing and new commitments and other capital receipts would cover the bulk of the deficit up to 1988 leaving $220 million to be financed from an increase in commercial and short-term credits. However, even with the stringent import assumptions, the increasing current account gap would lead to a rapid rise in debt and interest payments on that debt after 1988. Outstanding medium and long-term debt would rise from $2.2 billion in 1983 to $3.6 billion in 1988 and $6.3 billion in 1992. The debt service ratio (as a percentage of exports of goods and non factor services) would rise from 12.5 percent in 1983 to 17.3 percent in 1988 and accelerate to 22.3 percent by 1992. Including transfers and worker remittances it would rise from 11.1 percent to 15.3 percent and 20.3 percent in the respective years.

3.27 The projections of the external accounts are very sensitive to the assumptions made in oil and gas production and prices, and on energy consumption. Thus, if the rise in production of oil and gas during the period is delayed by one year, the trade deficit would be $200 million higher per year. Similarly, a higher rate of consumption of oil products by 1 percentage point above the rate assumed in the projection would increase the trade deficit by an additional $100 million per year. Financing the resulting cumulative higher trade deficit would raise the debt service ratio by 2.5 percentage points in 1988 and almost by 4 percentage points by 1992. The projections are also sensitive to the assumption on imports of foodstuffs and feed. If agricultural production rises at less than 5 percent p.a. (which is assumed to meet the needs of the growing population, rising standard of living and higher exports) then imports could rise in real terms and the current deficit increased by several hundred million dollars a year.

3.28 The projected acceleration of the debt service in the long run and its sensitivity to the growth rates of oil and gas production and consumption and to raising output of agricultural tradeables point to the importance of making the necessary adjustments in the sectoral investment pattern as soon as possible to increase the production of these traded goods. It also points to the need of reviewing the exchange, trade and price policies so as to orient the economy more towards exports and restraining domestic demand for tradeable goods and services. This would seem necessary if the external deficit and debt are to be kept at manageable levels in the long run.

(iv) Projections under Assumption of Lower Oil Prices

3.29 The recent sharp drop of world oil prices, if sustained, may be expected to have a considerable impact on trade and financial projections and on the long-term economic prospects of Syria. In an attempt to measure such an impact, the base case assumptions detailed in section ii have been assumed to remain the same except for the international trade and price assumptions

given in para 3.18. The exception is an assumed drop of oil prices to $15 in 1986 followed by a 2 percent annual drop in real terms up to 1990 and a rise of 9.6 percent p.a. after 1990. 1/

3.30 It may be assumed that in the short term, a further drop in the international price of oil by $5 per barrel would not have a significant impact on Syria's trade balance. Since the balance of trade in oil has been slightly negative since 1983 and would be close to a balance in 1986-87, the drop in the value of oil exports would be largely offset in this period by the drop in the value of oil imports. In the long term however, as the volume of net oil exports increase, the value of net exports would rise less than projected in the base case. Thus, comparison of the base case and low-oil price projections show a relatively small net difference up to 1987 but a net loss of $69 million in 1988 rising to $277 million in 1992.

Table 10: NET EFFECT OF LOWER OIL PRICE PROJECTIONS ON THE BALANCE OF TRADE ($ mill)

	Base Case			Lower Oil Prices			Net Difference
	Imports	Exports	Net	Import	Export	Net	
	($ million)			($ million)			
1983	1357	1314	-43	1357	1314	-43	-
1984	1374	1119	-255	1371	1117	-255	-
1985	1334	1101	-233	1337	1104	-233	-
1986	961	884	-77	722	664	-58	19
1987	1054	1160	106	770	848	78	-28
1988	1067	1327	260	785	976	191	-69
1990	1200	1696	496	816	1153	337	-159
1992	1641	2454	813	1051	1587	536	-277

1/ The new price assumptions of oil prices in current US$ per bbl (based on Bank projections of January 1986 but with a $5 per bbl. less for oil) are the following:

	Base Case	New
1983	29.1	29.1
1984	28.5	28.5
1985	27.8	27.8
1986	20.0	15.0
1987	22.0	17.0
1988	22.3	17.3
1990	23.0	18.0
1992	24.7	19.7

3.31 The effect on the balance of payments, in contrast with the balance of trade, could well be different, however, because the bulk of oil imports have been purchased on credit (and partly received as a grant). Thus, to the extent that such credit arrangment continues in the next few years, the level of such credit would be lower but Syria would suffer a substantial drop in exchange receipts from exports. The gross loss of receipts from exports as compared with the base case could rise from $220 million in 1986 to $350 million in 1988 and over $870 million in 1992. The last figure would represent about 22 percent of exports projected in the base case at the higher oil prices.

3.32 As compared with the base case, the lower oil prices would create larger financing requirements and a more rapidly growing debt. The debt service ratio would reach 20.4 percent as early as 1988 (compared with 17.3 percent in the base case) and rise to 30.8 percent in 1992 (as compared with 22.3 percent in the base case). The above figures emphasize the importance of increasing net exports of oil (through higher production, gas substitution and restraining demand) as compared with the base case to avoid an undue deterioration of creditworthiness.

3.33 The direct effect of the drop in oil prices on gross national income comes from the deterioration in the terms of trade. The projections on the basis of lower oil as compared with the base case indicate a deterioration in the terms of trade of SL 0.5 billion in 1986 rising to SL 0.8 billion in 1988 and SL 1.5 in 1992. This loss would represent roughly 0.9 to 1.4 percent of GDP in latter years. The indirect effects of the drop in oil prices are difficult to estimate but focus on the future volume of external grants and of receipts from workers' remittances and other factor incomes. A drop in revenues and economic activities in the oil exporting capital surplus countries can be expected to affect such flows to Syria negatively, although much depends on the political developments in the region.

3.34 The direct impact of the drop in oil prices is essentially on the balance of payments. The changes affecting the budget accounts and those of the public sector (particularly the Syrian Petroleum Company and Electricity production) are complex and would largely depend on how the international oil prices are allowed to affect domestic prices of oil products. If the drop in international prices is not offset by a devaluation of the exchange rate applying to oil exports, that would mean a corresponding drop in the revenues in Syrian pounds of the Syrian Petroleum Company from its oil exports. If the same price is passed on to other public enterprises (particularly electricity production), then their costs would be reduced correspondingly; there would be no effect on total profits of the public sector as a whole or on its transfer to the budget. The cost of imported oil on the other hand would be reduced, and if the reduction is not passed to the consumers it would result in a corresponding rise in the profit of the SPC and its transfers to the budget. This profit is quite substantial, rising from about SL 2.2 billion in 1986 to SL 2.5 billion in 1988 and over SL 3 billion in 1990 and 1992 (as compared with 1984). This would make a significant contribution to the reduction of the huge budgetary deficit which reached SL 12 billion in 1984. These projections assume that consumer prices (of refined products, electricity, etc.) are not allowed to fall below their assumed levels in the basic case projections (see para. 3.23). It is therefore important that the projected rise in domestic prices of products and electricity take place, or even accellerated, to help narrow the wide budgetary gap and cushion the negative effect on the balance of payments.

CHAPTER IV - SELECTED SECTORAL DEVELOPMENTS AND ISSUES

A. Agriculture

(i) Background

4.1 The cropped area in Syria has averaged about 3.9 million hectares — of which 580 thousand hectares are irrigated — and has only marginally increased in recent years. Over the last decade, the irrigated cropped area has risen to about 17 percent of the total, mainly because of a greater cropping intensity. Agricultural output fluctuates considerably, owing to the erratic timing and magnitude of annual precipitation. Vegetables, cotton and sugarbeet are the principal irrigated crops, while cereals (mainly wheat) and fruits (including olives) are the principal rainfed crops 1/ (Table 7.1). The main irrigated cereal, wheat, represents only about one-fourth to one-fifth of total wheat output in recent years. Livestock (mainly sheep) accounts for about one-third of the value of output. Extensive sheep grazing is carried out on marginal rainfed pastureland and steppe, in some cases supplemented by crop wastes in cultivated areas and government-supplied rations. Agricultural products (primarily cotton) are second only to petroleum as foreign exchange earners. Intersectoral linkages are strong, as about one-half of the gross output and employment in the manufacturing sector, excluding petroleum refining, is in food, beverage and textile activities. While the Government has made appreciable efforts to redress the imbalance in economic and social conditions between the rural and urban areas, the former continues to have lower income levels and more limited access to social services.

4.2 There are about 485,400 holders (including about 40,000 livestock holders), primarily privately owned except for a few state farms established since the 1958 agrarian reform. Some 408,000 farmers have joined 3,903 cooperatives, 81 percent of which are multipurpose cooperatives in which production activities are individually organized on private holdings. Members of cooperatives cultivated 1.4 million hectares (largely on an individual basis) in 1983 and farmers not members of cooperatives cultivated 2.6 million hectares. State farms cropped only 0.04 million hectares. The Government's progress in implementing the 1958 Agrarian Reform Law is evidenced by the fact that, by 1970, 96 percent of all farms (including non-irrigated lands) were less than 25 ha and accounted for 59 percent of the land in farms (and most of the irrigated area). Only 1 percent of the farms were over 100 ha (averaging 222 ha) and accounted for 8 percent of the area. At present, a variety of tenancy arrangements exist and are subject to government regulation. A problem faced by the sector is the heavy incidence of very small and fragmented holdings; in 1970, 15 percent of the farms were less than 2 ha in size and were often made up of several non-contiguous parcels. This problem merits government attention, because of its impact on farm productivity and since fragmented holdings are often associated with low income.

4.3 Although the proportion of the labor force engaged in agriculture has continued a secular trend downward, from almost 50 percent in the early 1970s to only about 30 percent in the early 1980s, it continues to be a major source of employment. It appears from available data that the size of the

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1/ The main irrigated cereal, wheat, represents only about one-fourth to one-fifth of total wheat output in recent years.

agricultural labor force has stabilized, although the national labor force has grown by about 3 percent p.a. since 1970 (Table 2.1). Out migration from farms was to both urban areas and neighboring countries where employment opportunities were rapidly expanding. There was also an increase in temporary (seasonal) employment in urban areas during slack periods in the agricultural cycle. Concurrently, there was an expansion in labor intensive crops, especially under irrigation. As a result of these forces, rural labor markets have come under increasing pressure and there appear to have been noticeable increases in rural wages. Finally, in recent years the economy has witnessed its formerly positive trade balance in food and agricultural raw materials erode and finally turn seriously negative, led by the rapid rise in the value of imports of foodgrains and animal feedstuffs.

(ii) Investment and Output

4.4 During the Fourth Five-Year Plan (1976-80) about 7 percent of the public sector investment budget was allocated to the agricultural sector (excluding spending on the Euphrates Dam), and actual expenditures were only about 5% of total actual investment. The impact of investments has been marginal, especially as they were heavily weighted towards large-scale, capital-intensive, long-gestation irrigation projects (e.g., in the Euphrates Basin). The Fifth Five-Year Plan (1981-85), by comparison, allocates SL 15,500 million (19 percent) of the public investment program to the agricultural sector. Of this total 67 percent is specifically assigned to further development in the irrigation and reclamation projects. The Plan's target is that by 1985 irrigation infrastructure would be completed on 201,000 hectares in the Euphrates Basin and drainage services on another 125,000 hectares, while 50,000 hectares would be actually brought into cultivation. It appears, however, that these undertakings continue to be plagued by cost overruns and that execution is falling behind the initial expectations. It is also desirable to shift more investment resources towards maintenance and rehabilitation of existing irrigation projects.

4.5 As a result of relatively very rapid growth of GDP, the relative share of agriculture in GDP has declined in recent years to an average of about 20 percent, from 30 percent in the 1960's. During the first half of the 1970's, the index of agricultural production rose rapidly, at 8.9 percent p.a., and continued to grow at 7.7 percent p.a. during 1976-80, boosted by the bumper crop in 1980 (livestock output grew at 10 percent p.a. while crop output rose by 6.8 percent p.a.). Output performance during 1981-83 has so far been very disappointing due to poor climactic conditions. The average annual increase has been at 2.9 percent p.a., but this disaggregates into only 0.3 percent p.a. for crops and 9.1 percent p.a. for livestock products (Table 7.2). Output growth of vegetables and industrial crops (cotton and sugarbeets) suffered less than cereals as they are cultivated mostly in the irrigated areas (Table 7.1). 1/ With the continued advances in both yields and cropping intensities in irrigated areas, these now account for well over half the value of all crop output.

1/ While droughts principally depress crop output on rainfed lands, they also reduce surface water supplies and increase the costs of groundwater utilizations in irrigated areas, thus tending to limit their output as well. The costs of livestock production are also affected as diminished fodder supplies have to be supplemented by imported feedstuffs (principally for poultry).

4.6 The Plan document highlighted the need for more intensive cultivation, the use of price policy to provide production incentives, and an expanded use of fertilizers, pesticides and improved seeds. Improved rainfall through the Spring of 1985 could result in a bumper crop and repeat the 1980 experience, boosting average output growth near the Plan target of 7.8 percent p.a. The recent results for cotton, dairy products and some vegetables have already surpassed the Plan target, and output of sugar beet and pulses have risen considerably but, together with cereals, seem to be lagging behind the ambitious Plan targets.

(iii) Pricing Policy

4.7 The Government, through public sector processing/exporting enterprises, is the sole purchaser of cotton, tobacco and sugarbeets. It also purchases varying amounts (typically less than a third) of the output of wheat, maize, barley, lentils and peanuts, as well as smaller quantities of fruits and vegetables. Of the major products — wheat, cotton, sugarbeets, maize and barley — only the official procurement price of barley has failed to more than double in the last seven years (Table 7.3). For the major internationally traded crops, except cotton, the domestic procurement price is high relative to international prices (converted at the parallel market rate beginning 1981), particularly for maize and sugar beets (Table 7.4). The Government has established these prices on the basis of production cost studies and as an instrument to encourage farmers to expand output of the crops in question.

4.8 One may ask, however, in view of the declining world prices, if in some cases prices have become so high, e.g., wheat, maize and sugarbeet, as to: (a) encourage high cost marginal producers; (b) provide excessive financial rents to relatively efficient producers; and (c) divert resources from production of other profitable but unsupported crops. Moreover, given the Government's long-standing commitment to maintaining low prices on basic foodstuffs, these high output prices result in very large subsidies in the food processing and distribution systems. Thus, while farmers were being officially paid on average SL 1230 per ton for soft wheat and flour was imported by the Government at about SL 1070 per ton, flour was being sold domestically at SL 142.5 a ton to state bakeries to prepare a popularly priced bread (or the equivalent of 13 percent of the cost of imported flour). Other flour sold to consumers is roughly equal to the cost of imported flour. In the case of sugar, the retail price for the monthly 1.5 kg per capita sugar ration is less than one-third the raw material cost of sugarbeets, and the unrationed price is barely equal to raw material costs.

(iv) Farm Credit and Input Supply

4.9 The principal institutional source of agricultural credit is the Agricultural Cooperative Bank (ACB), which has 62 branches throughout the country. The ACB is also the main vendor of farm inputs. Lending by the ACB has expanded rapidly in recent years to SL 876.5 million in 1983. Outstanding credit reached SL 1075 million at the end of the year (Table 6.5). To facilitate continued expansion, the Government increased the ACB's capital to SL 250 million in 1983 and a further increase may be authorized in 1985.

Deposits are principally those of farm cooperatives and public enterprises. Lending interest rates at present range from 4 percent p.a. for the public sector to 4 percent to 6 percent p.a. for loans to cooperatives and 5.5 percent to 7.5 percent to private individuals 1/ (Table 6.6). Overall, just under three-quarters of credits are for short-term loans and less than 10 percent for long-term, with the remainder for medium-term loans. In 1982 close to half of the lending was for cotton and cereals; machinery and equipment loans were about 13 percent of the total. As deposit interest rates range from 4 percent p.a. for sight accounts up to 8 percent p.a. for term deposits of not less than 12 months (except for public sector deposits which are paid a flat 2 percent p.a.), it appears that the operating margin of the ACB is relatively thin. In all cases the deposit and lending rates are well below the rate of inflation, which induces an erosion of the institution's net worth in real terms, transferring the institution's assets to the most favored borrowers.

4.10 The ACB is responsible for selling farm inputs in the rural areas, in part on credit to farmers who have been granted a crop license by the local agent of the Ministry of Agriculture and Agrarian Reform (MAAR); quantities are supplied according to standard predetermined needs. Additional inputs -- to the extent they are stocked by the ACB and the farmer has a cropping license — are sold for cash. Farm prices of fertilizers are substantially below domestic production costs but slightly above internatinal f.o.b. prices. 2/

(v) Production Planning

4.11 According to Law 14 of 1975, an annual national agricultural production plan, determining both cropping patterns and inputs, is administered by the MAAR. National targets are disaggregated on provincial and district level and form the basis for licensing farmers to produce cereals, cotton, vegetables, tobacco, sugarbeets and any other commodity for which a farmer wishes to obtain a crop production loan or inputs from the ACB. Penalties for noncompliance with crop plans include the possibility of fines and crop confiscation. However, in view of the heavy administrative burden put on MAAR field staff to annually distribute licenses and verify the patterns of input use, variations from licensed cropping patterns, and especially diversion of inputs from one crop to another or even into a secondary market are reported.

1/ Except loans for fruit tree plantations which are interest free for both the public and private sectors, and loans for the construction of electrical transporting units which are interest free for three years.

2/ In 1984 the domestic fertilizer price of triple superphosphate was SL 1000/ton and that of urea SL 950/ton. At the parallel market rate this would be $183 and $174 respectively, this compares with international fertilizer prices f.o.b. (i.e. excluding freight and handling) of $135 and $176 respectively.

4.12 To encourage Syrian farmers to progressively move into the production of high value, specialized crops and crops in high demand domestically and for export, greater flexibility in the planning system would be desirable by increasing the role of relative prices in determining the cropping pattern and the use of inputs. Concerning inputs, a first step might be to separate the input provision function from the lending operations of the ACB and introduce commercially-oriented agencies to be responsible for input sales. Government policy is to encourage the use of inputs, particularly fertilizers and selected seeds so as to increase production. While this may be justified in areas where farmers have not yet become familiar with their use, prices of inputs need to be gradually raised in other areas for a limited period, so as to reduce subsidies and ensure that they are used appropriately and where they yield the highest return. Over the medium term, responsibilities for distribution of inputs could probably be shared by private trade, permitting qualified government staff to better concentrate on their farm lending and extension duties.

(vi) Agricultural Exports

4.13 Syria's natural resource base and proximity to prosperous Gulf markets provide important opportunities for continued expansion of fresh and processed agricultural exports. This growth will, however, depend on sustained efforts to establish and maintain a reputation as a reliable, relatively low cost supplier of a consistently high quality product. The enforcement of grades and standards for produce for the export market and the quick local dissemination of market intelligence represent an important support the Government would provide to producers and traders. On the other hand, time-consuming procedures for private traders to obtain export licenses would discourage taking timely advantage of opportunities which might open up and should be relaxed. Export opportunities could include deciduous fruits, grapes, pistachio nuts, canned fruits, vegetables and juices, etc. Further incentives which the Government could consider include, e.g., access to the parallel exchange market for conversion of foreign currency earnings arising from agricultural exports, retention of part of foreign currency earnings by exporters for their own uses (rather than compulsory surrender), etc.

B. Manufacturing

(i) Recent Developments

4.14 During 1980-83, output of the manufacturing sector has grown at almost 15 percent p.a., compared with 8 percent p.a. achieved during 1975-80 (Table 8.1). The large chemicals subsector -- dominated by petroleum refining -- grew at the same average rate. The most important growth was in the food and chemicals subsectors, including oil refining, while textiles production grew more moderately. The principal individual manufactured products showing rapid growth in ouput in recent years include preserved foods, sugar, carpets, hides, fertilizers, detergents, metal cables, cement, glass, household durables and electric transformers (see Table 8.2). The growth of output may slow down in the next few years, as completions of new plants taper off and if foreign exchange constraints limit the supply of imported raw materials and intermediate goods.

4.15 In 1983, manufacturing value-added (including petroleum refining) represented 8 percent of GDP. In that same year, 308,400 persons or 13 percent of the labor force were employed in the sector, a figure which grew at an average rate of 2.7 percent p.a. during 1978-83. Comparing the growth rates of employment and output in recent years indcates that productivity per worker has risen considerably.

4.16 The manufacturing sector comprises slightly over 100 public enterprises employing about 96,000 persons in 1983 and a very large number — almost 55,000 — of mainly very small private firms employing about 146,000 persons in that year. The Government's policy has been to reserve for itself certain basic or strategic manufacturing activities, e.g., cereals milling, sugar refining, petroleum refining, cement production, and to permit the private sector to enter into other lines of manufacturing activity. In some industries, particularly the large textile subsector, both private and public firms operate.

4.17 About two-thirds of public sector manufacturing employment is in enterprises under the control of the Ministry of Industry. The oil refineries are controlled by the Ministry of Petroleum and Natural Resources, cotton ginning and tobacco trade by the Ministry of Economy and Foreign Trade, and cereals milling and state bakeries by the Ministry of Supply and Foreign Trade. The manufacturing enterprises in the Ministry of Industry are gathered into General Organizations (G.O.s) according to their line of production. These G.O.s are the principal agency of control of the firms, reviewing and approving plans for output, operating budgets, investment, and employment, as well as assisting in the procurement of inputs and products sales (to the extent that trading matters are not handled by General Organizations located in other Ministries).

4.18 The evolution of output and employment in the various subsectors, divided between the public and the private sectors in 1979-83 is shown in Table 8.3. Almost three-quarters of the expansion of manufacturing employment between 1980 and 1983 was in public sector enterprises, mainly food products and textiles. There were also large increases in private sector employment in food products, wood and furniture, non-metallic and metallic products, while the number employed in what was formerly the principal subsector — textiles -- fell by about 50 percent. Measured in current prices, the share of the private sector in total manufacturing output fell marginally from 38 percent in 1980 to 34 percent in 1983. However, if one excludes the value of petroleum refining, the private sector share of gross output is about 50%, approximately the same as in 1980.

4.19 In 1983, average output per worker in the public sector was about three times that of the private sector (Table 8.3), but value added per worker was higher in the private sector by about 17 percent (Table 8.4). Value added per worker varies considerably between subsectors. Thus, while it is much higher in the public sector chemicals (including petroleum refining), cement, and metal products industries, it is 67 percent higher in the private sector in all the other industries combined. This asymmetry may be explained in part by the intensive use of capital in the chemical and metal public enterprises, contrasted with the labor intensive small industry in the private sector. Value added in some public sector industries is diminished also by subsidized prices of output (e.g., food and fertilizers) or by high cost of inputs (fertilizer, paper).

(ii) Public Sector Investment

4.20 A number of large investments in the chemical, oil refining and cement industries were initiated in the Fourth Plan (1975-80) but production only started in the Fifth Plan period (1981-85). During the present Plan, the manufacturing sector has been allocated SL 10.8 billion, or 13 percent of the total public investment program. About one-quarter of this investment will be in chemical industries (SL 1.3 billion for the refineries) and a like amount in foodstuff industries. Of the total public sector investment program about two-thirds are identified for specific projects or programs. Almost universally, these are for completing projects carried over from the previous plan period or for modernization and upgrading of existing plants. Perhaps the largest expansion activity which cannot be so classified is the SL 1,072 million allocated to construct additional automated public sector bakeries, which are being manufactured domestically.

4.21 During the first three years of the present Plan, realized investment expenditures by public sector manufacturing enterprises have reached SL 3.5 billion, 74 percent of the amounts authorized (Table 8.5). This compares with an estimated SL 2.7 billion investment in private manufacturing. Public investments have mostly been carried out by General Organizations under the Ministry of Industry and have been in the chemical, sugar and cement industries. These first two General Organizations also exhibit relatively high rates of budget utilization within that Ministry, a result which is probably related to the large share of set-up and trial-run expenditures in the total for these two G.O.s. Overall, 28 percent of the Ministry's investment expenditures were in this category and are additional evidence of the concentration on bringing into production new facilities carried over from the previous Plan period. Also substantial investments were made in bakeries and cereals processing and milling by the Ministry of Supply and Internal Trade.

(iii) Selected Issues

4.22 The State Planning commissioned a comprehensive study of the manufacturing sector which is to be completed in early 1985. It should shed light on the detailed structure and issues facing the manufacturing industry in Syria and could form a basis for reviewing industrial policies with the aim of raising productivity and efficiency, as well as output. The following observations should therefore be considered preliminary until a review of the study can be made.

4.23 Salaries, Wages and Incentives. Employees in public sector manufacturing enterprises fall generally under the same salary and benefit provisions as all public sector employees. Pay is according to job classification, with definite rules for pay raises and advancement according to time in grade. As public sector salary scales have been frozen since the past general increase in 1980, the salary scales in public manufacturing enterprises have gotten increasingly out of line with both private sector renumeration and general living costs. Turnover of qualified staff continues to be a serious problem and is often attributed to this. However, earnings in public sector manufacturing enterprises have improved to some extent as the practice of introducing productivity bonuses and incentive schemes became universal in the early 1980's; average remuneration in public sector

manufacturing industries rose 44 percent between 1980 and 1983, slightly more than in the private sector. Nevertheless, substantial disparities are reported to still exist between the public and private sectors, while within the public sector certain lines of activity, e.g., construction enterprises, provide more generous pay and allowances to professional staff and qualified workers. While the aforementioned productivity bonus schemes appear to have been widely and successfully implemented in public sector manufacturing enterprises and have helped in attaining or exceeding the target of 85 percent capacity utilization set by the Plan in several industries, achieving and maintaining adequate levels of product quality appear to continue to be a problem. In part this may be due to the overly quantitative orientation of the criteria applied to award performance bonuses, as well as the lack of effective sanctions (e.g., suspension or dismissal) for consistently substandard performance. Excessive job turnover and inadequate worker training programs may also be contributing factors.

4.24 Domestic Sales and Exports. Responsibility for the domestic or export sales of public enterprise manufacturing output is often placed in a separate section of the firm's General Organization even in a wholly separate Ministry. (Procurement of raw materials and spare parts, especially from abroad, is typically carried out by a separate general organization). This isolation of producing enterprises from the markets of their product or inputs may affect the maintenance of product quality, and the timely adaptation of product lines to changing market conditions, or the timely supply of the appropriate inputs at least cost. While it may not be inappropriate to maintain such institutional arrangements for standardized, widely-traded goods such as cement or refined sugar, its application or generalization to less standardized or special order items seems inappropriate. In these more specialized product lines a firm or small association of firms might consider recruiting a qualified specialist sales staff, with an adequate budget to develop a keen market intelligence capability, especially in the export field, where quick response and adaptability to market demands are an important element of success.

4.25 In 1983, of total exports of SL 7,547 million, manufactured goods represented SL 3,045 million or 40 percent -- a relatively impressive share. However, when refined petroleum product exports of SL 1,064 million are excluded, this share falls to 26 percent. In 1983 these manufactured exports represented only 10% of the total value of manufacturing sector output (again, excluding petroleum refining.) Of these manufactured goods exports, 64 percent (SL 1,268 million) were by the public sector and 36 percent (SL 714 million) by the private sector. In both instances about three quarters of the exports were from the textiles subsector. Sectors where additional or new possibilities for export could arise are processed foodstuffs and cement. In view of the relatively buoyant domestic markets in recent years, the degree of protection afforded local manufactures in the form of quantitative restrictions and tariffs and the relatively low exchange rate applied to exports, firms may not have been greatly interested in aggressively pursuing prospective exports. While the total manufactured exports so far may be relatively small, they do suggest latent possibilities which could be exploited.

4.26 The structure of tariffs on imported goods is generally progressive, according to the degree of processing; for most raw materials and capital goods these are about 1 percent, while for finished goods (especially those classified as consumer luxuries), rates may reach several hundred percent. Surcharges for special purposes are also usually applied. On the other hand, basic foodstuffs, fertilizers and medicines may be admitted duty-free. An important complement to the tariff system as an instrument of protection policy is the application of quota and import licensing regulations, especially for goods produced in the country and/or at times of foreign exchange stringency. Furthermore, the extent to which various different exchange rates are applicable for both imports and exports depends on both the type of product and whether the public or private sector is undertaking the operation. This trade policy system has developed over the years on a piecemeal basis and it would appear appropriate to undertake a careful reassessment of its impact on the structure, growth and efficiency of manufacturing output and trade. At the same time, the effects on exports of current policies as regards applicable exchange rates, tax rebates, etc., deserve a careful assessment and review.

C. The Energy Sector

4.27 Syria's main energy resources are oil, natural gas and hydropower. Other utilized resources (estimated at less than 5 percent of consumption) include fuelwood, charcoal, solar and wind energy. Potential additional resources include oil shale and geothermal energy. By far the most important energy source at present is oil (production 8.5 million tons/year) part of which is exported and part of which is refined together with imported lighter oil in the two refineries (which produce about 9.3 million tons of petroleum products per year). Hydroelectricity (from the Euphrates and other rivers) represented about 30 percent in 1983 and 28 percent in 1984 of total electricity generated. The net trade balance in oil and oil products which has been substantially positive in the late 1970's has become slightly negative due to declining production of oil and rapidly rising demand for petroleum products and electricity.

(i) Oil Resources

4.28 The Syrian economy has relied heavily on oil export earnings for financing imports and investment. Export earnings from this source, despite a decline in volume since 1976, have accounted for three-fourths of total merchandise exports and have been equivalent to about 39 percent of imports and over 40 percent of gross investment during the period 1979-83. As of 1984, while Syria was still a net exporter of oil and oil products in quantity terms, its exports and imports of oil in value terms have become roughly balanced (see Table 3.7). This is because Syria imports high quality oil and products but exports low quality oil (at about 8 percent lower price than imported oil) and fuel oil. Gross exports of oil and oil products in 1983 reached $1315 million, while imports were $1357 million. A small net surplus appeared in the first half of 1984.

4.29 Syria's known oil resources are located in seven major fields in the northeastern part of the country. Proven oil reserves as of the beginning of 1984 were 1.49 billion bbls (about 207 million metric tons). This crude has high viscosity and is high in sulfur. Oil production reached a peak of 10.04 million tons in 1976, which declined at over 4 percent per year to

8.32 million tons in 1980 and remained at approximately that level through 1983 (Table 8.6). The slow decline of oil production has been arrested in 1980-1984 by the acceleration of drilling of production wells (up to 101 wells in 1983 compared to 37 in 1980), with consequent rapid rise in the marginal cost of oil production. This production strategy has reportedly caused some technical problems, and it is expected that the current level of production can be held only until 1986. After 1986, production from old fields could be maintained at near present levels with additional technical inputs and concerted effort to increase oil recovery. How much new production there will be from the new Pecten-Shell discovery should be known more accurately in the course of 1985, when more delineation drilling is completed. Preliminary estimates of future output from this field range from 3 to 6 million tons per year, and possibly more. An estimate of total oil production (from old fields and new discoveries) adopted in this report is 11.5 million tons by 1990 and 13.5 million tons by 1992.

4.30 Hydrocarbon exploration is carried out by both the Syrian Petroleum Company (SPC) and by foreign contractors (Marathon and Pecten-Shell). The SPC has 18 rigs: 10 for exploration wells and 8 for production wells. In 1983 the SPC drilled 28 exploratory wells, with a total of about 50,000 meters. The cost of drilling is about US $1,000/ meter, so this is an annual expenditure of US $50 million per year. Foreign companies have drilled fewer wells but the cost is higher, US $2,000-4,000 per meter. Pecten-Shell discovered what appears to be a commercial oil field in mid-1984 as mentioned earlier. Production from this new discovery is not expected to begin before 1986. Based on a 1984 consultant evaluation, SPC's exploration program would seem low when compared with exploration in other onshore basins with similar hydrocarbon potential. Indeed, overall exploration expenditures in Syria would appear to be low considering the hydrocarbon potential of the region.

(ii) Gas Resources and Utilization

4.31 Proved reserves of gas in Syria as of 1982 were 36.2 billion cubic meters, and probable reserves are 60-85 billion cubic meters. Most of the gas is sour, i.e. has a high sulfur content. The only gas currently consumed is associated gas being used to generate electricity in the northeast oil fields. This Suwaidiyah associated gas plant is planning to process 0.24 billion cubic meters of gas in the northeast. The reserve figures have been increased in 1984 but are not available yet. Most of the probable reserves are expected by experts to be reclassified as proved after more drilling. In addition to these measured gas reserves, Marathon Oil has recently discovered a gas field and the new Pecten-Shell discovery contains some associated gas. There are also potentially large gas reserves in the Palmyra basin. Some of the gas at Jibesse is currently planned to be used for fertilizer production, but there is an urgent need to evaluate gas reserves and utilization strategy to establish priorities among gas use for various industrial demands, electric power or other developments. Bulgarian and other Eastern bloc countries are assisting on gas development and have begun a gas study in 1984.

4.32 The major gas project, which is in the construction phase, is to produce gas from the Jibesse non-associated gas field and pipe it to Homs to replace high cost naphtha in the fertilizer plant. The planned rate of production of gas for the Homs fertilizer plant is 0.40 billion cubic meters per year beginning in 1986. Production from Jibesse could possibly go up to

between 0.55 and 0.73 billion cubic meters per year with additional compressors. The reserve-to-production ratio is thus 62 years (using the proved reserve figure) and 185 years when probable reserves are added. There is no decision on how to price the gas, but it would be desirable to price it near the opportunity cost, e.g. in electricity generation or cement (i.e., close to the price of gas oil or fuel oil) in order to reflect its value and to create financial surplus for further gas development.

4.33 The Jibesse gas processing plant has an investment cost of $95 million, operating cost of $2 million per year, and pipeline investment cost of about $45 million. The missions's estimates of gas cost delivered to Homs is lower than the cost of gas oil, fuel oil and naptha.

4.34 In addition to these plans, it is likely that an accelerated program of gas development (including the Palmyra basin gas) could lead to substantial benefits. For every 0.1 billion cubic meters of gas consumed, there will be a savings of about 83,000 tons of oil. The electricity sector consumed 338,000 tons of gas oil and 1070,000 tons of fuel oil in 1983, while the cement industry consumed about 500,000 tons of fuel oil. If one-half of the oil now consumed in both the electricity sector and cement sector could be substituted for additional gas (i.e., 1 billion cubic meters per year above planned production of 0.4 billion), the financial savings from the additional gas for Syria would be about $100 million per year. These large potential savings indicate that accelerated gas development and a detailed study of gas utilization options should be a high investment priority for the government. Preliminary estimates are that gas production could increase from 0.16 billion cubic meters (bcm) currently to 0.9 bcm (0.8 million ton of oil equivalent) by 1990 and about 3 billion (2.5 million TOE) by 1995. An accelerated gas development program could raise production to 1.5 bcm in 1990 and 5 bcm in 1995. Additional gas could be used as a substitute for gas oil and fuel oil currently used in electricity and industry near Homs, as well as future power generation in Damascus and elsewhere. These options will be evaluated in relation to all other gas utilization options by the Energy Assessment mission.

(iii) Energy Demand

4.35 The growth of energy demand, particularly for electricity, has been very rapid. The consumption of petroleum products has grown at an average annual rate of 9 percent from 1980-1984 to a level of 6.5 million metric tons. About 35 percent of the oil product consumption is fuel oil and 43 percent is diesel (Table 8.7). Much of the recent increase in consumption of oil products is due to rapidly increasing fuel oil use for electric power and for industry. Due to the rapidly rising consumption of oil, the Ministry of Petroleum has initiated a program to conduct energy audits in some factories (there are about 100 large factories in Syria). There is also need to evaluate options for reducing diesel consumption in transport, power generation and, particularly, in households where it is used for space and water heating.

4.36 Electric power consumption and generation has increased at 17 percent per year on the average during 1979-83 (Table 8.2). Total electricity generated in 1983 was 7117 Gwh, of which 30 percent is hydropower and 70% oil fired. Hydroelectricity generation has declined considerably since 1979. Thermal power capacity jumped up by almost 23 percent and production by 61 percent between 1981 and 1983 as the 330 MW Banias plant was completed. Consumption of electricity for lighting has increased 15 percent per year from 1977-82, while consumption of electricity for electromotive power increased

16 percent per year over the same period. Losses have increased from about 15 percent in the early 1970's to over 30 percent in 1982 due to poor management and then declined to 28 percent in 1983. But losses are reported to have declined somewhat in 1984 due to closer monitoring of consumption and sales. Peak load has grown from 435 MW in 1973 to 1280 MW in 1983, or at 11.4 percent per year. A recent analysis by the Ministry of Electricity of future electricity demand projects peak load to continue to grow at 13.5 percent p.a. from 1983 to 1993 and for electricity generation to increase at 14.7 percent p.a. A study of future electricity growth will be completed under the Energy Assessment. Preliminary estimates are that growth of consumption will be substantially lower depending on the future income growth rate and the rise effected in the real prices of electricity.

4.37 For future planning of the energy sector, an integrated framework of demand forecasting is needed by the Ministry of Petroleum and by the Ministry of Electricity. This framework should allow analysis of how various alternate scenarios of economic growth, price policies and investment plans are likely to affect consumption.

(iv) Energy Pricing

4.38 Electricity tariffs declined in nominal terms every year from 1975 to 1979. Average tariff levels were increased 46 percent in 1980 and 24 percent in 1981 to 54.8 mills/kWh. The tariff levels have fallen considerably in real terms (over 40 percent since 1975), encouraging rapid increases in consumption. Current tariff levels cover less than two-thirds of operating costs and no capital costs are recovered. Prices and long run marginal cost calculations (LRMC) by the Ministry of Electricity are shown in Table 8.9. Minimum tariff increases of 75 percent would be needed to cover operational costs and debt service. In early 1985, the Government raised tariffs on larger households and commercial consumers, which is expected to raise revenues by 7 percent. Larger price increases are needed in all categories to slow the rapid rate of consumption and encourage efficient use of resources.

4.39 The price level of most petroleum products in 1984 was generally in line with c.i.f. border prices if converted at the official exchange rate. It is higher for gasoline products. If the parallel market rate is used for conversion, prices of kerosene and gas oil would fall below the international level by approximately 20 percent. 1/

Table 11: DOMESTIC OIL PRODUCT PRICES
(As a percent of cif prices in 1984)

Regular gasoline	215%
Premium gasoline	200%
Kerosene	107%
Gas oil	106%
Fuel oil	
Type 1 (low sulfur)	135%
Type 2 (medium sulfur)	122%
Type 3 (high sulfur)	105%
LPG	65%

1/ Prices were reportedly raised in September 1985 for gasoline (30 percent), kerosene and gas oil (50 percent) and LPG (70 percent).

4.40 In 1984 LPG (Liquid Petroleum Gas), which is used mainly for household cooking, was sold at about 916 SL per ton, an estimated 50 percent of ex-refinery cost. Consumption of LPG is rising at about 15 percent per year, and the rapid growth in consumption is leading to increased imports. The rapid growth in LPG is due to a substitution of LPG for kerosene as the prices of LPG have been below kerosene since 1980. Official wholesale prices of LPG are 11 SL per bottle, and while retail prices are supposed to be 15 SL per bottle, with the actual sales price reported near 20 SL per bottle. A slight rise in the LPG price would not affect consumers but shift more revenue towards the government and away from retail distributors. A careful study and analysis of LPG and other petroleum products pricing policies and their effects on consumption have been examined in another report. 1/ Total government subsidy on oil products in 1983 amounted to about SL 800 million ($200 million).

(v) Investment

4.41 Total investment in the energy sector has been substantial in recent years, despite the financial constraints. Public investment in the oil and gas sector has tripled during 1981-1983, rising from about SL 0.5 billion to SL 1.6 billion ($400 million). Investment in the refining and distribution sector has slowed down after the completion of the Banias refinery in 1980, but still continues at the rate of SL 0.7 billion per year. Investment in electricity has been particularly heavy in recent years, with the construction of the Banias power plant (330 MW) and has been at the rate of about SL 1.2 billion per year. Thus, public investment in the energy sector as a whole was on the order of SL 3.5 billion (about $900 million) or the equivalent of about 30 percent of total public investment in that year. The importance of greater investments in oil exploration and gas development in the future at a time of increasing financial constraints, points to the need to review sectoral investment priorities and promote foreign direct investments and joint ventures in the oil and gas sector in addition to external borrowing.

(vi) Refining Strategy

4.42 Syria has expanded its refining capacity in order to reduce its dependence on imports of certain products. The Homs refinery, completed in 1959 and expanded in 1974-78, has an annual capacity of 5.2 million tons, and the recently completed Banias refinery has a capacity of 6 million tons. Total capacity is thus 11.2 million tons. The Banias refinery was initially designed to handle a mix of 80 percent of higher quality imported crude and 20% of Syrian crude. However, the design was subsequently changed in order to inrease the share of the Syrian crude in the mix from 20 percent to 50 percent. The Banias refinery came into full operation in 1981 and has been operating at close to full capacity since the first half of 1982.

4.43 In 1983, refinery demand for crude oil reached 9.3 million tons, about 83 percent higher than the 1979 level. To ensure supply of the proper mix for refinery usage, 5.8 million tons of crude oil were imported from the Islamic Republic of Iran, thus enabling Syria to export its excess supply of heavier oil. While refining output remained largely unchanged at about 9.0 million tons during the 1981-84 period, domestic consumpiton of refined products gradually increased to 6.5 million tons estimated for 1984 (Tables 8.6 and 8.7).

1/ Syria: Issues and Options in the Energy Sector (No. 5822-SYR).

4.44 Currently LPG and diesel are imported while fuel oil and naphtha are exported. Projections of the Syrian refined products balance show that the current deficits of LPG (75 thousand tons) and diesel (383 thousand tons) are expected to increase by 1990. However, consideration of building a third refinery can very well be postponed for several years. Existing capacity will probably be able to meet demand by 1990 for oil products except for some diesel and LPG. In addition, an accelerated program of gas development would inrease LPG production, as well as substitute for substantial amount of fuel oil and some gas oil. Thirdly, it is acknowledged that refining small additional amounts could be done more cheaply outside Syria, e.g. in Italy where refinery utilization is only 43 percent of capacity. Given the heavy investment and the financial constraints, a careful independent analysis of refining strategy should precede any major investment decision. Important options to study are ways to minimize the cost of product and increase output supply through refinery modifications (upgrading), removal of bottlenecks and/or arrangements for more product imports from other surplus refineries in the region. Flexible refinery strategies need to be studied in the context of alternative crude price to product price ratios, and in light of the massive increase in the regional refining market and the world-wide surplus in refining capacity. 1/ These options will be evaluated by the Energy Assessment mission.

(vii) Other Energy Sources

4.45 Syria enjoys a very high solar insolation which averages about 5.87 kwh/m2/day (2,145 kwh/m2/year); however, solar energy has not been adequately utilized although isolated and experimental installations exist. There appears to be a wide scope for using solar energy, especially for use in households for space and water heating, which would slow down the high rates of diesel and electricity consumption in the domestic sector.

4.46 Already 2,000 wind towers exist in the Kalamoun area (north of Damascus), and the general impression is that the scope for utilizing wind energy is excellent. These possibilities should be investigated and analyzed to see how development of this resource can be accelerated, again in an attempt to conserve electricity or diesel.

4.47 Although the use of kerosene and LPG has penetrated deep into the rural areas, there is still a small segment of the population that uses fuelwood and charcoal. In rural areas, sticks and twigs are collected freely and no estimates are readily available on the extent of this consumption.

1/ OAPEC refining capacity is expected to rise from 170 million tons of capacity in 1983 to 278 million tons in 1990. There will be an expected surplus in 1990 of diesel for export in OAPEC of 24.3 million tons (up from 3.2 million tons in 1980), if refineries are used at full throughput. OAPEC fuel oil surpluses are expected to be 50 percent higher than 1980 but LPG supplies may be tight. This increase in product exports comes at a time when there is a worldwide surplus in refinery capacity. In these conditions little economic benefit can be expected from adding new capacity.

4.48 There are extensive shale oil resources in Syria. Oil production from shale is considered a high cost option and of low priority. Options for direct burning of shale rock in electric power need to be studied, although it is doubtful that costs would be lower than other fuels such as gas. There are some geothermal prospects in the Safa Hills, 60 miles southeast of Damascus, and some other low temperature locations. The potential for utilization of these alternative energy sources will be investigated by the Energy Assessment mission.

STATISTICAL ANNEX

STATISTICAL ANNEX
Continued

Table 1.1: POPULATION

	Total (000)	Growth Rate (% p.a.)	Urban (% of total)	Urban Growth (% p.a.)
Censuses				
1960	4,565	-	36.9	-
1970	6,305	3.28	43.5	5.0
1981	9,053	3.36	47.0	4.1
Mid-year estimates				
1979	8,421	-	-	-
1980	8,704	-	-	-
1981	8,996	-	-	-
1982	9,298	3.36	-	-
1983	9,611	3.37	-	-
1984	9,934	3.36	48.1	4.0
1985	10,267	3.35	48.6	4.5

Source: Central Bureau of Statistics, Statistical Abstract, 1984-1985.

0569Y

Table 1.2: LABOR FORCE BY SECTOR OF ECONOMIC ACTIVITY
(in thousands)

	1978	1979	1980	1981	1982	1983
Agriculture	681.0	692.6	663.7	695.1	706.6	718.5
Industry	541.4	669.1	630.4	640.9	651.6	662.4
Mining	13.7	0.5	5.1	5.2	5.3	5.4
Manufacturing	270.2	338.8	293.5	298.4	303.4	308.4
Utilities	14.0	32.0	21.9	22.2	22.6	22.9
Construction	243.5	297.8	309.9	315.1	320.3	325.7
Services	750.1	762.8	856.5	870.8	885.3	900.1
Commerce	208.9	22.1	217.9	221.6	225.3	229.1
Transport	105.3	97.8	133.7	136.0	138.2	140.6
Finance	27.2	21.8	19.9	20.2	20.6	20.8
Social services	408.6	422.1	485.0	493.0	501.2	509.6
Not stated	0.1	-	-	-	-	-
Entering labor force for the first time	51.9	49.7	39.8	40.4	41.1	41.7
Total labor force	2,024.4	2,174.2	2,210.4	2,247.2	2,284.6	2,322.7
of which: unemployed	90.3	82.1	80.9	79.6	78.3	76.8
% of total	4.5%	3.8%	3.7%	3.5%	3.4%	3.3%
Registered unemployed	46.1	40.3	73.6	61.2	75.3	81.6
% of total	2.3%	1.9%	3.3%	2.7%	3.3%	3.5%

Source: Central Bureau of Statistics, Statistical Abstract, 1984.

0569Y

Table 2.1: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN, AT CONSTANT (1980) MARKET PRICES, 1979-84

	1979	1980	1981	1982	1983	1984
GDP (million Syrian pounds)	47,793	51,799	57,107	58,957	58,705	57,4
Agriculture 2/	7,423	10,383	10,820	10,545	10,458	9,4
Industry	12,641	12,561	12,986	13,863	13,257	13,1
Mining and manufacturing 3/	8,845	9,006	9,283	9,771	9,190	8,6
Construction	3,796	3,555	3,703	4,092	4,067	4,4
Services	27,729	28,855	33,301	34,549	34,990	34,8
Wholesale and retail trade	11,617	12,700	15,336	15,470	15,211	13,9
Transport and communications	3,379	3,557	4,188	4,234	4,469	4,6
Finance and insurance 4/	3,142	3,267	3,586	3,649	3,370	3,4
Government services	8,574	8,369	9,162	9,969	10,657	11,2
Other services	1,017	962	1,029	1,227	1,283	1,5
Growth rates (% p.a.)						
GDP (market prices)	3.4	8.4	10.2	3.2	-0.4	-2
Agriculture	-14.7	39.9	4.2	-2.5	-0.8	-9
Industry	-0.7	-0.6	3.4	6.8	-4.4	-0
Mining and manufacturing 3/	-10.0	1.8	3.1	5.3	-5.9	-5
Construction	31.2	-6.4	4.2	10.5	-0.6	9
Services	11.8	4.1	15.4	3.7	1.3	-0
Wholesale and retail trade	4.3	9.3	20.8	0.1	-1.7	-8
Transport and communications	10.6	5.3	17.7	1.1	5.6	3
Finance and insurance 4/	12.5	4.0	9.8	1.8	-7.6	1
Government services	24.4	-2.4	9.5	8.8	6.9	5
Other services	8.9	-5.4	7.0	19.2	4.6	18

Source: Central Bureau of Statistics, Statistical Abstract, 1985.

1/ Provisional.
2/ Includes forestry and fisheries.
3/ Includes electricity, gas, and water.
4/ Includes real estate and business services.

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Table 2.2: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT CURRENT MARKET PRICES, 1979-84

	1979	1980	1981	1982	1983	1984 1/
GDP (million Syrian pounds)	39,302	51,799	66,492	70,527	73,049	75,126
Agriculture 2/	6,857	10,383	12,739	13,849	15,626	14,920
Industry	10,961	12,561	17,769	17,609	16,468	17,735
Mining and manufacturing 3/	8,246	9,006	14,012	13,296	12,010	12,786
Construction	2,715	3,555	3,757	4,313	4,458	4,949
Services	21,484	28,855	35,984	39,069	40,955	42,471
Wholesale and retail trade	9,476	12,700	16,223	16,851	17,820	17,529
Transport and communications	2,786	3,557	4,807	5,506	5,966	6,209
Finance and insurance	2,591	3,267	4,122	4,327	4,203	4,647
Government services	5,790	8,369	9,636	10,934	11,451	12,288
Other services	841	962	1,196	1,451	1,515	1,798
Share of GDP (in % of total)	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	17.4	20.0	19.2	19.3	21.4	19.9
Industry	27.9	24.3	26.7	26.2	22.5	23.6
Mining and manufacturing	21.0	17.4	21.1	20.2	16.4	17.0
Construction	6.9	6.9	5.6	6.0	6.1	6.6
Services	54.7	55.7	54.1	54.5	56.1	56.5
Wholesale and retail trade	24.1	24.5	24.4	23.5	24.4	23.3
Transport and communications	7.1	6.9	7.2	7.7	8.2	8.3
Finance and insurance	6.6	6.3	6.2	6.0	5.8	6.2
Government services	14.7	16.1	14.5	15.7	15.7	16.4
Other services	2.2	1.9	1.8	2.0	2.1	2.4

Source: Central Bureau of Statistics, Statistical Abstract, 1985.

1/ Provisional.
2/ Includes forestry and fisheries.
3/ Includes electricity, gas, and water.
4/ Includes real estate and business services.

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Table 2.3: RESOURCES AND THEIR USES AT CONSTANT (1980) PRICES, 1979-84
(in millions of Syrian pounds)

	1979	1980	1981	1982	1983	1984 1/
Consumption	43,272	45,533	55,781	53,452	54,791	52,475
Private 2/	31,410	33,655	43,316	40,321	40,986	38,105
Public	11,862	11,878	12,465	13,131	13,805	14,370
Gross domestic investment	11,740	14,116	14,421	14,896	15,457	15,742
Fixed investment	11,740	14,116	14,421	14,896	15,457	15,742
Private	3,288	5,099	5,445	5,628	5,007	5,304
Public	8,452	9,017	8,976	9,268	10,450	10,438
Change in stocks 3/	-	-	-	-	-	-
Total uses/resources	55,012	59,649	70,202	68,348	70,248	68,217
Net imports of goods and services 4/	7,219	7,850	13,095	9,391	11,543	10,770
Exports	10,219	9,294	9,211	10,109	10,547	10,165
Imports	17,438	17,144	22,306	19,500	22,090	20,935
GDP at market prices	47,793	51,799	57,107	58,957	58,705	57,447
Net factor income 5/	446	486	1,528	1,091	1,069	612
GNP at market prices	48,239	52,285	58,635	60,048	59,774	58,059
Gross domestic savings 6/	4,521	6,266	1,326	5,505	3,914	4,972
Gross national savings 7/	4,967	6,752	2,854	6,596	4,983	5,584
Net transfers 8/	6,385	5,966	7,138	5,413	5,015	4,715
Gross national savings (including net transfers)	11,352	12,718	9,992	12,009	9,998	10,299

Source: Central Bureau of Statistics, Statistical Abstract, 1985, and Bank estimates

1/ 1984 data are provisional.
2/ Residual, including net addition to stocks, which were substantial in agriculture in 1981.
3/ Not available; included with private consumption.
4/ Includes non factor services only. These figures differ slightly from those given in the balance of payments at current prices.
5/ Estimated from the balance of payments data. Equal to net investment income and private transfers. These have been deflated by the ratio of the parallel market exchange rate to the official rate in 1981 and by the ratio of the tourist rate to the parallel market rate in 1982 to 1984 (1.06, 1.21 and 1.47 respectively).
6/ GDP less consumption; excluding net accumulation in stocks.
7/ Equals gross domestic savings plus net factor income.
8/ Net public transfers from the balance of payments. Converted at the constant official exchange rate and therefore not deflated.

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Table 2.4: RESOURCES AND THEIR USES AT CURRENT PRICES, 1979-84
(in millions of Syrian pounds)

	1979	1980	1981	1982	1983	1984 1/
Consumption	35,805	45,533	62,263	61,758	65,735	65,834
Private 2/	27,318	33,655	48,664	46,471	49,708	48,634
Public	8,487	11,878	13,599	15,287	16,027	17,200
Gross domestic investment	10,194	14,116	15,262	16,270	17,286	17,865
Fixed investment	10,194	14,116	15,262	16,270	17,286	17,865
Private	2,382	5,099	5,929	6,155	5,706	6,089
Public	7,812	9,017	9,333	10,115	11,580	11,776
Change in stocks 3/	-	-	-	-	-	-
Total uses/resources	45,999	59,649	77,525	78,028	83,021	83,699
Net imports of goods and services 4/	6,697	7,850	11,033	7,501	9,972	8,573
Exports	7,253	9,294	9,712	9,464	9,600	9,431
Imports	13,950	17,144	20,745	16,965	19,572	18,004
GDP at market prices	39,302	51,799	66,492	70,527	73,049	75,126
Net factor income 5/	446	486	2,216	1,156	1,293	900
GNP at market prices	39,748	52,285	68,708	71,683	74,342	76,026
Gross domestic savings 6/	3,497	6,266	4,229	8,769	7,314	9,292
Gross national savings 7/	3,943	6,752	6,445	9,925	8,607	10,192
Net transfers 8/	6,385	5,966	7,138	5,413	5,015	4,715
Gross national savings (including net transfers)	10,328	12,718	13,583	15,338	13,622	14,907

Source: Central Bureau of Statistics, Statistical Abstract, 1985.
and Bank estimates

1/ 1984 data are provisional.
2/ Residual, including net addition to stocks, which were substantial in agriculture in 1981.
3/ Not available; included with private consumption.
4/ Include non factor services. These figures differ slightly from those given in the balance of payments at current prices.
5/ Estimated from the balance of payments data. Equal to net investment income and private transfers.
6/ Excluding net accumulation in stocks.
7/ Equal gross domestic savings plus net factor income.
8/ Net public transfers from the balance of payments.

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Table 2.5: GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSETS AND SOURCE, 1978-84
(in millions of Syrian pounds)

	1978	1979	1980	1981	1982	1983	1984 1/
In current prices							
Dwellings	1,627	1,538	4,036	4,685	4,650	3,859	4,471
Industrial and commercial buildings	642	968	1,163	1,047	1,668	1,825	2,259
Construction	2,462	3,947	4,269	4,456	5,580	6,317	6,705
Transport equipment	166	150	629	700	577	1,799	1,512
Machinery and Other equipment	3,990	3,591	4,019	4,374	3,795	3,486	2,918
Total	8,887	10,194	14,116	15,262	16,270	17,286	17,865
of which: public	5,938	7,812	9,017	9,333	10,115	11,580	11,776
private	2,949	2,382	5,099	5,929	6,155	5,706	6,089
of which: imported G&S	2,731	2,844	3,406	4,292	2,540	3,880	3,180
In constant (1980) prices							
Dwellings	2,625	2,240	4,036	4,156	4,266	3,415	3,888
Industrial and commercial buildings	827	1,410	1,163	930	1,530	1,615	1,964
Construction	2,772	3,459	4,269	3,934	5,215	5,692	5,934
Transport equipment	203	176	629	711	579	1,525	1,303
Machinery and other equipment	5,140	4,455	4,019	4,690	3,306	3,210	2,653
Total	11,567	11,740	14,116	14,421	14,896	15,457	15,742
of which: public	7,195	8,452	9,017	8,976	9,268	10,450	10,438
private	4,372	3,288	5,099	5,445	5,628	5,007	5,304
of which: imported G&S	4,133	3,541	3,406	4,627	2,924	4,382	3,706
Share in total (% in constant prices)							
Dwellings	22.7	19.1	28.6	28.8	28.6	22.1	24.7
Industrial and commercial buildings	7.1	12.0	8.2	6.4	10.3	10.4	12.5
Construction	24.0	29.5	30.2	27.3	35.0	36.8	37.7
Transport equipment	1.8	1.5	4.5	4.9	3.9	9.9	8.3
Machinery and other equipment	44.4	37.9	28.5	32.5	22.2	20.8	16.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which: public	62.2	72.0	63.9	62.2	62.2	67.6	66.3
private	37.8	28.0	36.1	37.8	37.8	32.4	33.7
of which: imported G&S	35.7	30.2	24.2	32.1	19.6	28.3	23.5

Source: Central Bureau of Statistics, Statistical Abstract, 1985.

1/ 1984 data are provisional.

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Table 2.6: GROSS FIXED CAPITAL FORMATION BY SECTOR, 1978-84
(in millions of Syrian pounds)

	1978	1979	1980	1981	1982	1983	1984 1/
In current prices							
Agriculture, forestry and fisheries	585	808	525	959	940	1,471	2,064
Mining & manufacturing 2/	3,950	4,391	4,048	5,117	5,306	5,033	4,306
Transport & communication	1,213	1,335	1,629	2,080	2,395	2,785	2,212
Dwellings	1,627	1,539	4,036	4,685	4,650	3,859	4,471
Other sectors	1,512	2,122	3,878	2,421	2,979	4,138	4,812
Total	8,887	10,194	14,116	15,262	16,270	17,286	17,865
In constant (1980) prices							
Agriculture, forestry and fisheries	699	800	525	924	868	1,328	1,831
Mining and manufacturing 2/	4,969	5,169	4,048	4,866	4,776	4,575	3,790
Transport and communication	1,472	1,350	1,629	1,940	2,243	2,457	1,941
Dwellings	2,625	2,240	4,036	4,156	4,266	3,415	3,888
Other sectors	1,802	2,181	3,878	2,535	2,743	3,682	4,292
Total	11,567	11,740	14,116	14,421	14,896	15,457	15,742
Share in total (%, constant prices)							
Agriculture, forestry and fisheries	6.0	6.8	3.7	6.4	5.8	8.6	11.6
Mining and manufacturing 2/	43.0	44.0	28.7	33.7	32.1	29.6	24.1
Transport and communication	12.7	11.5	11.5	13.5	15.1	15.9	12.3
Dwellings	22.7	19.1	28.6	28.6	28.6	22.1	24.7
Other sectors	15.6	18.6	27.5	17.6	18.4	23.8	27.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bureau of Statistics, Statistical Abstract, 1985.

1/ 1984 data are provisional.
2/ Including electricity, gas and water.

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Table 3.1: THE BALANCE OF PAYMENTS, 1978-84
(in millions of Syrian pounds)

	1978	1979	1980	1981	1982	1983	Prov. 1984
Goods and services	-5,274	-6,485	-9,016	-11,339	-8,076	-10,022	-9,341
Trade balance	-4,485	-5,525	-7,448	-10,258	-6,560	-8,730	-7,622
Exports, f.o.b. 1/	4,164 2/	6,467 2/	8,290 2/	8,752	7,975	7,567	7,298
Imports, f.o.b. 1/	-8,649	-11,992	-15,738	-19,010	-14,535	-16,297	-14,920
Services balance	-789	-960	-1,568	-1,081	-1,516	-1,292	-1,719
Receipts	1,404	1,842	1,787	2,404	2,226	3,066	2,776
Oil transit dues and company expenditures	(10)	(56)	(92)	(83)	(73)	(-)	(-)
Freight and transport	(46)	(266)	(247)	(369)	(542)	(511)	(487)
Travel and tourism 3/	(493)	(531)	(614)	(995)	(880)	(1,432)	(1,450)
Investment earnings 4/	(163)	(172)	(263)	(368)	(100)	(62)	(118)
Government services 5/	(303)	(556)	(444)	(326)	(389)	(700)	(519)
Other services	(389)	(261)	(127)	(263)	(242)	(360)	(202)
Payments	-2,193	2,802	-3,355	-3,485	-3,742	-4,358	-4,495
Freight and transport	(-894)	(-1,476)	(-1,587)	(-1,775)	(-1,679)	(-2,027)	(-1,808)
Travel and tourism	(-211)	(-422)	(-693)	(-815)	(-835)	(-1,108)	(-1,220)
Investment earnings 4/	(-159)	(-165)	(-313)	(-435)	(-694)	(-579)	(-501)
Government services 5/	(-360)	(-693)	(-730)	(-395)	(-473)	(-515)	(-779)
Other services 6/	(-569)	(-46)	(-32)	(-65)	(-61)	(-128)	(-187)
Private unrequited transfers 7/	371	439	536	2,283	1,750	1,810	1,283
Current account balance	-4,903	-6,046	-8,480	-9,056	-6,326	-8,212	-8,058
Official unrequited transfers	3,070	6,385	5,966	7,138	5,413	5,015	4,715
Receipts 8/	3,070	6,393	5,974	7,149	5,420	5,026	4,726
Payments	-	(-8)	(-8)	(-11)	-7	-11	-11
Nonmonetary capital	1,523	536	-126	536	83	1,477	1,012
Direct investment	-	-204	-134	-90	13	-1	-18
Receipts	-	(9)	(10)	(55)	(27)	(19)	(2)
Payments	-	(-213)	(-144)	(-145)	(-14)	(-20)	(-20)
Short-term	113	242	-27	347	113	264	-265
Receipts	(541)	(618)	(582)	(680)	(434)	(597)	(286)
Payments	(-428)	(-376)	(-609)	-(333)	(-321)	(-333)	(-551)
Long-term public	1,410	498	36	279	-43	1,214	1,296
Receipts	(2,377)	(2,220)	(2,302)	(2,022)	(1,878)	(3,182)	(3,122)
Payments	(-967)	(-1,722)	(-2,267)	(-1,743)	(-1,921)	(-1,968)	(-1,826)
Net errors and omissions	-77	18	-98	-63	-136	152	-265
Overall balance	-387	893	-2,738	-1,445	-966	-1,568	-2,596
Monetary movements (increase in assets-)	387	-893	2,738	1,445	966	1,568	2,596
Monetary authorities	747	-492	1,493	270	1,505	515	162
Commercial banks	-360	-401	1,245	1,175	-539	1,053	2,434

Source: Central Bank of Syria.

1/ Data derived from customs figures which are converted at the exchange rate appropriate for each transaction. The bulk of military imports is not included.
2/ Includes the sale of electricity.
3/ Foreign exchange transactions of hotels, tourism offices, and tourists with the Commercial Bank of Syria.
4/ Interest and charges recorded by the Central Bank and Commercial Bank of Syria on investments and loans.
5/ Mainly expenditures of diplomatic representation. Includes pensions for former government employees.
6/ Private transfers through banks and includes payments by insurance companies, payments for foreign experts working in the Syrian Arab Republic, and payments for conferences and subscriptions.
7/ Workers remittances. Includes, from May 1981, all remittances made to finance private sector imports. Unrecorded remittances are thought to be substantial.
8/ Grants ir cash and in kind mainly from Arab countries; excludes grants of purchase of military equipment.

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Table 3.2: EXPORTS BY SITC SECTIONS, 1978-84
(in millions of Syrian pounds)

SITC SECTION	1978	1979	1980	1981	1982	1983	1984
0. Food and live animals	243	256	231	231	524	274	392
1. Beverages and tobacco	33	40	118	33	80	75	29
2. Raw materials	887	1,011	856	796	625	859	1,296
3. Minerals fuels	2,612	4,658	6,524	6,522	5,940	5,196	4,588
4. Animal and vegetable oil	-	1	-	-	-	-	-
5. Chemical and related products	6	12	11	19	87	118	264
6. Manufacturing goods classified by material	150	243	314	353	402	673	384
7. Machinery and transport equipment	88	88	87	80	45	83	64
8. Miscellaneous and other transactions	131	145	132	257	247	269	258
9. Errors and omissions	11	-	-	-	-	-	-
Total	4,160	6,453	8,273	8,254	7,954	7,547	7,275

Source: Statistical Abstract, 1978-1985.

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Table 3.3: IMPORTS BY SITC SECTIONS, 1978-84
(in millions of Syrian pounds)

SITC SECTION	1978	1979	1980	1981	1982	1983	1984
0. Food and live animals	1,598	1,620	2,101	2,771	2,020	3,275	2,850
1. Beverages and tobacco	37	58	44	130	88	60	70
2. Raw materials	369	420	604	515	502	590	491
3. Minerals fuels	1,273	3,230	4,198	6,848	5,932	5,380	5,543
4. Animal and vegetable oil	79	82	113	181	133	150	97
5. Chemical and related products	871	1,157	1,326	1,330	1,395	1,385	1,194
6. Manufacturing goods classified by material	2,205	3,071	3,773	3,142	2,885	2,673	2,560
7. Machinery and transport equipment	2,811	2,980	3,484	4,300	2,452	3,899	3,090
8. Miscellaneous and other transactions	368	420	491	534	318	391	249
9. Errors and omissions	41	28	30	30	31	27	10
Total	9,650	13,066	16,165	19,781	15,755	17,829	16,154

Source: Statistical Abstract, 1978-1985.

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Table 3.4: COMMODITY COMPOSITION OF EXPORTS, 1978-84

	1978	1979	1980	1981	1982	1983	1984
Total exports (million SL)	4,160.0	6,453.0	8,272.7	8,253.7	7,953.6	7,547.4	7,274.8
Crude oil	2,553.0	4,449.0	5,234.7	5,043.6	4,081.5	4,132.0	3,607.8
Oil products	58.0	209.0	1,286.0	1,427	1,849	1,063	956.0
Raw Cotton	674.4	758.0	664.5	558.6	452.9	682.5	1075.7
Textiles & yarn/clothing	225.8	325.5	383.3	510.5	617.1	919.5	588.6
Phosphates	89.6	126.3	89.1	129.4	82.2	106.3	99.7
Wool	40.5	45.5	47.6	11.1	36.7	31.6	22.3
Wheat	12.0	1.6	-	0.0	8.0	-	-
Barley	-		17.5	78.3	344.4	35.2	-
Fruits and vegetables	155.4	25.6	141.2	91.9	108.8	111.3	165.9
Fruit paste	16.3	21.8	17.4	22.6	31.1	35.1	32.2
Live animals and meat	25.2	36.9	20.7	5.5	4.6	59.7	205.8
Lentils and chick peas	121.1	139.7	104.5	36.1	3.3	38.4	97.1
Tobacco and cigarettes	24.2	29.1	112.5	26.3	71.7	69.0	27.1
Cottonseed oil	9.8	14.9	15.6	15.8	11.5	13.9	-
Raw hides and leather	37.0	46.7	44.0	46.3	32.3	9.4	27.6
Perfumes	..	..	..	..	..	63.5	143.5
Quantities ('0000 tons)	9,795.0	9,944.6	9,023.0	9,150.8	9,749.8	9,042.2	8,181.1
Crude oil	8,106.0	7,697.1	6,316.1	5,542.3	5,317.1	5,864.7	5,126.8
Oil products	179.0	373.0	1,461.0	2,054.0	2,702.0	1,664.0	1,408.0
Raw cotton	126.7	113.0	93.6	68.4	67.8	106.5	147.9
Textiles & yarn/clothing	37.3	39.6	34.2	26.9	38.8	45.5	n.a.
Phosphates	919.8	1,253.4	744.0	955.5	705.3	1,002.1	951.1
Wool	7.6	6.8	5.9	1.5	4.4	3.5	2.5
Wheat	19.9	1.0	-	0.0	10.1	-	-
Barley	-	-	23.8	106.4	555.6	57.0	-
Fruits and vegetables	129.5	19.7	79.9	54.5	64.6	76.6	178.5
Fruit paste	4.	5.6	3.0	3.8	4.0	5.0	6.4
Live animals and meat (1000 heads)	171.0	269.0	199.0	(7.0)	(1.0)	(146.0)	(191.0)
Lentils and chick peas	107.3	123.0	55.9	14.9	1.4	28.8	72.5
Tobacco and cigarettes	1.9	2.1	4.5	1.0	2.5	2.7	0.9
Cottonseed oil	17.0	19.3	14.8	11.2	15.4	16.1	-
Raw hides and leather	2.3	2.6	2.4	2.0	1.6	0.5	1.4
Perfumes	..	..	..	..	..	2.3	2.3

Source: The Central Bureau of Statistics, Statistical Abstract, 1978-1985.

1/ Includes refined oil products, chemicals, glassware and metals.
2/ Derived residually.

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Table 3.5: COMMODITY COMPOSITION OF IMPORTS, 1978-1984

	1978	1979	1980	1981	1982	1983	1984
Total imports (million SL)	9,650.2	13,065.9	16,165.4	19,781.0	15,755.2	17,828.6	16,154.5
Metal and metal products	1,283.3	1,841.0	2,266.0	1,642.3	1,768.1	1,489.0	1,636.0
Machines and equipment	2,178.4	2,119.5	2,416.3	2,997.0	1,878.1	2,403.8	1,881.5
Transport equipment	639.6	826.1	1,026.3	1,255.3	584.3	1,485.3	1,429.9
(of which vehicles)		(664.9)	(932.7)	(1,156.0)	(475.1)	(1,213.4)	(1,073.9)
Medical and scientific instruments	177.8	207.8	214.2	248.0	160.4	192.8	121.7
Textile and textile products	502.6	594.0	664.5	691.0	468.6	527.2	450.0
Paper and paper products	126.5	137.0	220.3	200.4	169.5	309.6	240.0
Wood and wood products	262.7	295.0	450.6	386.9	378.8	331.3	279.2
Resins, rubber and rubber products	113.7	143.8	573.8	595.7	505.4	589.3	436.9
Chemical and chemical products	723.7	956.5	1,074.8	1,102.1	1,164.5	1,150.1	1,194.0
Fuels	1,268.4	3,228.5	4,196.9	6,847.3	5,929.8	5,362.6	5,539.1
Live animals, foodstuffs and feed	1,598.0	1,620.0	2,101.0	2,771.2	2,020.0	3,275.0	2,850.3
(Raw and refined sugar)	(..)	(194.0)	(247.8)	(445.2)	(499.9)	(721.4)	(275.7)
(Cereals and products)	(..)	(433.3)	(552.2)	(793.8)	(367.5)	(1,326.8)	(1,595.5)
(Fruits and vegetables)	(276.9)	(342.6)	(335.6)	(356.0)	(254.9)	(157.8)	(178.5)
Quantities ('000 tons)							
Metal and metal products	676.0	970.6	1,021.1	602.0	898.3	513.5	..
Machines and equipment	125.1	118.2	116.4	179.5	100.0	135.1	119.7
Transport equipment	65.3	66.8	74.2	911.8	56.1	105.5	72.8
(of which vehicles)	-	(51.1)	(60.6)	(76.0)	(35.4)	(76.1)	(48.3)
Medical and scientific instruments	2.8	3.4	3.1	3.1	2.1	2.5	..
Textile and textile products	70.2	77.0	64.0	79.0	58.2	73.4	..
Paper and paper products	61.1	61.1	70.4	67.5	55.4	119.2	111.0
Wood and wood products	186.7	214.4	222.5	220.0	216.5	215.9	191.5
Resins, rubber and rubber products	16.0	17.6	88.2	91.5	85.1	114.5	..
Chemical and chemical products	301.3	366.2	348.7	350.7	208.4	322.2	-
Fuels	3,033.2	5,472.9	4,418.5	6,456.9	6,539.8	6,598.0	6,632.2
Live animals, foodstuffs and feed	695.5	720.8	984.9	1,187.4	777.1	2,197.4	..
(Raw and refined sugar)	(..)	210.4	192.0	198.3	175.6	589.3	295.9
(Fruits and vegetables)	(298.8)	(339.9)	(319.2)	(307.6)	(224.3)	(134.4)	(..)

Source: The Central Bureau of Statistics, Statistical Abstract, 1978-1985.

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Table 3.6: IMPORTS ACCORDING TO END-USE 1978-1984
(in million of Syrian pounds and percent)

SITC SECTION	1978	1979	1980	1981	1982	1983	1984
Value (million SL)							
Final consumption	1,944	2,2210	2,544	2,796	2,417	2,757	1,768
Intermediate consumption	4,887	7,932	10,129	12,612	10,752	11,114	11,140
Fixed assets (capital)	2,819	2,824	3,492	4,373	2,586	3,958	3,246
Total	9,650	13,066	16,165	19,781	15,755	17,829	16,154
Shares (% of total)							
Final consumption	20.1	16.9	15.7	14.1	15.3	15.5	10.9
Intermediate consumption	50.7	60.7	62.7	63.8	68.2	62.3	69.0
Fixed assets (capital)	29.2	22.4	21.6	22.1	16.4	22.2	20.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bureau of Statistics, Statistical Abstract, 1978-1985.

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1/ Includes unprocessed foodstuffs.

Table 3.7: TRADE IN OIL AND OIL PRODUCTS, 1978-84

	1978	1979	1980	1981	1982	1983	1984
Value (SL million)							
Exports							
Crude oil	2,553	4,449	5,235	5,044	4,082	4,132	3,608
Oil products	58	209	1,286	1,477	1,849	1,063	956
Total	2,611	4,658	6,521	6,521	5,931	5,195	4,564
Imports							
Crude oil	872	1,926	3,155	4,954	4,249	4,656	4,995
Oil products	395	1,298	1,034	1,887	1,679	707	540
Total	1,267	3,224	4,189	6,841	5,928	5,363	5,535
Net exports, total	1,344	1,434	2,332	-320	-3	-168	-971
Volume (thousand tons)							
Exports							
Crude oil	8,106	7,697	6,316	5,542	5,317	5,866	5,127
Oil products	179	373	1,461	2,054	2,702	1,664	1,408
Total	8,285	8,070	7,777	7,596	8,109	7,530	6,535
Imports							
Crude oil	2,238	3,332	3,155	4,994	5,224	6,076	6,223
Oil products	789	2,135	1,257	1,458	1,316	522	406
Total	3,027	5,467	4,412	6,452	6,540	6,598	6,629
Net exports, total	5,258	2,603	3,365	1,144	1,479	932	-94

Source: Statistical Abstract, 1979-1985.

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Table 4.1: EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AT 12/31/83
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(in thousands of U.S. dollars)

Type of Creditor/ Creditor Country	Debt Outstanding			In Arrears	
	Disbursed	Undisbursed	Total	Principal	Interest
Suppliers' credits					
France	14,562	-	14,562		
German Democratic Republic	6,132	780	6,912		
Germany, Federal Republic of	29,277	-	29,277		
Italy	928	-	928		
Japan	60,022	29,618	89,640		
United States	2,137	-	2,137		
Total suppliers' credits	113,058	30,398	143,456		
Financial institutions					
France	599	1,552	2,151		
Japan	8,748	-	8,748		
Jordan	4,845	-	4,845		
Total financial institutions	14,192	1,552	15,744		
Multilateral loans					
Arab Fund Ec. Soc. Devt.	75,061	56,330	131,391		
Arab Monetary Fund	9,234	-	9,234		
European Investment Bank	8,935	11,166	20,101		
IBRD	287,013	135,437	422,450		
IDA	47,130	-	47,130		
Islamic Development Bank	4,856	28,706	33,562		
OPEC Special Fund	1,795	10,205	12,000		
Total multilateral loans	434,024	241,844	675,868		
Bilateral loans					
Belgium	1,348	-	1,348		
Bulgaria	50,932	67,847	118,779		
China	5,483	-	5,483		
Czechoslovakia	108,630	198,333	306,963		
France	31,651	-	31,651		
German Democratic Republic	266,401	310,901	577,302		
Germany, Federal Republic of	89,050	82,880	171,930		
Hungary	10,164	9,555	19,719		
Iran	-	150,000	150,000		
Iraq	6,900	-	6,900		
Japan	25,905	58,542	84,447		
Korea, Republic of	1,480	-	1,480		
Kuwait	55,224	22,341	77,565		
Poland	5,605	-	5,605		
Qatar	9,000	-	9,000		
Romania	157,981	48,953	206,934		
Saudi Arabia	391,927	56,980	448,907		
United Arab Emirates	98,754	1,634	100,388		
United States	257,753	208,426	466,179		
USSR	164,498	127,689	292,187		
Yugoslavia	4,975	17,328	22,303		
Total bilateral loans	1,743,661	1,361,409	3,105,070		
Total external public debt	2,304,935	1,635,203	3,940,138		

Note: Only debts with an original or extended maturity of over one year are included in this table.

Debt outstanding includes principal in arrears but excludes interest in arrears.

Table 4.2: SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT
PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF 12/31/83
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(in thousands of U.S. dollars)

Year	Debt Outstanding at Beginning of Period		Total Transactions During Period					Other Changes	
	Disbursed only (1)	Including Undisbursed (2)	Commitments (3)	Disbursements (4)	Service Payments Principal (5)	Service Payments Interest (6)	Service Payments Total (7)	Cancellations (8)	Adjustments* (9)
1979	1,737,312	3,657,294	504,853	448,557	195,042	71,031	266,073	23	9,555
1980	1,998,159	3,976,637	368,432	347,245	221,039	76,816	297,855	12,740	-34,365
1981	2,107,307	4,076,925	155,252	369,580	242,920	55,275	298,195	39,927	-92,888
1982	2,194,588	3,856,442	218,538	311,726	243,702	72,673	316,375	7,704	-41,457
1983	2,239,872	3,782,117	443,335	325,457	231,705	72,656	304,361	3,153	-50,451
			(the following figures are projected)						
1984	2,304,935	3,940,143	-	406,103	246,587	88,222	334,809	-	10
1985	2,464,461	3,693,566	-	458,790	270,146	93,793	369,939	-	17
1986	2,653,125	3,423,437	-	393,383	266,126	104,970	371,096	-	7
1987	2,780,373	3,157,318	-	197,398	259,080	108,651	367,731	-	17
1988	2,718,712	2,898,255	-	90,732	241,776	105,403	347,179	-	8
1989	2,567,672	2,656,487	-	41,959	244,330	99,203	343,533	-	7
1990	2,365,309	2,412,164	-	19,815	244,298	90,477	334,775	-	12
1991	2,140,839	2,167,878	-	13,539	212,742	81,732	294,474	-	14
1992	1,941,647	1,955,150	-	9,002	204,657	73,895	278,552	-	-9
1993	1,745,984	1,750,484	-	4,500	198,573	66,248	254,821	-	14

* This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one year to the next. The most common causes of imbalances are changes in exchange rates and transfer of debts from one category to another in the table.

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Table 5.1: PUBLIC SECTOR FINANCES, 1981-85
(in millions of Syrian pounds)

	1979	1980	1981	1982	1983	Prov. 1984	Budget 1985
Budgetary transactions							
Revenues	9,202	13,757	16,555	19,202	21,228	18,333	24,906
Expenditures	15,284	24,853	27,038	31,218	33,648	34,998	42,984
Of which:							
Current	9,213	15,698	17,175	19,166	21,571	22,900	23,548
Investment 1/	6,071	9,155	9,863	12,052	12,077	12,098	19,436
Deficit	-6,082	-11,096	-10,483	-12,016	-12,420	-16,665	-18,078
Financing	6,082	11,906	10,483	12,016	12,420	16,665	18,078
External 2/	6,679	5,867	7,956	6,534	6,841		na
Grants	6,385	5,966	6,358	5,354	5,762	3,768	8,378
Loans	498	-99	1,598	1,180	1,079	964	1,931
Domestic 3/	62	5,032	1,806	6,023	5,008	10,619	7,507
Discrepancy	-659	197	721	-541	571	1,326	263

Source: Ministry of Finance and IMF.

1/ Includes investment by the public enterprises, except for minor outlays (about 2%) by the Central Government.
2/ Balance of payments estimates made by Central Bank of Syria for 1979 and 1980.
3/ Net increase in bank lending to the Central Government taken as recorded by the Ministry of Finance. These figures differ considerably from those derived from the Monetary Survey. Borrowing from the Central Bank is put at SL 4,406 million in 1980 by the Ministry of Finance.
4/ Negative figure in 1979 reflects Government assumption of certain debts of the public sector to the banking system.

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Table 5.2: BUDGETARY REVENUES, 1979-85
(in millions of Syrian pounds)

	Actual						Budget
	1979	1980	1981	1982	1983	1984 1/	1985
Tax revenues	4,211	5,416	6,588	8,490	8,767	9,027	11,764
Taxes on income and profits	1,105	1,778	2,363	3,702	3,409	3,975	5,300
Taxes on property and wealth	123	118	132	165	259	201	280
Taxes on production consumption, and domestic transations	380	419	444	607	641	626	845
Taxes on international trade	1,549	1,999	2,240	2,279	2,233	1,964	2,766
Other taxes	1,054	1,102	1,409	1,737	2,225	2,261	2,573
Nontax revenues	4,991	8,341	9,967	10,712	12,461	9,306	13,142
Oil transit dues	63	114	79	28	-	4	-
Other	205	254	218	1,238 2/	729 2/	582	567
Transfers from public enterprises	4,723	7,973	9,670	9,446	11,732	8,720	12,575
Industry, mining, transportation, and construction enterprises	(3,451)	(6,697)	(7,691)	(6,861)	(8,557)	(6,327)	(9,367)
Other enterprises	(1,272)	(1,276)	(1,979)	(2,585)	(3,175)	(2,393)	(3,207)
Total revenues	9,202	13,757	16,555	19,202	21,228	18,333	24,906

Source: Ministry of Finance, IMF.

1/ Provisional.

2/ Including LS 1 billion and LS 0.6 billion of Public Debt Fund revenues in 1982 and 1983 respectively.

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Table 5.3: COMPOSITION OF TAX REVENUES, 1979-85
(in millions of Syrian pounds)

	Actuals						Budget
	1979	1980	1981	1982	1983	1984 1/	1985
Taxes on net income and profits	1,105	1,778	2,363	3,702	3,409	3,975	5,300
Rental income tax	110	135	145	223	297	314	400
Profits tax	807	1,333	1,849	3,075	2,588	3,165	4,300
Wages and salaries tax	176	290	346	379	482	443	550
Movable capital tax	12	20	23	25	42	53	50
Taxes on property and wealth	123	118	132	165	259	201	280
Real estate tax	7	8	9	9	11	8	15
Inheritance and gift tax	21	23	28	28	36	32	40
Property and transfers tax	73	70	77	108	184	160	200
Cattle tax	22	17	18	20	28	1	25
Taxes on production, consumption and domestic transactions	380	419	444	607	641	626	845
Tax on agricultural production	79	70	74	100	110	173	125
Selective excises	301	349	370	507	531	453	720
Cement	(52)	(55)	(54)	(66)	(77)	(90)	(100)
Sugar	(17)	(9)	(5)	(102)	(34)	(80)	(50)
Salt	(6)	(7)	(9)	(8)	(12)	(10)	(15)
Tobacco	(151)	(150)	(136)	(116)	(141)	(88)	(200)
Alcoholic beverages	(25)	(28)	(30)	(26)	(36)	(31)	(40)
Petroleum	(38)	(74)	(107)	(144)	(186)	(109)	(200)
Electricity	(12)	(26)	(29)	(45)	(45)	(45)	(115)
Taxes on international trade	1,549	1,999	2,240	2,279	2,233	1,954	2,766
Import duties and taxes	1,475	1,928	2,194	2,228	2,158	1,846	2,416
Customs duties	(946)	(1,151)	(1,187)	(1,230)	(1,484)	(1,181)	(1,600)
Statistical tax	(299)	(444)	(483)	(514)	(308)	(323)	(544)
Foreign trade tax	(101)	(222)	(330)	(267)	(148)	(167)	(272)
Schools tax	(129)	(111)	(194)	(217)	(218)	(175)	(250)
Exports tax	74	71	46	51	75	118	100
Other taxes	1,054	1,102	1,409	1,737	2,225	2,261	2,573
Car fees	141	181	228	238	380	249	425
Television fees	26	22	17	21	25	24	30
Registration and stamps	306	318	402	708	770	817	700
Other 2/	581	581	762	710	1,050	1,171	1,418
Total	4,211	5,416	6,588	8,490	8,767	9,027	11,764

Source: Ministry of Finance.

1/ Provisional.

2/ Includes receipts from sales of property and publications, and earnings from state property.

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Table 5.4: SURPLUSES OF PUBLIC ENTERPRISES TRANSFERRED TO THE BUDGET, 1979-85
(in millions of Syrian pounds)

	Actual						Budget
	1979	1980	1981	1982	1983	1984 Prov.	1985
Banking and financial enterprises	1,120	1,070	1,542	1,556	1,943	1,254	1,185
Commercial	65	69	307	398	649	368	719
Public utilities	79	111	119	544	523	738	1,210
Industry, mining, transportation, and construction	3,451	6,697	7,691	6,861	8,557	6,327	9,367
of which: petroleum	(3,392)	(3,925)	(5,825)	(4,300)	(6,109)	(5,564)	(5,595)
Agriculture	8	26	11	87	60	33	97
Total	4,723	7,973	9,670	9,446	11,732	8,720	12,574

Source: Ministry of Finance, IMF.

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Table 5.5: BUDGETARY EXPENDITURES, 1979-85
(in millions of Syrian pounds)

	Actual						Budget
	1979	1980	1981	1982	1983	1984 5/	1985
Current Expenditures	9,213	15,698	17,175	19,166	21,5721	22,900	23,548
General administration and justice	230	442	373	352	534	1,276	1,241
National security	6,190	8,804	9,484	10,703	11,309	13,235	13,778
Education, culture and information	1,189	1,646	2,211	2,584	2,761	1,840	3,633
Social services and health	177	218	318	374	401	156	447
Finance and economy	554	2,221	2,257	1,725	2,486	4,594	2,217
Agriculture and irrigation	118	196	243	242	282	123	..
Industry, mining and power	14	25	28	33	41	55	..
Transportation, public utilities, and public works	142	246	262	272	271	160	..
Unclassified 1/	599	1,900	1,999	1,261	1,400	2,000	1,900
Amortization of public debt 2/	-	-	-	1,620	2,086	-	-
INVESTMENT EXPENDITURES 3/	6,071	9,155	9,863	12,052	12,077	17,850	19,436
Agriculture and irrigation	1,180	1,118	1,164	1,083	1,104	3,451	3,836
Industry, mining and power	1,886	3,432	3,058	3,585	3,138	3,943	4,549
Transportation, public utilities, and public works	1,415	1,460	2,218	2,516	3,305	3,520	4,861
Education	473	585	1,232	1.391	1,630	1,462	3,638
Social and health	73	50	170	245	357	359	170
Other services 4/	1,054	2,510	1,021	3,242	2,543	5,115	5,769
Total	15,284	24,853	27,038	31,218	33,648	41,289	42,984

Source: Ministry of Finance.

1/ Includes subsidies for oil and foodstuffs.
2/ For the period 1979-81 and 1984 budget, interest as amortization of public debt is included in current expenditure but cannot be isolated.
3/ Includes investment by both public enterprises and the administration.
4/ Includes municipal capital expenditures.

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Table 5.6: PUBLIC SECTOR ALLOCATIONS AND ACTUAL INVESTMENTS UNDER THE FIFTH FIVE-YEAR PLAN, 1981-85
(in millions of Syrian pounds and percent)

	Plan Allocation (in 1980 Prices)		Actual Public Sector Investment 1/ (current prices)				Budget
	Public	Total	1981	1982	1983	1984 2/	1985
Investment (million SL)							
Agriculture and fisheries	15,500	17,200	1,023	1,128	896	1,766	3,836
Industry	28,192	29,579	3,701	4,070	3,401	3,187	5,484
Extractive (mining)	4,404	4,554	588	688	955	1,057	1,038
Manufacturing	10,845	12,345	1,450	1,582	646	719	1,787
Electricity, gas, and water	10,105	10,165	1,663	1,770	1,334	1,022	1,975
Construction	1,828	2,575	-	30	466	389	694
Services	38,106	54,714	4,609	5,552	7,018	7,178	10,106
Trade and commerce	2,407	3,000	296	302	566	392	863
Transport, communication, and storage	11,350	12,800	1,589	1,807	1,655	1,976	2,704
Financial, insurance and real estate	4,061	18,381	353	351	391	423	600
Social services	20,288	20,533	2,371	3,092	4,406	4,387	5,939
Other (contingency)	-	-	-	-	-	-	-
Total	80,788	101,493	9,333	10,750	11,314	12,131	19,436
Shares (% of total)							
Memorandum items:							
Agriculture and fisheries	19.2	16.9	11.0	10.5	7.9	14.6	19.7
Industry of which:	33.6	29.2	39.6	37.9	30.1	26.3	28.3
Extractive (mining)	5.4	4.5	6.3	6.4	8.4	8.7	5.3
Manufacturing	13.4	12.2	15.5	14.7	5.7	5.9	9.2
Electricity, power and water	12.5	10.0	17.8	16.5	11.8	8.4	10.2
Construction	2.3	2.5	-	0.3	4.1	3.2	3.6
Services, of which:	47.2	53.9	49.4	51.6	62.0	59.2	52.0
Transport, communication and storage	14.0	12.6	17.0	16.8	14.6	16.3	13.9
Social services	25.1	20.2	25.4	28.8	38.9	36.2	30.6

Source: State Planning Commission.

1/ Expenditures are based on payments due. Small differences from budget figures, which are based on actual payment by the Public Debt Fund may be due to delays in payments for completed work.
2/ Provisional.

0569Y

Table 6.1: MONETARY SURVEY, 1979-84
(in millions of Syrian pounds)

End of Period	1979	1980	1981	1982	1983 1/	1984 1/
Foreign assets (net)	1,071	-1,630	-3,117	-4,081	-5,570	-8,167
Central Bank	878	-577	-888	-2,391	-2,643	-5,078
Commercial Bank and specialized banks	192	-1,053	-2,229	-1,689	-2,927	-3,089
Domestic assets (net)	16,834	25,660	30,958	37,591	47,752	60,282
Domestic credit	21,196	31,106	40,950	50,795	60,919	72,433
Claims on government (net)	(8,931)	(13,924)	(16,551)	(26,306)	(32,457)	(47,792)
Claims on public sector	(9,828)	(14,238)	(21,731)	(20,858)	(22,524)	(18,061)
Claims on private sector	(2,437)	(2,944)	3,489)	(4,472)	(5,938)	(6,580)
Import deposits	-1,586	-2,505	-5,162	-7,783	-7,887	-7,616
Other items (net)	-2,778	-2,940	-4,830	-5,420	-5,280	-4,535
Money and quasi-money	17,904	24,030	27,841	33,511	42,102	52,115
Money	16,119	21,854	24,832	29,518	36,978	44,948
Currency outside banks	(9,903)	(13,422)	(14,046)	(17,347)	(20,499)	(25,257)
Demand deposits	(6,216)	(8,432)	(10,786)	(12,171)	(16,479)	(19,691)
Quasi-money 2/	1,785	2,176	3,009	3,993	5,204	7,167

Source: Central Bank of Syria.

1/ Provisional.
2/ Mainly time and savings deposits.

0569Y

Table 6.2: FOREIGN ASSETS AND LIABILITIES, 1979-84
(in millions of U.S. dollars)

End of Period	1979	1980	1981	1982	1983	1984 1/
Gross reserves	825.7	484.6	518.9	615.1	476.9	463.5
Central Bank	636.7	375.4	449.1	321.6	231.6	321.3
IMF position 2/	(15.4)	(12.7)	(26.3)	(13.5)	(9.5)	(5.6)
Gold (national valuation)	(28.7)	(28.7)	(28.7)	(28.7)	(28.7)	(28.7)
Convertible foreign exchange	(573.0)	(318.7)	(269.0)	(186.5)	(43.1)	(91.0)
Payments agreement balances	(19.6)	(15.3)	(125.1)	(93.0)	(150.3)	(196.0)
Commercial Bank	189.0	109.2	69.8	293.5	245.3	142.2
Foreign liabilities	551.5	912.5	1,317.4	1,661.2	1,928.4	2,557.5
Central Bank	411.6	533.3	676.3	934.7	932.5	1,623.2
Commercial Bank	139.9	379.2	641.1	726.5	995.9	934.3
Net foreign assets or liabilities	274.2	-427.9	-798.5	-1,046.1	-1,388.6	-2,094.0
Central Bank	225.1	-157.9	-227.2	-613.0	-638.0	-1,301.9
Commercial Bank	-49.1	-270.0	-571.3	-433.1	-750.6	-792.1
Memorandum item:						
Gross official convertible reserves less gold	588.4	331.4	295.3	200.0	52.6	96.6

Source: Central Bank of Syria and IMF.

1/ Provisional.
2/ Gold tranche position and holdings of SDRs.

0569Y

Table 6.3: BALANCE SHEET OF THE CENTRAL BANK, 1979-84
(in millions of Syrian pounds)

End of Period	1979	1980	1981	1982	1983	1984 1/
Foreign assets	2,485	1,499	1,749	1,254	903	1,253
Domestic credit	13,988	19,783	24,115	36,734	43,821	56,855
Claims on government	(12,447)	(18,228)	(22,560)	(35,248)	(41,519)	(55,629)
Claims on public sector	(9)	(62)	(59)	(57)	(56)	(56)
Claims on Commercial Bank and specialized banks	(1,532)	(1,493)	(1,496)	(1,429)	(2,246)	(1,170)
Assets = Liabilities	16,472	21,282	25,864	37,988	44,724	58,108
Reserve money	11,905	15,896	17,250	25,700	32,548	43,562
Foreign liabilities	1,606	2,076	2,637	3,645	3,546	6,330
Government deposits	2,459	3,011	4,986	7,351	7,391	6,716
Capital accounts	141	176	195	185	185	185
Other items (net)	362	123	796	1,107	1,054	1,315

Source: Central Bank of Syria.

1/ Provisional.

0569Y

Table 6.4: CONSOLIDATED BALANCE SHEET OF THE COMMERCIAL BANK AND THE SPECIALIZED BANKS, 1979-84
(in millions of Syrian pounds)

End of Period	1979	1980	1981	1982	1983	1984 1/
Reserves	938	1,622	1,994	6,466	9,815	14,935
Currency	(70)	(91)	(154)	(110)	(145)	(155)
Accounts with Central Bank	(868)	(1,532)	(1,840)	(6,356)	(9,670)	(14,780)
Foreign assets	737	426	272	1,144	957	555
Domestic assets	13,038	18,038	26,544	26,974	30,542	28,984
Claims on government	(782)	(918)	(1,383)	(1,700)	(2,136)	(2,849)
Claims on public sector	(9,819)	(14,176)	(21,672)	(20,802)	(22,468)	(19,555)
Claims on private sector	(2,437)	(2,944)	(3,489)	(4,472)	(5,938)	(6,580)
Assets = liabilities	14,713	20,086	28,810	34,584	41,314	44,474
Demand deposits	5,552	7,611	9,917	10,894	15,174	17,872
Time and savings deposits	1,785	2,176	3,009	3,993	5,204	7,168
Time and savings deposits	(1,149)	(1,398)	(2,185)	(3,074)	(4,309)	(6,077)
Foreign currency deposits	(386)	(474)	(470)	(516)	(430)	(568)
Restricted deposits	(250)	(303)	(354)	(402)	(465)	(523)
Import deposits	1,586	2,505	5,162	7,783	7,887	7,616
Foreign liabilities	545	1,479	2,500	2,833	3,884	3,644
Government deposits	1,839	2,211	3,226	4,132	3,826	3,969
Credit from Central Bank	1,232	1,493	1,496	1,421	2,246	1,178
Capital accounts	532	607	914	1,032	1,139	1,300
Other items (net)	1,643	2,005	2,585	2,495	1,954	1,726

Source: Central Bank of Syria.

1/ Provisional.

0569Y

Table 6.5: COMMERCIAL BANK'S AND SPECIALIZED BANKS' CREDIT BY SECTOR 1979-84
(in millions of Syrian pounds)

End of Period	1979	1980	1981	1982	1983	1984 1/
Agriculture	711	852	1,027	908	1,075	1,323
Commerce	6,225	7,804	10,903	9,965	13,753	13,299
Industry	3,858	6,640	10,874	11,296	9,859	7,099
Construction	1,401	1,634	2,138	2,866	3,441	4,024
Services	2	5	2	5	13	3
Other	59	184	217	233	265	387
Total	12,256	17,119	25,161	25,274	28,406	26,135

Source: Central Bank of Syria.

1/ Provisional.

0569Y

Table 6.6: INTEREST RATE STRUCTURE
(in percent)

	From Central Bank	Public Sector 1/	Cooperatives		Private Sector	
			February Prior to 1981	From February 1981	February Prior to 1981	From February 1981
	Borrowing Rates	Lending Rates				
Commercial Bank of Syria						
Discounts	5.00	7.00			7.00-8.50	9.00
Loans and advances	5.75	5.25-7.50			5.25-9.00	7.50-9.00
Industrial Bank						
Discounts		5.50-6.00	4.00	5.00	6.50-7.00	7.00-8.00
Loans and advances	2.75-3.00	5.50-7.00	6.25-4.50	5.25-8.00	6.50-8.00	7.50-9.00
Popular Credit Bank						
Discounts	2.50-3.50		6.00-6.50	7.00	6.00-7.50	7.00-8.50
Loans and advances	2.75-3.75		6.25-7.50	7.00	6.25-9.00	7.00-9.00
Agricultural Cooperative Bank						
Discounts	2.75					
Loans and advances	2.50	2.00-4.00	4.00	2.00-6.00 3/	5.50-7.50	3.00-7.50 4/
Real Estate Bank rates						
Discounts			7.00-7.50	9.00	7.00-7.50	9.00
Loans and advances	3.00-4.50		5.50-6.50	6.00-7.00	5.50-7.50	5.50-9.00
		Deposit Rates				
Commercial and specialized banks 2/						
Current account and demand deposits		2.00	4.00	4.00	4.00	4.00
Deposits held for not less than six months			5.00	7.00	5.00	7.00
Deposits held for not less than twelve months			5.00	8.00	5.75	8.00
Investment bonds			5.75	9.00	5.75	9.00

Source: Central Bank of Syria, IMF, and Ministry of Agriculture and Agrarian Reform.

1/ These rates have not been changed in recent years, except that deposit rates were reduced for public sector enterprises from February 1, 1982 from 4 percent to 2 percent.

2/ The rates apply also to public savings entitles such as the Post Office and cooperative societies. These accept deposits from the private sector and pay interest at 5 percent per annum.

3/ At present, loans for fruit plantation have been exempt from interest for the duration of the loans, and loans for electrical transform centres are exempt for three years. The minimum interest in other loans is 4 percent.

4/ At present, loans for fruit plantation have been exempt from interest for the duration of the loans; the minimum interest on other loans is 5.5 percent.

23881

Table 7.1: MAJOR CROP PRODUCTION, CROPPED AREA AND YIELDS, 1978-85

	1978	1979	1980	1981	1982	1983	1984	1985 1/
				(in thousand tons)				
Production								
Wheat	1,651	1,320	2,226	2,087	1,556	1,612	1,068	1,714
Barley	729	395	1,587	1,406	661	1,043	304	740
Lentils	92	43	83	62	53	61	36	48
Maize	69	32	48	46	56	27	60	
Millet (white corn)	17	12	19	16	13	11	10	
Cotton (unginned)	377	344	323	356	422	527	451	
Sugarbeet	210	289	505	565	860	1,158	1,268	
Tobacco	13	12	14	13	14	14	13	
Olives	305	196	392	208	472	152	311	
				(in thousand hectares)				
Cropped Area	3,897	3,713	3,994	3,938	4,118	4,219	na	na
(of which irrigated)	(635)	(605)	(647)	(653)	(665)	(697)		
Wheat	1,555	1,449	1,449	1,255	1,222	1,290	1,107	1,265
Barley	1,033	1,102	1,210	1,347	1,589	1,520	1,289	1,386
Lentils	136	89	85	72	58	72	60	68
Maize	27	18	23	21	22	19	42	
Millet	19	13	16	15	13	11	16	
Cotton (unginned)	169	154	139	143	159	176	179	
Sugar beet	12	15	22	22	29	30	36	
Tobacco	16	13	13	13	14	14	14	
Olives	234	241	249	258	266	271	281	
Other	696	621	788	792	746	816		
				(in tons per hectare)				
Yields								
Wheat	1.1	0.9	1.5	1.7	1.3	1.2	1.0	1.4
Barley	0.7	0.4	1.3	1.0	0.4	0.7	0.2	0.5
Lentils	0.7	0.5	0.9	0.9	0.9	0.9	0.6	0.7
Maize	2.1	1.8	2.1	2.2	2.2	1.4	1.4	
Millet	0.9	0.9	1.2	1.1	1.0	1.0	0.6	
Cotton (unginned)	2.2	2.3	2.3	2.5	2.7	3.0	2.5	
Sugar beet	17.5	15.7	22.4	25.5	29.7	39.1	35.5	
Tobacco	0.8	0.7	1.0	1.0	1.0	1.0	1.0	
Olives	1.3	0.8	1.6	0.8	1.8	0.6	1.1	

Source: Central Bureau of Statistics and Ministry of Agriculture and Agrarian Reform.

1/ Provisional.

0569Y

Table 7.2: INDICES OF AGRICULTURAL PRODUCTION, 1978-84
(1980 = 100)

Groups	Weights 1/	1978	1979	1980	1981	1982	1983	1984
Crop production	723	83	71	100	100	100	101	89
Cereals	200	70	52	100	92	64	70	44
Dry legumes	37	96	45	100	75	62	81	48
Vegetables	200	81	78	100	114	111	113	98
Industrial crops	107	103	95	100	102	119	143	125
Fruits	165	83	73	100	93	125	99	111
Others	14	101	94	100	106	116	114	140
Livestock production	277	94	98	100	121	128	130	125
Milk	120	82	87	100	114	119	121	110
Livestock	107	115	114	100	133	142	141	139
Eggs	35	74	92	100	114	124	128	133
Wool and hair	10	92	92	100	120	129	139	125
Others	5	81	77	100	88	82	106	139
Total agriculture	1,000	86	78	100	105	108	109	99

Source: Central Bureau of Statistics, Statistical Abstract, 1984-1985.

1/ 1975 base.

0569Y

Table 7.3: OFFICIAL PROCUREMENT PRICES OF SELECTED CROPS, 1979-85 1/
(in Syrian pounds per ton)

	1979	1980	1981	1982	1983	1984	1985
Wheat							
Hard	700	800	1,050	1,320	1,380	1,380	1,500
Soft	620	700	950	1,190	1,230	1,230	1,415
Barley							
White	510	570	720	800	820	820	1,000
Lentils							
White	850	1,300	1,900	2,250	2,500	2,500	2,600
Red	800	1,100	1,200	1,510	1,600	1,600	1,800
Cotton	1,880	2,250	3,200	3,850	4,000	4,000	4,000
Sugarbeets	180	220	290	310	330	330	330
Tobacco							
Highgrade	1,153	1,131	1,562	1,557	1,578	1,578	1,578
Other	668	784	821	849	848	848	848
Maize	-	850	1,450	1,550	1,700	1,700	1,700

Source: Central Bureau of Statistics.

1/ Prices announced before planting season. In addition, various bonuses are paid to farmers for early delivery to government centers, and for crops delivered by cooperative farmers.

0569Y

Table 7.4: OFFICIAL PROCUREMENT PRICES AND INTERNATIONAL PRICES OF SELECTED CROPS, 1978-84 (US$/ton, fob) 1/

Year	Wheat (soft)		Maize		Cotton 2/		Sugarbeets		Sugar (refined) 3/	
	Syria	Internat.	Syria	Internat.	Syria	Internat.	Syria	US	Syria	Internat.
1978	177	135	203	101	1,219	1,570	36	25	208	182
1979	177	172	203	116	1,252	1,690	46	34	218	223
1980	177	191	215	125	1,499	2,050	56	47	228	642
1981	171	196	266	131	1,545	1,850	53	29	225	384
1982	218	167	284	109	1,859	1,600	57	35	229	196
1983	226	170	312	136	1,931	1,850	61	35	223	197
1984	226	170	312	138	1,931	1,790	61	37	233	120

Source: For Syrian Prices - Central Bureau of Statistics (Table 7.3)
For International Prices - IBRD Commodity Trade and Price Trade, 1983-84 Edition, and estimates of Commodities Division.

1/ Syrian Prices are converted to US$, using official exchange rate of SL 3.95/US$, from 1978 thru 1980 and the parallel market rate of SL5.45/$ in 1981-84.
2/ Ginned. A ginning rate of 38 percent is assumed. International price is Cif N. European.
3/ Assuming an extraction rate of 13 percent per ton of sugarbeets, and $172/ton cost of processing to produce a ton of refined sugar; the cost of processing is based on the 1980-82 US average. International prices of raw sugar have been increased by $10/ton to present prices of refined sugar.

0569Y

Table 8.1: INDEX NUMBERS OF INDUSTRIAL PRODUCTION 1978-84
(1980 = 100)

Groups	Weights	1975	1979	1980	1981	1982	1983	1984
Manufacturing	15,538	68	87	100	117	138	151	163
Food, beverages and tobacco	3,358	75	89	100	105	154	180	184
Textiles, ginning and hides	3,866	97	99	100	101	110	134	151
Wood and furniture	785	80	87	100	118	120	117	96
Papers and printing	148	45	81	100	118	193	320	329
Chemicals	5,755	36	79	100	137	153	153	170
Non-metallic products	637	48	84	100	114	137	165	194
Basic metal industries	228	106	116	100	133	105	127	123
Metal products and equipment	761	46	70	100	105	117	108	87
Electricity and water	651	47	87	100	116	139	206	226
Electricity	500	44	88	100	117	141	227	248
Water	151	65	85	100	115	114	119	133
Mining and quarrying	7,077	108	103	100	103	98	102	103
All groups	23,266	77	92	100	113	125	132	139

Source: Central Bureau of Statistics, Statistical Abstract, 1984-1985.

0569Y

Table 8.2: PRODUCTION OF MAIN MANUFACTURING INDUSTRIES, AND ELECTRICITY, 1979-84
(in thousands of tons unless indicated otherwise)

	1979	1980	1981	1982	1983	1984
Food, beverages and tobacco						
Preserved foods	9.4	9.8	11.6	13.3	26.1	16.0
Olive oil	40.4	83.4	44.5	94.8	27.3	51.0
Vegetable oil	25.3	20.6	20.0	20.0	24.0	24.0
Margarine	5.9	7.3	7.0	8.0	7.0	9.0
Flour	424.0	447.0	865.0	887.0	1,079.0	1,116.0
Macaroni	7.8	9.0	12.0	14.0	15.0	15.0
Sugar	118.0	90.0	148.0	183.0	206.0	199.0
Salt	75.0	90.0	85.0	102.0	88.0	38.0
Alcoholic beverages (million liters)	12.1	13.6	17.0	57.0	15.8	17.0
Tobacco	9.0	9.0	10.0	11.0	13.0	13.0
Textiles						
Ginned cotton	131.0	134.0	118.0	127.0	166.0	1[illegible]5.0
Wool yarn	2.0	1.6	2.0	1.0	1.5	2.0
Wool carpets (000 m^2)	365.0	376.0	483.0	412.0	588.0	517.0
Woolen cloth (million meters)	1.2	1.1	1.9	1.1	1.6	1.6
Cotton yarn	25.3	20.5	31.0	28.0	37.0	34.0
Silk yarn	2.1	2.4	2.0	2.7	2.7	2.0
Silk carpets (000 m^2)	632.0	651.0	682.0	707.0	1,586.0	480.0
Cotton and silk textiles	34.9	34.8	35.0	37.0	44.7	n.a.
Leather products						
Tanned hides box (million sq.ft.)	3.4	3.6	3.0	8.6	10.7	11.2
Wood products						
Compressed wood (000 m^3)	6.4	7.0	5.7	7.8	8.4	6.1
Plywood (000 m^3)	7.1	7.8	8.7	9.5	9.4	6.2
Chemicals						
Fertilizer (azotic)	75.9	48.3	60.0	116.5	112.7	110.0
Fertilizer (phosphatic)	-	-	68.3	115.7	116.0	191.2
Urea	-	-	24.1	70.2	141.8	164.5
Paints	6.0	6.8	7.0	9.0	14.0	9.0
Soap	37.0	37.4	46.0	48.0	52.0	47.0
Detergents	6.8	7.5	10.4	16.2	25.8	23.2
Rubber and plastic shoes (million pairs)	1.2	1.9	1.7	1.5	1.7	1.6
Metals						
Iron bars	92.8	80.0	102.4	66.7	84.1	84.0
Metal pipes (million)	4.1	5.6	6.7	7.5	7.9	6.0
Mineral products						
Cement	1,847.0	1,994.7	2,310.0	2,850.0	3,719.0	4,279.0
Glass & pottery	29.0	39.0	58.0	51.0	47.0	63.0
Machinery & equipment						
Liquid batteries (000)	158.8	157.5	133.2	172.3	225.8	224.8
Refrigerators (000)	98.1	138.5	146.5	147.5	141.7	111.4
Washing machines (000)	25.2	26.2	43.9	53.7	43.6	52.2
Television sets (000)	70.9	72.1	47.2	59.4	48.8	31.4
Telephones (000)	-	47.0	47.6	88.5	56.3	-
Cables	4.0	9.1	10.5	12.7	13.8	11.2
Cookers and ovens (000)	18.8	24.9	30.7	37.4	36.0	-
Electric transformers (000)	316.3	942.0	765.0	551.5	622.8	896.5
Electric motors (000)	59.4	65.4	84.8	88.9	90.7	202.3
Electricity						
Generated (million kwh)	3,356	3,837	4,564	5,431	6,313	6,897
(consumed by industry)	(1,192)	(1,564)	(1,861)	(1,951)	(3,370)	(2,944)

Source: Central Bureau of Statistics, Statistical Abstract, 1984-1985.

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Table 8.3: OUTPUT AND EMPLOYMENT IN THE MANUFACTURING SECTOR, 1979-83
(output measured in SL millions)

Subsector	1979			1980			1981			1982			1983		
	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total
Food, beverages & tobacco															
Output	804	1,266	2,070	1,135	1,394	2,529	1,463	1,872	3,335	1,882	2,405	4,287	2,114	3,034	5,148
Employment	25,971	19,303	45,094	26,552	22,917	49,469	33,751	24,196	57,947	40,750	24,831	65,581	41,200	26,617	67,817
Textiles, clothing & leather															
Output	1,706	1,702	3,408	1,728	1,990	3,718	1,622	2,313	3,935	1,528	2,701	4,229	1,726	3,301	5,027
Employment	63,366	28,713	92,079	65,372	27,150	92,522	48,588	28,607	77,195	31,804	29,117	60,921	32,151	33,061	65,212
Wood and furniture															
Output	456	28	484	587	46	633	653	55	708	867	92	959	980	92	1,072
Employment	14,074	675	14,749	14,497	1,193	15,690	17,547	1,165	18,712	20,598	1,194	21,792	20,619	1,209	21,828
Paper printing & publishing															
Output	78	47	125	106	73	179	115	71	186	129	47	176	145	147	292
Employment	1,977	342	2,319	2,030	562	2,592	1,977	589	2,566	1,925	1,434	3,359	1,965	1,675	3,640
Chemicals															
Output	256	2,552	2,808	393	4,050	4,443	401	10,922	11,323	603	11,249	11,852	782	10,999	11,781
Employment	4,480	6,669	11,149	4,615	10,975	15,590	5,089	11,935	17,024	5,564	12,202	17,766	5,580	13,494	19,074
Non-metallic products															
Output	349	401	750	648	481	1,129	754	703	1,457	865	980	1,865	1,000	1,283	2,283
Employment	7,733	8,116	15,849	7,966	10,582	18,548	12,517	9,096	21,616	17,068	11,206	28,274	17,121	11,282	28,403
Basic metal industries															
Output	-	241	243	-	234	234	-	343	343	-	280	280	-	331	331
Employment	-	1,373	1,373	-	1,403	1,403	-	1,465	1,465	-	1,615	1,615	-	1,963	1,963
Metal products															
Output	538	445	981	692	729	1,421	1,579	826	2,405	2,141	1,046	3,187	2,419	712	3,131
Employment	16,105	4,157	20,262	16,599	4,913	21,512	20,569	5,103	25,672	24,540	5,920	30,460	24,619	6,386	31,005
Miscellaneous manufactures															
Output	144	3	147	285	5	290	378	6	384	874	-	874	902	-	902
Employment	2,787	n.a.	2,787	2,655	n.a.	2,655	2,836	n.a.	2,836	3,015	n.a.	3,015	3,120	n.a.	3,120
Total															
Output	4,332	6,667	11,019	5,574	9,002	14,576	6,935	17,111	24,046	8,909	18,800	27,709	10,067	19,899	29,966
Employment	136,313	69,348	205,661	140,286	79,695	219,981	142,774	82,156	224,930	145,464	87,519	232,983	146,375	95,687	242,062

Source: State Planning Commission and Central Bureau of Statistics.

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Table 8.6: PRODUCTION OF CRUDE OIL AND PRODUCTS IN SYRIA, 1980-83
(thousand tons)

	1980	1981	1982	1983
Syrian crude production	8,324	8,592	8,191	8,489
Crude input to refineries	6,377	9,195	9,219	9,295
Imported	3,744	5,157	5,535	6,293
Syrian	2,633	4,038	3,684	3,002
Production from refineries	6,377	9,195	9,219	9,295
LPG	56	122	125	107
Gasoline and naphtha	1,036	1,267	1,346	1,268
Kerosene	469	539	441	422
Gas oil	1,522	1,999	2,323	2,435
Fuel oil	2,771	4,557	4,331	4,219
Asphalt	247	364	330	386
Sulphur	3	7	21	14
Coke	121	126	150	167
Lub oil	31	37	39	30
Fuel and loss	121	177	111	247

Source: Ministry of Petroleum.

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Table 8.7: CONSUMPTION OF PETROLEUM PRODUCTS IN SYRIA, 1975-84
(in thousand tons)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984 1/
Butane gas (LPG)	1,761	1,944	1,981	2,077	2,260	2,526	2,441	2,592	2,738	2,818
Kerosene	264	296	285	321	349	331	273	248	240	201
Benzene (premium & regular)	410	497	482	534	581	527	556	599	690	740
Diesel (gas oil)	42	51	59	72	87	119	141	172	198	227
Fuel oil	544	487	603	590	666	924	1,346	1,587	2,032	2,287
Aviation kerosene	180	240	192	208	220	227	240 1/	250 1/	262	252
Total	3,201	3,515	3,602	3,822	4,163	4,654	4,997	5,448	6,160	6,525

Source: Ministry of Petroleum.

1/ Estimated.

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Table 8.5: INVESTMENT EXPENDITURES OF PUBLIC SECTOR MANUFACTURING ORGANIZATIONS, 1981-83
(SL 1,000)

Ministry and Organization	Construction	Equipment	Set-up and Trials	Other 1/	Total	Authorized	Expenditure as a % of Authorized
Ministry of Industry	608,515	984,522	1,044,352	76,897	2,714,486	3,760,212	72
Food industries	26,083	40,520	4,382	3,389	74,974	171,959	44
Sugar mills	62,854	185,458	161,890	10,705	420,907	503,322	84
Textile industries	86,441	237,374	48,758	861	373,434	807,714	46
Engineering industries	36,829	27,350	382	1,306	65,847	180,870	16
Chemical industries	57,939	167,028	704,853	5,800	935,620	827,680	113
Cement	298,276	316,654	100,433	1,688	717,051	1,089,158	66
Tractors 2/	7,491	6,712	22,765	17,170	54,138	56,643	96
Other ministry projects 2/	32,002	3,426	1,109	35,978	72,515	122,866	59
Ministry of Supply & Internal Trade	394,369	315,226	13,580	15,641	738,816	838,315	88
Cereals processing & trade industries	102,300	19,897	275	1,906	124,378	163,690	76
Milling industries	73,848	43,577	200	9,500	127,125	151,925	84
Bakeries	218,221	251,752	13,105	4,235	487,313	522,700	93
Ministry of Economy & Foreign Trade	33,253	24,132	1,735	500	57,489	117,851	49
Cotton ginning & marketing industries	27,443	13,157	399	500	39,368	60,011	66
Tobacco industries	5,810	10,975	1,336	-	18,121	57,850	31
Total	1,036,137	1,323,880	1,059,867	93,038	3,510,791	4,716,378	74

Source: Central Bureau of Statistics.

1/ Principally land purchases.
2/ As the expenditures for this activity in 1981 were not disaggregated, we assigned that year's expenditure to the "Other" category.

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Table 8.4: MANUFACTURING SECTOR EMPLOYMENT AND VALUE ADDED, 1983

SIIC	Subsector	Employment	Value Added (SL mn)	Value Added per Worker (SL 000)	Employment	Value Added (SL mn)	Value Added per Worker (SL 000)	Employment	Value Added (SL mn)	Value Added per Worker (SL 000)
31	Food beverage & tobacco	26,617	-894	-33.6	41,200	782	19.0	67,817	-112	-1.7
32	Textiles, clothing & leather	33,061	445	13.5	32,151	720	22.4	65,212	1,165	17.0
33	Wood products & furniture	1,209	11	9.1	20,619	470	22.8	21,828	481	22.0
34	Paper, printing & publishing	1,675	33	19.7	1,965	65	33.1	3,640	98	26.9
35	Chemicals	13,494	1,092	80.9	5,580	153	27.4	19,074	1,245	65.3
36	Non-metallic products	11,282	513	45.5	17,121	450	26.3	28,403	963	33.9
37	Basic metal industries	1,963	69	35.2	-	-	-	1,963	69	35.2
38	Metal products	6,386	401	62.8	24,619	1,234	50.1	31,005	1,635	52.7
39	Miscellaneous manufactures	n.a.	3	-	3,120	460	147.4	3,120	463	142.7
	Total	95,687	1,673	17.7	146,375	4,334	29.6	242,062	6,007	24.8

Source: State Planning Commission and Central Bureau of Statistics.

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Table 8.8: PRICES OF PETROLEUM PRODUCTS
(SL per 1000 liters)

	Before June 23	June 24	November 10	August 19	July 30 1/
		1980		1981	1982
High Octane gasoline	1,400	2,000	2,000	2,000	2,200
Regular gasoline	1,275	1,875	1,875	1,875	2,050
Kerosene	300	300	550	950	1,050
Gas oil	250	250	500	900	1,000
Fuel oil					
Type 1	1,010	1,010	1,010	1,010	1,010
Type 2	915	915	915	915	915
Type 3	785	785	785	785	785

Source: Central Bureau of Statistics.

1/ These prices still in effect as of October 1984.

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Table 8.9: ELECTRICITY PRICES IN 1984
(SL/Kwh)

Industrial and Irrigation

Category	Demand Charge	
	Actual	LRMC 1/
230 KV	0.10	0.29
66 KV	0.12	0.31
20 KV	0.20	0.38
LV	0.25	0.41

Household and Commercial

Category	Demand Charge			Consumption
	Actual 2/		LRMC	
50 Kwh/mo	0.19)			14
50-100 Kwh/mo	0.24)	0.27	0.51	24
|100 Kwh/mo	0.35)			57

Source: Ministry of Electricity.

1/ LRMC is based on SPC financial prices for fuels with no monthly charges.
2/ The wt. average of actual demand charge is 0.27.
3/ In early 1985 a new category "more than 300 Kwh/mo" was added with a charge of SL 0.55/Kwh excluding the Government. Streetlighting is charged SL 0.15/Kwh.

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Table 8.10: BUILDING CONSTRUCTION, 1978-84
(in thousand square meters and SL millions)

	1978	1979	1980	1981	1982	1983	1984
Residential	4,226	4,249	3,425	4,198	3,267	3,838	3,660
Commercial	340	387	275	340	230	271	281
Industrial	33	50	78	80	85	40	29
Other	155	149	67	169	68	206	168
Total	4,754	3,835	3,845	4,787	3,650	4,355	4,138
Total cost (million SL)	2,662	3,262	4,153	4,160	4,053	4,625	

40ource: Statistical Abstract, 1984-1985.

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Table 9.1: IMPLICIT DEFLATORS OF GDP, BY SECTOR, 1979-84
(1980 = 100)

	1979	1980	1981	1982	1983	1984
Agriculture	92.4	100.0	117.7	131.3	149.4	157.4
Industry	86.7	100.0	136.8	127.0	124.2	134.9
Mining and manufacturing	93.2	100.0	150.9	136.1	130.7	147.0
Construction	71.5	100.0	101.5	105.4	109.6	111.3
Services	77.5	100.0	108.1	113.1	117.0	122.0
Wholesale and retail trade	81.6	100.0	105.8	108.9	117.2	125.5
Transport and communication	82.4	100.0	114.8	130.0	133.5	133.9
Finance and insurance	82.5	100.0	114.99	118.6	124.7	136.0
Government services	67.5	100.0	105.2	109.7	107.5	109.0
Other services	82.7	100.0	116.2	118.3	118.1	118.0
Gross domestic product	82.2	100.0	116.4	119.6	124.4	130.8
Annual change (%)	-	21.7	16.4	2.8	4.0	5.1

Source: Central Bureau of Statistics (Tables 2.1 and 2.2).

1/ Provisional.

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Table 9.2: WHOLESALE PRICE INDICES 1980-84 1/
(1980 = 100)

Item	1981	1982	1983	1984
Foodstuff	113	125	128	138
Animal feed	101	103	108	112
Raw material	134	154	164	166
Manufactured products	119	129	134	140
Building materials	100	101	101	101
Fuels	157	197	205	208
General index	119	132	136	148

Source: Central Bureau of Statistics, Statistical Abstract, 1985.

1/ New series with 1980 as base year. The basket includes 120 items and excludes oil, phosphates asphalt and vehicles. Prices are weighted by the quantities offered annually in the wholesale market.

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Table 9.3: RETAIL PRICE INDICES IN DAMASCUS, 1978-84
(1970 = 100)

	Weights	Number of Components	1978	1979	1980	1981	1982	1983	1984
General index	10,000	150	229	239	285	337	386	410	447
Foodstuffs	4,882	74	246	260	310	370	424	442	471
Fuel & lighting	456	5	141	150	168	270	358	389	388
Personal needs 1/	126	9	228	229	293	288	366	394	417
Detergents & cleaning materials	118	4	248	246	289	376	448	451	541
Medical services & medicines	351	6	125	125	193	228	274	277	317
Education & culture 2/	272	5	207	226	231	237	240	248	358
Transportation	381	6	186	191	368	402	433	491	539
Personal services 3/	307	4	311	327	458	565	675	779	915
Clothes	906	17	255	256	276	315	374	402	439
Linens and towels	95	4	327	327	333	439	568	568	553
Furniture & house utensils	184	8	340	337	358	415	503	540	690
Toys & amusement materials	35	2	176	176	176	181	188	188	264
Durable goods	114	5	200	200	255	293	304	305	305
Rent	1,773	1	198	208	220	246	264	282	308

Source: Central Bureau of Statistics.

1/ Soap, paper tissues, shaving and toilet materials.
2/ Private school tuition, school supplies, newspapers, cinema and theater.
3/ Tailors, barbers and beauticians.
4/ Provisional.

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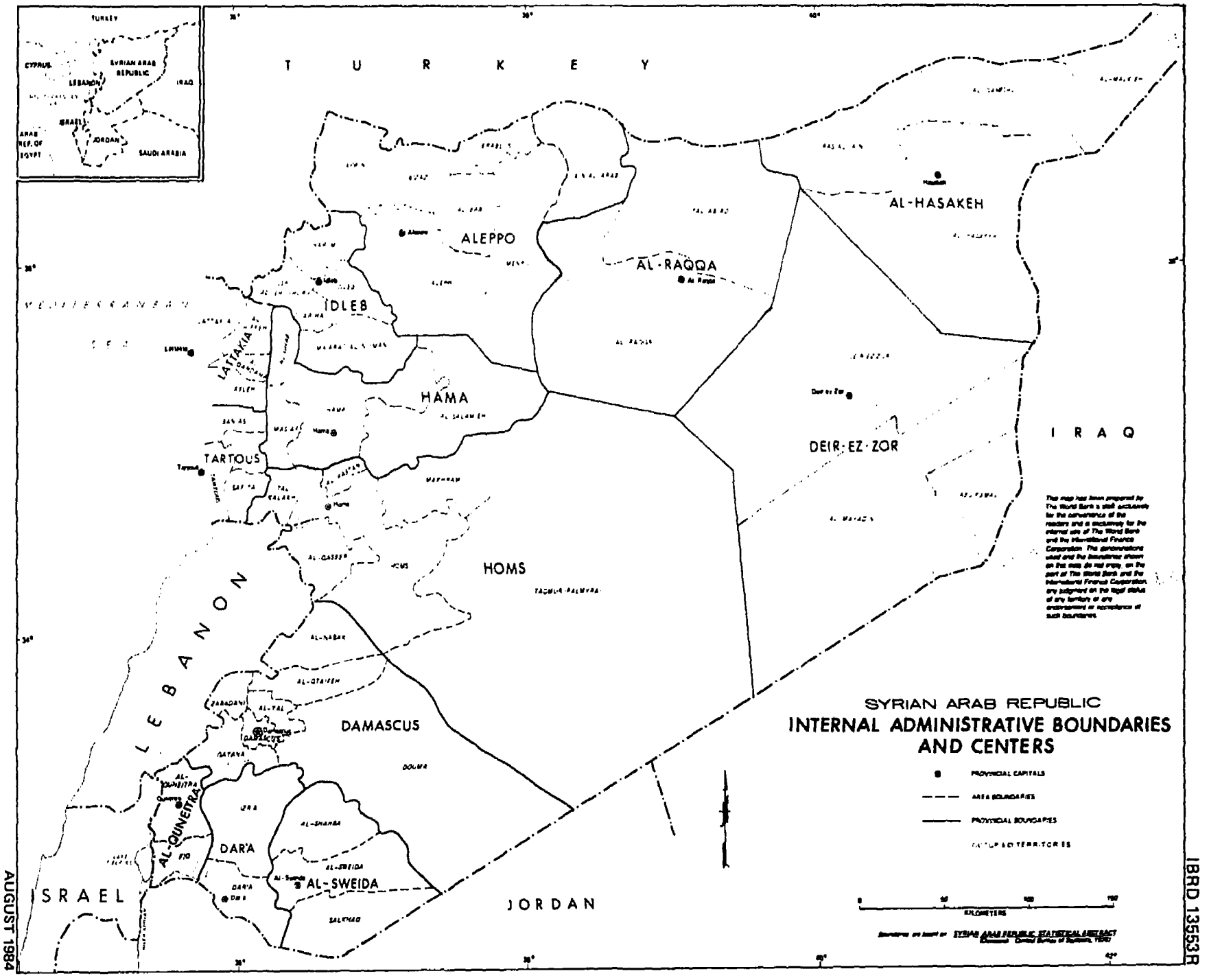
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