

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Travel Briefings: Syria - Travel Briefs (01/11/1974-01/12/1974)

Folder ID: 1772712

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4540S

Series: Travel briefings

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: <Month DD, YYYY>

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

McNamara Papers

Travel
Nov. 1955

The World Bank Group
Archives
1772712
A1995-259 Other # 16 309697B
Travel Briefings: Syria - Travel Briefs

Folder 1

~~Folder 3~~

DECLASSIFIED
WBG Archives



SYRIA

SYRIA

Country Briefing

Table of Contents

- A. Itinerary
- B. Airport Statement
- C. Maps and State Department Notes
- D. List of Cabinet Members and Biographical Data
- E. Topics for Discussion
- F. Reference Material
 - 1. Country Program Paper
 - 2. Political Situation
 - 3. Economic Situation
 - 4. Foreign Assistance and Debt
 - 5. History and Geography
- G. Bank Group Operations
 - 1. Statement of Capital Subscriptions, Loans, Credits and IFC Operations
 - 2. Existing Projects
 - 3. Prospective Operations
 - 4. Memos of Conversations
- H. UNDP Activities
- I. Press Clippings
Information Media (by Information & Public Affairs)

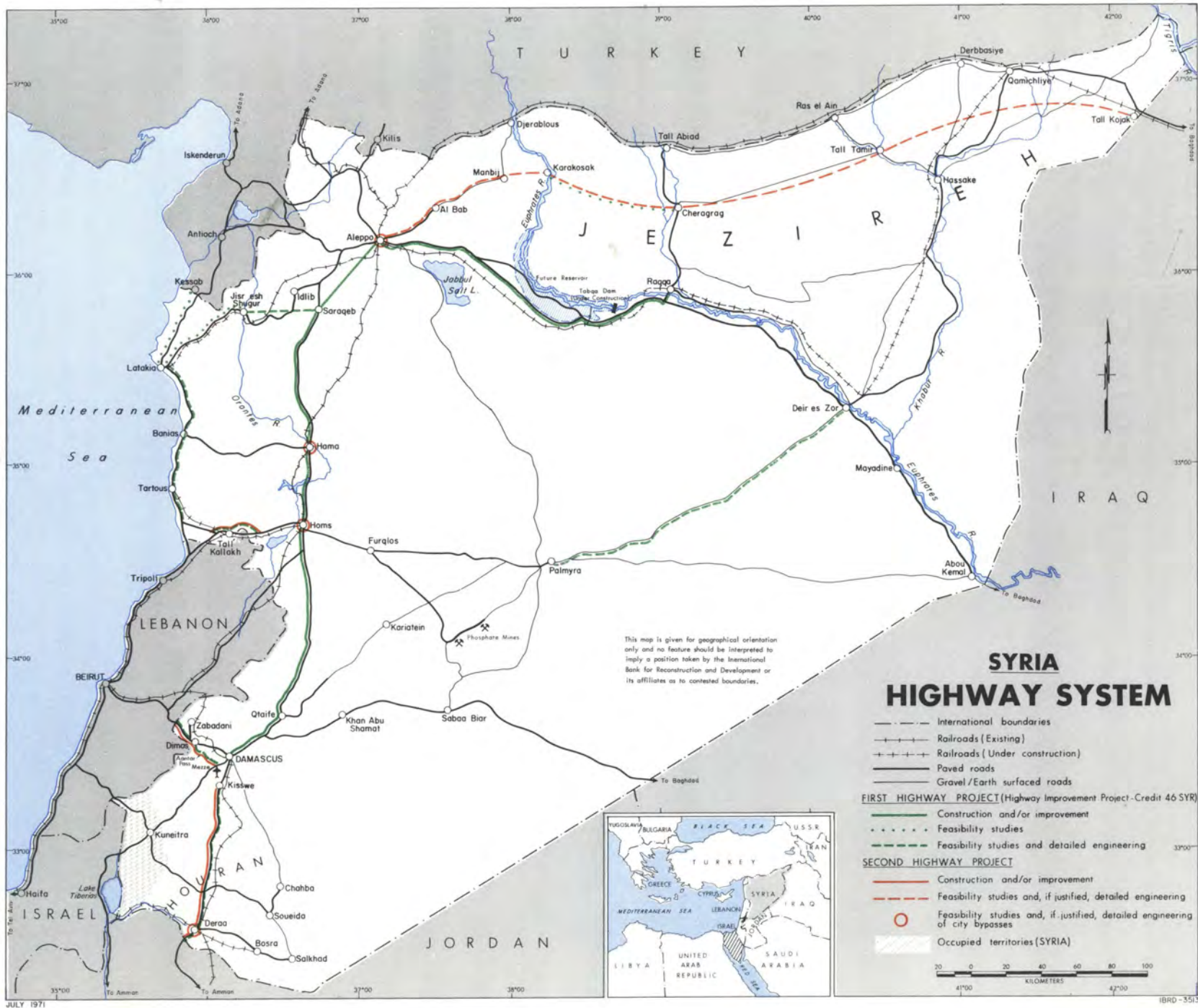
VISIT TO SYRIA, November 10-13, 1974

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>	<u>REMARKS</u>
Sun. Nov.10	20.35		Depart Ankara Arrive Damascus LH616
Mon. Nov.11			Meetings in Damascus
Tues. Nov.12			Trip by official plane to Palmyra and Tabqa Dam on the Euphrates. Return to Damascus
Wed. Nov.13			Meeting with President Assad Visit Damascus City
Thurs. Nov.14	09.00 11.00 13.00		Leave Damascus Syro-Jordan Border Arrive Amman (by car)

Note: Government has agreed to above outline and is preparing detailed schedule.

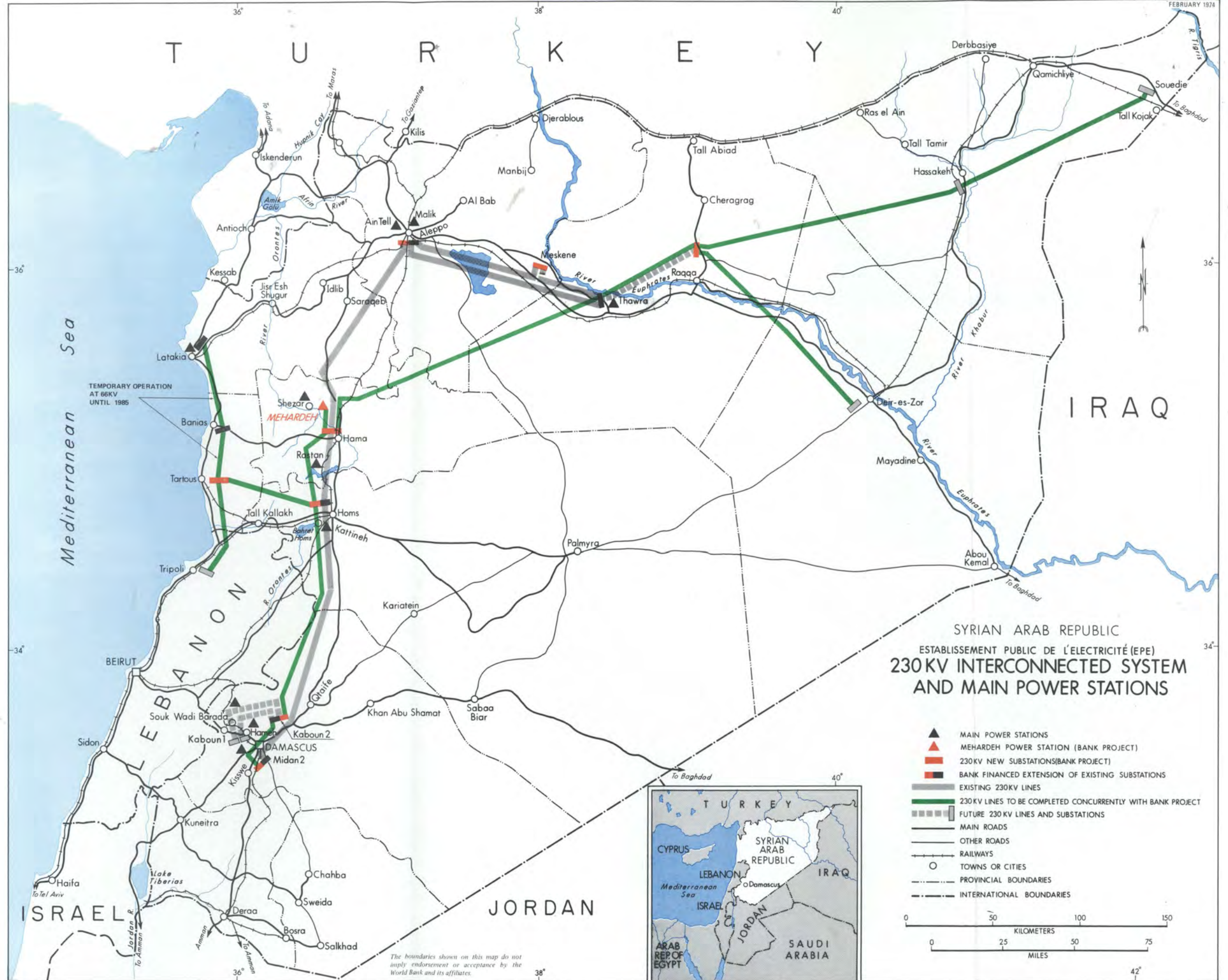
B

C



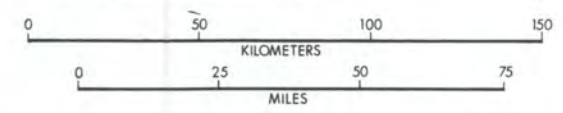
This map is given for geographical orientation only and no feature should be interpreted to imply a position taken by the International Bank for Reconstruction and Development or its affiliates as to contested boundaries.





SYRIAN ARAB REPUBLIC
 ESTABLISSEMENT PUBLIC DE L'ELECTRICITE (EPE)
**230 KV INTERCONNECTED SYSTEM
 AND MAIN POWER STATIONS**

- ▲ MAIN POWER STATIONS
- ▲ MEHARDEH POWER STATION (BANK PROJECT)
- 230KV NEW SUBSTATIONS (BANK PROJECT)
- BANK FINANCED EXTENSION OF EXISTING SUBSTATIONS
- EXISTING 230KV LINES
- 230KV LINES TO BE COMPLETED CONCURRENTLY WITH BANK PROJECT
- - - FUTURE 230KV LINES AND SUBSTATIONS
- MAIN ROADS
- OTHER ROADS
- RAILWAYS
- TOWNS OR CITIES
- - - PROVINCIAL BOUNDARIES
- - - INTERNATIONAL BOUNDARIES



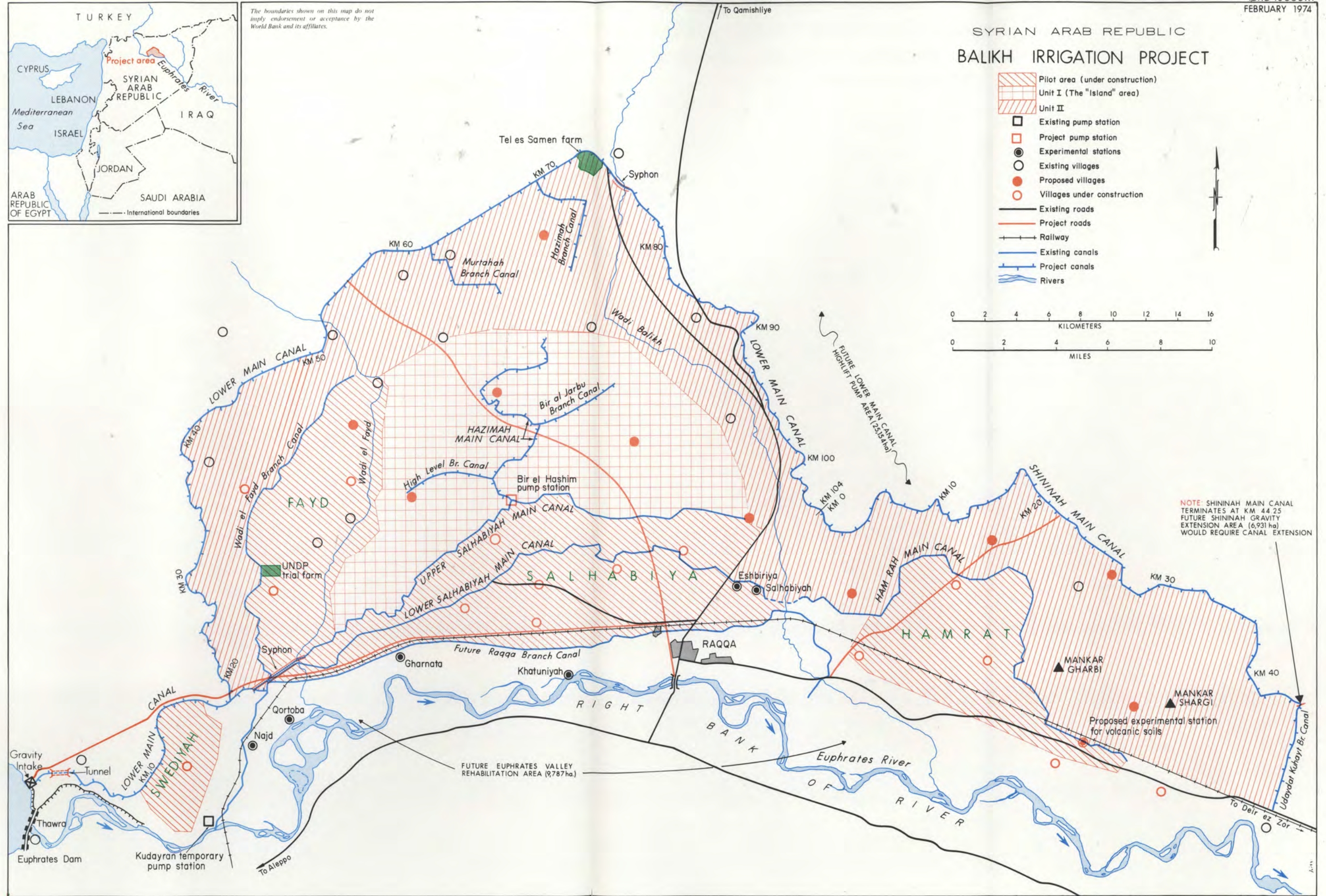
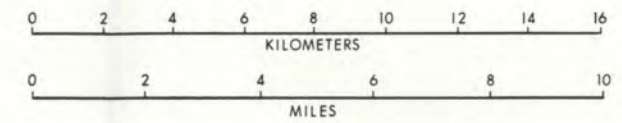
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

SYRIAN ARAB REPUBLIC BALIKH IRRIGATION PROJECT

- Pilot area (under construction)
- Unit I (The "Island" area)
- Unit II
- Existing pump station
- Project pump station
- Experimental stations
- Existing villages
- Proposed villages
- Villages under construction
- Existing roads
- Project roads
- Railway
- Existing canals
- Project canals
- Rivers



NOTE: SHININAH MAIN CANAL
TERMINATES AT KM 44.25
FUTURE SHININAH GRAVITY
EXTENSION AREA (6,931 ha)
WOULD REQUIRE CANAL EXTENSION

FUTURE EUHRATES VALLEY
REHABILITATION AREA (9,787 ha.)

Proposed experimental station
for volcanic soils

background NOTES

Syria

department of state * april 1974

OFFICIAL NAME: Syrian Arab Republic

PROFILE

Geography

AREA: 71,500 sq. mi. (slightly larger than North Dakota). CAPITAL: Damascus (pop. 835,000). OTHER CITIES: Aleppo (pop. 500,000), Homs (pop. 164,000), Latakia (pop. 68,000).

People

POPULATION: 6.8 million (1972 est.). URBAN: 44%. ANNUAL GROWTH RATE: 3.3%. DENSITY: 87 per sq. mi. ETHNIC GROUPS: Arabs (90%), Kurds, Armenians, Circesians, and Turks. RELIGIONS: Sunni Muslim, Alawite (esoteric Muslim sect), Christian. LANGUAGES: Arabic (official), French (widely understood), Kurdish, Armenian, and some English in the larger cities. LITERACY: About 40%. LIFE EXPECTANCY: 30-40 years.

Government

TYPE: Republic, under left-wing military regimes since March 1963. INDEPENDENCE: April 12, 1946. CONSTITUTION: March 12, 1973.

BRANCHES: *Executive*—President (Chief of State, 7-yr. term), Prime Minister (Head of Government). *Legislative*—People's Council. *Judiciary*—Supreme Court.

POLITICAL SUBDIVISIONS: 13 Provinces and the city of Damascus.

FLAG: Comprised of a red stripe (top), a white stripe (center), and a black stripe (bottom). A golden eagle in the center of the white stripe (this is the flag shared by the other two members of the United Confederation of Arab Republics, Egypt and Libya).

Economy

GROSS NATIONAL PRODUCT (GNP): \$2.3 billion (1972). GROWTH RATE: 10-13%. PER CAPITA INCOME: \$340. AGRICULTURE: *Labor*—53%. *Land*—47% arable, 29% grazing. *Products*—cotton, wheat, sugar beets, and barley; sheep and goat raising; self-sufficient in food in years of average weather.

INDUSTRY: *Labor*—17%. *Products*—textiles, cement, glass, petroleum, food processing, soap.

NATURAL RESOURCES: Chrome and manganese ores, asphalt, iron ore, rock salt, phosphate, oil, and natural gas.

TRADE: *Exports*—\$197 million (1971): cotton \$78.5 million, industrial products \$67.3 million. *Partners*—EEC countries \$68.4 million, Arab Common Market \$17.8 million, other Arab countries \$19.1 million, U.S.S.R./Eastern Europe \$56.1 million. *Imports*—\$425.9 million (1971): food \$813 million, fuel \$28.1 million, machinery and transportation equipment \$63.6 million, textiles \$28.1 million, metal and metal products \$50.3 million. *Partners*—EEC countries \$99.2 million, Arab Common Market \$45.3 million, other Arab countries \$37.3 million, U.S.S.R./Eastern Europe \$83.4 million.

OFFICIAL EXCHANGE RATE: 3.82 Syrian Pounds = U.S.\$1 (controlled rate); 4.32 Syrian Pounds = U.S.\$1 (free rate) January 1972.

AID RECEIVED: *Total* (all sources)—\$278.7 million in loans, \$70.6 million in grants. *U.S. only*—\$24 million in loans, \$36.3 million in grants: A.I.D. (\$3.2 million in loans, \$1.3 million in grants), PL-480, Food for Peace (\$20.8 million in loans, \$35 million in grants).

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: United Nations and most of its specialized agencies, and Arab League.

GEOGRAPHY

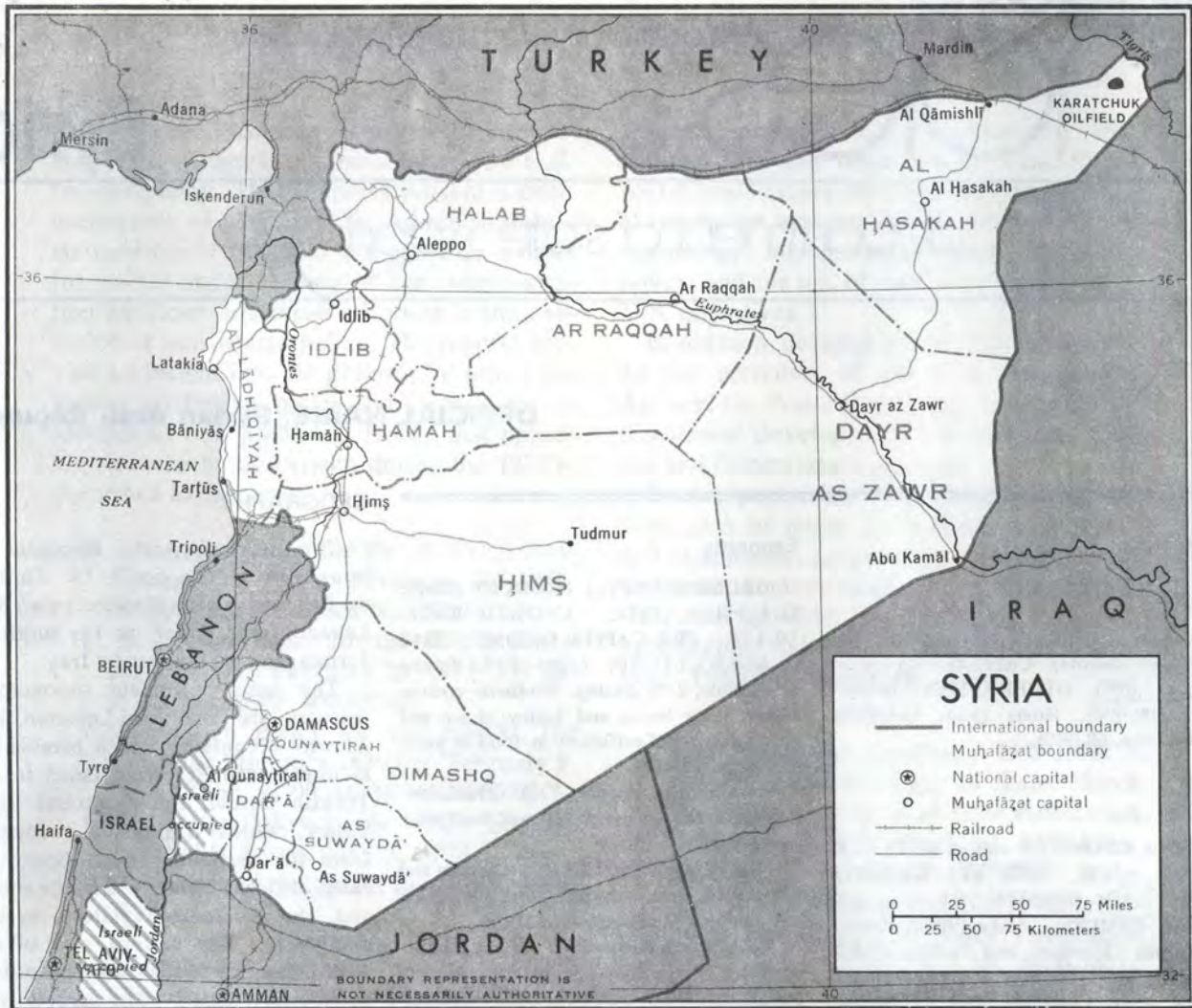
The Syrian Arab Republic is bounded on the north by Turkey; on the west by the Mediterranean Sea, Lebanon, and Israel; on the south by Jordan; and on the east by Iraq.

The most prominent topographic features are the Anti-Lebanon and Alawite Mountains, which parallel the Mediterranean Sea from Israel to the Turkish border; the Euphrates River Valley, which traverses the country from the north to the southeast; the Jabal al-Druze Mountains in the south; and the semidesert plateau in the southeast. The eastern side of the Anti-Lebanon Mountains is dotted with valley oases. The largest such oasis, lying 70 miles by road across Lebanon from the coast, is the site of Damascus, the capital.

The climate is comparable to that of Phoenix, Arizona. The summer days are dry and hot, with mean maximum temperatures in the 80's and above. From December to March the weather is quite cold, although temperatures usually stay above freezing. Precipitation, about 30 inches annually along the coast, decreases to less than 10 inches in the eastern desert area. The rainy season generally lasts from November to April.

PEOPLE

Although the density for the country as a whole is approximately 87 persons per square mile, the majority of the people are concentrated along the coastal plain in the west and in the Euphrates River Valley. The



511037 4-71

new Mediterranean port of Tartus is growing in importance.

Ethnic Syrians are of Semitic stock. The population is 87 percent Muslim, including about 150,000 Kurds and 100,000 Druze; and 13 percent Christian, including about 120,000 Armenians. The Jewish community in Syria has dwindled in recent years to a few thousand.

Arabic is the official language, and many of the better educated Syrians speak French or English as well.

HISTORY

Early History

Syria has played a significant role in history because of its geographic position as a land bridge linking Africa, Asia, and Europe.

One of the oldest continuously inhabited cities of the world, Damascus was first settled about 2500 B.C. It was dominated in turn by Aramaean, Assyrian, Babylonian, Persian, Greek, Roman, Nabatean, and Byzantine rulers, and finally came under Muslim rule in 636 A.D. Immediately thereafter the power and prestige of the city reached its peak, and Damascus became the capital of the Omayyad Empire which extended from Spain to India from 661 to 750 A.D., when the Abbasid caliphate was established at Baghdad, Iraq.

Damascus was a provincial capital of the Mameluke Empire from approximately 1260 to 1516. It was largely destroyed by the Mongol conqueror, Tamerlane, in 1400. In 1517 Damascus, having been rebuilt, fell under 400 years of Ottoman Turkish rule,

broken only by a brief occupation by Ibrahim Pasha of Egypt in 1832-40.

French Occupation

An independent Arab Kingdom of Syria was established in 1920 under King Faysal, of the Hashemite family, later to become King of Iraq. His rule of a few months came to an end with the battle of Maysalun between Syrian Arab forces of King Faysal and regular French forces, after which French forces occupied the country in accordance with a League of Nations mandate. With the fall of France, Syria came under the control of the Vichy Government until British and Free French forces occupied the country in July 1941.

Continuing pressure from Syrian nationalist groups, however, forced the French to evacuate their troops in

April 1946, leaving the country in the hands of a republican government that had been formed during the mandate.

Independence - 1963

Although rapid economic development followed the declaration of independence on April 17, 1946, the Syrian political scene has been marked by a series of upheavals. After the overthrow of President Adib Shishakli in 1954, successive army shakeups brought to power Arab nationalist and Socialist elements.

Syria's political instability during these years after the 1954 coup, the parallelism of Syrian and Egyptian policies, and the appeal of Egyptian President Gamal Abdel Nasser's leadership in the wake of the Suez crisis of 1956 created support in Syria for union with Egypt. Following their merger into the United Arab Republic on February 1, 1958, all Syrian political parties ceased overt activities.

The union was not a success, however, and Syria seceded from the United Arab Republic as the result of a military coup d'etat on September 28, 1961, reestablishing itself as an independent state under the title of the Syrian Arab Republic. The next 18 months were unstable ones in Syria, with various coups finally culminating on March 8, 1963, when leftist officers in the Syrian Army formed the National Council of the Revolutionary Command (NCRC), a mixture of military and civilian officials who controlled all executive and legislative authority. The coup had been carried out by members of the Arab Socialist Resurrection Party (Ba'ath Party), a previously clandestine political movement that had been active in Syria and other Arab countries since the late 1940's. The new cabinet was dominated by Ba'ath members.

The Ba'ath takeover in Syria followed on the heels of a Ba'ath coup in Iraq the previous month. The first step of the new Government was to explore possible federation with Iraq (which was at this time controlled by members of the Iraqi branch of the Ba'ath party) and Egypt. An agreement was concluded at Cairo, Egypt, on April 17, 1963, for a referendum

on unity to be held in September 1963. However, serious disagreements among the parties soon developed and the tripartite federation failed to materialize. Thereafter the Ba'athist regime in Syria and Iraq began to work for bilateral unity. These plans foundered in November 1963 with the overthrow of the Ba'ath regime in Iraq.

Recent Events

In May 1964 President Amin Hafiz of the NCRC promulgated a provisional constitution providing for a National Council of Revolution (NCR), an appointed legislature composed of representatives of "people's organizations" (labor, peasant, and professional unions), a Presidential Council (in which executive power was vested), and a Cabinet.

On February 23, 1966, a dissident group of army officers, acting in the name of the Ba'ath Party, and favoring a more leftist policy, carried out a more successful coup d'etat, imprisoned President Hafiz, dissolved the cabinet and the NCR, and abrogated the provisional constitution. The leaders of the coup described it as a "rectification" of Ba'ath Party principles.

The current government of President Hafiz al-Asad came to power in November 1970.

In April 1971 Syria joined Egypt and Libya in a supranational Confederation of Arab Republics. The Confederation was approved by referendum in the three countries on September 1, 1971.

GOVERNMENT

In 1971 a public referendum was held, which resulted in the election of Hafiz al-Asad. In May 1971 he formed a national progressive front to give expression to all political views.

On March 12, 1973, the Syrian electorate overwhelmingly approved a new permanent Constitution which had been drafted by the 173-member People's Council which had been appointed in 1971. The Constitution was followed by parliamentary elections. The new Constitution gives

wide powers to the President who is elected for a 7-year term by universal suffrage: he has the right to appoint Ministers, to declare war and states of emergency, to issue laws (once passed by the People's Assembly), to declare amnesty, to appoint civil servants and military personnel, as well as the right to amend the Constitution. In many ways, the permanent Constitution differs little from the provisional constitution which had been in force in Syria since 1964. One important change is the omission of the statement that Islam is the religion of the State; however, Islamic jurisprudence is required to be the main source of legislation and the Chief of State must be a Muslim.

The judicial system in Syria is an amalgam of Ottoman, French, and Islamic laws. There are three levels of courts in the Syrian system: Courts of First Instance, Courts of Appeal, and the Court of Cassation. In addition, there are religious courts which handle questions of personal and family law.

Syria is divided administratively into 13 Provinces and Damascus, which is administered separately. Each Province is headed by a Governor whose appointment is proposed by the Minister of the Interior, approved by the Cabinet, and announced by executive decree. The Governor is assisted by a Provincial Council, three-fourths of whose members are freely elected and one-fourth appointed by the Minister of the Interior and the Governor. The most recent provincial council elections were held in March 1972.

Principal Government Officials

President—Hafiz al-Asad
 Prime Minister—Mahmud al-Ayyubi
 Deputy Prime Minister and Minister of Foreign Affairs—Abd al-Halim Khaddam
 Deputy Prime Minister and Minister of Agriculture and Agrarian Reform—Muhammad Haydar
 Minister of Defense—Major Gen. Mustafa Abd al-Qadir Talas
 Ambassador to the U.N.—Haissan Kelani
 Head of Syrian Interest Section, Washington, D.C.—Dr. Salih Kabani

The Syrian Interest Section in the United States is located in Room 1120, Watergate 600, 600 New Hampshire Avenue N.W., Washington, D.C. (tel. 965-2005).

POLITICAL CONDITIONS

The Syrian Army traditionally has played a key role in the Government. The lineup of factions within the army often has been the controlling element in the changes of government. Generally the army has been leftist in its political orientation. Over the years the Ba'ath Party has achieved considerable success in gaining supporters from within the army.

The Ba'ath platform is proclaimed succinctly in the party's slogan: "Unity, Freedom, and Socialism." The party is both socialistic—advocating state ownership of the means of industrial production and the redistribution of agricultural land—and revolutionary—dedicated to carrying a Socialist revolution to every part of the Arab world. Its founder and philosophical leader is Michel 'Aflaq, a Syrian Christian who was removed by the February 23, 1966, coup d'etat. The party also has attracted supporters of all faiths in other Arab countries, especially Iraq, Jordan, and Lebanon.

Since assuming power in 1970, the Asad government has steered Syria's external and internal policies along a pragmatic course. Internally, the new regime has emphasized economic development programs.

Military expenditures, reflecting the continuing tension between Syria and Israel, have been large, accounting for about one-half of the country's budget, and have been partially responsible for economic difficulties in the past.

ECONOMY

Agriculture, Livestock, & Industry

Due to the primacy of agriculture in Syria, the country remains heavily dependent on rainfall. Two-thirds of the population depend on agriculture for their primary or secondary means of livelihood. Syria is one of the few Arab countries with adequate arable

land for its population. Perhaps one-half of the land is cultivable, while an additional one-third is adequate seasonal pastureland in good rainfall years.

Although essentially an agrarian country, Syria has in recent years been engaged in an extensive effort to expand the nation's industrial base. Good crops, increased petroleum production, oil transit revenues, and liberal redevelopment policies contributed to the rise of Syria's gross national product (GNP) to \$2.3 billion in 1972, or about \$340 per capita. The growth rate is estimated at between 10 and 13 percent annually. (?)

Although war damage in October 1973 was severe in some industries, it was not crippling to the economy. Published reports indicate Arab oil-producing countries have pledged large amounts of aid. In the two years

prior to the war economic conditions improved and the rate of economic growth increased markedly.

Prior to the October war the government was encouraging the repatriation of Syrian capital held abroad and outside investment by liberalizing exchange and trade controls. The economy was, however, continuing to suffer from inflationary pressures. The country has also had a balance of payments problem.

Agricultural production recorded a sharp increase in 1972. New highs were reached in the production of wheat, sugar beets, olives, and lentils, while the output of barley was close to record levels. Rainfall was an important factor in raising the yields in 1972, but better crop planning and increased use of Mexican wheat varieties, fertilizers, and pesticides also contributed to the increases.

READING LIST

These titles are provided as a general indication of the material currently being published on this country; the Department of State does not endorse the specific views in unofficial publications as representing the position of the U. S. Government.

American University. *Area Handbook for Syria*. Washington, D.C.: U.S. Government Printing Office, 1971.

Baer, Gabriel. *Population and Society in the Arab East*. New York: Praeger, 1964.

Copeland, Paul W. *The Land and People of Syria*. Philadelphia: Lippincott, 1965.

Department of State. "The Middle East." No. 1 in the *Issues in United States Foreign Policy* series. Pub. 8409. Discussion guide, pub. 8417. Washington, D.C.: U.S. Government Printing Office, 1968.

Fedden, Robin. *Syria and Lebanon*. London: Murray, 1965.

Fisher, Sidney N., ed. *The Military in the Middle East*. Columbus: Ohio State University Press, 1963.

Kerr, Malcolm. *The Arab Cold War: 1958-1964*. London: Oxford University Press, 1965.

Longrigg, Stephen H. *The Middle East: A Social Geography*. Chicago: Aldine, 1963.

Petran, Tabitha. *Syria*. New York & Washington: Praeger, 1972, (Volume in *Nations of the World Series*).

Akhras, Safouh al. *Revolutionary Change and Modernization in the Arab World: A Case from Syria*. Damascus (Atlas Bookstore) 1972. (Revision of doctoral thesis presented in 1969 to the University of California, Berkeley).

Seale, Patrick. *The Struggle for Syria: 1945-1958*. London: Oxford University Press, 1965.

Sharabi, Hisham. *Nationalism and Revolution in the Arab World*. New York: Van Nostrand, 1966.

Third Five-Year Plan for Economic & Social Development in the Syrian Arab Republic, 1971-75. Damascus: Office Arabe de Presse et de Documentation, 1972.

Torrey, Gordon H. *Syrian Politics and the Military: 1945-1958*. Columbus: Ohio State University Press, 1964.

The wheat crop of 1.8 million tons in 1972 was equal to three times the average output in the preceding two years and led, for the first time in several years, to sizable exports. The first stage of the Euphrates Dam, scheduled for completion in 1974, is designed to double the amount of land now under irrigation as well as to provide a major source of electrical power generation. Its eventual completion should help Syria regain its former position as a major foodstuff and especially livestock exporter in the Middle East.

In 1964 and 1965 the Government undertook the reorganization of the industrial sector. Various nationalization measures have resulted in virtually complete government control of most large industries except construction and tourism. The middle-class shopkeeper was never nationalized, and in the past few years, the Government has been moving away from nationalization.

Government services and construction have grown rapidly in 1972. A steel rolling mill came into operation and the capacity of the textile industry has expanded. Industrial production overall was generally higher than in any preceding year. A clearer delineation of areas open for investment has been a factor for stimulating private investment.

Trade

During the 1969-72 period the values of Syria's exports averaged about \$180 million annually with the European Economic Community (EEC) countries replacing the Communist nations as Syria's major export partner. The Arab Common Market and the Arab Economic Unity Council are also important buyers of Syrian products. Major exports, other than grains and cotton, are fruits, vegetables, textiles, and wool. Its exports to the United States continue to be confined to small amounts of tobacco, hides, and wool.

In recent years, Syrian non-military imports have continued to rise. In 1971 Syria imported about \$426 million worth of goods of which the European Economic Community supplied almost 25 percent. The Communist countries were Syria's

second largest trading bloc partner selling almost \$84 million worth of goods followed by the Arab Common Market and other Arab countries. Imports from the United States—pharmaceuticals and medicinal products, agricultural machinery, and tires—have continued at about \$15 million annually. However, contact between Syrian and U.S. firms has increased recently, particularly in the transportation and tourist services areas. Since the end of the 1973 war, representatives of some U.S. banks and industry have resumed making contacts in Syria.

Petroleum

Although Syria's mineral resources are few, some petroleum reserves exist in the northeastern parts of the country. Additionally, a phosphate processing plant operates near Palmyra and there is some exploitation of rock salt. In 1971 Syria's crude oil production increased 20 percent to over 5 million metric tons. This made petroleum exports the second largest foreign exchange earner after cotton.

Two pipeline systems cross Syria to carry crude oil to the Mediterranean Sea, one from the oil producing regions of Iraq built by the Iraq Petroleum Company-IPC, and the other from Saudi Arabia (Trans-Arabian Pipeline Company-TAPLINE). On June 1, 1972, Iraq nationalized IPC, and the Syrian Government, following Iraq's lead, nationalized the facilities of IPC in Syria. Shortly thereafter a dispute erupted between the two countries concerning Syria's oil transit fees, which was settled on January 18, 1973, when Iraq agreed to increase its payments to Syria to 41 cents per barrel for Iraqi oil piped to the Mediterranean Sea. This increase in oil transit fee income, coupled with increased production of Syrian crude, has substantially augmented the country's petroleum income.

Economic Development

In January 1966, the Government launched its second 5-year plan. It called for the investment of about \$1.2 billion during the period 1966-70, 70 percent in the public sector and 30 percent in the private sector, with private investment limited

largely to agriculture and tourism services. Priority was accorded to some new and several on-going projects. In April 1966 Syria signed an agreement with the U.S.S.R. providing for financial and technical assistance for the first phase of the construction of a giant dam for irrigation and power on the Euphrates River.

The third 5-Year Plan (1971-75) includes major investment proposals for developing hydroelectric and irrigation projects and for expanding various petroleum development projects, with special emphasis on training Syrian nationals in oil exploration. Specifically, the plan calls for: (a) an increase in the net domestic product at an annual rate of 8.2 percent; (b) an annual increase of 5.1 percent of agricultural output; (c) an annual growth rate of 15.8 percent in industry; (d) an annual increase of 11.5 percent in the building and construction sector; and (e) an increase in the Net Domestic Product per capita to U.S. \$275.

For the time, however, because the labor force as a whole is only partially trained and does not include an adequate number of technicians and members, the country continues to depend on numerous foreign experts, many of them from the Soviet Union, for economic and social development of the economy. Whether or how this plan will have to be altered because of the 1973 war is not yet known.

Transportation & Communications

Syria's transportation system is concentrated in the western part of the country and runs generally in a north-south direction. The 4,300 miles of asphalt-covered roads and an additional 700 miles of other surfaced roads are the most important means of transport. The Government owns and operates the 476 miles of railroad tracks. This rail network is actively being expanded with a line under construction from Latakia to Aleppo and from there into the most eastern region, Kamishli, near the Iraqi border. The Euphrates River, although navigable by small craft for its entire length in Syria (280 miles), is not a significant transport artery. Syria's Mediterranean coast

provides several good natural harbors; the principal port is Latakia. However, Tartus, farther south, has been developed in recent years for handling general cargo. It is also the main port of export for Syrian phosphates and crude oil. Baniyas continues as one of the two major tanker terminals for the ex-IPC oil production from the northern Iraqi fields.

A new international airport was recently opened at Damascus. The national air carrier, Syrian Arab Airlines, serves the nation's major cities and operates extensively abroad in Asia, Europe, and South Africa.

Syria has good international and domestic communications services. Two major dailies are published in Damascus under Government and Ba'ath Party auspices. Radio and television facilities are government-owned.

FOREIGN RELATIONS

Successive Syrian Governments have followed a strict policy of nonalignment. Subject to the preservation of fundamental Syrian interests, the stated policy of the Government has been to work for Arab unity. Syria is an active member of the United Nations and several of its specialized agencies, and the Arab League.

The pragmatism and moderation of the Syrian Government since 1970 in domestic affairs has also characterized Syria's external relations. The major early foreign policy initiative undertaken by President Asad was to join the Confederation of Arab Republics, composed of Syria, Egypt, and Libya. Following the ratification of the Constitution by the three nations, the establishment of the Confederation was proclaimed on September 2, 1971. Since that time, however, the Confederation has dwindled in importance.

Syria's relations with Saudi Arabia and other conservative Arab regimes have improved considerably, especially since the recent war. Its relations with the U.S.S.R. have remained harmonious since the 1960's while relations with the West have recently improved. Active diplomatic and commercial ties exist between Syria and most of Western Europe, and relations with the United Kingdom, broken since the 1967 war, were restored in June 1973.

Arab-Israeli Dispute

Syria was an active participant in the 6-day Arab-Israeli conflict which broke out on June 5, 1967. Israeli forces overran Syrian positions and captured the Golan Heights overlook-

ing Lake Tiberias and the city of Al Qunaytirah. (The Golan Heights occupy a strategic position above Israeli farmlands and were the site of intermittent fighting between Syrian and Israeli forces before the 1967 conflict.) Following the 1967 war, Syria refused to negotiate a peace settlement with Israel and did not accept the U.N. Security Council's Resolution 242 of November 1967.

Following the October war, Syria accepted U.N. Resolution 338, which implies an acceptance of 242. Syria now states it is willing to seek peace with Israel, so long as all Arab territory occupied in the 1967 and 1973 wars is returned and the rights of the Palestinians are respected.

U.S.-SYRIAN RELATIONS

There have been considerable contacts between the United States and Syria since the October war, and Secretary Kissinger has visited Damascus to hold talks with President Asad.

Although formal diplomatic relations do not exist between the United States and Syria, each country has representatives in each other's capital. The U.S. Interests Section has three U.S. diplomatic officers and is represented by Italy. Syria, which is represented by Pakistan, has three officers in Washington.

DEPARTMENT OF STATE PUBLICATION 7761
Revised April 1974

Office of Media Services
Bureau of Public Affairs

★ U. S. GOVERNMENT PRINTING OFFICE : 1974 O - 545-132 (2163)

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402
Price 25 cents (single copy). Subscription Price: \$14.50 per year; \$3.65 additional for foreign mailing

ISSUES

IN UNITED STATES

FOREIGN POLICY

As an aid in the study of foreign relations the Department of State publishes illustrated pamphlets entitled *Issues in United States Foreign Policy*.

The purpose of this educational series is to assist in identifying the elements of international problems, rather than to propose solutions—to define questions rather than answers. To this end, emphasis is given not to policy decisions, but to the context within which decisions must be made.

Issues is designed primarily for participants in adult study groups and high school and college students. A discussion guide for teachers and group leaders is published for each pamphlet.

The pamphlets and discussion guides are available from: Government Bookstore, Department of State Building, Room 2817, Washington, D.C. 20520. Orders of 100 or more copies of the same publication sent to the same address are sold at a 25 percent discount. Published to date are:

NATO and the Defense of Europe, Dept. of State pub. 8476, 60¢. Discussion guide, pub. 8487, 10¢.

Commitments of U.S. Power Abroad, Dept. of State pub. 8488, 40¢. Discussion guide, pub. 8498, 10¢.

People's Republic of China, Dept. of State pub. 8666, \$1.25. Discussion guide, pub. 8503, 10¢.

United Nations, Dept. of State pub. 8553, \$1.00. Discussion guide, pub. 8563, 10¢.

CURRENT INFORMATION SUPPLEMENTS

India, Pakistan, and Bangladesh, Dept. of State pub. 8673, 55¢.

World Data Handbook, Dept. of State pub. 8655, 25¢.

ANNUAL FOREIGN POLICY REPORTS TO THE CONGRESS

The President

In 1970 the President instituted the submission to the Congress of annual reports on U.S. foreign policy. These reports present a comprehensive review on the Administration's stewardship in this field and serve as a basis for public understanding of the Administration's policies and broad purposes in the execution of our foreign policy. The reports provide an insight into the philosophy which underlies our foreign policy and discuss our responses to new problems, issues, and opportunities which have arisen during the 1970's. Published to date are:

U.S. Foreign Policy for the 1970's: A New Strategy for Peace. February 18, 1970. 160 pp. 75 cents. Stock No. 4000-0183.

U. S. Foreign Policy for the 1970's: Building for Peace. February 25, 1971. 235 pp. \$1.00. Stock No. 4000-0240.

U.S. Foreign Policy for the 1970's: The Emerging Structure of Peace. February 9, 1972. 215 pp. \$1.00. Stock No. 4000-0273.

U. S. Foreign Policy for the 1970's: Shaping A Durable Peace. May 3, 1973. 234 pp. \$1.85 domestic postpaid. Stock No. 4000-00292.

The Secretary of State

Annual reports on the conduct of our foreign policy, which augment those of the President, are submitted to the Congress by the Secretary of State. The report issued in March 1971, covering the period 1969-70, was the first overall report by a Secretary of State to the U.S. Congress since 1869. These reports not only review U.S. relations with each state in the world but also comprehensively survey the "common concerns" of diplomacy which cut across national or regional lines. Among these are: economic policy; development as-

sistance; security policy; disarmament; international law and organization; educational, social, and humanitarian policies; international regulation and application of science and technology; informational aspects of foreign policy; and the use of resources in support of U.S. objectives.

In addition, detailed information is provided on the activities of the U.S. Information Agency, the Peace Corps, the Agency for International Development, and the Arms Control and Disarmament Agency.

Each report contains relevant documentation, such as major foreign policy speeches and statements, presidential messages to the Congress, communique and joint statements with other governments, and texts of treaties, agreements, and selected major U.N. resolutions. Published to date are:

United States Foreign Policy 1969-1970: A Report of the Secretary of State. March 26, 1971. Department of State Publication 8575. 646 pp. \$2.75. Stock No. 4400-1331.

United States Foreign Policy 1971: A Report of the Secretary of State. March 8, 1972. Department of State Publication 8634. 629 pp. \$2.75. Stock No. 4400-1401.

United States Foreign Policy 1972: A Report of the Secretary of State. April 19, 1973. Department of State Publication 8699. 781 pp. \$4.20 domestic postpaid. Stock No. 4400-01450.

These reports may be obtained from the Government Bookstore, Room 2817, Department of State, Washington, D.C. 20520. For prompt filling of request include check or money order for the exact amount, the publication title, and the stock number.

D

D. THE SYRIAN CABINET

As of September 3, 1974

<u>Name</u>	<u>Title</u>	<u>Political Affiliation</u>
M. Mahmoud El Ayoubi	Prime Minister	Baathist
Abdel Halim Khaddam	Deputy Prime Minister and Foreign Affairs	Baathist
Mohamed Haidar	Deputy Minister for Economic Affairs	Baathist
Fayez Nasset	Minister of State for Cabinet Affairs	Baathist
Zouheir Abdel Samad	Minister of State	Communist
Anouar Hamdane	Minister of State	Arab Socialist
Moustapha Tlass (Major General)	Minister of Defense	Baathist
Col. Ali Zaza	Minister of the Interior	Baathist
Adib Melhem	Minister of Local Administration	Baathist
Ahmed Iskandar*	Minister of Infor- mation	Baathist
Abdel Ghani Kannout	Minister of Public Works & Water Resources	Arab Socialist
Sobhi Kahalé*	Minister of the Euphrates Dam	Independent
Chaker Fahham	Minister of National Education	Baathist
Nourallah Nourallah	Minister of Planning	Independent
Mohamed Imadi	Minister of Economy and Foreign Trade	Baathist
Fawzi Kayali	Minister of Culture & Guidance	Social Unionist

- 2 -

Adib Nahawi	Minister of Justice	Socialist
Omar Sebai	Minister of Communications	Communist
Ahmed Kabalan	Minister of Supplies & Internal Trade	Baathist
Abdel Sattar Sayed	Minister of WAQFS (Religious Affairs)	Independent
Hussein Ahmed Koueider	Minister of Labor & Social Affairs	Baathist
Madani Khiyami	Minister of Health	Independent
Abdallah Khani	Minister of Tourism	Independent
Mohamed Ali Hachem	Minister of Higher Education	Socialist
Abdel Razzak Abdel Baki	Minister of Housing	Socialist
Chteoui Seifo	Minister of Industry	Baathist
Naaman Zein	Minister of Transportation	Baathist
Jani Sawaf * +	Minister of Electricity	Independent
Mohamed Cherif *	Minister of Finance	Baathist
Moursel Abou Omar *	Minister of Agriculture & Agrarian Reform	Baathist
Adane Moustapha * +	Minister of Oil & Mineral Resources	Baathist

* New Minister

+ Shift in Position as Minister

SYRIA

Hafiz al-Asad
(Phonetic: AHsahd)

President

Addressed as:
Mr. President

Place of Birth - Village of Qardahah (near Latakia)
Age 46 (Date of Birth - about 1928)

Elected President - March 12, 1971

Is considered a moderate by Syrian standards and favors increased trade between Syria and US.

Education - graduated from Homs Military Academy in 1953

Holds rank of Air Force Lieutenant General

Married

Has four sons and a daughter

Speaks some English, good French.

October 1974

SYRIA

Mahmud ibn Salih al-Ayyubi
(Phonetic: ahYOObee)

Prime Minister

Addressed as:
Mr. Prime Minister

Born 1932 in Damascus

Graduated from Syrian University in 1956 with degrees in
Education and Arabic; he taught briefly in Qatar.

Appointed Prime Minister on December 21, 1972.

Had previously served as Vice President, Minister of
Education, and Deputy Prime Minister

Sunni Muslim and member of prominent Kurdish family

Married and has three sons.

He speaks some French.

SYRIA

'Abd al-Halim KHADDAM
(Phonetic: kahDAHM)

Deputy Prime Minister;
Minister of Foreign Affairs

Addressed as:
Mr. Minister

Age - 41

Assumed his current post November 1970.

Has served as Minister of Economy and Foreign Trade.

Law Degree from Damascus University.

Attended 28th Session of UN General Assembly.

He speaks French

October 1974

SYRIA

Muhammad HAYDAR
(Phonetic: HYE^{dar})

Deputy Prime Minister for
Economic Affairs

Addressed as:
Mr. Haydar

Age - 43
Became Minister for Economic Affairs in September 1973.

Had previously served as Minister of Agriculture and
Agrarian Reform.

Presided over a series of currency reforms designed
to attract development capital.

Served with the Ministry of Agrarian Reform in 1964 -
In 1966 was named Governor of Hasakah.

October 1974

SYRIA

Muhammad al-IMADI
(Phonetic: eeMAHdee)

Minister of Economy and
Foreign Trade

Addressed as:
Mr. Minister

Age - 43

Has a doctorate in economics from New York University.

Has been Minister of Economy and Foreign Trade since
December 1972.

In 1963 he was transferred to Ministry of Planning as
Director of Economic and Social Planning. He subsequently
became Assistant Secretary General of the Ministry and in
1969 its Deputy Minister.

Married to an American.

October 1974

Nourallah Nourallah, Minister of Planning and Governor of the Bank

No stated political affiliation. Until last September his power mostly relied on the seniority of his position as Minister of Finance.

In the past he has maintained a cautious attitude vis-à-vis the Bank, but this seems mostly due to his personality and to the character of his office, rather than to specific reasons concerning the Bank. He became Minister of Planning in September, 1974. We plan to keep him closely informed of our prospective operations, with the hope of a more active participation on his side to the formulation of a lending program than in his previous position as Minister of Finance.

He speaks some French.

SYRIA

Nassuh Daqqaq
(Phonetic: dahKAWK)

Governor, Central Bank

Addressed as:
Dr. Daqqaq

Age - 64

Law degree from Syrian University
Studied economics in France on a UN scholarship

Entered government service in 1950 and has served
in the Ministries of Economy, Finance, and Social Affairs
and Labor. In 1961 he was managing director and chairman
of the board of the Industrial Bank of Damascus.

Daqqaq attended the 1972 and 1973 IMF-IBRD meetings.

Married.

He speaks French and some English.

October 1974

SYRIA

Mursil ABU 'UMAR
(Phonetic: AHboo OOmar)

Minister of Agriculture
and Agrarian Reform

Addressed as:
Mr. Minister

Age - 33
Member of Baath Party
BS - University of Cairo - 1964

1966-1971 held various positions in Directorate of Foreign
Trade at Ministry of Economy and Foreign Trade

1971 - Director General of Agricultural Cooperative Bank
and was later named Director of Agrarian Reform.

He speaks no English.

SYRIA

Muhammad Umar al-SHARIF
(Phonetic: shahREEF)

Minister of Finance

Addressed as:
Mr. Minister

Named Minister of Finance September 1974.
Had previously served as Director General of Customs.

Graduate of Syrian University.

Born in Latakia.

Married.

October 1974

SENIOR OFFICIALS IN SYRIA

Mr. Issam HILOU	Deputy Minister of Planning
Mr. Mahamoud TOUJAR	Deputy Minister of Euphrates Dam
Mr. Mazen AZEM	Consultant Coordinator for UNDP/Bank Projects Minister of Euphrates Dam
Mr. Loutfi KHASS	General Director Major Projects Administration
Mr. Isham EL SATI	Director of Planning Major Projects Administration
Dr. Mohamed IBRIK	Deputy Minister of Agriculture and Agrarian Reform
Mr. Rida MOURTADA	General Manager Etablissement Publique des Eaux de Figeh (EPEF)
Mr. Nibras MUYAD	Technical Advisor EPEF
H. HUMEIDAN	Director General Department of Highways and Bridges Ministry of Communications
Mr. MOHARALI	Director of Projects Director General EPE
Dr. Abdul Hadi NAHLAWI	Deputy Minister of Finance
Mr. Khalid CHABAN	Director of the Public Debt Ministry of Finance
Mr. Nasouh DACCAK Governor	Governor, Central Bank Governor, IMF

UNDP - Damascus

Mr. S. Habib AHMED

Resident Representative
P.O.B. 2317
28, Jala'a Street - Abou Roumaneh
Cable Address: UNDEVPRO - DAMASCUS
Tel: 32440 or 32810

Mr. Basri DANISMAN

Acting Resident Representative
UN Development Program in the SAR
Damascus, SYRIA

A.A.K. SOGHATER

Senior Agricultural Advisor
FAO Country Representative
Residence: 336-473

Omar Sheikh IBRAHIM

Administrative Officer
332-810

IBRD Washington Contacts

USAID

Mr. Richard Rolland Brown, Jr. 632-8230
Syria Desk Officer
Middle East Affairs
Room 3313
State Department

Mr. Paul Oechsli
Director
Office of Middle East Affairs

Mr. Robert H. Nooter 632-9118
Assistant Administrator
Near East and South Asia Bureau

Syrian Embassy 965-2005
H.E. Sabbah Kabbani
Syrian Embassy
600 New Hampshire Avenue
Washington, D.C. 20037

Mr. Abdul Karim SABBAGH
Second Secretary

Mr. Hani Hussin HABEED
Third Secretary

UN - New York

H.E. Hissam KELANI
Ambassador to the UN
New York, New York

E

DECLASSIFIED

APR 03 2013

WBG ARCHIVES

SYRIA

TOPICS FOR DISCUSSION

October 25, 1974

Confidential

- Public debt reporting
- Exploratory negotiating tasks.
- How can we give better TA?
- Confirming w. Arab institutions

A. Background

1. For the first time since independence, Syria is ruled by a Government which has demonstrated that it can wage war efficiently, move fast on development and rest sufficiently secure to face the prospects of a settlement with Israel. The nature of such a settlement is still to be determined; Syria has conceded time for negotiations, it is doubtful that she will concede territory, or abandon her support to at least some of the claims of the Palestinians. While this fundamental issue is still open, it is not detracting the Government from progressively reopening the windows on the outside world which previous regimes had closed and restoring personal freedom and security, from enlarging the power structure based on the army cadres and petit-bourgeois intellectuals since the advent to power of the Baath in 1963, and from pursuing dynamic economic policies (which had already yielded a 10 percent growth rate in 1970-72). More than these policies, the national confidence resulting from the October war has added to President Assad's authority. Although belonging to the minority Moslem sect of Alawites in a country traditionally ruled by Sunni Moslems, he may be in a better position than any of his predecessors to end the chain of about a score of coups d'etat started in 1949 and to create political structures which could ensure some stability.

2. Syria's main problems are thus political. In the economic and social spheres, the trend over the past two decades has been to move from an agrarian and mercantile society dominated by a traditional bourgeois and feudal class towards a socialist and industrial society. Land reform has been implemented and most of industry and trade has been nationalized. Despite political vagaries, major investments have been systematically pursued in irrigation, industry, petroleum, infrastructure and social services. The Bank's role in Syria is therefore not primarily to help increase an already creditable investment effort; the past financial constraints have been largely relaxed by the benefits from the rise in the price of oil, cotton and phosphates, and by the potential for greater aid from other Arab countries. Our role is somewhat similar to the one which is shaping up in Algeria: to help refine Syria's investment effort through the expansion of income distribution and employment policies which have not yet fully benefited the poorest segments of the population; the introduction of economic and financial criteria which will guide in the choice of investments and ensure their productivity; the increase in the efficiency of public sector institutions; and the technical support of agencies implementing investment projects.

B. Bank Relations

3. Although their understanding of the Bank's objectives have improved, the top Syrian economic and political authorities are still concerned that the Bank does not appreciate enough Syria's economic and social objectives

and its performance under difficult conditions. Their long isolation from the West and their internal struggles led to high sensitivities and suspicions. Mr. McNamara might wish to allay such suspicions by stressing the developmental role of the Bank and its emphasis on helping the poorest 40% of the population and its experience with such socialist countries as Yugoslavia, Romania and Algeria. He may also want to mention that compared with the past Bank Group aid to Arab countries as a whole have risen from \$249 million in 1964-1968 to \$907 million in 1969-73 and \$564 million in FY74 alone. He might also want to indicate our appreciation of their austere, pragmatic, and socially oriented policies, diversification of production, agrarian reform, and their efforts to increase administrative efficiency and absorptive capacity.

C. Bank Program

4. Mr. McNamara may wish to recall that, compared with total credits of \$37 million from 1963 to 1973, our commitments in Syria in FY74 alone increased to US\$98 million, which were made for key projects in the Euphrates Valley and in electricity (Balikh Irrigation Project, US\$63 million loan and US\$10 million credit; Mehardeh Power Project, US\$25 million loan jointly with the Kuwait Fund which lent US\$33 million) and that a substantial program is foreseen in the coming years. Financial assistance, however is not the only contribution the Bank Group can usefully make. It can support Syria's efforts in ensuring high efficiency of investments strengthening public sector institutions and identifying investments that create employment and spread the benefits to the poorer groups. Cooperation between our staff and the Syrian agencies responsible for project execution has helped without undue delays in the solution of complex project problems and in planning the training and development of the technical and administrative staff e.g. in agencies responsible for highways, water supply and sewerage, irrigation in the Euphrates basin, and electricity.

5. The Bank is prepared to maintain a substantial flow of project financing for Syria, but this would necessitate working also in new sectors, such as industry, which are as yet unfamiliar with the Bank's project approach. To multiply our relatively limited financial resources, we need to cooperate closely with Government agencies and co-financiers, such as Arab development institutions. We can plan and program satisfactorily and move quickly if we start to collaborate with the responsible agencies, the ministries, and the co-financiers at an early stage of project identification and preparation.

D. Eligibility for IDA assistance

6. The former Minister of Planning, Al-Hallaj, the Deputy Minister of Finance, Nehlawi, the Minister of Communications, Sibai, and the Minister of Economy, Imadi, all have been informed that overall shortage and the needs of the poorer member countries make no IDA funds available for Syria. Nonetheless, Syrian authorities may raise this issue once more, though they appear resigned to trying to "improve" the terms of project financing by blending Bank loans with loans from Arab Funds at softer terms.

E. Sharing of the Euphrates Waters (see brief on Euphrates/Tigris)

7. Mr. McNamara may wish to emphasize the importance of an agreement among riparians for the development of the Euphrates basin and confirm the Bank's willingness to provide technical assistance on this matter. The Syrians seem to be concerned that the Bank may attempt to solve this issue without due regard to other important factors (agreement between Iraq and Turkey on a pipeline and oil supply; political and trade relations between Iraq and Syria) governing the attitude of the three riparians. They may also be concerned that the Bank will back the choice of a technically favorable alternative and embarrass them by such a selection, without letting negotiation of alternatives be handled by the three Governments concerned. Mr. McNamara might reassure them, again, that the Bank is aware of the fact that this problem cannot be solved exclusively on the basis of isolated technical and economic considerations of the Euphrates basin alone and that the Bank does not want to arbitrate, but rather to provide sound analysis of the technical and practical alternatives for the three riparians to take into account as quickly as possible in finding an agreement between themselves. Financing of the irrigation - and, possibly, drainage - projects in the lending program would be contingent upon such agreement.

F

DECLASSIFIED

APR 09 2013

WBG ARCHIVES

FINAL VERSION
 CONFIDENTIAL
 September 26, 1974

SYRIACOUNTRY PROGRAM PAPER

1973 Population: 6.9 million	IBRD/IDA Lending Program ^{2/} (Current \$ million)		
1972 per cap. GNP: \$320 ^{1/}	<u>FY69-73</u>	<u>FY74-78</u>	<u>FY76-80</u>
Current Population Growth Rate: 3.3 percent	IBRD	363	400
Current Exchange Rate: \$1 = SL 3.70	IDA	10	-
	Total	<u>373</u>	<u>400</u>
	Operations Program		<u>580</u>
	<u>Annual Average Per Capita (\$)</u>		
	IBRD/IDA	0.83	10.81
	IDA	0.83	0.29
			11.59
			-

A. INTRODUCTION

1. The last Country Program Paper for Syria, dated March 22, 1973, was reviewed at a meeting in Mr. McNamara's office on April 2, 1973. An economic mission visited Syria in March/April 1974 to update the last economic report (R73-110, of May 21, 1973). The mission's report is being completed.

2. Developments since the last CPP review have confirmed our expectations of continued domestic stability. Syria came out from the October conflict with increased standing, and the position of President Assad became stronger. The country's growth and export prospects have improved further since last year because of the increase in oil and phosphate prices and Government's plans to increase their production; tighter control over project implementation; and pragmatic economic policies, including new measures announced in March 1974 to attract foreign private capital and the search for foreign partners to participate in the exploration and development of new oil fields. Because of its improved economic prospects, and low projected external debt service ratio, Syria should now be considered creditworthy for borrowing on conventional rather than hard-blend terms.

^{1/} World Bank Atlas, 1974.

^{2/} In current terms, the proposed FY75-79 program is 375 million as compared with 215 million for the same period, approved in April, 1973. In constant FY74 dollars, the proposed FY75-79 program is 291 million (for deflator see Attachment 1) representing a 35 percent increase over last year's program of 215 million. Annual average per capita commitments in real terms for FY75-79 would be \$8.43 compared with \$1.03 during FY69-73.

3. Collaboration with the Bank in the preparation and start of the last three projects has been very good. Based on the expectation of continued domestic stability and assuming no major upheaval in the region, Syria's favorable prospects for growth and increased absorptive capacity justify the proposed continuation of our policy of investing substantial financial and staff resources in project financing, institution building and assistance in the discussions with other riparians on the sharing of the waters of the Euphrates basin. The CPP proposes about three operations and two loans per year on the average in FY75-77, as approved at the last review, and five operations and four loans per year in FY78-80. For FY75-79, the proposed total lending (\$375 million) and loans (15) are the same as approved by Management last May.

B. COUNTRY OBJECTIVES AND PERFORMANCE

Political Background

4. Since achieving independence in 1946, Syria had numerous changes of Government that resulted in a shift of the economy from a laissez-faire system to one that is largely publicly owned and regulated. Since 1963, the Baath Socialist Party ruled the country, with the support of the army, and provided continuity of emphasis on economic and social policies in spite of frequent changes of party factions prevailing in the Government.

5. In sharp contrast with past instability, President Assad has been in office for almost four years. His regime has been characterized by a balance of firmness and conciliation in domestic policies; economic pragmatism; search for a role for the private sector in the centrally regulated economy; and diversification in foreign economic relations. In March 1973, a permanent constitution was approved by referendum. General elections of the legislature in May 1973 gave the majority of the votes and the seats to the Baath Socialist Party, and a national referendum reconfirmed President Assad for a seven-year term. The conduct of the October war greatly increased the popularity of the President and enhanced national pride. Support to the President by the Baath party and the army seems to have increased correspondingly, and permitted him to overcome the opposition of hard-line factions to reaching agreement on military disengagement and opening the country increasingly to Western relations. Diplomatic relations with the USA were resumed, after a seven year hiatus, without apparent deterioration of relations with the USSR. In early September 1974 a small number of party hard-liners in the Cabinet were substituted by technocrats. The recovery of territory occupied by Israel in 1967 remains a major concern of the Government.

Development Objectives

6. Syria's rapidly growing population requires urgent development of the country's land and water resources, while the high rates of migration from rural areas make agricultural development and a consequent improvement

in agricultural incomes an essential part of the development strategy. Only about one third of the country's 8.8 million ha of cultivable land is under continuous cultivation and about one fourth of 2 million ha of irrigable land is irrigated. Apart from some oil, phosphates and rock salt, no other significant and exploitable mineral resources are known. Proven oil reserves are of the order of 300 million tons, not including recently discovered fields.

7. Since 1963, the emphasis of economic policy has been upon the development of the agricultural sector, mainly through land reclamation and redistribution, and expanded irrigation. During the 1960s, an agrarian reform was completed, with redistribution of land to large numbers of formerly landless peasants and the Government is currently reviewing its impact on production and incomes. Completion of a dam at Tabqa on the Euphrates in 1973 set the basis for lessening the dependence of agriculture on weather conditions through irrigation. These measures should lead to a more sustained growth of agriculture through full utilization of land and water resources, higher productivity, the opening up of employment opportunities and a consequent improvement in the living standards of the rural population. Development of mineral resources and industry also received substantial attention, with major investments in oil fields in the northeast, an oil refinery, a pipeline to the port of Tartous, textiles, phosphates and fertilizer plants, and a steel rolling mill. The transport infrastructure, mainly railway and road connections between the main population and production centers, the ports and neighboring countries, was also strengthened.

8. The Third Five-Year Plan 1971-1975 continues the strategy of the Second Five-Year Plan 1966-1970 in placing emphasis on the expansion and modernization of agriculture, primarily through the development of the Euphrates basin, the exploitation of the country's mineral resources, expansion of the cement, textiles, food-processing and other manufacturing industries, and strengthening of the country's infrastructure and basic facilities. A relatively large share of public investment (28 percent) is allocated to the development of irrigation, particularly the Euphrates River scheme, which will ultimately bring 640,000 hectares under irrigated agriculture. The Third Plan aims at a GDP growth rate of 8.2 percent per year in real terms with agriculture growing at 5.1 percent and industry at 16 percent. It envisages investments to grow by 10.7 percent per year and to total SL 8 billion (of which SL 6.4 billion in public sector investment) over the Plan period. The Plan allocates 35 percent of public investment to agriculture and irrigation, 17 percent to industry and 16 percent to energy and oil. Domestic savings are assumed to increase by 14.8 percent per year over the Plan period, and expected to finance the larger part of the investment program. In particular, public sector investments are expected to be financed to a large extent from public sector savings, especially surpluses of public enterprises, which are projected to increase to SL 4.9 billion, equivalent to 77 percent of public investment.

9. Although public investment has grown significantly, it has fallen below the rather ambitious targets set by the Plan. Public investment during the first three years of the Plan has reached SL 2.8 billion, in current prices, equivalent to 45 percent of total planned public investment. This compares with actual development expenditures of about SL 2.7 billion, or 71 percent of

the target set, under the 1966-70 Plan. A shortfall in surpluses of the public enterprises -- SL 1.7 billion as compared to a planned SL 2.8 billion -- in the first three years of the Plan, and inadequate foreign exchange resources has handicapped financing. Besides the Government's concern with the Arab-Israeli conflict, a number of other reasons such as weak project preparation, the absence of effective planning units and monitoring in the responsible agencies, and diffused responsibility have contributed to these shortfalls.

10. There is evidence, however, that the ability of the public sector to undertake major investments is improving. The Government has undertaken an analysis of the reasons for the shortfalls in Plan implementation, and new procedures designed to tighten the control and follow up procedures for the remaining years of the Third Plan have been adopted. Attempts at creating and adequately staffing planning units, at least in the major operating ministries, are underway. There have been over the past year significant improvements in project preparation, in budgeting and in the recently introduced annual planning and follow-up. The improvement in the financial situation of the country, particularly in the foreign exchange position, is expected to remove one of the most severe constraints to investment. Furthermore, implementation rates can be expected to improve as project execution itself increases the available expertise, as indicated by the higher implementation rates in transport, public utilities and public sector works (almost 58 percent over the first three years of the Plan).

Recent Performance

11. Economic performance in general has improved significantly since 1970, partly as a result of favorable weather conditions on agricultural production, and partly because of the reorientation of economic policies since the present Government took office in late 1970. By removing some of the many controls on trade and foreign exchange as the country's external balance improved, the Government aimed at encouraging the private sector to play an effective role in the development of the country, stimulating the repatriation of Syrian private capital held outside the country, and attracting private foreign capital. At the beginning of September 1974 most of the Ministers with responsibilities for economic affairs were changed. Although it is too early to assess fully the impact of this change, the fact that the main advocate of liberalization, the Minister of Economy, and the Deputy Premier for Economic Affairs remained in office, indicates that these policies are likely to continue.

12. Gross domestic product in constant prices increased by an average of 9.8 percent per annum between 1970 and 1972, compared to 5.8 percent per annum between 1965-1970. In 1973, however, GDP virtually stagnated, mainly because of a large decline (about 30 percent) in agricultural output due to a severe drought, and partly because of the effects of war damage. During the hostilities, part of the country's productive capacity was damaged, including the Homs refinery, power plants, ports, oil pipeline terminals and some industrial plants. However, prompt action by the Government and grant assistance by the other Arab countries contained the slowdown in economic

activity resulting from the power and fuel shortage. Most damage, estimated at \$200-\$300 million, was rapidly repaired and full productive capacity was reportedly restored by the Spring of 1974, except in the Golan Heights, where the town of Kuneitra, completely destroyed, is yet to be reconstructed.

13. Aggregate investment as a percentage of GDP increased from a little over 16 percent in 1969 to an estimated 21 percent in 1973, equivalent to a rate of growth of about 17 percent per year. Investment was about equally divided between public and private sectors. Total consumption has been gradually declining relative to GDP, mainly because of a curtailment of private consumption, and is estimated at 81 percent of GDP in 1973.

14. The balance of payments, which had been in deficit in 1967-71, also witnessed considerable improvement over the past two years. There was a modest overall surplus of SL 28 million in 1972, and a large surplus of over one billion Syrian pounds in 1973, mainly due to a large increase in official aid and grants from Arab countries. The trade deficit increased from SL 621 million in 1969 to an estimated SL 1,000 million in 1973, despite severe import restrictions in effect for the larger part of the period, but increased receipts from non-factor services, particularly oil transit dues (\$125 million, compared with \$71 million in 1969), and external grants have reduced the resource gap from an average of about 5 percent of GDP in 1969-72 to an estimated 2.2 percent in 1973. At the end of 1973, Central Bank gross reserves amounted to \$273 million, equivalent to six months of imports of goods and services.

15. For a number of years, the Government budget has been characterized by domestic revenues slightly higher than current expenditures, with the larger part of the development expenditures financed through external project loans or through borrowing from the banking system. Since 1970, and even more so in 1973, grants and other aid from other Arab countries have assumed greater importance as a source of financing, and in 1973 a substantial overall budgetary surplus was achieved, in spite of a large deficit in the current budget brought about by a doubling of defense expenditures. This budgetary surplus has enabled the Government to start paying back its accumulated debt to the banking system, and to slowdown the rate of credit expansion.

16. Wholesale prices, which increased modestly between 1962 and 1972, at an average annual rate of growth of 2.9 percent, rose by 38 percent in 1973. The increase in Government expenditure, reinforced by the improved foreign exchange reserves and the additional expenditures on reconstruction would alone have brought about considerable pressure on prices. Further pressure came from the supply side, because of the shortfalls in agricultural production and increases in the cost of imports.

Prospects

17. Syria's growth and export prospects appear to be much better than last year -- barring renewed hostilities -- mainly because of the recent increase in prices of oil and phosphates, and the Government's plans to increase their production. These prospects are enhanced by the pragmatic economic

policies of the present Government, its constructive attitude towards the private sector, its phased introduction of liberalization measures, and its concern for the performance of the public sector, particularly the implementation of the Plan.

18. Some optimism is justified that agriculture would in the medium-term achieve a real rate of growth of about 7 percent per year. The expected increase in irrigated acreage alone could increase output by 3-4 percent per year. Fluctuations in production are likely to start decreasing as a result of the increased irrigation, forage production, feed storage capacity and the introduction of dryland rotations. Flood damage should be less severe as a result of the completion of the Tabqa dam.

19. The major contribution to growth in the medium-term is expected to come from the further development of extractive industries, particularly oil and phosphates. Oil production is likely to increase from about 6 million tons in 1974 to about 8 million tons by 1976, 12 million tons by 1978 and 14 million tons by 1980 and, barring new discoveries, is expected to stabilize at that level. Prices, which averaged \$7 per barrel in late 1973 and early 1974, may increase only marginally because of the low quality of the Syrian crude oil and a possible reduction of the country's location advantage on the Mediterranean when the Suez Canal starts operating. Phosphate production is likely to increase from 1 million tons in 1974 to 2 million tons by 1976 and perhaps to 4 million tons by 1980. However, due to the low quality of Syrian phosphates and expected increase in production elsewhere, prices are likely to decline from \$35 per ton in late 1973 and early 1974 to about \$30 by 1980. Manufacturing industries are likely to grow by an average of 10 percent per year between 1974 and 1980 as the recent relaxation of import restrictions takes effect, more foreign exchange becomes available to the country and free industrial zones are developed. Tourism, whose contribution to GDP has so far been insignificant, may also develop into a sector with a significant impact on the economy.

20. The annual growth of GDP in real terms is likely to exceed the Third Plan target of 8.2 percent, and reach 8.7 percent in 1974-75. In the longer term, the Government's recent emphasis on new production targets and investment needs should make it possible to sustain a 11 percent annual growth. Aggregate investment is projected to grow in real terms at 17 percent per year in 1973-1980, both in the public and private sectors. Major public sector investments are likely to be carried out in agriculture, particularly in the Euphrates basin and on the Khabour river; in mining, particularly phosphates and oil exploration in conjunction with foreign partners; in two new refineries at Baniyas and, possibly, oil pipelines and storage facilities. Private and quasi-public investment is likely to be carried out in agriculture, particularly in irrigated horticultural crops; in small-scale industries; and in the service sector. The larger part of these investments could be financed by domestic savings which are projected to grow by about 18.7 percent in 1973-1980.

21. An improvement in financial performance of the public sector is expected, largely as a result of a substantial increase in the operating surpluses of the public sector enterprises from oil and phosphates. No major changes are contemplated in tax revenues (11 percent of GDP) mainly because the levels and rates of growth of wages and salaries are low and the Government desires that salary and wage earners share in the benefits of the economic growth as it occurs, whilst tax relief and exemptions are used to encourage the growth of private investment. However, resource mobilization by the Government has improved significantly and its total revenue as a percentage of GDP has increased from 19 percent in 1970 to almost 25 percent in 1973. The deficit in current operations of the public sector that appeared for the first time in 1973 is expected to be reduced progressively and turned to a surplus by 1976.

22. Imports of goods and non-factor services can be expected to increase, substantially between 1973 and 1975 as the import relaxation measures take effect and stocks are replenished, but somewhat less rapidly after 1975, with an average yearly growth of 11.6 percent in real terms over the whole period. Export of goods and non-factor services can be expected to grow at about 12.6 percent per year between 1973 and 1980, mainly reflecting the increase in production of oil and phosphate, as well as agricultural products. The resulting resource gap is expected to rise from \$84 million in 1973 to a peak of \$135 million in 1976, and then level out at about \$130 million through 1980. The current account on the balance of payments may again show a deficit whose magnitude is likely to increase progressively, and reach about \$300 million by 1980.

MACRO-ECONOMIC OBJECTIVES (1973-1980)
(In Constant 1972 Prices)

	Unit	Current Level 1973	Third Plan	Bank Projections	
			Yearly Growth Rate (%) 1971-75	1980 Absolute Level	Growth Rate % 1973-80
GDP	Mn. \$	2,332	8.2	4,790	10.8
Population	Mn.	6.9	3.3	8.6	3.3
GDP Per Capita	\$	338	4.7	557	7.4
Investment	Mn. \$	473	10.7	1,418	17.0
Gross Domestic Savings	Mn. \$	389	14.8	1,289	18.7
Gross National Savings	Mn. \$	740	n.a.	1,305	8.4
Imports (Incl. N.F.S.)	Mn. \$	525	5.0	1,130	11.6
Exports (Incl. N.F.S.)	Mn. \$	441	6.5	1,001	12.6
Resource Gap	Mn. \$	84		129	6.3
Net Public Official					
Capital Inflow	Mn. \$	60		277	25.0
Gross	Mn. \$	(112)		(371)	
Repayments	Mn. \$	(52)		(93)	
Debt Service Ratio	%	10.1		7.4	

23. The main constraints to Syria's development remain the limited skilled manpower, the need for improved project preparation and implementation, and the effective mobilization of domestic resources. Financing long-term growth will require improvement in the administration of tax collection and broadening of the tax base, better management and pricing of industrial public enterprises and improvement of the financial and institutional framework. The Government recognizes the need to step up resource mobilization and improve the tax structure, and has studied various alternative measures. If the present encouragement of private initiative continues, the return of trained people from abroad should ease the shortage of skilled manpower.

C. EXTERNAL ASSISTANCE

External Debt

24. Public (non-military) debt outstanding, including undisbursed, rose from \$291 million in 1970 to an estimated \$436 million (of which \$192 million undisbursed) in 1973. The rate of disbursement increased from \$42 million in 1970 to \$66 million in 1973. At the end of 1973, borrowing from governments accounted for \$315 million or 72 percent of the total outstanding

external debt; suppliers credit, \$82 million or about 19 percent; and international organizations (all IDA), \$39 million or less than 1 percent. Among governments, the USSR accounted for \$156 million, and Kuwait for \$24 million. The major portion of suppliers' credit came from West Germany (\$31 million), Japan (\$15 million), Spain (\$13 million) and France (\$9 million). The average borrowing terms have changed from 14.3 year maturity, 4.1 years grace and 3.1 percent interest in 1971 to 20.3 years maturity, 4.8 years grace and 5.6 percent interest in 1973.

25. Assistance from Arab countries is likely to increase substantially, although on a loan rather than a grant basis. Assuming that current transfers would steadily decline from the exceptional 1973 level of \$371 million to about \$100 million by 1980, and that net private capital inflows would average \$70 million a year, total gross official capital requirements for 1974-80 are projected at \$2,000 million, rising from \$155 million in 1974, to \$300 million in 1977 and \$370 million in 1980. A large part of this capital inflow is expected to come from government loans (particularly from Arab countries), perhaps totalling \$1,000 million or 50 percent, and from suppliers, providing \$470 million or 23.5 percent of the total, thus leaving a gap of about \$530 million, or 26.5 percent, to be financed from regional development agencies and multilateral sources. Assuming that new commitments in 1974-80 have 17.2 years average maturity, 4.4 years grace and 7 percent interest rate, the grant element is projected to decline steadily during the period, from 59.7 percent in 1974 to 43.9 percent in 1980. In view of the prospects for rapid export growth, Syria's non-military debt service ratio is projected to decline from 10.1 percent in 1973 to 7.4 percent in 1980.

Creditworthiness

26. Syria's rapid growth in the past, improved export prospects -- particularly with the expected rise in foreign exchange earnings from oil and phosphate exports to \$900-1,000 million and \$100 million respectively (at current prices) by 1980 -- and generally favorable outlook for growth, austere and development-oriented policies, expected improvements in public investment planning and recent liberalization measures indicate continued satisfactory performance. Military expenditures since October 1974 have been paralleled by Arab grants and loans. The projected debt service ratio (for non-military debt) appears sufficiently low to leave a considerable margin for servicing unreported and military debt and for substantial borrowing on conventional terms.

D. PROGRESS TOWARDS PRIOR CPP's GOALS

27. The last CPP short-term goals of assisting Syria in project preparation and institution building in irrigation and soil improvement, power and water supply have been satisfactorily attained, with the result of a further improvement of relations between the Bank and Syria and of increased receptiveness on the part of the Syrian authorities to our recommendations. Substantial

programs for staff training, management improvement, and project administration were included in the Damascus Water Supply Project (\$15 million Credit of June 22, 1973); Balikh Irrigation Project (\$63 million Loan and \$10 million Credit of April 10, 1974) and Mehardeh Power Project (\$25 million Loan of May 23, 1974). We are also assisting the Government in solving complex technical matters, such as a special canal design in gypsiferous areas the operation of the reservoir of the Tabqa dam, pollution control on the Orontes and Barada Rivers, and in setting up a program of rehabilitation and drainage in the lower Euphrates Valley. The FAO/IBRD Cooperative Program assisted with the preparation of the feasibility study for the irrigation project, and in the identification and preparation of a livestock/feed project which is critical for a number of other livestock projects which the Government has started.

28. Our efforts to cooperate closely with the regional financial institutions in Syria have started to bear fruit. The Kuwait Fund agreed to participate with a \$18 million loan in the financing of the Mehardeh Power Project jointly with the Bank, and subsequently increased its loan amount to \$33 million to finance part of the cost overrun resulting from the recent world wide price increases. Coordination of programs and exchange of information with the Arab Fund and the Abu Dhabi Fund are underway.

29. Substantial progress was also made with Syria concerning the coordination of the uses of the Euphrates water among riparians. During negotiations of the Balikh Irrigation Project, the Government reconfirmed its interest in a long-term agreement on water sharing, and stated the intention to seek agreement among riparians on water-sharing and on releases during the filling of the Keban Dam, in Turkey, and the Tabqa Dam. Failing agreement among riparians the Government confirmed the intention to operate the Tabqa reservoir taking into account Iraq's irrigation requirements. Further progress was made by the Bank's mission which visited Syria, Iraq and Turkey in July 1974, following the request made by the Iraqi Government for Bank mediation in the matter. The Syrian Government agreed in principle to the Bank's proposal to carry out technical studies and analysis which could contribute to an agreement between the three Governments.

E. BANK GROUP STRATEGY

30. The progress made in building up good relations with Syria and the Government's increasing emphasis on sound economic management provide the Bank Group with the opportunity of assisting the country on a larger scale than in the past, more diversified and in line with its development needs, at a time when the Government is introducing an interesting blend of liberalization measures in a regime seriously committed to a socialist economic system and is turning increasingly to Western sources of technical know-how and financial assistance. In line with the needs of the economy and the Government's investment strategy, it is proposed to continue Bank Group assistance through the agencies already responsible for on-going projects, with emphasis on (i) irrigation, land rehabilitation and rural development in the

Euphrates Valley, with a view to increasing agricultural employment, production and exports, while reducing import requirements and the dependency on weather fluctuations; (ii) infrastructure projects in power and transportation, where a substantial amount of institution building is required by the rapidly growing demand and operations of the responsible agencies; and (iii) sewerage and pollution control projects to improve sanitary conditions in the most densely populated areas. At the same time, our assistance would be extended also through other agencies in sectors such as (i) rural development on a country-wide basis; (ii) industrial credit and telecommunications, which need expanding and strengthening of the responsible institutions; (iii) industry, where access to Western technology could be especially usefully; (iv) technical and vocational education, to ease the development constraint of limited skilled manpower; and (v) tourism, where we could provide expertise in promotion and preparation of large-scale developments. At a later stage, we propose to consider assisting in the preparation of effective population planning schemes.

31. The proposed expansion of Bank assistance is based on the expectation of continued domestic stability in Syria, and reasonably settled conditions in the region. However, the risk of resumption of hostilities in the area is still a significant one, and the possibility that the extreme wing of the Baath Party react to President Assad's approach towards a possible settlement with Israel cannot be excluded altogether. While this situation requires close watch, the possibility of assisting effectively the development of a key country like Syria for the consolidation of conditions in the region seems to justify taking the risks involved at this time.

32. Our assistance for the coordinated development of the Euphrates and Tigris rivers by the three main riparians, Turkey, Syria and Iraq, remains crucial to our relations with Syria. Based on short-term agreements on releases during filling from the Tabqa Dam between Syria and Iraq, and the unilateral commitment taken by the Syria Government with the Bank, we have financed the Balikh Irrigation I project, which would ultimately use an amount of Euphrates water approximately equal to that previously consumed in irrigated land that was flooded with the filling of the Thawra reservoir. Subsequent projects in the Euphrates basin would increase Syria's consumption of water. All the three riparian countries have ambitious plans for irrigation and power development which exceed, in their aggregate, the unused potential of the River, and the Bank Group has long indicated to the three riparians the need for coordination of their development schemes to maximize the aggregate benefits from the development of the Tigris-Euphrates basin. The substantially positive reception by the three Governments to the proposals for technical assistance made by the Bank mission of July and the strong interest shown by UNDP in financing the necessary studies give hope for a useful role of the Bank in promoting agreement among the riparians. With regard to Syria, it is proposed that the Bank continue to stress the importance it attaches to the Government's cooperation in this matter, both to achieve equitable and efficient use of the Euphrates waters, and to enable the Bank to consider financing irrigation projects in the Euphrates basin without serious objections from the other two riparians.

33. Besides the amount of staff and budget resources which may be required to assist the three riparians in their discussions on the Tigris-Euphrates waters, it is proposed to continue to allocate a substantial amount of our manpower to project preparation and strengthening of our pipeline of projects in Syria. While the agencies responsible for the Euphrates Valley, electric power, water supply, sewerage and transportation have become sufficiently aware of the advantages of the Bank's approach to project execution and institution building, a special effort will be required to make the other agencies familiar with such approach. Close coordination with other development agencies operating in Syria will also be necessary. This would include promotion of co-financing, as a means to channel regional finance towards sound and well prepared projects.

34. For FY75-79, a total lending of \$375 million and 15 loans are proposed, with an annual average per capita lending of \$8.43 in FY74 dollars. Regional development institutions such as the Kuwait Fund, the Arab fund and the Abu Dhabi Fund are assumed to contribute about \$220 million (partly by co-financing Bank projects) during 1974-80, or about 11 percent of the country's projected gross official external capital requirements. Disbursements from the proposed Bank loans would provide about \$310 million, or 15.5 percent during 1974-80. The Bank Group debt outstanding, including undisbursed, would reach 14 percent of Syria's total public external debt by 1980.

35. Concerning timing, Power II, Balikh Irrigation II and, with more uncertainty, Industry have been advanced by about one year compared with the timing proposed in the last CPP. The schedule of Livestock and Highways III remains unchanged at FY76. Most of the other seven projects slipped by about one year. The preparation of the Lower Euphrates Drainage and the Damascus Sewerage Projects is taking longer than previously planned, since the basic information initially available proved to be much less than expected. With the proposed changes, our pipeline appears reasonably defined up to FY 77, while the timing of the other operations is yet rather tentative. The proposed operations program would compare as follows with the program approved in May:

<u>Operations Program</u> <u>approved in May</u> (\$ millions)	<u>Proposed Operations</u> <u>Program</u> (\$ millions)
FY75 Power II (30)	Power II (60)
FY76 Drainage I (35) Livestock (10) Highways III (15)	Balikh Irrigation II (30) Livestock/Feed (20) Highways III (20)
FY77 Irrigation/Flood Control (55) Sewerage (30)	Drainage I (40) Industry I - Fertilizer (30) Sewerage I (30) Tourism I (20)
FY78 Drainage II (55) Rural Development (20) Power III (45) Railways (15) Industry-Unidentified (25) Telecommunications (20)	Irrigation III (30) Rural Development I (20) Industrial Credit I (20) Education (20) Power III (40)
FY79 Agricultural Credit (20) DFC I (30) Sewerage II (20) Highways IV (20) Tourism (25)	Drainage II (40) Agricultural Credit (20) Telecommunications (20) Industry II - Unidentified (20) Sewerage II (20) Highways IV (20)
FY80 Not considered	Rural Development II (20) Euphrates-Irrigation IV (40) Industrial Credit II (20) Tourism II (20) Unidentified (20)

The main differences consist of:

- (i) the inclusion of Balikh Irrigation II in FY76. The feasibility study for this project is expected to be ready in March 1975, and our participation in this project could back up discussions among Syria, Turkey and Iraq on the sharing of the Euphrates water. Since these discussions are likely to take considerable time, board presentation might slip to FY77-78.
- (ii) postponement by one year of Drainage I, Drainage II and Irrigation III because of longer than expected time for completion of feasibility studies.
- (iii) advance of Industry I - Fertilizer and Tourism I, because of the interest expressed by the Government in going ahead quickly in these sectors.

36. Our knowledge of Syria's economy is still limited, although we have collected through the last two economic missions and our project work a satisfactory amount of information on the economy in general and some subsectors, such as irrigation, livestock, power, highways, water supply, sewerage and pollution control. An agricultural economist participated in the economic mission of March/April 1974 and provided some information on agriculture outside the Euphrates basin. Foreign debt information is an area which still requires improvement, not so much because of a lack of willingness to cooperate with the Bank -- apart from an understandable reluctance to release any information on military debt -- but because of inadequate staffing and record-keeping procedures in Syria. The proposed economic work program aims at increasing our knowledge of external debt, agriculture, fiscal, pollution and employment problems. Population, employment, transportation and external debt specialists have been included in a FY75 updating mission. This will prepare for a basic mission for FY76, which was proposed to the Government during the 1974 Annual Meetings. This mission will coincide with the preparation of the Fourth Plan (1976-80). The work of the mission will also serve as a basis for the subsequent program of economic work.

37. Following Iraq's nationalization of the facilities of the Iraq Petroleum Company (IPC), Syria nationalized the section of the IPC pipeline running through its territory, in June 1972, with a provision for compensation. At the time of nationalization, the company asked the Government to submit to arbitration, pursuant to the original convention, the question of Syria's right to nationalize the properties. While reasserting its willingness to compensate IPC, the Government questioned the company's interpretation of the arbitration clause and its applicability to nationalization as such. This led to a deadlock on the issue of arbitration rather than a discussion of compensation. Since then, Government officials have informed our staff on various occasions that the Syrian Government was prepared to discuss the amount of compensation with the company, and this position has been relayed to IPC and its shareholders. In view of substantial counterclaims on the part of the Government related to past IPC dues the Company informed the Bank earlier this year that it preferred not to press for compensation for the time being. While this delay in actual negotiations on compensation may therefore be understandable, the Bank will continue to follow this matter closely.

F. BANK PROGRAM

Agriculture

38. Development of the Euphrates basin accounts for about 70 percent of the SL 2.2 billion allocated to agriculture investment in 1971-75, other than SL 1.2 billion for the dam and power station. It is a comprehensive multipurpose hydropower/irrigation scheme based on the construction of a dam at Tabqa, whose filling commenced in mid-1973 and should be completed in 1975. The ultimate area to be irrigated is 640,000 ha over a period of about forty years. Irrigation development is proposed in six separate regions of which

the Balikh river basin, with an irrigable area of 185,000 ha, is immediately downstream of the dam. This area is being developed in eight stages of about 20,000 ha -- starting with a UNDP assisted 15,000 ha pilot project on which construction is now completed -- and should provide resettlement of about half of the 60,000 people displaced by the Tabqa reservoir. The First Balikh Irrigation Project included stages I and II of the Balikh Basin development, totalling 42,000 ha. A Second Balikh Irrigation, proposed for FY76, would include rural development for about 5,000 low income families and irrigation over 25,000 ha using water pumped from the Lower Main Canal built under the First Balikh Project.

39. Construction of dikes on the Khabour River to protect the town of Hassake from floods started soon after the floods of last March, and is expected to be completed in 1974. Construction of 800 Mm³ reservoir at Shedadi on the Khabour River is also planned, essentially for irrigation of about 45,000 ha, but also for some flood control. Upstream of Shedadi another 45,000 ha project is planned. Feasibility studies are planned, and may be carried out by Techno-Exporstroy of Bulgaria, under a bilateral arrangement with Bulgaria. A Third Irrigation Project is proposed for FY78, either for this project or for a project at Nahr-al-Kabir-al-Chamali, an area which has good potential for high value citrus and horticultural crops. A Fourth Irrigation Project, probably in the Euphrates basin, is proposed for FY80.

40. There is urgent need for drainage and improvement of some 200,000 ha of salt-affected lands under cultivation in the lower Euphrates Valley, a third of which had to be abandoned. Studies for a master plan over the entire area and feasibility and preliminary engineering for about 60,000 ha have been included in the First Balikh Irrigation Project. Consultants have been selected and plan to start work in October 1974. The First Lower Euphrates Drainage Project, proposed for FY77, would provide drainage, some irrigation facilities, and on farm and rural development to benefit about 16,000 families which are presently close to subsistence level farming. A Second Drainage Project is proposed for FY79.

41. The Government is expanding sheep and cattle rearing and dairying with the assistance of Bulgaria, Canada and regional institutions. A pilot dairying project started in 1971 with UNDP assistance. The IBRD/FAO Cooperative Program identified the need to establish a feedstock to assure adequate supply and a feed reserve to bridge the gap between good agricultural years, thus stabilizing the number of cattle, meat supply and prices, decrease drought losses, and increase the income of about 13,000 nomadic and semi-nomadic families. Project preparation by the Cooperative Program has started in September 1974, and a Livestock/Feed Project is proposed for FY76.

42. The Government has requested UNDP to assist in the execution of a pilot rural development project planned for completion in 1976 in the Jableh region (8,000 ha), in the Deir-Ez-Zor region (5,000 ha) and in the Kamishly region. A First Rural Development Project is proposed for FY78, and a Second Rural Development Project for FY80. The economic mission of last March/April was impressed with the current shortage of medium- and long-term credit for

investment in machinery, on-farm irrigation development and tree crop planting. The bulk of the lending by the Agricultural Bank is for seasonal, short-term credit. An Agricultural Credit Project is proposed for FY78 focusing on the private and cooperative sectors, particularly for the development of horticultural production.

Industry and Mining

43. Industrial production was the spearhead of Syria's development growth in the sixties, and has increased by 9 percent annually in the last five years. The Government has decided to go ahead with the establishment of a superphosphate fertilizer plant designed mainly for exports and has indicated interest in Bank participation in this project. A small fertilizer plant is also to be constructed with the help of Romania to satisfy the needs of the local market. A First Industry Project is proposed for FY77, for the superphosphate plant, and a Second Industrial Project, yet unidentified, is proposed for FY79. The last economic mission found an apparent lack of medium- and long-term credit for industrial development. The Industrial Bank is short of funds and most of its advances are of a short-term nature. A First Industrial Credit Project is proposed for FY78, and a Second Industrial Credit Project is proposed for FY80.

Transport

44. A road improvement and extension program is underway, assisted by an IDA credit in 1963 and a second credit in 1972. The program includes the links between Damascus and the other major urban centers (Homs-Aleppo-Raqqa) and links with Lebanon and Jordan. Feasibility and engineering studies for about 500 km of roads included in the second highway project are expected to set the basis for a Third Road Project, programmed for FY76. With assistance of ILO, the Government is creating a Central Highway Maintenance Department which, together with a proposed transport Coordination Council, should remedy the major organizational weaknesses of the sector. A Fourth Road Project is proposed for FY79.

Power

45. The Government's long-term strategy is based on the use of the hydroelectric potential of the Euphrates River, and on the expansion of thermal capacity employing indigenous fuel. The development of the Euphrates basin is expected to add about 800 MW to the capacity installed in the country. The Tabqa power station, with initial capacity of three 100-MW units which started operating at reduced head in early 1974, is scheduled for completion in early 1975, and two more 100-MW units are expected to start operation in 1976. Orders have been placed for the remaining three units. The possibilities of other hydro-power developments are limited, and further power development will be based on oil as the main source of fuel.

46. In early 1973, the Government embarked on a crash program to install 160-MW in gas turbine capacity. During the October 1973 conflict, about 165-MW of steam capacity of the interconnected system was damaged, of which about

75-MW was irreparable. By mid-1974, however, practically all power requirements were already being met, after repairing some of the steam units, increasing the supply from Lebanon and installing gas turbines received as a grant from other Arab States. Total installed capacity in the country is expected to reach 1,500 MW by 1976. The Government intends to step up its rural electrification program by about 10 percent annually from the present level of about \$2 million equivalent; to start a 10-year program to convert the present 127/220-V distribution voltage in the major cities to 220/380-V; to continue interconnecting captive plants; and to construct 1,300 km of 230-kV transmission lines to be financed out of an existing credit from the USSR.

47. The First Power Project consists of the first 125-MW stage of a thermal power station at the Mehardeh reservoir on the Orontes river; construction of four new and expansion of four existing 230-kV substations; management and engineering consulting services and training. A \$25 million Bank loan was signed, to finance the estimated \$43 million foreign cost of the project jointly with a \$18 million loan from the Kuwait Fund. After loan signing, the lowest bids received showed the need for additional \$28 million in foreign cost. To cover in part this gap, the Kuwait Fund increased its loan by \$15 million, leaving a shortfall of \$13 million for which the Government has requested financing from the Abu Dhabi Fund. A \$60 million loan is proposed for FY75 to finance the estimated foreign exchange cost of a Second Power Project, comprising the second stage of the Mehardeh station and sub-stations. Co-financing for this project by the Kuwait Fund is unlikely, since the amount of lending originally allocated by the Fund to the second stage of Mehardeh has been used to finance part of the cost overrun of the first stage. A Third Power Project is proposed for FY78.

Water Supply and Sewerage

48. The Damascus Water Supply Project designed to increase the groundwater source's capacity, transmission and distribution includes sewerage studies for the city of Damascus, and pollution control studies for the Barada River, in Damascus, and the Orontes River, along which the cities of Homs, Hama and many large industries are located. A First Sewerage Project is expected to develop from these studies in FY77 for the cities of Damascus, and a Second Sewerage Project may follow in FY79 for the cities of Homs and Hama.

Education

49. Syria's educational system has grown rapidly at all levels over the last decade. By 1971, the participation rate had reached 81 percent in primary education, 44 percent in intermediate and 20 percent in secondary education. Public expenditure for education doubled during the last five years, but focussed on current spending, and capital investments have been insufficient. General secondary education is mostly academically-oriented, while agricultural, technical and vocational programs are inadequate at all levels. UNDP is assisting the development of a national, vocational training scheme. A UNESCO/IBRD review in March 1972 recommended (i) construction and equipment of primary schools and diversified secondary schools, (ii) upgrading of teacher training, and (iii) expansion of technical and vocational education for

industry. Further project preparation has been delayed by lack of agreement on scope of the project between the various competent authorities in Syria. An Education Project is proposed for FY78, assuming that our efforts to bring about such agreement will be successful.

Telecommunications

50. Inadequate internal telecommunications facilities continue to be a bottleneck in the country's development and their expansion is of high priority. The Ministry of Communications suggested the possibility of a Bank project in late 1972, but, in view of the difficulties it would meet in introducing an increase of tariff, it decided to use bilateral funds for its urgent expansion program. The Ministry has renewed its request in 1974, and a Telecommunications Project is proposed for FY79, but it remains of low probability.

Tourism

51. Provided that settled conditions prevail in the region, Syria's potential for tourism is substantial. As a source of net foreign exchange earnings, tourism in Syria, though relatively unimportant, has been growing rapidly in recent years, from SL 36 million in 1971 to SL 125 million in 1973. A French consulting firm has submitted to the Government a plan in September 1973 which calls for the development of the coast north of Latakiah as the main tourist area, and resorts around Aleppo, Homs and Palmyra. Full development of the plan would take 15 years with 10,000 beds and an investment of around SL 200 million a year, more than half of which from private sources. Government authorities have expressed interest in Bank Group assistance. A Bank reconnaissance mission would visit Syria at the earliest possible time to explain our approach to tourism development and assist the Government in planning project preparation. A First Tourism Project is proposed for FY77 and a Second Tourism Project for FY80.

E. CONCLUSIONS AND RECOMMENDATIONS

52. Developments since the March 1973 CPP have confirmed our expectations of continued domestic stability. The position of President Assad seems to have strengthened further with his reconfirmation for a 7-year term by national referendum in May 1973, and his increased popularity following the October conflict. The resumption of diplomatic relations with the U.S.A., and the recent cabinet reshuffle augur well for the continuation of his policy of opening up Syria to more intensive relations with Western countries, barring a strong reaction by the extreme wing of the party.

53. The economic effects of the conflict have been limited thanks to the prompt action of the Government for reconstruction and grant assistance by other Arab countries, which contained the slowdown resulting from power and fuel shortages, and brought economic activity substantially back to normal by the Spring of 1974. The Government continued the pragmatic and flexible

approach to economic policies of the last few years, as evidenced by the measures announced in March 1974 to attract foreign private capital to invest in Syria, by the adoption of an exchange rate based on the free market rate in Beirut (which continued to appreciate since December 1973), and by the current thinking of involving foreign partners in the exploration and development of Syria's oil reserves. Public investment continued to grow, although it fell short of the targets of the Third Five-Year Plan 1971-75. The new procedures introduced by the Government to tighten control over plan implementation are expected to increase Syria's absorptive capacity. External transfers, mainly Arab aid, financed the increased defense expenditures, and a substantial overall budgetary surplus enabled the Government to reduce its debt to the banking system and slowdown the rate of credit expansion. The balance of payments registered an exceptionally large overall surplus (about \$290 million) mainly because of the increased aid and grants during the last quarter of 1973.

54. Growth and export prospects appear to be much better than last year because of the increase in prices of oil and phosphate, and the good prospects for increasing their production to about 14 million tons of oil and 4 million tons of phosphates by 1980, equivalent to \$900-1,000 million and \$100 million foreign exchange earnings respectively at current prices. The Government's development efforts in agriculture and industry are likely to bear fruit, and the growth rate of the economy may be expected to accelerate from about 9 percent in 1971-75 to about 11 percent in 1976-80. In view of the country's good economic performance and prospects, and the low projected non-military debt service ratio (about 7.4 percent in 1980), Syria can service substantial additional debt on conventional terms.

55. Very good cooperation during processing of the three last projects and the assistance we provided in institution building, in the solution of technical difficulties, and in project preparation resulted in a further substantial improvement of our relations with the Government, although we have yet to achieve sufficiently close relations on general economic policy matters. The progress made by the Bank's mission of July to Turkey, Syria and Iraq opens the possibility for the Bank Group to play a key role in assisting the three riparians in their discussions for the coordinated development of the Euphrates basin.

56. The opportunity of assisting effectively the development of a key country like Syria for the consolidation of conditions in the region seems to justify taking the risks involved by the present situation in the Middle East. Considering Syria's good prospects for growth and increased absorptive capacity, its importance in the region, the Government's receptiveness to our advice, its socially oriented economic policies, and the country's need to turn to Western technology, the Region proposes:

- (a) continued assistance through the agencies already responsible for ongoing projects, and assistance in other fields such as rural development, institution building in industrial credit and telecommunications, technical and vocational education, and tourism.

- (b) that the Bank continues to stress the importance it attaches to the Government's cooperation in promoting agreement among the riparians to achieve an equitable and efficient use of the Euphrates and Tigris waters, and to enable the Bank to consider financing irrigation projects in the Euphrates basin without serious objections by the other riparians.
- (c) that besides the manpower and budgetary resources which may be required to assist the riparians in the discussions on the Tigris-Euphrates waters, the relatively large amount of our staff time be allocated to (i) project preparation and strengthening of our pipeline in Syria, in view of the need to make new agencies familiar with the possible advantages of the Bank approach to projects; and (ii) increasing our knowledge of the economy and establishing a dialogue with the Government on economic policy issues, particularly the 1976-80 Plan.
- (d) a comparatively large annual average per capita of Bank lending (\$8.43 in FY74 dollars for FY75-79), which seems justified by the country's absorptive capacity and the limited finance **available at present from other sources**. The proposed amount of Bank lending would contribute about 15.5 percent to the country's projected gross official external capital requirements for 1974-80. The Bank Group debt outstanding, excluding undischarged, would reach 14 percent of the total public external debt by 1980.

Population: 6.9 million; 3.3% p.a.
 Per Capita GNP: \$320 (1972); 6.5% p. a. 1974-80
 Area: 185,000 km.
 Literacy: 40% adult population (1970)

SYRIAN ARAB REPUBLIC - ACTUAL AND PROPOSED LENDING PROGRAM THROUGH FY80
 (US\$ Million)

	Through 1968	1969	1970	1971	Actual 1972	1973	1974	Current 1975	1976	1977	Program 1978	1979	1980	Total 1969-73	Total 1974-78	Total 1976-80
Balikh Irrigation I	IBRD						63									
	IDA						10									
Livestock/Feed	IBRD															
Balikh Irrigation II	IBRD								20							
Lower Euphrates Drainage I	IBRD								30							
Irrigation III	IBRD									40						
Rural Development I	IBRD										30					
Lower Euphrates Drainage II	IBRD										20					
Agricultural Credit	IBRD											40				
Rural Development II	IBRD											20			20	
Euphrates Irrigation IV	IBRD												40			
Communications	IBRD											20				
Industrial Credit I	IBRD										20					
Industrial Credit II	IBRD												20			
Education	IBRD										20					
Industry-Fertilizers	IBRD									30						
Industry Unidentified	IBRD											20				
Power I	IBRD						25									
Power II	IBRD							60								
Power III	IBRD										40					
Tourism Unidentified I	IBRD									20						
Tourism Unidentified II	IBRD												20			
Highways I	IDA	8.5														
Highways II	IDA															
Highways III	IBRD				13.8											
Highways IV	IBRD								20				20			
Damascus Water Supply	IDA					15.0										
Sewerage I	IBRD									30						
Sewerage II	IBRD											20				
Unidentified	IBRD												20			
Operations Program IBRD/IDA																
Total								60	70	120	130	140	120	-	478	580
No.								1	3	4	5	6	5	-	15	23
(approved in May 74-No.)								(1)	(3)	(2)	(6)	(5)			(14)	
Lending Program IBRD/IDA																
BANK	-	-	-	-	-	-	88	60	40	85	90	100	85	-	363	400
IDA	8.5	-	-	-	13.8	15.0	10	-	-	-	-	-	-	28.8	10	-
Total	8.5	-	-	-	13.8	15.0	98	60	40	85	90	100	85	28.8	373	400
No.	1	-	-	-	1	1	2	1	2	3	4	5	4	2	12	18
Real Lending Program (Constant FY74 dollars)																
IBRD	-	-	-	-	-	-	88	54.3	33.6	67.0	66.5	69.3	55.3	-	309.4	291.7
IDA	-	-	-	-	17.7	17.8	10	-	-	-	-	-	-	35.5	10.0	-
Total	-	-	-	-	17.7	17.8	98	54.3	33.6	67.0	66.5	69.3	55.3	35.5	319.4	291.7
Deflator (FY74=100)																
		67.5	68.7	71.7	78.0	84.3	100.0	110.5	119.0	126.9	135.3	144.2	153.7			
IBRD o/s incl. undiab.							88.0	148.0	188.0	273.0	363.0	459.9	539.7			
excl. undiab.							-	6.5	24.9	72.4	114.2	188.9	269.7			
IBRD Gross disbursements								6.5	18.4	47.5	41.8	77.8	86.0	-	114.2	271.5
Less Amortization								-	-	-	-	3.1	5.2	-	-	8.3
Equals: Net disb.								6.5	18.4	47.5	41.8	74.7	80.8	-	114.2	263.2
Less: Interest and Charges								-	0.5	2.2	6.7	10.1	16.9	-	9.4	36.4
Equals: Net transfer								6.5	17.9	45.3	35.1	64.6	63.9	-	104.8	226.8
IBRD/IDA Gross disb.		.9	1.7	2.4	1.9	.8	6.0	20.2	28.2	51.2	41.8	77.8	86.0	7.7	107.4	285.0
Less Amortization		-	-	-	-	-	.1	.1	.1	.1	.1	3.2	5.3	-	0.5	8.8
Equals: Net disb.		.9	1.7	2.4	1.9	.8	5.9	20.1	28.1	51.1	41.7	74.6	80.7	7.7	106.9	276.2
Less: Interest and Charges		-	-	-	.1	.1	.1	.1	0.6	2.3	6.8	10.2	17.0	.2	9.9	36.9
Equals: Net transfer		.9	1.7	2.4	1.8	.7	5.8	20.0	27.5	48.8	34.9	64.4	63.7	7.5	97.0	239.3

ATTACHMENT 2

SYRIAN ARAB REPUBLIC

SYRIAN ARAB REPUBLIC: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY '73	FY '74				FY '75				FY '76	FY '77	FY '78	FY '79	FY '80	FY '81	FY '82
						1	2	3	4	1	2	3	4							
Highway Improvement IDA 46	8.5	11/19/63	Orig: 12/31/68 Rev: 12/31/74 Act: -	9/30/70 (1st) 4/30/74	8.3	8.5	-	-	-	8.3	8.5	-	-	-	-	-	-	-	-	-
Second Highway IDA 298	13.8	3/ 7/72	Orig: 6/30/78 Rev: 4/17/72 Act: -	2/23/72 5/20/74	-	-	.5	1.3	2.3	3.0	3.7	4.4	5.2	8.4	12.0	13.8	-	-	-	-
Water Supply IDA 401	15.0	5/31/73	Orig: 12/31/78 Rev: 6/28/73 Act: -	5/ 8/73	-	-	.1	.2	.4	1.4	2.3	3.3	4.2	9.0	13.1	15.0	-	-	-	-
Salikh Irrigation IDA 469	10.0	3/19/74	Orig: 6/30/82 Rev: 4/10/74 Act: -	3/ 7/74	-	-	-	-	-	-	.2	1.2	2.2	9.0	10.0	-	-	-	-	-
Salikh Irrigation IBRD 973 1/	63.0	3/19/74	Orig: 6/30/82 Rev: 4/10/74 Act: -	3/ 7/74	-	-	-	-	-	-	-	-	-	14.0	21.5	33.0	45.0	57.0	63.0	-
Mehardeh Thermal Power IBRD 986	25.0	4/16/74	Orig: 6/30/79 Rev: 5/23/74 Act: -	4/ 4/74	-	-	-	-	-	-	2.3	2.9	3.5	9.9	17.4	22.7	25.0	-	-	-

1/ To be disbursed after Credit 469 SYR (except special commitments).

Controller's
8/2/74

COUNTRY DATA - SYRIAN ARAB REP.

AREA	POPULATION	DENSITY
185,402 km ²	8,509 million (mid-1971)	75 Per km ² of arable land

SOCIAL INDICATORS

	Syria		Reference Countries		
	1960	1970	Jordan 1970	Turkey 1970	Iraq ^e 1970
GNP PER CAPITA US\$ (ATLAS BASIS) ¹	180 ^a	290 ^b	260 ^b	340 ^b	370 ^b
DEMOGRAPHIC					
Crude birth rate (per thousand)	..	48 ^c	49 ^c	40 ^{d,e}	49 ^c
Crude death rate (per thousand)	..	15 ^f	16 ^f	15 ^{d,e}	14 ^f
Infant mortality rate (per thousand live births)	..	93 ^f	99 ^f	120-150	99 ^f
Life expectancy at birth (years)	..	54	54	55	53
Gross reproduction rate ²	..	3.5	3.5	2.9	3.5
Population growth rate ³	3.3	3.3 ^g	3.3 ^g	2.5 ^g	3.2 ^g
Population growth rate - urban	..	5 ^h	..	7 ⁱ	6 ⁱ
Age structure (percent)					
0-14	46	46	47 ^k	42	47
15-64	49	51	50 ^k	54	51
65 and over	5	3	3 ^k	4	2
Dependency ratio ⁴	2.1 ^l	1.0 ^m	3.2 ^l	1.0 ^l	1.8 ^l
Urban population as percent of total					
Family planning: No. of acceptors cumulative (thous.)	37 ^l	44 ^h	..	39 ^l	58 ^l
No. of users (% of married women)	..	..	..	282	..
EMPLOYMENT					
Total labor force (thousands)	1,100	2,000 ^{o,p}	360 ^{k,q,r}	16,000	2,700 ^o
Percentage employed in agriculture	47	67 ^{o,p}	29 ^{k,q,r}	66	59 ^o
Percentage unemployed	9 ^s	4 ^{o,p}	8 ^{k,q,r}	6	4 ^o
INCOME DISTRIBUTION					
Percent of national income received by highest 5%	..	..	..	33 ^{t,u}	..
Percent of national income received by highest 20%	..	..	..	61 ^{t,u}	..
Percent of national income received by lowest 20%	..	..	..	3 ^{t,u}	..
Percent of national income received by lowest 40%	..	..	..	9 ^{t,u}	..
DISTRIBUTION OF LAND OWNERSHIP					
% owned by top 10% of owners	..	..	..	..	..
% owned by smallest 10% of owners	..	..	..	..	..
HEALTH AND NUTRITION					
Population per physician	5,200 ^v	3,850	2,680	2,220	3,270
Population per nursing person	..	4,460	1,050	1,880	5,490
Population per hospital bed	930 ^v	1,010	960	490	520
Per capita calories supply as % of requirements ⁵					
Per capita protein supply, total (grams per day) ⁶	94 ^w	100 ^x	98 ^x	110 ^x	84 ^{x,y}
Of which, animal and pulse	78 ^w	69 ^x	65 ^x	78 ^x	58 ^{x,y}
Death rate 1-4 years ⁷	28 ^w	16 ^x	18 ^x	22 ^x	17 ^{x,y}
EDUCATION					
Adjusted ⁸ primary school enrollment ratio	65	88 ^z	70 ^{k,o,s}	111 ^{aa}	69
Adjusted ⁸ secondary school enrollment ratio	16	39 ^z	30 ^{k,o,s}	28	25
Years of schooling provided, first and second level	12	12 ^z	12	11	12
Vocational enrollment as % of sec. school enrollment	6	4 ^z	3 ^{k,s}	14	3
Adult literacy rate %	36 ^{ab}	40 ^{ab}	62 ^{k,k,ac,ad,ae}	55 ^{ab}	26 ^{o,ab}
HOUSING					
Average No. of persons per room (urban)	2.1 ^{af}	..	..	2.2 ^{ag,ah}	..
Percent of occupied units without piped water	58 ^{af}	..	..	36 ^g	..
Access to electricity (as % of total population)	38 ^{ah}	..	..	41 ^{g,ah}	..
Percent of rural population connected to electricity	11 ^{ah}	..	..	..	..
CONSUMPTION					
Radio receivers per 1000 population	57	224 ^p	160	89	180
Passenger cars per 1000 population	4	5	7	4	7
Electric power consumption (kwh p.c.)	77	152	71	245	312
Newsprint consumption p.c. kg per year	0.2	0.2	0.2	2.0	0.3

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970.

- ¹ The Per Capita GNP estimate is at market prices for years other than 1950, calculated by the same conversion technique as the 1972 World Bank Atlas.
- ² Average number of daughters per woman of reproductive age.
- ³ Population growth rates are for the decades ending in 1960 and 1970.
- ⁴ Ratio of under 15 and 65 and over age brackets to those in labor force bracket of ages 15 through 64.
- ⁵ FAO reference standards represent physiological requirements for normal activity and health, taking

- account of environmental temperature, body weights, and distribution by age and sex of national populations.
- ⁶ Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.
- ⁷ Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.
- ⁸ Percentage enrolled of corresponding population of school age as defined for each country.

- ^a Computed by applying to the 1970 figure the growth rate of the GNP/cap. in real terms from 1960-70; ^b 1971; ^c 1965-70 UN estimate; ^d Estimate from Turkish Demographic Survey; ^e 1967; ^f AID estimate; ^g 1960-71; ^h Cities, Mahafaza Centers and Mantika Centers; ⁱ Population of the localities within the municipality limits of administrative centers of provinces and districts; ^j The area within boundaries of municipality councils, "Al-Majlis Al-Baladi"; ^k East Bank only; ^l Ratio of population under 15 and 65 and over to total labor force; ^m Ratio of population under 15 and 65 and over age groups to population 15-64; ⁿ More than 1,000 inhabitants; ^o 1969; ^p Estimate; ^q Sample survey; ^r 12-59 years; ^s 1961; ^t 1968; ^u Personal disposable income as a function of number of households; ^v 1962; ^w 1959-61; ^x 1960-66; ^y Estimate; ^z Including UNRWA schools; ^{aa} Includes overage students; ^{ab} Definition not known; ^{ac} Read and write; ^{ad} Sample survey may underestimate illiteracy; ^{ae} 12 years and over; ^{af} 1961-62; ^{ag} Total, urban and rural; ^{ah} Percent of total dwellings.

^e Iraq is selected as an objective country for Syria on the basis of general similarity in the economic structure, closeness, strong socio-economic, political and historical ties between the two countries.

SYRIA: Selected Economic Data
(million US \$)

	Average	Actual	Estimate	Projections							Growth Rates				As % of GDP			
	1967/69	1972	1973	1974	1975	1976	1977	1978	1979	1980	1965/70	1970/73	1973/75	1975/80	1972	1973	1975	1980
<u>National Accounts</u>																		
GDP	1317	2327	2331	2704	2974	3272	3599	3959	4355	4790	5.8	7.0	8.7	10.0	100.0	100.0	100.0	100.0
Gains from Terms of Trade	-	35	1	-56	-58	-60	-58	-49	-51	-51	-	-	-8.0	-1.5	1.5	-	-2.6	-1.1
GDY	1317	2362	2332	2648	2916	3212	3541	3910	4304	4739	6.0	7.3	7.2	10.2	101.5	100.0	98.0	98.9
Imports (incl. NFS)	337	586	525	604	670	744	826	917	1018	1130	4.2	6.6	5.2	11.0	25.2	22.5	22.5	23.6
Exports (incl. NFS)	269	464	445	477	539	609	691	790	889	1001	1.0	7.8	5.2	13.1	19.9	19.1	18.1	20.9
Consumption	1193	2020	1939	2184	2364	2556	2761	2978	3207	3451	6.0	7.2	5.5	7.9	86.8	83.2	79.5	72.0
Investment	193	430	473	591	684	791	915	1059	1225	1418	11.5	6.2	16.8	15.7	18.5	20.3	23.0	29.6
National Savings	171	452	757	593	661	748	860	1001	1150	1331	6.1	21.5	13.5	14.5	19.4	32.5	22.2	27.8
Domestic Savings	125	307	394	464	553	656	781	933	1096	1289	6.5	24.9	21.8	18.5	13.4	16.9	18.6	26.9
<u>Price Indices</u>																		
Domestic Price Index	89.9	100.0	120.0	138.0	150.0	168.0	185.0	204.0	225.0	245.0	3.5	6.2	14.4	10.1	.	.	.	.
Import Price Index	99.7	100.0	120.0	199.0	216.0	227.0	233.0	232.0	247.0	261.0	4.8	9.5	29.0	9.5	.	.	.	.
Exports Price Index	99.9	100.0	120.0	179.0	195.0	207.0	215.0	219.0	234.0	248.0	5.9	8.6	25.0	11.5	.	.	.	.
Terms of Trade Index	99.8	100.0	100.0	90.0	90.0	91.0	92.0	94.0	95.0	95.0	--	--	-3.5	.6	.	.	.	.
<u>Public Finance (Current US\$)</u>																		
Current Receipts	302	508	598	667	740	844	979	1066	1155	1251	7.1	11.2	13.4	11.0	21.8	25.7	24.9	26.1
Current Expenditures	261	434	714	750	790	830	890	961	1037	1120	9.9	21.5	14.8	6.9	19.5	30.6	26.6	23.4
Budgetary Balance	41	54	-116	-83	-50	14	89	105	118	131	--	--	--	--	2.3	-5.0	-1.7	2.7
Public Sector Investment	141	245	298	353	441	551	689	861	1076	1345	24.0	16.3	22.0	25.0	10.5	12.8	14.8	28.1

SYRIA: BALANCE OF PAYMENTSPART I: IMPORT DETAIL

(million US\$)

	<u>Average</u> <u>1967/69</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
I. Imports										
A. <u>Constant (1972) Prices</u>										
Capital goods	89	120	136	185	223	268	322	386	467	551
Others	311	427	356	386	411	436	459	481	495	517
Total Goods	400	547	492	571	634	704	781	867	962	1068
NFS	29	40	33	33	36	40	45	50	56	62
Total Goods & NFS	429	587	525	604	670	744	826	917	1018	1130
B. <u>Price Indices (1972=100)</u>										
Capital Goods	82	100	120	159	185	209	232	253	272	294
Others	77	100	120	229	239	244	238	220	229	229
Total Goods	78	100	120	203	220	231	236	235	250	263
NFS	79	100	121	136	153	165	176	190	204	218
Total Goods & NFS	78	100	120	199	216	227	233	232	247	261
C. <u>Current Prices</u>										
Capital Goods	73	120	163	275	413	560	747	977	1273	1620
Others	239	427	427	884	982	1066	1094	1060	1132	1186
Total Goods	312	547	590	1159	1395	1626	1843	2037	2405	2809
NFS	23	40	40	45	55	66	79	95	114	135
Total Goods & NFS	335	587	630	1204	1450	1692	1922	2132	2519	2944

SYRIA: BALANCE OF PAYMENTS

PART II: EXPORT DETAIL

(million US \$)

	<u>Average</u> <u>1967/69</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
II. Exports										
A. Constant (1972) Prices										
Crude Petroleum	15	55	50	69	85	98	115	128	142	159
Others	223	262	230	267	295	331	370	420	477	541
Total Goods	238	317	280	336	380	429	485	548	619	700
NFS	118	147	164	197	217	240	264	291	321	352
Total Goods & NFS	356	464	444	533	597	669	749	839	940	1052
B. Price Indices (1972=100)										
Crude Petroleum	69	100	142	455	491	515	541	568	596	626
Others	81	100	114	138	142	147	141	134	147	156
Total Goods	80	100	120	203	220	231	236	235	250	263
NFS	79	100	121	137	152	164	176	189	203	218
Total Goods & NFS	79	100	120	179	195	207	215	219	234	248
C. Current Prices										
Crude Petroleum	10	55	73	314	417	505	622	727	846	995
Others	180	262	263	368	419	486	523	561	702	846
Total Goods	190	317	336	682	836	991	1145	1288	1548	1841
NFS	93	147	198	270	330	394	465	550	652	767
Total Goods & NFS	283	464	534	952	1166	1385	1609	1838	2199	2608

SYRIA: Summary Balance of Payments
(million U. S. \$ at Current Prices)

	Average 1967/69	1972	Est. 1973	1974	1975	1976	1977	1978	1979	1980
<u>Main Items</u>										
1) Imports (incl. NFS)	335	587	667	1204	1450	1692	1922	2132	2519	2944
2) Exports (incl. NFS)	267	464	616	952	1166	1385	1609	1838	2199	2608
3) Balance of Goods & NFS	-68	-123	-51	-252	-284	-307	-313	-294	-320	-336
4) Capital Revenue	-3	-5	-12	-9	-17	-28	-43	-61	-82	-103
a. Interest on Public Debt	(-3)	(-5)	(12)	(-9)	(-17)	(-28)	(-43)	(-61)	(-82)	(-103)
b. Other Factor Services	-	-	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
5) Workers Remittances	26	31	34	35	37	39	41	43	45	47
6) Current Transfers (net)	28	93	371	230	200	174	151	132	115	100
7) Current Account Balance	-17	-4	342	4	-64	-122	-164	-180	-242	-292
8) Private Direct Investment	-8	1	-	3	4	5	6	7	8	9
9) Other Capital	25	-1	52	100	89	79	70	63	56	50
10) Public M & LT Loans										
a. Disbursements	55	60	69	155	209	251	301	348	369	371
b. Repayments	43	53	52	54	43	44	47	52	73	93
c. Net disbursements	12	7	17	102	167	207	256	296	297	277
11) Other Short Term ^{1/}	-22	-10	-79	-	-	-	-	-	-	-
12) Change in Reserves (-increase)	10	7	-332	-209	-196	-169	-168	-186	-119	-44
<u>Memo Items</u>										
13) Reserves (net) end of Period	39	-76	87	296	492	661	829	1015	1134	1178
14) Debt Service Ratio	15	11	10.1	6.4	5.0	5.1	5.4	6.0	6.9	7.4
15) External Debt Outstanding & Disbursed										
Public	208	234	303	405	571	778	1034	1330	1626	1904
IBRD	-	-	-	2.6	15.9	43.4	85.1	142.0	210.3	287.5
IDA	3	8.5	8.5	12.3	19.8	26.9	32.7	37.6	41.5	44.2
16) IBRD Debt Service as % of Public Debt Service	-	-	-	-	.3	1.6	3.7	5.7	9.1	11.0
7) Grant Element (excl. grants); percent	n.a.	82.6	90.3	59.7	59.6	55.9	50.4	47.3	44.1	43.9

^{1/} Includes net errors and omissions up to 1973.

SYRIACOUNTRY ECONOMIC AND SECTOR WORK PROGRAM

<u>Title and Description</u>	<u>Responsible Department</u>	<u>Status</u>	<u>Total man-weeks required</u>
<u>FY 1975</u>			
<u>Economic Updating Mission</u> Review of economic development with special emphasis on: - population/manpower - transportation - debt problems	EM2/DPS	planned	42
<u>FY 1976</u>			
<u>Basic Economic Mission</u> To review: - economic performance during the Third Plan (1971-75) - preparation of the Fourth Plan (1976-1980) - tourism sector	EM2/DPS	planned	45
<u>FY 1977</u>			
<u>Economic Updating Mission</u> To assess recent developments*	EM2	planned	25
<u>FY 1978</u>			
<u>Economic Updating Mission</u> To assess recent developments with special emphasis on the agricultural sector*	EM2	planned	25
<u>FY 1979</u>			
<u>Economic Updating Mission</u> To assess recent developments*	EM2	planned	20

* Scope of mission to be better defined, based on the findings of the FY76 Basic Mission.

1. Since the attainment of independence, Syria has passed through a long period of instability dominated by its commitment to Pan Arabism, socialization of the economy, and partisan, regional and religious factionalism. In the domestic field power has passed from the old elite of merchants and large landowners into the hands of a rising class of military officers, civil servants and technicians, many of whom are of modest social origin. There have been numerous changes in regime, and since 1949 the Army has played a major role in politics. With the Army support, the Baath Socialists have been the ruling party since 1963, but there have been a number of schisms which have led to the temporary prominence of particular groups with differing views on the Party's ideology. In spite of these divisions and changes in Government, the Baath has provided substantial continuity of domestic policies, with particular emphasis on economic and social development, and nationalization of medium and large scale industries which changed the economy from a mercantile laissez-faire system to a largely publicly owned and regulated regime (though the private sector still accounts for more than half of domestic production). This transformation was achieved at the cost of the suppression of most political freedoms.

2. In external relations, Syria maintained an important position among Arab countries as a transit, cultural and political center. After a short lived union with Egypt in 1958-1961, and proposed competing schemes for union with Iraq, a federation was proclaimed between Egypt, Libya and Syria in August 1971 which, through a common cabinet, attempted military and political coordination and a beginning of trade integration. Like other Arab states, Syria resented Western support for Israel, which occupied part of its territory in the 1967 war, and looked mainly to the Soviet Union and other socialist countries for technical and economic aid and military assistance. Since the 1967 ceasefire, hostilities between Israel and the Palestinian guerillas caused more continuous tension between Israel and Syria than any other Arab country. Relations with Jordan became increasingly tense over the question of Arab guerillas.

3. President Assad (who belongs to the minority sect of Alawites, which largely controls the army) came to power in November 1970, representing a more moderate wing of the Baath than his predecessors. He succeeded so far in balancing firmness with political moderation and economic pragmatism, cautiously supporting an increase of the role of private initiative and of relations with Western countries. Although his power

1/ In March 1973, a new constitution was approved by referendum, which provides for general election of the President by national referendum for a seven year term.

still rests mostly on the Army, he widened participation in his cabinet by including independent technocrats and representatives of a wide range of religious communities and political groups. Administrative responsibilities were somewhat decentralized through a local administration law in January 1972, and subsequent elections of local councils in March. Security restrictions were relaxed, resulting in a marked improvement of the domestic political climate. Cautious import liberalization and guarantees to Syrians repatriating funds and living abroad have encouraged capital repatriation. The private business sector seems confident of being assigned a more clearly delineated role and the public has a new feeling of freedom and security.

4. President Assad's four years in office, compared to frequent changes of the past, give reasonable hope for continued stable domestic conditions. His power, however, continues to rest on a delicate and sensitive balance, and a crucial test of his leadership will be how he manages to implement the constitution of March 1973--which left the top Moslem religious authorities thoroughly dissatisfied, to weather the present turmoil and attempts of settlement of the Middle East situation, and to carry on with economic liberalization.

5. The popularity he gained during the October 1973 war seems to have increased his confidence in being able to walk a risky tightrope over the contrasting claims of domestic and external factions. Generally, he has strived to maintain his standing as a hard-liner among Arab leaders, while following in substance moderate foreign and domestic policies, and has succeeded so far in avoiding the outright animosity from either the countries leaning towards the West, such as Saudi Arabia, Kuwait, Jordan and Egypt, or the more aggressive ones, such as Iraq, Algeria and Libya. President Assad was able to resist domestic pressures for an attempt to continue an all-out fight in October 1973 for a complete recovery of Israel occupied territories. This cost him the embarrassment of a sudden withdrawal of Iraqi troops. His agreement to a ceasefire, however, came only after that of Egypt, and following separate and lengthy negotiations. He remains adamant in his request for complete restitution of the Israeli occupied territories, the recovery of Kuneitra being considered merely as a first step, and is committed to autonomous Palestinian representation at peace negotiations. President Assad continues to look pragmatically to the United States as a mediator that it is well worth collaborating with, as long as there is no prejudice to the role of the Soviet Union--at present, the main supplier of technical assistance, aid, and military hardware. The September-October visits of President Assad to the Soviet Union and the recent visit of Vice-Premier Khaddam to Washington seem to confirm this. Closer relations with the United States could well be hampered by a serious concern for the political influence of the U.S. Jewish community on the U.S. Government, especially at election time. The U.S.-U.S.S.R. compromise arrangement that linked U.S.S.R. policy on Jewish emigration to Israel with the U.S.S.R.'s special interest this year in the purchase of grain from the U.S. could well have brought a new element into Syria's attitude towards both powers.

F-3 ECONOMIC SITUATION

1. The CPP of September 26, 1974 describes development objectives, most recent performance and prospects. The following notes consider the country's performance since 1960, and give additional information on the main sectors.

Economic Structure

2. Although agriculture, mainly rainfed cotton and cereals, accounts for only 23% of GDP, the economy is heavily dependent on the sector. Roughly two-thirds of export proceeds in recent years and nearly two-thirds of direct employment were in agriculture, in addition to others employed in many industries processing agricultural products. Wide fluctuations in rainfall and crops are therefore a major unsettling factor in economic growth. The importance of industry has increased rapidly during the 1960's and its value added reached almost 20% of GDP in 1971. Manufacturing is concentrated in light consumer goods, with textiles and food processing accounting for most of production. Services, mainly trade, transport, government and housing, have remained at about 56% of GDP since the mid-sixties, with the share of oil transport and port activities growing while that of housing decreased.

3. Government ownership is concentrated in industry (about 75% public), power, wholesale trade and external trade. The private sector owns most of land, small scale industry, construction, housing and services. The economy is open to the rest of the world, with imports representing about 20% of GDP and exports about 12% in 1966-71, (mostly cotton textiles and, after 1968, oil) sold mainly to Arab, Eastern Bloc, and EEC countries.

Economic Developments and Performance

4. Syria's economic growth accelerated during the last decade, in spite of poor weather conditions in the late sixties. In 1960-72, GDP increased by 7.1% per year on average in real terms, compared to 3.4% during 1953-60, and GNP per capita increased by more than 50%, reaching \$272 in 1971. The most dynamic sectors were manufacturing, transport, communications and services during the whole decade, agriculture in the early 1960's, and oil production and oil transit during the late 1960's. Agricultural production stagnated in the second half of the sixties, partly because of inadequate supporting services and inputs and initial difficulties in the implementation of the agrarian reform. By the end of the decade, the Government had corrected most of these shortcomings and the sector's value added increased by about 11% in 1971 and, thanks also to exceptional weather conditions, by about 26.4% in 1972. A substantial increase in oil transit rates in 1971, new factories entering into production in 1972, and an improved business climate, also contributed to a GDP increase of 13% annually in real terms in 1971-72.

5. Development-oriented economic policies and a good public sector investment effort have propelled growth in the sixties. Total investment grew by about 9% per year over the decade, with a faster growth of about 13% per year during 1966-71 due to public investment accelerating to 17.5% and compensating for the slowdown of private investment after the nationalizations. In 1971, the Government liberalized imports and permitted their financing by repatriation of Syrian foreign exchange holdings abroad. The Syrian pound was effectively devalued by shifting most of external transactions from the official rate of SL3.82=US\$1 to the free market rate of SL4.32=US\$1, and by maintaining the earlier parity with the dollar after the currency realignments of December 1971. 1/ Following these measures, private investment jumped 30% in 1971 and total investment increased by 19 percent, reaching about 17 percent of GDP.

6. Allocation of public investment has been consistent with the economic priorities of the country. Agriculture, irrigation and land reclamation received about 18% of public investment in 1960-70. Construction of a dam at Tabqa on the Euphrates set the basis for lessening the dependence of agriculture on weather conditions through irrigation. Development of petroleum resources by exploitation of oil fields in the northeast, and construction of a pipeline to the port of Tartous accounted for 17%. Another 17% was invested in the rest of industry, including textiles, phosphates, a fertilizer plant and a rolling mill. Investment in transport accounted for 17.5% focusing on railway and road connections between the populated and productive regions, the ports and neighboring countries.

7. Total savings remained low during the period. They decreased in absolute terms during the first part of the decade, mostly because of the nationalization measures. After 1967, their growth was hampered by increased defense expenditure. In spite of austerity on other public expenditures and substantial transfers from abroad, the ratio of gross national savings to GNP remained at the level of 13% between 1967 and 1971. 2/ Military expenditures accounted for about 75% of the increase in current expenditures after 1967; however, Arab grants covered almost half of the increase in current deficit in the same period. There was practically no increase in public salaries since the mid sixties. Apart from a 10% yearly increase in education and social services to meet the country's needs in 1967-71, current expenditures remained almost constant. Oil transit dues accounted for most of the current revenue increase after 1969. Taxes remained low, and tended to decline as import duties exemptions increased to encourage investment and trade with Arab countries; taxes on agricultural exports stagnated because of poor harvests; and assessment of income at too long intervals delayed taxation. Stagnant public salaries and redistribution of wealth lowered the taxable base,

1/ After the 10% devaluation of the dollar in February 1973, the free market rate of the Syrian pound rose by about 7% against the dollar, and dropped slightly against European currencies.

2/ Savings figures are underestimated, as official statistics include changes in stocks in private consumption.

while surpluses of some public industries were kept down by production prices set low for social reasons, and, in a largely public economy as Syria's, increased public enterprise profit taxes would have been cancelled out by reduction in their savings. In 1969, the Government took several measures to improve tax assessment and collection, and increased the rate of tax on profits, but there is still scope for some revenue increase by simplifying the tax structure, improving the present system of income assessment and expanding the coverage of excise taxes. Savings of public enterprises increased, especially in oil and banking, partly offsetting the increase in the current budget deficit and financed a large part (60 percent in 1971) of public investment. However, with low external financing (paragraph 21), domestic borrowing from the banking system, mainly from the Central Bank, increased considerably, reaching two thirds of public investment in 1970-71.

Summary of Public Finance (as % GDP)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Central Government						
Current expenditure	16.1	15.3	19.8	18.7	20.0	19.5
of which						
military	(7.2)	(8.2)	(11.5)	(9.8)	(11.9)	(11.8)
Current revenue	14.5	13.8	15.1	15.6	15.2	14.9
of which						
tax revenue	<u>(11.3)</u>	<u>(9.4)</u>	<u>(9.3)</u>	<u>(11.4)</u>	<u>(10.4)</u>	<u>(9.5)</u>
Budgetary savings	-1.6	-1.5	-4.7	-3.1	-4.8	-4.6
Savings of public enterprises and entities	6.1	7.0	7.3	6.4	6.9	7.3
Total public savings	4.5	5.5	2.6	3.3	2.1	2.7
Public investment	8.0	10.4	10.8	8.3	11.5	11.0
External financing (net)	2.1	3.3	2.9	-	1.5	1.0
Domestic borrowing requirements	1.4	1.6	5.3	5.0	7.9	7.3
(as % of public investment)	(16)	(15)	(48)	(62)	(68)	(65)

8. Despite a fast growth of currency at over 12% annually in 1966-71, mostly due to Central Bank financing of public investment, effective controls have checked price increases (only 3.2% per year, according to official statistics). In addition, inflationary effects were checked by preference for currency holdings and some capital flight due to political uncertainties, as well as increased monetization of the economy, a decline in net foreign assets after 1968, and a high growth of imports which prevented any substantial unsatisfied demand. In 1970, the Government took measures to encourage private savings, reduce liquidity growth and limit further credit expansion. These included increased interest on deposits, savings certificates issues and restriction of credit transactions among public enterprises and of overdrafts. As a result, the growth rate of money supply decelerated to 6.4% in 1971 (compared to 15% per year during 1966-1970), and demand deposits increased by 19%. The private sector financed part of the large production increase of 1971 with currency accumulated earlier and some capital repatriation.

9. After a period of small overall surpluses, the balance of payments has been in deficit and net foreign assets declined every year since 1968. In 1966-1971, imports grew at an average annual rate of about 9% and exports by about 3.5%. In spite of rapidly growing exports of petroleum, the trade deficit increased due to the stagnation of other exports and to a rapid increase of food imports (both due to particularly adverse weather conditions) and a rapid increase of import requirements of capital and intermediate goods. The increasing trade deficits were only partly offset by rising receipts from services, mainly oil pipeline dues (representing 28% of total export earnings in 1971). In 1972, exports have increased substantially (particularly wheat, petroleum and textiles) due to the record harvest and the 1971 devaluation. There was also a marked increase in official grants from Arab countries (\$42 million during January-September 1972, compared with \$21 million in 1971 and \$3 million in 1970), and a jump in net private capital inflow (from \$1 million in 1970 to \$75 million in 1971 and \$23 million in January-September 1972). However, because of fast growing imports due to liberalization and delayed payments of about \$40 million of oil transit dues by Iraq after the 1972 nationalization of IPC (para. 42), reserves continued to deteriorate. Gross foreign exchange reserves were \$165 million at the end of August 1972 but net foreign assets were minus \$50 million.

10. Growth of direct employment opportunities has been limited by the low labor requirements of the oil sector and other industries and the long gestation of most of public investments of the last decade. Furthermore, employment in industry stagnated between 1966 and 1971 and employment in Government and services increased by only 2% per year, compared with a 3% annual increase of active population. Emigration, particularly to Lebanon, provided a limited relief and agriculture absorbed most of the increase of active population. Official estimates indicate open unemployment at only 4.3% of labor force in 1971, but a decrease of productivity in agriculture during the last decade points to increasing underemployment.

Development Planning

11. Development planning in Syria is the responsibility of the Supreme Planning Council and the State Planning Committee (SPC) which operates under a Minister of State. The Supreme Planning Council which is headed by the Prime Minister and composed of ministers, the Governor of the Central Bank, and the Director General of the Central Bureau of Statistics, decides on the broad strategy and objectives. On the basis of these the State Planning Commission draws up detailed guidelines, along which sectoral plans are prepared by the planning cells in each ministry in close collaboration with the responsible directorates within the SPC. After the completion of the plan preparation, the Plan is then approved by the Supreme Planning Council and is issued as a decree by the Council of Ministers. The SPC then prepares the annual development budget which is incorporated in the Government budget. Follow up work is done both by the SPC and the General Authority for Control and Inspection which is directly under the Prime Minister.

12. Project preparation has been weak in the past and planning units which were expected to formulate and prepare projects were either not created at all or were not adequately staffed. On the other hand, follow up procedures, concentrating mainly on investment expenditures and not sufficiently on physical achievements, have not been effective, particularly since the responsibility for monitoring implementation was spread over a variety of Government agencies. Syrian planning efforts have so far concentrated more on the estimation of investments requirements (derived through incremental capital output ratios) than on a detailed analysis of resource availabilities, particularly foreign exchange and policy instruments for resource mobilization.

13. There is growing concern in the Syrian Government over the persistent shortfalls in plan implementation. Attempts at analyzing the different reasons for the poor planning performance are being initiated and new procedures which are designed to tighten the control and follow up procedures for the remaining two years of the Third Plan have been adopted. Attempts at creating and adequately staffing planning units, at least in the major operating ministries, are underway. The Ministry of Agriculture is moving away from its traditional "service" and "administrative" roles and is becoming more directly involved in production projects and activities. It has made significant improvements in project preparation, and annual planning and budgeting -- activities which until recently were not carried out at all, have been introduced. Experience has been gained in project administration. There have been important increases in field staff and personnel at headquarters who have the pre-requisite expertise for undertaking project formulation and preparation.

Agriculture

14. Although its contribution to total national production has declined in recent years, agriculture is still the largest single sector of the Syrian economy. Agriculture accounts for 22 percent of GDP (1970-73) and for about 65 percent of total export earnings. Despite the growth in manufacturing and mining in recent years, the rural population is still predominant (55 percent). Much of manufacturing in turn relies on agricultural raw materials -- cotton ginning, food processing, textile leather industries. The distribution and service sectors are major agriculturally based industries. Agriculture provides employment for 54 percent of the labor force.

15. Agricultural production is closely related to the pattern of rainfall distribution in the country. Rainfall is highest in Syria's Northern and Western borders and decreases as one moves to the South and East. Large areas of the country are uncultivable (54 percent) and at best can be used for sheep grazing. Unfortunately much of the higher rainfall areas are also the most mountainous. Thus although overall population density in Syria is quite low (36 persons/sq km), rural population in the principal agricultural areas is much higher. Of the total land area of 18.5 million hectares, about 6 million

hectares are cultivated and some 500 thousand hectares are irrigated. The Bulk of Syria's 6.7 million people are still rural. Many are living in villages which have seen little change or improvement in many years. However, the expansion of primary education, of government services in health and communications as well as the impact of the Ministry of Agriculture are now being felt in the countryside. Syrian agriculture has demonstrated an impressive ability to adopt new technology in the past. Cotton was little known before World War II but is now the principal crop, tractors have largely displaced animals, the old water wheels have given way to diesel pumps, nitrogenous fertilizer is widely used and the new Mexican wheats are being grown on some 120 thousand hectares. The area under irrigation has increased and private investment is increasing.

16. Due to fluctuations in production associated with rainfall variability, agricultural output for most of the crops has stagnated during the decade 1964-75. Only a few minor crops have shown any significant growth rates during the same period. On an aggregate basis, the value of agricultural output in constant 1963 prices shows an average calculated growth rate of 1.0 percent per annum for 1964-73. The performance of dryland agriculture is especially disappointing -- but it is also in these commodities that seasonal fluctuations are most severe. The stagnation in livestock production has created a crisis situation in meat, milk and even egg supplies which has prompted the Government to embark on a massive investment and production program in dairying and poultry. The 1974 crop year, as a result of very favorable rainfall, both in quantity and distribution, is very promising. Present indications are that wheat production this year will be 2-3 million tons, or about four times 1973 production. This further underlines the extreme instability of production resulting from natural causes.

17. There are a number of encouraging developments in Syrian agriculture which indicate that productive potential has been substantially increased. The completion of the Euphrates Dam in 1973 brings nearer the possibility of doubling existing irrigated area over the next 20-30 years. The extension program in cotton production coupled with the kind of distribution of fertilizer to cotton farmers by the Agricultural Bank has been successful in getting widespread adoption of good fertilizer use by cotton farmers. Total fertilizer consumption in Syria has been growing at an annual average rate of 38 percent per annum over the past decade. Fertilizer consumption per cultivated hectare in 1973 amounted to about 15 kgs of nutrients or 115 kgs per irrigated hectare. These levels of fertilizer use and rate of growth are impressive and the widespread adoption of fertilizer by farmers is a credit to the extension services and input distribution systems. It is thought that average fertilizer use on cotton is about 60 kgs of nitrogen per hectare and the "optimal" rates may be about 100 kgs, so there may be room for some further improvement in yields with increased fertilizer rates especially for irrigated cotton and wheat. In 1973 a tractor assembly factory capable of

producing 2000 tractors per year on a single 8 hour shift basis was completed. This factory will also assemble or manufacture pumps and agricultural implements. A steel furnace with a capacity of 6,000 tons per annum is being built. In 1974 a Spanish Syrian Company was formed to assemble SIAT tractors in this plant -- known locally as the Euphrates tractor. In 1973, 446 tractors were assembled and in the first quarter of 1974 a further 133 were completed. The increase in investment in equipment is matched by an upturn in gross fixed capital formation in the agricultural sector since 1970. However, most of this is public investment -- much of it in long gestation projects (notably the Euphrates). Nevertheless, the high rate of increase of capital formation (in constant prices) in the last 3 or 4 years is an encouraging sign for the future of agriculture.

18. The principal source of agricultural credit is the Cooperative Agricultural Bank. Originally established in 1892, it was included along with other banks in the nationalization of banking institutions in 1958 and in 1966 was given the sole authority for direct lending for agricultural production. The Bank has had a steadily growing volume of business and in 1973 made loans totalling SL185 million. The bulk of the Agricultural Bank's credit was for short-term production credit (1 crop per year). In turn credit to cotton production accounted for 67 percent of all credit given by the Bank. Sizeable amounts of credits are given in kind -- principally fertilizers, pesticides and seed, and the Bank is involved in transportation, storage and distribution problems not normally associated with a purely financial institution.

19. The Bank had a good repayment record (95 percent or better) which it maintains by insisting on land title attestation, licensing (from the Ministry of Agriculture) in the case of cotton, by approval of a cooperative in which the borrower is a member or by having two guarantors known to the Bank. The Bank maintains that it is able to meet all credit demands for seasonal credit. However, the preponderance of credit to the cotton crop raises some doubt whether other crops (especially forage production, tree crops and vegetables) are being as well served. The Bank charges uniform prices for all inputs supplied and changes uniform interest rates throughout Syria. The cooperative and public sectors benefit from the comparatively low interest rates (4 percent for the public sector and 5-1/2 percent for the private sector) charged by the Bank since 1963. In 1973, 70 percent of its credit went to the private sector and 27 percent to the cooperatives. Credit to the private sector has been expanding more rapidly in recent years. The Cooperative Agricultural Bank appears to suffer from capital shortage and ability to finance over the longer term. Only SL1 million in credits were extended for long-term investment in 1972, and SL15 million for medium-term credit. This is partly a result of capital shortage, and is restricting the rate of growth of output from the agricultural sector. Investment demand for tractors, pumps, sprays, other machinery, livestock and horticultural crops is reported to be strong but is not being serviced by the Bank.

20. The decade of the 1960's was one of instability and change with far reaching effects on the agricultural sector. In particular the following aspects of public policy had adverse effects on the sector:

- a. the prolonged uncertainty surrounding land reform which was finally and quickly pushed through in 1968 and 1969;
- b. severe restrictions on the imports of agricultural machinery and inputs;
- c. price controls over principal commodities and consequent low produce prices;
- d. uncertainty regarding the future of the cooperative movement and the role of the private sector; and
- e. ineffective planning and implementation resulting from inadequate personnel for research, extension and project preparation as well as the small percentage of planned investment actually made during the Second Plan period.

21. Over the past few years, however, many of these problems have been overcome. The land reform was completed in 1969 and of the 1.4 million hectares expropriated only 339 thousand remained undistributed in 1972. Most of these are being rented out on an annual basis to the private and cooperative sectors. Although only 455 thousand hectares were distributed back to farmers, the dominant power of the very large landlords was broken and a new environment for production and investment has been created. The relaxation of foreign exchange regulations and improvements in Syria's external position will accelerate the flow of imported capital goods for agricultural production. The increase in producer prices in recent years, although they are still low, represents a departure from the practice of leaving prices unaltered over long periods. The operations of the Agricultural Bank have resulted in increased volume of credit and movement of inputs to agriculture. The private sector has re-emerged as a permanent part of Syrian agriculture, side by side with the cooperative and public sectors. There have been important increases in field staff and personnel of the Ministry of Agriculture and many more people are now in training. Finally, the volume of public sector investment in agriculture has increased dramatically in the last three years.

22. The overall price structure in Syrian agriculture is enormously confused by the existence of consumer subsidies as well as by the controlled prices of major products and inputs, subsidization of credit and inputs through the operation of the Agricultural Bank, the existence of black markets, capital rationing, uniform prices without respect to transport costs and the control over profit margins and wholesale-retail markups (by the Ministry of Supply). In general, it would seem that price policy is viewed in Syria as a means of taxation (in the case of cotton), income re-distribution and the control of overall price levels. The role of price policy as a means of allocating resources to meet social production objectives is secondary to these other objectives. The use of licensing, monopoly of inputs and allocation of public sector resources are used as the major means of controlling production.

Industry and Mining

23. Industrial production was the spearhead of Syria's development growth in the sixties, and has increased by 9 percent annually in the last five years. Industry -- textiles, food processing, cement, glass, petroleum and petrochemicals -- accounted for about 8 percent of employment in 1971. The textile industry employs about 43,000 persons and contributes about 40 percent of manufacturing production, and 11 percent of exports. Fourteen publicly owned mills employ about 18,000 workers, and produce nearly all the country's spinning, finishing, knitting and 25 percent of weaving and hosiery. Cement production increased rapidly from 473,000 tons in 1960 to about 1 million tons in 1972, but consumption increased faster, and large quantities had to be imported. Three new cement factories, to be built by the beginning of 1975 with East German aid, should increase output to 2 million tons. Textiles projects were identified for Bank financing in 1971 but the Government sees difficulties in following Bank project preparation requirements. They also have possibilities of financing these projects at seemingly attractive terms from bilateral sources which take commitments to market part of the output abroad.

24. Though Syrian crude oil is of poor quality -- API 24.2°-24.5° and 4 percent sulphur content -- the geographical position of Syria on the Mediterranean, the general increase in crude oil prices and a rapid increase in output over the past few years have made oil an increasingly important sector in the economy of the country. Oil production which started in 1969 at 1 million tons, increased 2.6 million tons in 1969 and reached 5.9 million tons in 1972. Production in 1973 declined to 5.5 million tons mainly due to the October war.

The country's only oil refinery at Homs was extensively damaged during the October war. The damage to the desulphurization plant was complete. Other damage has since been repaired and the refinery is at present totally dependent on low sulphur imported Iraqi crude oil. All of Syria's production has since the war been exported. The desulphurization plant may not be repaired or replaced till the end of 1975 at the earliest, so that Syria may be expected to continue exporting all of its crude oil exports, at least up to the end of 1975.

The Syrian Government is currently exploring the possibilities of engaging foreign partners through management contracts particularly in oil exploration. Plans for the expansion of refining capacity including two new refineries in Banias designed to increase refinery capacity by more than twofold, are under consideration.

25. Exploitation of phosphate deposits began in 1971 with the opening of a processing plant with a capacity of 300,000 tons annually. Production increased from 30,000 tons in 1971 to 270,000 tons in 1973.

Transport

26. During the second and third plans about 17% and 12% respectively of public investment was allocated to transport, mainly to the improvement of existing roads, construction of a West-East railway between the port of Lattakia and Qamishli, modernization of the Tartous port, construction of a new international airport in Damascus, and completion of the pipeline linking the oil fields to the Homs refinery and Tartous (see map). The major problems of the sector at present are inadequate road maintenance and poor condition of the railways.

The Government is creating a Central Highway Maintenance Department which, together with a proposed transport Coordination Council, should remedy the major organizational weaknesses of the sector.

F-4 : Foreign Assistance and Debt

For the most recent information on foreign assistance and debt see the CPP paragraphs 24-25.

Syria

PHYSICAL AND SOCIAL GEOGRAPHY

W. B. Fisher

Before 1918 the term "Syria" was rather loosely applied to the whole of the territory now forming the modern States of Syria, the Lebanon, Israel, and Jordan. To the Ottomans, as to the Romans, Syria stretched from the Euphrates to the Mediterranean, and from the Sinai to the hills of southern Turkey, with Palestine as a smaller province of this wider unit. Though the present Syrian Arab Republic has a much more limited extension, an echo of the past remains to colour the political thinking of a few present-day Syrians, and from time to time there are references to a "Greater Syria" as a desirable but possibly remote aspiration.

The frontiers of the present-day State are largely artificial, and reflect to a considerable extent the interests and prestige of outside Powers—Britain, France, and the United States—as these existed in 1918-20. The northern frontier with Turkey is defined by a single-track railway line running along the southern edge of the foothills—probably the only case of its kind in the world; whilst eastwards and southwards boundaries are highly arbitrary, being straight lines drawn for convenience between salient points. Westwards, the frontiers are again artificial, though less crudely drawn, leaving the headwaters of the Jordan river outside Syria and following the crest of the Anti-Lebanon hills, to reach the sea north of Tripoli.

PHYSICAL FEATURES

Geographically, Syria consists of two main zones: a fairly narrow western part, made up of a complex of mountain ranges and intervening valleys; and a much larger eastern zone that is essentially a broad and open platform dropping gently towards the east and crossed diagonally by the wide Euphrates Valley.

The western zone, which contains over 80 per cent of the population of Syria, can be further subdivided as follows. In the extreme west, fronting the Mediterranean Sea, there lies an imposing ridge rising to 5,000 feet, and known as the Jebel Ansariyeh. Its western flank drops fairly gradually to the sea, giving a narrow coastal plain; but on the east it falls very sharply, almost as a wall, to a flat-bottomed valley occupied by the Orontes river, which meanders sluggishly over the flat floor, often flooding in winter, and leaving a malarial marsh in summer. Farther east lie more hill ranges, opening out like a fan from the south-west, where the Anti-Lebanon range, with Mount Hermon (9,000 ft.), is the highest in Syria. Along the eastern flanks of the various ridges lie a number of shallow basins occupied by small streams that eventually dry up or form closed salt lakes. In one basin lies the city of Aleppo, once the second town of the Ottoman Empire, and still close to being the largest city of Syria. In another is situated Damascus, irrigated from five streams, and famous for its clear fountains and gardens—now the capital of the country. One remaining sub-region of western Syria is the Jebel Druse, which lies in the extreme south-west, and consists of a vast out-pouring of lava, in the form of sheets and cones. Towards the west this region is fertile, and produces good cereal crops, but eastwards the soil cover disappears, leaving a barren countryside of twisted lava and caverns, for long the refuge of outlaws, bandits, and minority groups. Because of its difficulty and isolation the Jebel Druse

has tended socially and politically to go its own way, remaining aloof from the rest of the country.

The entire eastern zone is mainly steppe or open desert, except close to the banks of the rivers Euphrates, Tigris, and their larger tributaries, where local irrigation projects have allowed a little cultivation. The triangularly-shaped region between the Euphrates and Tigris rivers is spoken of as the Jezireh (Arabic *jazira* = island), but it is in no way different from the remaining parts of the east.

The presence of ranks of relatively high hills aligned parallel to the coast has important climatic effects. Tempering and humid effects from the Mediterranean are restricted to a narrow western belt, and central and eastern Syria show marked continental tendencies: that is, a very hot summer with temperatures often exceeding 100° or even 110° F., and a moderately cold winter, with frost on many nights. Very close to the Mediterranean, frost is unknown at any season, but on the hills altitude greatly reduces the average temperature, so that snow may lie on the heights from late December to April, or even May. Rainfall is fairly abundant on the west, where the height of the land tends to determine the amount received; but east of the Anti-Lebanon mountains the amount decreases considerably, producing a steppe region that quickly passes into true desert. On the extreme east, as the Zagros ranges of Persia are approached, there is once again a slight increase, but most of Syria has an annual rainfall of under ten inches.

ECONOMIC LIFE

There is a close relationship between climate and economic activities. In the west, where up to 30 or even 40 inches of rainfall occur, settled farming is possible, and the main limitation is difficult terrain; but from the Orontes Valley eastwards natural rainfall is increasingly inadequate, and irrigation becomes necessary. The narrow band of territory where annual rainfall lies between 8 and 15 inches is sometimes spoken of as the "Fertile Crescent", since it runs in an arc along the inner side of the hills from Jordan through western and northern Syria as far east as Iraq. In its normal state a steppeland covered with seasonal grass, the Fertile Crescent can often be converted by irrigation and efficient organisation into a rich and productive territory. Such it was in the golden days of the Arab Caliphate; now, after centuries of decline, it is once again reviving. Even within ten years a marked change can be observed and thanks to small-scale irrigation schemes and the installation of motor pumps to raise water from underground artesian sources, large areas of the former steppe are producing crops of cotton, cereals and fruit. Syria has now a surplus of agricultural production, especially cereals, and this allows her to export to Jordan and the Lebanon, neither of which are self-sufficient in foodstuffs. Production will increase further when the Euphrates Dam is completed in 1974.

Because of its relative openness and accessibility and its geographical situation as a "waist" between the Mediterranean and the Persian Gulf, Syria has been a land of passage, and for centuries its role was that of an intermediary, both commercial and cultural, between the Mediterranean world and the Far East. From early times until the end of

the Middle Ages there was a flow of traffic east and west that raised a number of Syrian cities and ports to the rank of international markets. Within the last twenty or so years, following a long period of decline and eclipse resulting from the diversion of this trade to the sea, one can again note a revival due to the new elements of air transport and the construction of oil pipelines from Iraq.

RACE AND LANGUAGE

Racially, we can distinguish many elements in the Syrian people. The nomads of the interior deserts are unusually pure specimens of the Mediterranean type, iso-

lation having preserved them from intermixture. To the west and north there is a widely varying mosaic of other groups: Armenoids, such as the Kurds and Turkish-speaking communities of the north, and the Armenians themselves, who form communities in the cities; groups such as the Druses, who show some affinity to the tribes of the Persian Zagros, and many others.

As a result, there is a surprising variety of language and religion. Arabic is spoken over most of the country, but Kurdish is widely used along the northern frontier and Armenian in the cities. Aramaic, the language of Christ, survives in three villages.

HISTORY

ANCIENT HISTORY

From the earliest times, Syria has experienced successive waves of Semitic immigration—the Canaanites and Phoenicians in the third millennium B.C., the Hebrews and Aramaeans in the second, and, unceasingly, the nomad tribes infiltrating from the Arabian peninsula. This process has enabled Syria to assimilate or reject, without losing its essentially Semitic character, the alien invaders who, time and again, in the course of a long history, have established their domination over the land. Before Rome assumed control of Syria in the first century B.C., the Egyptians, the Assyrians and the Hittites, and, later, the Persians and the Macedonian Greeks had all left their mark in greater or lesser degree. Damascus is claimed to be the oldest capital city in the world, having been continuously inhabited since about 2000 B.C., and Aleppo may be even older. Under Roman rule the infiltration and settlement of nomad elements continued, almost unnoticed by historians, save when along the desert trade routes a Semitic vassal state attained a brief importance as, for example, the kingdom of Palmyra in the Syrian desert, which the Emperor Aurelian destroyed in A.D. 272 or, later still, when the Byzantines ruled in Syria, the Arab State of Ghassan, prominent throughout the sixth century A.D. as a bulwark of the Byzantine Empire against the desert tribes in the service of Sasanid Persia.

ARAB AND TURKISH RULE

When, after the death of the Prophet Muhammad in A.D. 632, the newly-created power of Islam began a career of conquest, the populations of Syria, Semitic in their language and culture and, as adherents of the Monophysite faith, ill-disposed towards the Greek-speaking Orthodox Byzantines, did little to oppose the Muslims, from whom they hoped to obtain a greater measure of freedom. The Muslims defeated the Byzantine forces at Ajnadain in July 634, seized Damascus in September 635, and, by their decisive victory on the River Yarmuk (August 636), virtually secured possession of all Syria. From 661–750 the Umayyad dynasty ruled in Syria, which, after the conquest, had been divided into four military districts or junds (Damascus, Homs, Urdun, i.e. Jordan, and Palestine). To these the Caliph Yazid I (680–83) added a fifth, Kinnastrin, for the defence of northern Syria, where in the late seventh century, the Mardaites, Christians from the Taurus, were making serious inroads under Byzantine leadership. Under Abd al-Malik (685–705) Arabic became the official language of the State, in whose administration, hitherto largely carried out by the old Byzantine bureaucracy, Syrians, Muslim as well as Christian, now had an increasing share. For Syria was now the heart of a great Empire, and the Arab Army of Syria, well trained in the

ceaseless frontier warfare with Byzantium, bore the main burden of imperial rule, taking a major part in the two great Arab assaults on Byzantium in 674–8 and in 717–18.

The new regime in Syria was pre-eminently military and fiscal in character, representing the domination of a military caste of Muslim Arab warriors, who governed on the basic assumption that a large subject population, non-Muslim and non-Arab in character, would continue indefinitely to pay tribute. But this assumption was falsified by the gradual spread of Islam, a process which meant the progressive diminution of the amount of tribute paid to the State, and the consequent undermining of the fiscal system as a whole. In theory, conversion meant for the non-Arab convert (*Mawali*; in the plural, *Mawali*) full social and economic equality with the ruling caste, but in practice it was not enough to be a Muslim, one had to be an Arab as well. The discontent of the *Mawali* with their enforced inferiority expressed itself in an appeal to the universal character of Islam, an appeal which often took the form of religious heresies, and which, as it became more widespread, undermined the strength of the Arab régime.

To the ever present fiscal problems of the Arab State and the growing discontent of the *Mawali* was added a third and fatal weakness: the hostility between those Arab tribes which had arrived in Syria with or since the conquest, and those which had infiltrated there at an earlier date. The Umayyad house strove to maintain a neutral position over and above the tribal feuds; but from the moment when, under the pressure of events, the Umayyads were compelled to side with one faction to oppose the other (battle of Marj Rahit 684), their position was irretrievably compromised.

When in A.D. 750 with the accession of the Abbasid dynasty the centre of the Empire was transferred to Iraq, Syria, jealously watched because of its association with the former ruling house, became a mere province, where in the course of the next hundred years, several abortive revolts, inspired in part by the traditional loyalty to the Umayyads, failed to shake off Abbasid control. During the ninth century Syria was the object of dispute between Egypt and Baghdad. In 878 Ahmad ibn Tulun, Governor of Egypt, occupied it and, subsequently, every independent ruler of Egypt sought to maintain a hold, partial or complete, over Syria. Local dynasties, however, achieved from time to time a transitory importance, as did the Hamdanids (a Bedouin family from Northern Iraq) who, under Saif ad-Daula, ruler of Aleppo from 946–967, attained a brief ascendancy, marked internally by financial and administrative ineptitude, and externally by military campaigns against the Byzantines which did much to provoke the great Byzantine reconquest of the late tenth century. By the treaty of 997, northern Syria became Byzantine, while

the rest of the country remained in the hands of the Fatimid dynasty which ruled in Egypt from 969. Fatimid control remained insecure and from about 1027 a new Arab house ruled at Aleppo—the Mirdasids, who were soon to disappear before the formidable power of the Seljuq Turks. The Seljuqs, having conquered Persia, rapidly overran Syria (Damascus fell to them in 1075) but failed to establish there a united State. As a result of dynastic quarrels, the Seljuq domination disintegrated into a number of amirates: Seljuq princes ruled at Aleppo and Damascus, a local dynasty held Tripoli and, in the south, Egypt controlled most of the littoral.

This political fragmentation greatly favoured the success of the First Crusade which, taking Antioch in 1098 and Jerusalem in 1099, proceeded to organise four feudal States at Edessa, Antioch, Tripoli and Jerusalem, but did not succeed in conquering Aleppo, Homs, Hama, and Damascus. From the death of Baldwin II of Jerusalem in 1131, the essential weakness of the crusading States began to appear. Byzantium, the Christian State of Lesser Armenia, and the Latin principalities in Syria never united in a successful resistance to the Muslim counter-offensive which, initiated by the energetic Turkish general Zangi Atabeg of Mosul, developed rapidly in the third and fourth decades of the century. Zangi, who seized Aleppo in 1128, and the Latin State of Edessa in 1144, was succeeded in 1146 by his able son Nur ad-Din, who by his capture of Damascus in 1154 recreated in Syria a united Muslim Power. On Nur ad-Din's death in 1174, the Kurd Saladin, already master of Egypt, assumed control at Damascus and, in 1183, seized Aleppo. His victory over the Crusaders at Hittin (July 1187) destroyed the kingdom of Jerusalem. Only the partial success of the Third Crusade (1189-92) and, after his death in 1193, the disintegration of Saladin's Empire into a number of separate principalities, made it possible for the Crusaders to maintain an ever more precarious hold on the coastal areas of Syria. The emergence in Egypt of the powerful Mamluk Sultanate (1250) meant that the end was near. A series of military campaigns, led by the Sultan Baibars (1260-77) and his immediate successors, brought about the fall of Antioch (1268) and Tripoli (1289), and, with the fall of Acre in 1291, the disappearance of the crusading States in Syria.

Before the last crusading States had been reduced, the Mamluks had to encounter a determined assault by the Mongols, in the course of which Aleppo and Hama were sacked, and Damascus besieged; until, in 1260, the Mongol army of invasion was crushed at the battle of Ain-Jalut, near Nazareth. The Mongol Il-Khans of Persia made further efforts to conquer Syria in the late thirteenth century, negotiating for this purpose with the Papacy, the remaining crusader States, and Lesser Armenia. In 1280 the Mamluks defeated a Mongol army at Homs; but in 1299 were themselves beaten near the same town, a defeat which enabled the Mongols to ravage northern Syria and to take Damascus in 1300. Only in 1303, at the battle of Marj as-Suffar, south of Damascus, was this last Mongol offensive finally repelled.

The period of Mamluk rule in Syria, which endured until 1517, was on the whole one of slow decline. Warfare, periodical famine, and not least, the plague (there were four great outbreaks in the fourteenth century, and in the fifteenth century fourteen more recorded attacks of some severity) produced a state of affairs which the financial rapacity and misrule of the Mamluk governors and the devastation of Aleppo and Damascus by Timur (1400-01) served only to aggravate.

The ill-defined protectorate which the Mamluks asserted over Cilicia and considerable areas of southern Anatolia occasioned, in the late fifteenth century, a growing tension with the power of the Ottoman Turks, which broke out into

inconclusive warfare in the years 1485-91. When to this tension was added the possibility of an alliance between the Mamluks and the rising power of the Safavids in Persia, the Ottoman Sultan Selim I (1512-20) was compelled to seek a decisive solution to the problem. In August 1516 the battle of Marj Dabik, north of Aleppo, gave Syria to the Ottomans, who proceeded to ensure their continued hold on the land by conquering Egypt (1517). Turkish rule, during the next three centuries, although unjustly accused of complete responsibility for a decay and stagnation which appear to have been well advanced before 1517, brought only a temporary improvement in the unhappy condition of Syria, now divided into the three provinces of Damascus, Tripoli, and Aleppo. In parts of Syria the Turkish pashas in reality administered directly only the important towns and their immediate neighbourhood; elsewhere, the older elements—Bedouin emirs, Turcoman chiefs, etc.—were left to act much as they pleased, provided the due tribute was paid. The pashas normally bought their appointment to high office and sought in their brief tenure of power to recover the money and bribes they had expended in securing it, knowing that they might, at any moment, be replaced by someone who could pay more for the post. Damascus alone had 133 pashas in 180 years. As the control of the Sultan at Constantinople became weaker, the pashas obtained greater freedom of action, until Ahmed Jassar, Pasha of Acre, virtually ruled Syria as an independent prince (1785-1804).

The nineteenth century saw important changes. The Ottoman Sultan Mahmud II (1808-39) had promised Syria to the Pasha of Egypt, Muhammad Ali, in return for the latter's services during the Greek War of Independence. When the Sultan declined to fulfil his promise, Egyptian troops overran Syria (1831-33). Ibrahim Pasha, son of Muhammad Ali, now gave to Syria, for the first time in centuries, a centralised government strong enough to hold separatist tendencies in check and to impose a system of taxation which, if burdensome, was at least regular in its functioning. But Ibrahim's rule was not popular, for the land-owners resented his efforts to limit their social and political dominance, while the peasantry disliked the conscription, the forced labour, and the heavy taxation which he found indispensable for the maintenance of his regime. In 1840 a revolt broke out in Syria, and when the Great Powers intervened on behalf of the Sultan (at war with Egypt since 1839), Muhammad Ali was compelled to renounce his claim to rule there.

Western influence, working through trade, through the protection of religious minorities, and through the cultural and educational efforts of missions and schools, had received encouragement from Ibrahim Pasha. The French Jesuits, returning to Syria in 1831, opened schools, and in 1875 founded their University at Beirut. The American Presbyterian Mission (established at Beirut in 1820) introduced a printing press in 1834, and in 1866 founded the Syrian Protestant College, later renamed the American University of Beirut. Syria also received some benefit from the reform movement within the Ottoman Empire, which, begun by Mahmud II, and continued under his successors, took the form of a determined attempt to modernise the structure of the Empire. The semi-independent pashas of old disappeared, the administration being now entrusted to salaried officials of the central government; some effort was made to create schools and colleges on Western lines, and much was done to deprive the landowning classes of their feudal privileges, although their social and economic predominance was left unchallenged. As a result of these improvements, there was, in the late nineteenth century, a revival of Arabic literature which did much to prepare the way for the growth of Arab nationalism in the twentieth century.

MODERN HISTORY

By 1914 Arab nationalist sentiment had made some headway among the educated and professional classes, and especially among army officers. Nationalist societies like *Al-Fatat* soon made contact with Arab nationalists outside Syria—with the army officers of Iraq, with influential Syrian colonies in Egypt and America, and with the Sharif Husein of Mecca. The Husein-McMahon Correspondence (July 1915–January 1916) encouraged the Arab nationalists to hope that the end of the Great War would mean the creation of a greater Arab kingdom. This expectation was disappointed, for as a result of the Sykes-Picot Agreement, negotiated in secret between England, France, and Russia in 1916 (see Documents on Palestine, page 46), Syria was to become a French sphere of influence. At the end of the war, and in accordance with this agreement, a provisional French administration was established in the coastal districts of Syria, while in the interior an Arab government came into being under Amir Faisal, son of the Sharif Husein of Mecca. In March 1920 the Syrian nationalists proclaimed an independent kingdom of Greater Syria (including the Lebanon and Palestine); but in April of the same year the San Remo Conference gave France a mandate for the whole of Syria, and in July, French troops occupied Damascus.

By 1925 the French, aware that the majority of the Muslim population resented their rule, and that only amongst the Christian Maronites of the Lebanon could they hope to find support, had carried into effect a policy based upon the religious divisions so strong in Syria. The area under mandate had been divided into four distinct units; a much enlarged Lebanon (including Beirut and Tripoli), a Syrian Republic, and the two districts of Latakia and Jebel Druse. Despite the fact that the French rule gave Syria a degree of law and order which might render possible the transition from a medieval to a more modern form of society, nationalist sentiment opposed the mandate on principle, and deplored the failure to introduce full representative institutions and the tendency to encourage separatism amongst the religious minorities. This discontent, especially strong in the Syrian Republic, became open revolt in 1925–26, during the course of which the French twice bombarded Damascus (October 1925 and May 1926).

The next ten years were marked by a hesitant and often interrupted progress towards self-government in Syria, and by French efforts to conclude a Franco-Syrian treaty. In April 1928 elections were held for a Constituent Assembly, and in August a draft Constitution was completed; but the French High Commissioner refused to accept certain articles, especially Article 2, which, declaring the Syrian territories detached from the old Ottoman Empire to be an indivisible unity, constituted a denial of the separate existence of the Jebel Druse, Latakia, and the Lebanese Republic. After repeated attempts to reach a compromise, the High Commissioner dissolved the Assembly in May 1930 and, on his own authority, issued a new Constitution for the State of Syria, much the same as that formerly proposed by the Assembly, but with those modifications which were considered indispensable to the maintenance of French control. After new elections (January 1932) negotiations were begun for a Franco-Syrian treaty, to be modelled on that concluded between England and Iraq in 1930, but no compromise could be found between the French demands and those of the nationalists who, although in a minority, wielded a dominant influence in the Chamber and whose aim was to limit both in time and in place the French military occupation, and to include in Syria the separate areas of Jebel Druse and Latakia. In 1934 the High Commissioner suspended the Chamber indefinitely. Disorders occurred early in 1936 which induced the French to send a Syrian delegation to

Paris, where the new Popular Front Government showed itself more sympathetic towards Syrian aspirations than former French governments had been. In September 1936 a Franco-Syrian treaty was signed which recognised the principle of Syrian independence and stipulated that, after ratification, there should be a period of three years during which the apparatus of a fully independent State should be created. The districts of Jebel Druse and Latakia would be annexed to Syria, but would retain special administrations. Other subsidiary agreements reserved to France important military and economic rights in Syria. It seemed that Syria might now enter a period of rapid political development; but the unrest caused by the situation in Palestine, the crisis with Turkey, and the failure of France to ratify the 1936 treaty were responsible, within two years, for the breakdown of these hopes.

In 1921 Turkey had consented to the inclusion of the Sanjak of Alexandretta in the French mandated territories, on condition that it should be governed under a special regime. The Turks, alarmed by the treaty of 1936, which envisaged the emergence of a unitary Syrian State including, to all appearance, Alexandretta, now pressed for a separate agreement concerning the status of the Sanjak. After long discussion the League of Nations decided in 1937 that the Sanjak should be fully autonomous, save for its foreign and financial policies which were to be under the control of the Syrian Government. A treaty between France and Turkey guaranteed the integrity of the Sanjak, and also the Turco-Syrian frontier. Throughout 1937 there were conflicts between Turks and Arabs in the Sanjak, and in Syria a widespread and growing resentment, for it was clear that sooner or later Turkey would ask for the cession of Alexandretta. The problem came to be regarded in Syria as a test of Franco-Syrian co-operation, and when in June 1939, under the pressure of international tension, Alexandretta was finally ceded to Turkey the cession assumed in the eyes of Syrian nationalists the character of a betrayal by France. Meanwhile, in France itself, opposition to the treaty of 1936 had grown steadily; and in December 1938 the French Government, anxious not to weaken its military position in the Near East, declared that no ratification of the treaty was to be expected.

Unrest in Syria led to open riots in 1941, as a result of which the Vichy High Commissioner, General Dentz, promised the restoration of partial self-government; while in June of the same year, when in order to combat Axis intrigues the Allies invaded Syria, General Catroux, on behalf of the Free French Government, promised independence for Syria and the end of mandatory rule. Syrian independence was formally recognized in September 1941, but the reality of power was still withheld, with the effect that nationalist agitation, inflamed by French reluctance to restore constitutional rule, and by economic difficulties due to the war, became even more pronounced. When at last elections were held once more, a nationalist government was formed, with Shukri Kuwaty as President of the Syrian Republic (August 1943).

Gradually all important powers and public services were transferred from French to Syrian hands; but conflict again developed over the *Troupes Spéciales*, the local Syrian and Lebanese levies which had existed throughout the mandatory period as an integral part of the French military forces in the Levant, and which, transferred to the Syrian and Lebanese Governments, would enable them to form their own armies. Other points of dispute were the so-called "Common Interests" (i.e. departments dealing with matters of concern to both Syria and the Lebanon), and the control of internal security, hitherto in French hands. Strongly supported by the newly-created Arab League, Syria refused the French demand for a Franco-Syrian Treaty as the condition for the final transfer of these ad-

ministrative and military services which had always been the main instruments of French policy. In May 1945 disturbances broke out which ended only with British armed intervention and the evacuation of French troops and administrative personnel. The *Troupes Spéciales* were now handed over to the Syrian Government, and with the departure of British forces in April 1946 the full independence of Syria was at last achieved.

UNSTABLE INDEPENDENCE

Since the attainment of independence Syria has passed through a long period of instability. She was involved in a complicated economic and financial dispute with the Lebanon (1948-50) and also in various schemes for union with Iraq—schemes which tended to divide political opinion inside Syria itself and, in addition, to disrupt the unity of the Arab League. Syria, in fact, found herself aligned at this time with Egypt and Saudi Arabia against the ambitions of the Hashemite rulers of Iraq and Jordan. These rivalries, together with the profound disappointment felt at Damascus over the Arab failures in the war of 1948-49 against Israel, were the prelude to a series of *coups d'état* in Syria: in March 1949, under Colonel Husni Za'im; in August of the same year, under Colonel Sami Hinnawi; and in December 1949, under Lieut.-Colonel Shishakli. Dislike of continued financial dependence on France, aspirations towards a greater Syria, the resentments arising out of the unsuccessful war against the Israelis—all help to explain the unrest inside Syria.

The intervention of the army in politics was itself a cause of further tension. Opposition to the dominance of the army grew in the Syrian Chamber of Deputies to such an extent that yet another *coup d'état* was carried out in December 1951. Syria now came under the control of a military autocracy with Colonel Shishakli as head of the state. The Chamber of Deputies was dissolved in December 1951; a decree of April 1952 abolished all political parties in Syria. After the approval of a new constitution in July 1953 General Shishakli became President of Syria in August of that year. The formation of political parties was now allowed once more. Members of the parties dissolved under the decree of April 1952 proceeded, however, to boycott the elections held in October 1953, at which President Shishakli's Movement of Arab Liberation obtained a large majority in the Chamber of Deputies. Politicians hostile to the regime of President Shishakli established in November 1953 a Front of National Opposition, refusing to accept as legal the results of the October elections and declaring as their avowed aim the end of military autocracy and the restoration of democratic rule. Demonstrations at Damascus and Aleppo in December 1953 led soon to the flight of Shishakli to France. The collapse of his regime early in 1954 meant for Syria a return to the Constitution of 1950. New elections held in September 1954 brought into being a Chamber of Deputies notable for the large number of its members (81 out of 142) who might be regarded as independents grouped around leading political figures.

INFLUENCE FROM ABROAD

There was still, however, much friction in Syria between those who favoured union or at least close co-operation with Iraq and those inclined towards an effective *entente* with Egypt. In August 1955 Shukri al-Kuwatli became President of the Republic. His appointment was interpreted as an indication that pro-Egyptian influence had won the ascendancy in Syria. On October 20th, 1955, Syria made with Egypt an agreement for the creation of a joint military command with its headquarters at Damascus.

The U.S.S.R., meanwhile, in answer to the developments in the Middle East associated with the Baghdad Pact, had

begun an intensive diplomatic, propaganda and economic campaign of penetration into the Arab lands. In the years 1954-56 Syria, the only Arab state where the Communist Party was legal, made a number of barter agreements with the Soviet Union and its associates in eastern Europe. A report from Cairo intimated, in February 1956, that Syria had joined Egypt in accepting arms from U.S.S.R.

At the end of October 1956 there occurred the Israeli campaign in the Sinai peninsula, an event followed, in the first days of November, by the armed intervention of Great Britain and France in the Suez Canal region. On October 30th the President of the Syrian Republic left Damascus on a visit to the Soviet Union. A state of emergency was declared in Syria. Reports from Beirut revealed on November 3rd that Syrian forces had put out of action the pipelines which carried Iraqi oil to the Mediterranean. The damage that Syrian elements had done to the pipelines earned the sharp disapproval of such Arab states as Iraq and Saudi Arabia, both of whom were now faced with a severe loss of oil revenues. The Syrian Government declared that it would not allow the repair of the pipelines until Israel had withdrawn her troops from Gaza and the Gulf of Aqaba. Not until March 1957 was it possible to restore the pipelines, Israel having in the meantime agreed to evacuate her forces from the areas in dispute.

In April 1957 a crisis took place in Jordan where the Palestinian elements in political circles, with some support from the army, sought to draw Jordan into alignment with Egypt and Syria. At the time of the Sinai-Suez crisis in November 1956 contingents of Syrian troops had been stationed in Jordan. These troops were still on Jordanian soil. There were also reports that reinforcements might be sent to the Syrian forces in Jordan. It seemed that a major intervention in the affairs of Jordan was imminent. On April 24th the U.S.A. announced that it regarded the independence and integrity of Jordan as a matter of vital concern. The United States Sixth Fleet was now ordered to the eastern Mediterranean with instruction to assist Jordan, if aid were requested. At the same time the U.S. Government deplored the flow of Soviet arms and equipment to Egypt and Syria. In May 1957 Syria stated that, in compliance with a request from Amman, she would withdraw her forces from Jordan.

UNION WITH EGYPT

The Syrian National Assembly, in November 1957, passed a resolution in favour of union with Egypt. Earlier in the year there had been discussions concerning proposals for a customs union between the two countries and for the co-ordination of their currencies and of their economic policies. The formal union of Egypt and Syria to constitute one state under the title of the United Arab Republic received the final approval of the Syrian National Assembly on February 5th, 1958. President Nasser of Egypt, on February 21st, became the first head of the combined state. A central cabinet for the U.A.R. was established in October 1958, also two regional executive councils, one for Syria and one for Egypt. A further move towards integration came in March 1960, when President Nasser announced the formation of a single National Assembly for the whole of the U.A.R. The Assembly, consisting of 400 deputies from Egypt and 200 from Syria, held its first meeting at Cairo on July 21st, 1960.

The more extreme elements of the right and of the left—e.g. the conservative class of landowners and also the Communist following in Syria—had viewed with distrust the union of Syria and Egypt. Amongst the Baath Socialists, who had played an important role in bringing about the merger with Egypt in 1958, dissatisfaction grew as a result of the small progress made with schemes for the socialization of the Syrian economy. There was disillusionment, too, in the Syrian armed forces over the more

and more frequent transfer of Syrian officers to Egypt and of Egyptian officers to Syria. Administrators and officials of Egyptian origin had come, moreover, to hold a large number of the most influential positions in the Syrian Region of the U.A.R. Syria still retained, however, at the end of 1960 and in the first months of 1961, a considerable measure of autonomy in most economic matters.

August 1961 saw the abolition of the regional executive councils for Syria and Egypt created in 1958. This attempt to hasten the integration of the two countries was the prelude to a new crisis at Damascus. On September 28th, 1961, there occurred in Syria a military *coup d'état* which aimed—successfully—at the separation of Syria from Egypt and at the dissolution of the United Arab Republic. Political figures representing most of the parties which existed in Syria before the establishment of the U.A.R. in 1958 met at Damascus and Aleppo on October 3rd, 1961, issuing a declaration of support for the new regime and calling for free elections to a new legislature. Syrian members of the National Assembly of the U.A.R. gathered at Damascus on October 4th to denounce the arbitrary and dictatorial character of the control previously exercised from Cairo over Syrian affairs. President Nasser now, on October 5th, recognized the *fait accompli*. Most foreign states made haste to grant formal recognition to the government at Damascus. On October 13th, 1961, Syria became once more a member of the United Nations. A provisional constitution was promulgated in November and elections for a Constituent Assembly took place on December 1st, 1961.

The regime thus established in Syria rested on no sure foundation. At the end of March 1962 the Syrian Army intervened once more, bringing about the resignation of Dr. Nazim Kudsi, the President of the Republic, and also of the ministers who had taken office in December 1961. After demonstrations at Aleppo, Homs and Hama in April 1962, Dr. Kudsi was reinstated as President, but further ministerial resignations in May of that year pointed to the existence of continuing tensions within the government.

THE REVOLUTION OF 1963

A military junta, styled the National Council of the Revolutionary Command, seized control in Damascus on March 8th, 1963. During March and April 1963 tension was visible between those elements which advocated a close association with Egypt and those Baathist circles which tended to oppose such a programme. In May 1963 the Baathists took measures to purge the armed forces and the administration of personnel known to favour a close alignment with Egypt. A new government, formed on May 13th and strongly Baathist in character, carried out a further purge in June and at the same time created a National Guard recruited from members of the Baath movement. These measures led the pro-Egyptian elements to attempt a *coup d'état* at Damascus on July 18th, 1963. The attempt failed, however, with a considerable loss of life.

There were, in the second half of 1963, a number of moves designed to bring about some form of union between Syria and Iraq. In August it was announced that the two countries would establish committees empowered to promote effective co-operation in matters of defence; in September proposals for a federation of Syria and Iraq came under discussion; in October a Supreme Defence Council was established under General Ammash, the Defence Minister of Iraq; and, also in October, at an international conference of al-Baath held in Damascus, a resolution was adopted calling for the union of Syria and Iraq. The aspirations embodied in this resolution were

doomed, however, to disappointment; a *coup d'état* at Baghdad in November 1963 swept aside the Baath regime in Iraq.

BAATH SOCIALISM

The Syrian Government, in May 1963, had nationalized all Arab-owned banks in Syria and in August of that year proceeded to order their reduction into fewer but larger units with new boards set in charge of them. Government decrees issued in April 1964 nationalized a number of textile factories at Aleppo. The factories would henceforward be under the control of elected representatives of the employees, together with representatives of the Government, of al-Baath and of the trade unions. The principle of "self-management" in industrial concerns, and also in agriculture, had received approval at the international Baath conference of October 1963.

The nationalization of the banks and of various industrial enterprises, also the transfer of land to the peasants—all had contributed to bring about much dissatisfaction in the business world and amongst the influential landed elements. The Baath regime depended for its main support on the armed forces (purged of the personnel opposed to the policies of the government). These forces, however, had been recruited in no small degree from the religious minorities in Syria, including adherents of the Shi'i (Alawi) faith—most Syrians being, in fact, of Sunni or orthodox Muslim allegiance. In general, conservative Muslims tended to oppose the Baath government under guidance of the *'ulama* and of the Muslim Brotherhood. The mass of the peasant population was thought to have some pro-Nasser sympathies; the working class (small in number) was divided between pro-Nasser and Baathist adherents; the middle and upper classes opposed the domination of al-Baath.

The unease arising out of these frictions and antipathies took the form of disturbances at Banias and Homs (February 1964), at Aleppo (March 1964) and finally of open revolt—soon suppressed—at Hama (April 1964). After the Hama rising came a wave of anti-government demonstrations and a strike of shopkeepers in all the main towns—e.g. Damascus, Hama, Homs, Aleppo—of central and northern Syria, except Latakia (an Alawi centre). The government now used pressure to bring about a resumption of normal business activities—pressure which threatened confiscation and trial for sabotage as the penalties for resistance.

Meanwhile, on April 25th, 1964, a provisional constitution had been promulgated, describing Syria as a democratic socialist republic forming an integral part of the Arab nation. A Presidential Council was established on May 14th, 1964, with General Hafiz as head of the state.

A government decree of December 23rd, 1964, nationalized the as yet undeveloped petroleum and other mineral resources of Syria. Early in January 1965 the Syrian Government placed under national control, wholly or in part, industrial concerns connected with cement, dyes, textiles, sugar, canning, food production, chemicals and soap. On January 7th, 1965, a special military court was created with sweeping powers to deal with all offences, of word or deed, against the nationalization decrees and the socialist revolution. These new measures evoked once more a series of demonstrations and a strike of shopkeepers in Damascus (January 24th, 1965). Further government decrees now confiscated the goods and properties of merchants held to be responsible for the disorders. General Hafiz denounced the *'ulama* and the Muslim Brotherhood as being involved in the demonstrations. On February 19th, 1965, further decrees nationalized about forty pharmaceutical importing establishments at Damascus and

Aleppo, together with a number of other trading companies. The official Importing and Exporting Organization was now alone able to import basic commodities such as tea, tinned meats, fish, rubber, iron, timber, textiles, tractors, cars, drugs, fertilizers, salt, tobacco and paper. Reports current at the beginning of March 1965 stated that the government had ordered the nationalization of nine oil companies estimated to control between them some two-thirds of the total fuel consumption in Syria.

The autumn of 1965 saw a number of important changes inside Syria. A National Council, almost one hundred strong, was established in August with the task of preparing a new constitution which would be submitted to a public referendum. Meeting for the first time on September 1st, 1965, it created a Presidency Council, of five members, which was to exercise the powers of a head of state.

RADICAL REACTION

The tensions hitherto visible in al-Baath were, however, still active. Two groups stood ranged one against the other—on the one hand the older more experienced politicians in al-Baath, less inclined than in former years to insist on the unrestrained pursuit of the main Baathist objectives, socialism and pan-Arab union, and on the other hand the extreme left-wing elements, doctrinaire in their attitude and enjoying considerable support amongst the younger radical officers in the armed forces.

The tensions thus engendered found expression in a new *coup d'état* on February 23rd, 1966. A military junta representing the extreme radical elements in al-Baath seized power in Damascus and placed under arrest a number of personalities long identified with al-Baath and belonging to the international leadership controlling the organization throughout the Arab world—amongst them Mr. Michael Aflaq, the founder of al-Baath; General Hafiz, the chairman of the recently established Presidency Council; and Mr. Salah al-Din Bitar, the Prime Minister of the displaced administration.

The new Prime Minister of Syria, Dr. Zeayen, visited the Soviet Union in April 1966. Russia then granted Syria a loan of about £50 million for the construction of a great dam, about a mile long, on the River Euphrates at Tabqa in northern Syria. The dam—being built with Soviet technical assistance—is a major factor in a long-term project of development designed to irrigate an additional million and a half acres of land, i.e. to double in extent the present irrigated area in Syria and to make possible a notable increase in the production of cotton. The dam will also be able to produce large quantities of hydro-electric power.

Reports current in July 1966 indicated that the government at Damascus had arrested a number of politicians, amongst them personalities associated with the former National and People's Parties. On September 6th the Syrian Government announced that it had discovered and foiled a conspiracy against itself. The conspiracy was said to have been prepared by Baathist elements representing the regime evicted from power in the *coup d'état* of February 1966. Of the personalities charged with involvement in the conspiracy the most prominent were Mr. Michel Aflaq, the founder of al-Baath; Mr. Salah al-Din Bitar, a former Prime Minister; and Dr. Munif al-Razzaz, at one time the Secretary-General of the International Baathist Organization. Also said to be implicated in the conspiracy were military elements supporting General Hafiz, the head of the preceding regime.

A delegation led by Dr. Yusuf Zeayen, the Prime Minister of Syria, visited Cairo on November 1st, 1966. On November 4th the United Arab Republic and Syria entered into a defence agreement for military co-ordination between the two countries. The agreement stipulated that

aggression against either state would be considered as an assault on the other, to be repelled by the armed forces of the U.A.R. and of Syria acting together. A defence council and a joint military command were to be established under the terms of the agreement.

ARAB-ISRAELI WAR

The friction ever present along the frontier between Syria and Israel had flared out from time to time during recent years into violent conflict—e.g. in March 1962 (Lake Tiberias), August 1963 (Huleh), November 1964 (Dan), August 1965 (Khirbet, north of Lake Tiberias), February 1966 (al-Dardara), May 1966 (Lake Tiberias) and July 1966 (again in the region of Lake Tiberias). Now, in the winter of 1966-67, the tension along the border began to assume more serious proportions. Israel, in October 1966, complained to the Security Council of the United Nations about guerilla activities from Syria across the frontier into Israeli territory. There was renewed violence near Lake Tiberias in January 1967. U Thant, in this same month, urged Syria and Israel to act with restraint and suggested that a special meeting be arranged of the Syrian-Israeli mixed armistice commission. This commission—which had not been convened since 1959—began its new discussions on January 25th, 1967. With further incidents occurring along the border, these discussions made no significant progress and came to an end on February 17th, 1967. There was a more serious outbreak of violence during April 1967, tanks, mortars, cannon and air force units from Syria and Israel being involved in fighting south-east of Lake Tiberias.

The continuing tension on the Syrian-Israeli frontier was now to become a major influence leading to the war which broke out on June 5th, 1967, between Israel and her Arab neighbours Egypt, Syria and Jordan. During the course of hostilities which lasted six days Israel defeated Egypt and Jordan and then, after some stubborn fighting, outflanked and overran the Syrian positions on the hills above Lake Tiberias. With the breakthrough accomplished, Israeli forces made a rapid advance and occupied the town of Quneitra about forty miles from Damascus. On June 10th Israel and Syria announced their formal acceptance of the United Nations proposal for a cease-fire. UN observers were stationed on both sides of the line then existing between the Israeli and Syrian forces. The UN truce supervision control was established at Quneitra.

During the period following the war, Syria opposed all attempts to reach a compromise solution and in effect boycotted the Arab summit conference held at Khartoum in August 1967. In September, the Baath party of Syria rejected all idea of a compromise with Israel, expressed its full support for the Yemen Republic and for the Arab nationalists in South Arabia and called on the Arab states in general to maintain a diplomatic, economic and cultural boycott of the United States, the United Kingdom and the German Federal Republic.

In the same month Israeli elements began to settle in some of the lands taken from the Arab states in the course of the war, particularly in Baniyas on the Syrian plateau. At the same time a number of small incidents occurred along the frontier between Israel and the adjacent Arab states, apparently the work of sabotage organizations trained and supported by Syria. On 4th November there was a brief conflict between Israeli forces and Syrian troops who crossed the cease-fire line on the Golan heights (located in the territories which Israel had taken over from Syria in June 1967).

A British resolution urging the withdrawal of the Israelis from the lands occupied by them during the June war and the ending of the belligerency which the Arab governments had up till then maintained against Israel, was adopted by the U.N. Security Council in November 1967. However,

the resolution was immediately rejected by Syria, which alone maintained its commitment to a reunified Palestine.

STRUGGLE FOR POWER 1968-71

The ruling Baath Party had for some years been divided into two main factions. Until October 1968 the dominant faction had been the "progressive" group led by Dr. Atassi and Dr. Makhous, the Premier and Foreign Minister respectively. This group was distinguished by its doctrinaire and Marxist-orientated public pronouncements (not always put into effect despite its control of the government) and by the strong support it received from the U.S.S.R. It held that the creation of a strong one-party state and economy along neo-Marxist lines was of paramount importance, overriding even the need for a militant stand towards Israel and for Arab unity.

By October 1968 the government felt particularly insecure, partly owing to a feud with the new Baath régime in Iraq, and at the end of the month a new cabinet was formed including several members of the opposing "nationalist" faction. This group took less interest in ideological questions and favoured a pragmatic attitude to the economy, improved relations with Syria's Arab neighbours and full participation in the campaign against Israel, including support for the fedayeen movement. Its leader was General Hafez Assad, who assumed the all-important Ministry of Defence. His critical attitude to the powerful Soviet influence on the government, seen by some "nationalists" as tantamount to colonialism in restricting Syria's freedom of action, led to a prolonged struggle with the "progressive" leadership. Cabinet reshuffles took place in March and again in May, but both Dr. Atassi and General Assad retained their positions. During the spring of 1969 a number of Communists were arrested or sent into exile, and the leader of the Syrian Communist Party (still technically an illegal organization) flew to Moscow.

General Assad attempted to take over the government in February 1969 but was forestalled by Soviet threats that if he did so all military supplies (including spares), economic and technical aid, and trade agreements would end. This would have brought about a major disruption in the national economy and the armed forces, and the "nationalists" were obliged to yield. In May General Mustafa Tlas, the Army Chief of Staff and General Assad's right-hand man, led a military delegation to Peking to buy arms. Some Chinese weapons were reported to be delivered in July. The incident indicated a new independence of Moscow. Some observers also saw this independence in the creation of a joint military command with Iraq (with whom relations improved during the spring) and Jordan. Relations with the Lebanon worsened, owing to Syria's support of the Lebanese fedayeen movement, which has many Syrian members. In the 1968-70 period this appeared to direct much of its activity towards bringing down the precarious Lebanese Government, presumably in the hope that a more militantly anti-Israel ministry would take power. Syria did, however, grant diplomatic recognition to the German Democratic Republic (East Germany) in June, and refused to resume diplomatic relations with Britain and the U.S.A. In May it was announced that a general election would be held in September, the first for seven years, but in August the elections were postponed indefinitely.

During the year 1969-70 there was some revival of activity on the front with Israel. Several air battles took place, and there was an extensive surface conflict involving tanks in June 1970; as usual, both sides claimed sweeping victories. Syria consistently supported the guerrilla forces in their struggle with the Jordan government, although guerrillas on Syrian territory seem to be allowed little freedom to manoeuvre.

In the spring of 1970 the Syrian section of the Tapline pipeline was put out of action, apparently by an accident. Syria refused to allow repairs, claiming that these operations would be dangerous as the section affected lies near Israeli-occupied territory. Since the pipeline and the crude oil it transports are American owned, the refusal was commonly seen as an attempt to put pressure on the United States and its Middle East policy. There was no official American reaction, but Saudi Arabia, as the oil producer affected and in any case at the opposite extreme to Syria in ideology, responded by threatening to abandon the use of Tapline altogether. This would have lost Syria (and the Lebanon and Jordan) considerable sums in transit dues. King Faisal also threatened to cease paying subventions to Egypt and Jordan, in the hope that these countries would then put pressure on Damascus to allow repairs. In January Syria allowed repairs to the pipeline to be started, after increased transit fees had apparently been conceded by Tapline.

In November 1970, following a reported *coup* attempt backed by Iraq in August, the struggle between the two factions of the Baath Party came to a head when General Assad seized power. Dr. Atassi, who was in hospital at the time, was placed under guard and General (retired) Salah Jadid, Assistant Secretary-General of the Baath Party and leader of the civilian faction, was arrested. Other members of the civilian wing were arrested or fled to the Lebanon. The coup was precipitated by attempts of Jadid and his supporters (culminating at the emergency session of the Tenth National Pan-Arab Congress of the Party) to oust Assad and Tlas from their posts. This power struggle had become acute as a result of differences over support for the Palestine guerrillas during the fighting with the Jordanian army in September. Jadid and Yousef Zayyen, a former Prime Minister, controlled the Syrian guerrilla organization, Saiqa, and supported the movement of tanks from Syria into Jordan to support the Palestinian guerrillas' efforts against the Jordanian army. This Assad and the military faction opposed. Their approach to the Palestinian problem was more akin to Nasser's and they wanted to avoid giving any provocation to Israel, because they considered the Syrian armed forces to be unready to offer adequate resistance.

ASSAD IN POWER

There was no obvious opposition to the army takeover. Ahmed Khatib became acting President and General Assad Prime Minister and Party Secretary-General. A new Regional Command of the Baath Party was formed. The old leaders were removed from their posts in a purge which stretched into the new year. Following amendments to the 1969 provisional constitution in February 1971, General Assad was elected President for a seven-year term in March. In the following month General Abdel Rahman Khlefiawi became Premier and Mahmoud Ayoubi was appointed Vice-President. In February, the first legislative body in Syria since 1966, the People's Council, was formed. Of its 173 members, 87 represented the Baath Party.

The Nasserite leanings of the new régime in foreign policy soon became apparent (and presumably helped Assad establish some kind of *modus vivendi* with the U.S.S.R.). Although Syria continued to reject the November 1967 UN Security Council resolution, relations with the U.A.R. and Jordan improved, and Syria's isolation in the Arab world was soon reduced. Syria's willingness to join a union with the U.A.R., Sudan and Libya almost immediately became apparent and agreement on federation with Libya and the U.A.R. was reached in April 1971. In the same month the Syrian Government advised the Palestinian guerrillas not to initiate any more operations from the Syrian front.

SYRIA—(HISTORY, ECONOMIC SURVEY)

In September the Federation of Arab Republics was established, following a referendum covering all three countries. In Syria 96.4 per cent of the voters were in favour.

Since coming to power, the Assad régime had increased the army's control over Saiqa. In April 1971 guerrilla operations against Israeli positions from the Syrian front were banned by the Government. Then, at the beginning of July, some guerrilla units were forced out of Syria into south Lebanon and arms destined for them and arriving from Algeria were seized by the Syrian authorities. Yet after the Jordanian Government's final onslaught on the Palestinian guerrillas in north Jordan in July Syria closed her border and in August broke off diplomatic relations when the tension had become so great that tank and artillery clashes developed between the two armies. Egyptian mediation reduced the chances of any more serious conflict developing but diplomatic links remained severed with Jordan (and seem likely to continue that way following Hussein's announcement in March 1972 of plans for a United Arab Kingdom, and Egypt's subsequent breaking off of diplomatic relations with Jordan). At about the same time as the dispute with Jordan, the Syrian Government was itself attempting to mediate between Sudan and the Soviet Union in the wake of the abortive communist-led *coup* against President Nemery in July. Relations with the U.S.S.R. improved a lot during the last half of 1971 and in 1972, and in May Marshal Grechko, the Soviet Defence Minister, visited Damascus. Syria was not prepared, however, to sign a friendship treaty with the U.S.S.R. like Egypt and Iraq. On the other hand, the Syrian Government, which had

been broadened in March 1972 to include representatives of parties other than the Baath like the communists, did not follow Egypt's example in July and expel its Soviet advisers. Syria's estrangement from her two partners in the Federation of Arab Republics was increased in August 1972 by the announcement of the proposed merger between Egypt and Libya.

At the beginning of June 1972, a few hours after the Iraq Government nationalized the Iraq Petroleum Company, the Syrian Government nationalized all IPC installations in Syria and demanded increased payments from the Iraq Government for oil pumped across Syria by pipeline. A new price agreement was finally negotiated in January 1973.

In December 1972 Maj.-Gen. Khleifawi resigned from the post of Prime Minister for health reasons and a new Government was formed by Mahmoud al-Ayoubi, the Vice-President, with 16 out of 31 government portfolios going to the Baath Party. At the end of January 1973 a draft Constitution was approved by the People's Council and confirmed by a referendum in March. The Sunni Muslims were dissatisfied that the Constitution did not recognize Islam as the State religion, and as a result of their pressure an amendment was passed declaring that the President must be a Muslim. Under the Constitution freedom of belief is guaranteed, with the State respecting all religions, although the Constitution recognizes that Islamic jurisprudence was "a principal source of legislation". In May 1973 elections took place for the new People's Council, and 140 out of the 186 seats were won by the Progressive Front (a grouping of the Baath Party and its allies, while 42 seats were won by Independents and 4 by the Opposition.

G

Summary of Lending to Members of the Arab League

Table 1: New loans/credits in FY74, by country

		<u>IBRD</u>	<u>IDA</u>	<u>TOTAL</u>
		<u>---(US\$</u>	<u>millibn)</u>	<u>----</u>
<u>Algeria</u>	Power	38.5	-	38.5
	Port of Bethioua	70.0	-	70.0
	Railways I	49.0	-	49.0
		<u>157.5</u>	<u>-</u>	<u>157.5</u>
<u>Egypt</u>	Cotton Ginning Rehabilitation	-	18.5	18.5
	Talkha Fertilizer Eng. Credit	-	0.4	0.4
	Talkha Fertilizer	-	20.0	20.0
	Population	-	5.0	5.0
	<u>-</u>	<u>43.9</u>	<u>43.9</u>	
<u>Mauritania</u>	Gorgol Irrigation	-	1.1	1.1
	Education	-	3.8	3.8
		<u>-</u>	<u>4.9</u>	<u>4.9</u>
<u>Morocco</u>	Sebou II Agriculture Development	32.0	-	32.0
	Maroc Phosphore	50.0	-	50.0
	Power	25.0	-	25.0
	Highways II	29.0	-	29.0
	<u>136.0</u>	<u>-</u>	<u>136.0</u>	
<u>Oman</u>	Education	5.7	-	5.7
	Technical Assistance	2.8	-	2.8
		<u>8.5</u>	<u>-</u>	<u>8.5</u>
<u>Somalia</u>	Livestock	-	10.0	10.0
<u>Sudan</u>	Agriculture (Southern Region Rehabilitation)	-	10.7	10.7
	DFC (IDBS)	-	4.0	4.0
	Railways III	-	24.0	24.0
		<u>-</u>	<u>38.7</u>	<u>38.7</u>
<u>Syria</u>	Balikh Irrigation	63.0	10.0	73.0
	Power	25.0	-	25.0
		<u>88.0</u>	<u>10.0</u>	<u>98.0</u>
<u>Tunisia</u>	Urban Transport	11.0	7.0	18.0
	Tourism Training	5.6	-	5.6
	Water Supply III	23.0	-	23.0
		<u>39.6</u>	<u>7.0</u>	<u>46.6</u>
<u>Yemen AR</u>	Education	-	11.0	11.0
	Small Industry Development	-	2.3	2.3
	Sana'a Water Supply	-	6.3	6.3
		<u>-</u>	<u>19.6</u>	<u>19.6</u>
Totals		<u>429.6</u>	<u>134.1</u>	<u>563.7</u>

EMENA Region
Program Coordinator's Office
July 10, 1974

Summary of Lending to Members of the Arab League

Table 2: By period, by country

Country	IBRD/IDA	Through FY63	FY64-68				FY69-73				FY74				Grand Total
			-----US\$ million		(No. of projects)		-----US\$ million		(No. of projects)		-----US\$ million		(No. of projects)		
Algeria	IBRD	{2) 60.0	(1) 20.5	(2) 24.5	(3) 157.5	(8) 262.5									
Egypt	IDA	(1) 56.5 <u>1/</u>	--	(5) 107.2	(4) 43.9	(10) 207.6 <u>2/</u>									
Iraq	IBRD	(1) 12.8	(1) 23.0	(4) 120.0	--	(6) 155.8									
Jordan	IDA	(1) 2.0	(3) 9.5	(4) 30.3	--	(8) 41.8									
Lebanon	IBRD	(1) 27.0	--	(2) 39.6	--	(3) 66.6									
Mauritania	IDA	(1) 66.0 <u>1/</u>	(1) 6.7	(2) 7.2	(2) 4.9	(6) 84.8 <u>3/</u>									
Morocco	IBRD	(1) 15.0	(4) 56.0 <u>4/</u>	(11) 265.1 <u>5/</u>	(4) 136.0	(20) 472.1 <u>6/</u>									
Oman	IBRD	--	--	--	(2) 8.5	(2) 8.5									
Somalia	IDA	--	(2) 8.5	(4) 26.5	(1) 10.0	(7) 45.0									
Sudan	IDA	(3) 87.0 <u>7/</u>	(3) 63.5 <u>8/</u>	(4) 65.3 <u>9/</u>	(3) 38.7	(13) 254.5 <u>10/</u>									
Syria	IBRD	--	(1) 8.5 <u>11/</u>	(2) 28.8 <u>12/</u>	(2) 98.0 <u>12/</u>	(5) 135.3 <u>13/</u>									
Tunisia	IBRD	(1) 5.0 <u>11/</u>	(5) 53.0 <u>14/</u>	(15) 168.1 <u>15/</u>	(3) 46.6 <u>16/</u>	(24) 272.7 <u>17/</u>									
Yemen AR	IDA	--	--	(2) 18.6	(3) 19.6	(5) 38.2									
Yemen PDR	IDA	--	--	(3) 5.7	--	(3) 5.7									
Totals:		(12) 331.3	(21) 249.2	(60) 906.9	(27) 563.7	(120) 2051.1									
(- of which IDA)		(20.0)	(71.7)	(349.2)	(134.1)	(575.0)									
Annual averages			(4) 49.8	(12) 181.4	(27) 563.7										

- 1/ All from IBRD
- 2/ Includes \$56.5 million from IBRD
- 3/ Includes \$66.0 million from IBRD
- 4/ Includes \$11.0 million from IDA
- 5/ Includes \$25.8 million from IDA
- 6/ Includes \$36.8 million from IDA
- 7/ Includes \$74.0 million from IBRD
- 8/ Includes \$55.0 million from IBRD
- 9/ Includes \$5.0 million from IBRD
- 10/ Includes \$134.0 million from IBRD
- 11/ All from IDA
- 12/ Includes \$10.0 million from IDA
- 13/ Includes \$47.3 million from IDA
- 14/ Includes \$19.0 million from IDA
- 15/ Includes \$38.8 million from IDA
- 16/ Includes \$7.0 million from IDA
- 17/ Includes \$69.8 million from IDA

Table 3: By year, from FY69

	No. of Projects	Amounts (US\$million)	
		Total	- of which IDA
FY69	8	64.9	12.1
FY70	6	122.1	43.8
FY71	8	92.2	15.7
FY72	17	235.5	115.5
FY73	21	392.2	162.1
FY69-73	60	906.9	349.2
FY74	27	563.7	134.1

G-1

SYRIASTATEMENT OF BANK AND IDA SUBSCRIPTION

	<u>IBRD</u>		
	<u>Number</u>	<u>Amount</u> ^{1/}	<u>Percent of Total</u>
Shares	400	40,000	.16
Paid-in capital		4,000	
Subject to call		36,000	
Voting Power	650		.23
	<u>IDA</u>		
	<u>Number</u>	<u>Amount</u> ^{2/}	<u>Percent of Total</u>
Subscription		987	.09
Supplementary		-	-
Total		<u>987</u>	
Voting Power	2,400		.28

^{1/} Expressed in thousands of US dollars of the weight and finess in effect on July 1, 1944. The amounts expressed in current US dollars amount in 4,825 (thousand) for the paid-in capital and 43,429 (thousand) for the amount subject to call.

^{2/} Express in thousands of US dollars of the weight and finess in effect on January 1, 1960. Expressed in current US dollars, the total of subscriptions and supplementary resources amounts to 1,191 (thousand).

G-1 STATEMENT OF LOANS, CREDITS AND IFC OPERATIONSA. STATEMENTS OF IDA CREDITS
(as of September 30, 1974)

Loan or Credit Number	Year	Borrower	Purpose	US\$ million		
				Amount (less cancellations)		
			Bank	IDA	Undisbursed	
46	1963	Syrian Arab Republic	Highways		8.5	0.3
298	1972	Syrian Arab Republic	Highways		13.8	13.8
401	1973	Syrian Arab Republic	Water Supply		15.0	15.0
469	1974	Syrian Arab Republic	Irrigation		10.0	10.0
975	1974	Syrian Arab Republic	Irrigation	63.0		63.0
986 ^{a/}	1974	Etablissement Public d'Electricité	Electricity	25.0		25.0
		Total		<u>88.0</u>	<u>47.3</u>	<u>127.1</u>
		of which has been repaid		-	-	
		Total now outstanding		<u>88.0</u>	<u>47.3</u>	
		Amount sold		-	-	
		Total now held by Bank and IDA ^{b/}		<u>88.0</u>	<u>47.3</u>	
		Total undisbursed		<u>88.0</u>	<u>39.1</u>	<u>127.1</u>

^{a/} Not yet effective^{b/} Prior to exchange adjustments

G-2 EXISTING PROJECTS

Credit 46 - First Highway Project; US\$8.5 million Credit of December 24, 1963; Closing Date: December 31, 1974.

This project includes improvements of the 530 km Damascus-Homs-Hama-Aleppo-Raqqa highway linking the capital city with the country's major productive centers. Construction started only in 1968 due to inadequate engineering studies and the need to completely redesign the highway. Works are well underway and are expected to be completed by end of 1974.

Credit 298 - Second Highway Project; US\$13.8 million Credit of April 17, 1972; Closing Date: June 30, 1978.

This project includes improvement and construction of 153 km of roads, linking Damascus with the Lebanese and Jordanian borders, and improvement of the road Lattakia - Homs. It also includes feasibility studies and detailed engineering for bypasses for the cities of Homs, Hama, Aleppo and Deraa and the Aleppo-Tall Kojak road (about 470 km). Project construction is not expected to start before 1975 because of delays in finalization of designs, consultant selection and bidding procedure. Consultants for the studies are expected to be selected next January.

Credit 401 - Damascus Water Supply Project; US\$15 million Credit of June 22, 1973; Closing Date: December 31, 1978.

This project includes an underground cut off wall to increase the available flow and prevent pollution from surface water at the FIGEH spring; test pumping to assess the yield of the spring; a 15 km tunnel from the spring to Damascus; reservoirs (70,000 m³); a new pumping station and about 530 km of water mains in the distribution system; training of EPEF staff in management and engineering; and consulting services. The project also comprises water pollution control and sewerage studies for the Barada and Orontes basins, including the sewerage of Damascus and engineering for treatment plants in the Homs and Hama areas. The credit became effective in February 1974. Project construction is expected to start in early 1975. Consultants for the water pollution control and sewerage studies are being selected.

Credit 469/Loan 975 - Balikh Irrigation Project; US\$10 million Credit and US\$63 million Loan of April 6, 1974; Closing Date: June 30, 1982.

The Project is the development of irrigated agriculture in an area of 48,000 ha gross or 41,000 ha net, (including about 50% or 800 ha of Tel es Samen cooperative farm) in the Balikh River Basin, including the resettlement of farmers that will be displaced by the filling of Lake Assad.

The project includes use of consultants' services for the preparation of a master plan for the rehabilitation of agriculture in the Euphrates Valley between the Halabie-Zelabie Gorge and Abou-Kemal at the Syria-Iraq border, for the preparation of a feasibility study of a rehabilitation project covering about 55,000 ha on the right bank of the river in the valley and for the preparation of detailed designs and contract documents for the said area. The Loan and credit became effective on September 12, 1974.

Loan 986 - Mehardeh Power Project; US\$25 million Loan of May 23, 1974;
Closing Date: June 30, 1977.

This project consists of the first 125 MW unit for a new steam electrical power station at Mehardeh; eight 230 kv substations and consultant services. This project is co-financed by a US\$33 million loan by the Kuwait Fund. After approval of a US\$25 million Bank loan to finance the estimated US\$43 million foreign cost of the project jointly with a US\$18 million loan from the Kuwait Fund, the lowest bids received showed the need for additional US\$28 million in foreign cost. To cover part of this gap the loan from the Kuwait fund was increased by US\$15 million. The original date limit for effectiveness was set as of November 23, 1974, to allow for the lengthy legislative process involved in the ratification of the agreements. The contract for the steam-electric stations was awarded in October 1974 and construction is scheduled to start early next year.

G-3 - PROSPECTIVE OPERATIONS

See CPP, paragraphs 38-51

H

H. II. COUNTRY PROJECTS
AS OF 30 JUNE 1974

SYRIAN ARAB REPUBLIC

Project number and title	Code	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent)	
					UNDP	Government counterpart contribution
AGRICULTURE, FORESTRY AND FISHERIES_105001					6,310,222	9,334,186
SYR-62-514 DAMASCUS AGRICULTURAL RESEARCH STATION	60	FAO	01/62	10/73	704,683	15,264
SYR-67-522 EUPHRATES PILOT IRRIGATION PROJECT	50	FAO	01/67	06/76	1,707,452	1,053,037
SYR-68-008 POULTRY BREEDING	20	FAO	11/68	06/74	122,417	
SYR-68-311 FORAGE AND PASTURE	20	FAO	11/68	04/75	106,455	
SYR-68-528 AGRICULTURAL DEVELOPMENT OF THE GHAR REGION PHASE II	50	FAO	01/68	01/75	1,570,398	1,281,304
SYR-69-008 AGRICULTURAL CENSUS	80	FAO	08/69	02/74	74,302	
SYR-69-529 STRENGTHENING OF THE TOBACCO INSTITUTE AND RESEARCH CENTRE AT JUB-HASSAN "LATAKIA"	10	FAO	01/69	07/74	346,114	871,167
SYR-70-016 AGRICULTURAL EXTENSION	60	FAO	12/70	05/73	71,151	
SYR-71-008 CITRUS EXTENSION PROJECT	10	FAO	03/72	10/74	2,151	
SYR-71-011 TOBACCO LEAF PROCESSING AND BLENDING	10	FAO	12/71	09/74	187,381	28,374
SYR-71-531 DAIRYING, GHOUTA REGION	20	FAO	01/71	01/76	515,113	
SYR-72-003 IRRIGATION PLANNING ADVISER, EUPHRATES	50	FAO	09/72	10/75	75,387	15,040
SYR-72-004 INTEGRATED AGRICULTURAL DEVELOPMENT	50	FAO	02/73	01/75	71,700	1,111
SYR-72-007 DEMONSTRATION PLANT FOR UPGRADING OF DAM ROOF	20	FAC	07/73	11/74	23,125	
SYR-72-008 FEASIBILITY STUDY FOR THE PRODUCTION OF FOODS FOR INFANTS AND YOUNG CHILDREN	60	FAC	03/74	04/75	54,800	13,864
SYR-72-011 DEVELOPMENT OF THE VETERINARY COLLEGE, HAMA	20	FAO	02/73	10/78	349,000	2,017,202
SYR-72-014 ASSISTANCE TO THE FACULTY OF AGRICULTURE, UNIVERSITY OF DAMASCUS	60	FAO	11/73	01/77	247,150	4,020,290
SYR-72-024 SETTLEMENT PLANNING ADVISER-EUPHRATES	60	FAO	07/73	03/75	72,600	15,040
EDUCATION_115001					53,510	14,186
SYR-68-013 TEACHERS MATERIALS	22	UNESCO	11/68	12/74	17,310	
SYR-71-002 EDUCATIONAL TELEVISION	50	UNESCO	05/71	04/74	5,100	
SYR-72-016 FACULTY OF ENGINEERING, UNIVERSITY OF DAMASCUS	23	UNESCO	07/73	09/74	31,100	14,186
GENERAL ECONOMIC AND SOCIAL POLICY AND PLANNING_120001					2,593,298	4,297,114
SYR-71-007 TECHNICAL ASSISTANCE TECHNIQUES	11	UN	11/71	01/75	12,607	
SYR-71-546 SURVEYS OF THE BALIKH BASIN	12	FAO	04/73	01/78	1,814,071	3,214,960
SYR-71-549 PLANNING INSTITUTE FOR ECONOMIC AND SOCIAL DEVELOPMENT	11	UN	09/72	09/76	674,725	1,066,714
SYR-72-001 REGIONAL PLANNING ADVISER	11	UN	01/73	05/75	67,800	15,040
SYR-73-004 PREPARATION AND IMPLEMENTATION OF DEVELOPMENT PLANS	11	UN	07/73	06/74	1,500	
SYR-74-001 PUBLIC INFORMATION	20	UNESCO	04/74	09/74	2,600	407
HEALTH_125001					729,942	1,395,270
SYR-68-018 TRAINING OF SANITARIANS	30	WHO	11/68	08/73	20,726	
SYR-68-019 MEDICAL SCHOOL - ALEPPO	30	WHO	11/68	02/73	147,908	
SYR-68-720 SANITARY ENGINEER SEWERAGE DISPOSAL	70	WHO	11/68	07/73	13,837	
SYR-70-302 MEDICAL APPLICATION OF RADIOISOTOPES	10	IAEA	04/70	08/75	96,504	
SYR-71-532 COMMUNITY-ORIENTED EDUCATION, FACULTY OF MEDICINE, ALEPPO	30	WHO	03/71	01/75	182,967	
SYR-72-012 FACULTY OF PHARMACY, UNIVERSITY OF DAMASCUS	30	WHO	12/72	01/77	105,000	36,147
SYR-72-017 FACULTY OF DENTAL MEDICINE, UNIVERSITY OF DAMASCUS	30	WHO	12/72	03/74	2,500	267

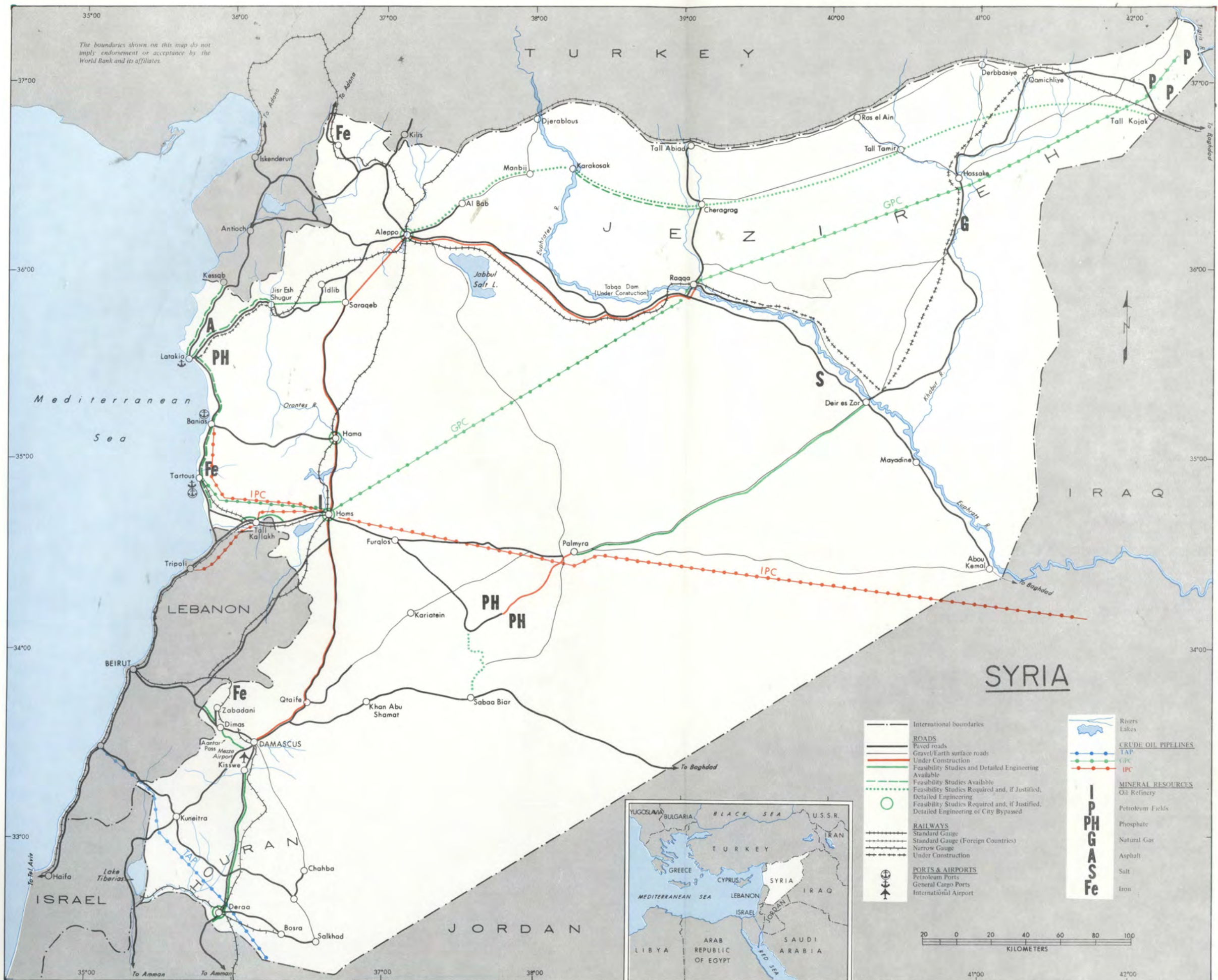
SYRIAN ARAB REPUBLIC (CONTINUED)

II. COUNTRY PROJECTS

AS OF 30 JUNE 1974

Project number and title	Code	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent)	
					UNDP	Government counterpart contribution
SYR-72-022 TECHNICAL HEALTH INSTITUTE	30	WHO	07/73	07/76	160,500	1,358,666
INDUSTRY (13500)					2,493,329	4,876,553
SYR-64-517 INDUSTRIAL TESTING AND RESEARCH CENTRE, DAMASCUS	30	UNESCO	01/64	04/74	1,057,180	1,553,355
SYR-70-534 ESTABLISHMENT OF THE BUREAU OF INDUSTRIAL PROJECT EVALUATION AND FEASIBILITY STUDIES	10	UNIDO	01/70	03/75	127,944	447,200
SYR-71-003 ASSISTANCE TO THE STEEL ROLLING MILL, HAMA	21	UNIDO	05/71	09/73	4,000	
*SYR-71-806 ASSISTANCE TO THE OIL REFINERY	22	UNIDU	11/71	08/74	55,000	
*SYR-71-813 ASSISTANCE TO THE DEVELOPMENT OF THE PHOSPHATE INDUSTRY	21	UNIDO	01/73	01/75	30,000	
*SYR-71-815 ASSISTANCE IN COKING OPERATIONS (HOMS REFINERY)	22	UNIDO	11/71	07/74	15,000	
SYR-72-005 STRENGTHENING THE EXPLORATORY DRILLING CAPABILITY OF THE GENERAL PETROLEUM COMPANY	22	UN	09/73	01/76	98,500	13,333
SYR-72-006 INDUSTRIAL RESEARCH AND DEVELOPMENT CENTRE	30	UNIDO	08/73	05/77	776,000	2,306,666
SYR-72-009 ASSISTANCE TO THE PLASTICS INDUSTRY	21	UNIDO	09/73	09/74	72,500	30,400
SYR-72-010 ASSISTANCE TO THE TEXTILE LABORATORIES AND DESIGN CENTRE	21	UNIDO	12/73	01/76	190,000	508,533
*SYR-72-817 ASSISTANCE TO THE HAPADA COMPANY FOR MECHANICAL INDUSTRIES	21	UNIDO	04/72	07/74	15,000	
*SYR-72-819 ASSISTANCE TO THE PESTICIDE INDUSTRY	21	UNIDO	02/73	04/74	7,500	
SYR-73-007 ASSISTANCE TO THE GENERAL AUTHORITY FOR THE FREE ZONES IN SYRIAN ARAB REPUBLIC	10	UNIDO	03/74	10/74	29,700	17,066
*SYR-73-001 ASSISTANCE IN THE PRODUCTION OF BATTERIES	21	UNIDO	08/73	09/74	15,000	
LABOUR, MANAGEMENT AND EMPLOYMENT (14500)					25,114	
SYR-70-003 MANPOWER ASSESSMENT AND PLANNING	20	ILU	06/70	05/74	25,114	
SCIENCE AND TECHNOLOGY (15500)					359,441	
SYR-68-022 METEOROLOGY	50	WMO	11/68	01/74	98,185	
SYR-69-006 GEOPHYSICS	30	UNESCO	05/69	03/74	124,000	
SYR-69-014 TECHNOLOGICAL INSTITUTE	70	UNESCO	10/69	08/74	137,256	
SOCIAL SECURITY AND OTHER SOCIAL SERVICES (17000)					232,083	402,812
SYR-69-007 HOUSING AND POPULATION CENSUS	30	UN	08/69	05/74	123,983	
SYR-72-014 INSTITUTE OF THE DEAF	20	UNESCO	02/73	09/75	27,100	23,493
SYR-72-015 VOCATIONAL REHABILITATION OF THE DISABLED	20	ILU	07/73	08/74	29,600	334,186
SYR-72-023 VOCATIONAL REHABILITATION OF THE BLIND BLIND	20	ILU	06/73	07/74	51,400	45,133
TRANSPORT AND COMMUNICATIONS (17500)					699,466	654,058
SYR-69-527 TRAINING PROGRAM FOR THE DIRECTORATE OF BRIDGES AND ROADS	20	ILU	01/69	11/74	693,059	654,058
SYR-71-526 TELECOMMUNICATION TRAINING SCHOOL	50	ITU	11/72	01/74	6,407	
TOTAL					13,517,170	20,974,177
OF WHICH						
IPF PROJECTS					13,379,670	20,974,177
PROGRAMME RESERVE PROJECTS					137,500	

PROGRAMME RESERVE PROJECT



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

<ul style="list-style-type: none"> --- International boundaries — Paved roads - - - Gravel/Earth surface roads — Under Construction — Feasibility Studies and Detailed Engineering Available — Feasibility Studies Available — Feasibility Studies Required and, if Justified, Detailed Engineering — Feasibility Studies Required and, if Justified, Detailed Engineering of City Bypassed ○ — Standard Gauge — Standard Gauge (Foreign Countries) — Narrow Gauge — Under Construction ⚓ 	<ul style="list-style-type: none"> — Rivers — Lakes — CRUDE OIL PIPELINES — TAP — GPC — IPC — MINERAL RESOURCES — Oil Refinery — Petroleum Fields — Phosphate — Natural Gas — Asphalt — Salt — Iron
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

