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Syrian intervention in the Lebanese civil war in 1975 and its role in maintaining the precarious peace established since then largely accounts for the expansion of its armed forces and military expenditures since 1975. And this in turn is the primary explanation for the depressed rate of savings⁵ since 1975 (see table 5) despite an average rise in GDP, in constant prices, of 9 percent a year from 1973 to 1977.

By 1977, on the basis of preliminary official estimates, and in current prices, Syria's gross domestic product had reached \$6.6 billion; fixed investment was \$1.6 billion (25 percent of GDP); the import surplus, financed through foreign grants and loans, was \$1.4 billion or 85 percent of investment; defense current budget costs were \$990 million or 15 percent of GDP; the per capita income was \$850; and the labor force of 1.8 million (23 percent of the population) was fully employed.

The recently published development plan for the period 1975-1985 indicates a commitment on the part of Syria to an intensive rate of growth on the order of 10 percent a year. The plan and its targets would presumably continue to govern Syrian development policy in the initial phase of peace.

If development targets are met, Syria's GDP (in 1975 prices), should increase from \$5.3 billion in 1975 to \$13.7 billion in 1985 and per capita income would increase from \$750 in 1975 to \$1,350 in 1985.

Success of this policy will depend on three factors:

(1) The assurance of uninterrupted external assistance on the order of \$1 billion a year at least through 1985 to bridge the gap between the high rate of investment and low rate of savings in the initial period of peace.

(2) The containment of defense expenditures to current levels of about \$1 billion a year in 1977 prices. With GDP increasing at a rate of 10 percent a year and defense expenditures not increasing, the current gap between savings and investment should be substantially reduced and with it a corresponding reduction in the amount of foreign aid required.

(3) The ability of the Syrian government to manage successfully an economy growing at the exceptionally fast rate of 10 percent a year. This ability will be particularly tested in three areas:

The Euphrates Basin High Dam under construction since 1968 with Soviet financial and technical assistance, has recently been completed (1977). It is a project comparable in scope to Egypt's Aswan High Dam, and, if efficiently exploited over the next ten years, can result in a basic transformation of Syrian agriculture. Over 1.5 million acres of land will either be reclaimed or converted from a presently highly unstable rain-fed agriculture to a stable and more productive irrigated agriculture. This could have a major ripple effect throughout the economy. A major transportation system (roads and ports) linking the Euphrates region to potential domestic and export markets is in place. What lies ahead, however, is the most difficult part of all: to organize on a large scale an irrigated agriculture, that will be able to produce efficiently.

⁵ Public consumption includes defense expenditures. Savings is the residual in GDP after deduction of public and private consumption.

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The ability to sustain a high rate of growth will also depend on a dynamic Syrian private sector continuing to assume an important role in agriculture and industrial expansion.

Finally, as the labor market gets increasingly tight, a substantial reduction of the armed forces, releasing manpower and skills to the civilian sector may be needed. Syria may be able to do this if Lebanon's internal situation becomes more stable, permitting a Syrian withdrawal and a reduction of her armed forces from 230,000 to 130,000, the level prevailing in 1974 before the Lebanese intervention. Progress with the peace process that would lead to a negotiated settlement of the Palestinian issue could bring the necessary stability to Lebanon and thus a Syrian withdrawal. However, such a propitious conclusion would seem to be at best five years in the future.

papers submitted to joint Econ. Comm. U.S. Congress

Ref # 421