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04938



Distr.
LIMITED

ID/WG.105/5
30 September 1973

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Meeting on Industrial Development Strategies
and Policies in Small Countries

Vienna, 26 - 30 November 1973

INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF THE SYRIAN ARAB REPUBLIC, 1950-72 ^{1/}

by

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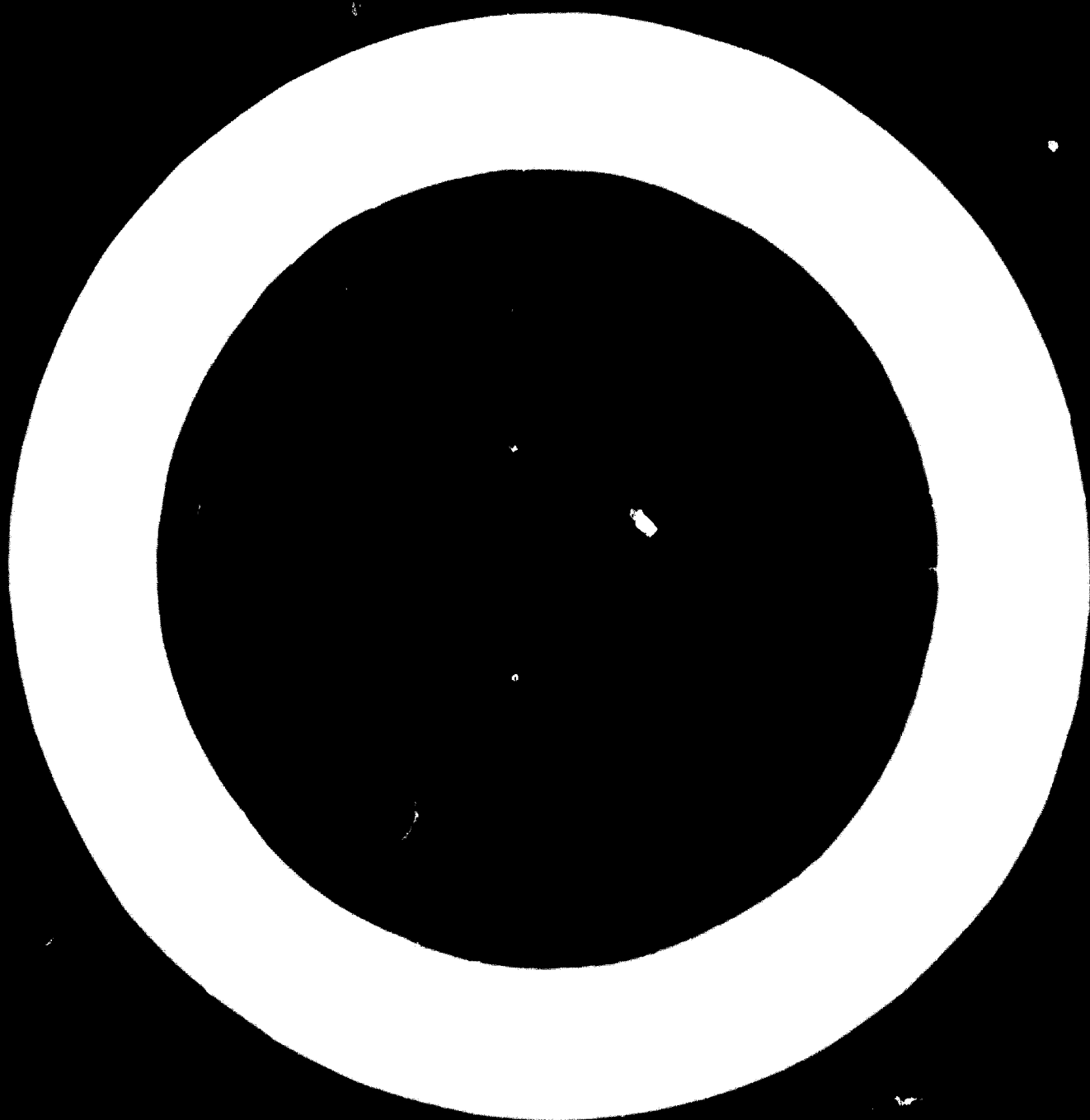
by

Abdallah Sallouta

Corrigendum

Page 40, 1st line:

Substitute 'socialist' for 'social'.



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I. PRE-CONDITIONS FOR INDUSTRIALIZATION

A. The Market

After the end of the Second World War and, particularly, after the Country gained complete independence in 1947, a great industrial awakening took place leading to the establishment of a modern mechanized industry. One of the most important factors that helped the growth of Syrian industry during the 1950s, was the increased demand of domestic markets for various manufactured goods, as a result of economic and social development. It is, therefore, possible to conclude that the domestic market for manufactured goods in the 1950s helped considerably to support the establishment of many new industries. The domestic market still offers now in 1973 opportunities to allow for the establishment of and modern industries.

In the developing countries, in general, the size of the domestic market plays a prominent role in the process of industrial development. Size is usually determined by two variants: a) population, and b) the level of national income per capita.

The first variant, i.e., population, is basically quite low in Syria, and reached 3,638 million in 1953, 4,565 million in 1960 and 6,305 million in 1970, the growth rate over the period 1953-70 being about 3.3% per annum.

The second variant, namely, the level of national income per capita, is also very low compared with levels of income in developed countries. The Net Domestic Product at market prices per capita was L.S. 658 in 1953, L.S. 519 in 1960 and L.S. 852 in 1970, i.e., in US\$: 172, 223 and 268 respectively.

It is evident, therefore, that the size of the domestic market was quite limited in the 1950s and 1960s. This, naturally, acted as a constraint on the establishment of new industries during that period, particularly, modern industries characterized by large scale production.

The small size of the domestic market burdened newly established industries with some difficulties, the main one being the need to attain a sufficiently high degree of efficiency and productivity, so as to enable local industries to face competition of manufactured goods imported from industrialized countries,

without burdening domestic consumers. This, nevertheless, was not an undesirable thing altogether, since it acted, indirectly, as an incentive to entrepreneurs to bear in mind matters related to efficiency and productivity. In many instances, however, newly established industries had to be provided by some form of protection, such as tariff protection, physical import controls on manufactures and others.

B. Transport

The transport and communication system was not sufficiently well developed in the 1950s to permit new industries easy access to markets in all parts of the Country. The road network was quite limited in length and its specifications were poor. The railway system was not in a better position, since it was constructed by the end of the last century and the beginning of the present one, in two different gauges and no improvements were introduced into its specifications. The number of motor vehicles available in the 1950s was also small, thus affecting facilitation of transport services. This is evident from figures given in Tables 1, 2 and 3.

Table 1. Length of road network in Syria (1)
(Km)

Year	Asphalted roads	Paved, non-asphalted roads	Levelled roads	Total	Road length per 1000 km ²
1950	2496	1155
1960	4170	660	2780	7610	40
1970	8096	150	2091	11687	60

Table 2. Length of railways in Syria (1)
(Km)

Year	Ordinary gauge	Narrow gauge	Total	Railway length per 1000 km ²
1950	543	301	844	4.6
1960	543	301	844	4.6
1970	733	301	1034	5.6

Table 3. Number of motor vehicles in Syria (1)

Year	Cars	Buses	Trucks	Total	Population (millions)	No. of vehicles per 1000 inhabitants
1950	4234	1128	4285	9647	3,253	3.0
1960	16529	1411	10851	28791	4,565	6.3
1970	30324	1759	17303	49386	6,305	7.6

The weakness of such infrastructure acted as a constraint on industrialization in the 1960s, despite the development it underwent which did not keep pace with the increased demand for communication and transport facilities and services.

Industries have not been able to develop a nation-wide distribution system for their products because of the handicap caused by such poor infrastructure. Transport difficulties have delayed the development of local raw materials and attention has been focused on this since the mid 1960s when special transport facilities were established to develop exploitation of important raw materials like petroleum, rock salt and phosphate rock.

C. Power and Water

Sufficient supplies of electric power and water were not entirely available in the 1950s and the 1960s for the new industries established. Some enterprises,

particularly the larger-sized ones, established their own sources of power generation. The rest secured their power needs from the general network. With regard to water supply, some industries relied on municipal water, others on underground water, while a smaller percentage relied on lake or river water, when available, for cooling purposes and, in some instances, for process itself.

Unreliable supplies of electric power provided by the general network have, to a certain extent, acted as a constraint on industrialization because of its inability to meet demand, especially during peak hours.

In order to give an idea on the proportion of enterprises that have established their own sources of electric power, figures of power consumption by: a) industries having their own sources of power generation, and b) total industrial sector, will be given from which it may be deduced that such proportion was 64.8% in 1960 and 52.9% in 1970, as shown below:

Year	Electric power consumed by enterprises having their own sources of generation (1) (thousand KWh) (a)	Total electric power consumed by industry(1) (thousand KWh) (b)	a/b %
1960	135 911	209 562	64.8
1970	270 492	511 367	52.9

D. Industrial sites

Suitable industrial sites for new industries were in many instances available in the 1950s, although it is noticed that in several cases industries were established in green areas. This led to the spoiling of such areas with the subsequent result that a limit had to be put into effect in this respect.

It was not until the late 1960s that planning of industrial areas was started by the Ministry of Municipal and Rural Affairs, which is the competent body in this field. Planning of such areas, which is carried out within the

framework of master-plans for cities and towns, involve the provision of some common services and facilities like construction of roads and sewage networks and provision of water and power supplies. However, it should be pointed out that no industrial estates have yet been developed in the Country.

E. Local raw materials

Several new industries established in the 1950s were able to find suitable local raw materials. Examples of such industries are: cement, cotton textiles, food canning, vegetable oils and hydrogenated oils, sugar (extraction from sugar-beet) and baker's yeast.

The new sources of local raw materials that were developed in the 1950s include: petroleum, marble stone, clay materials for the production of porcelain and pottery, sand suitable for use in the glass industry, phosphate rock, rock salt and wood.

Industry in general was freely permitted to import raw materials that were not available locally. There have been instances where such importation encountered some difficulties.

Imported supplies, although reliable to a fairly good extent, were interrupted from time to time due to import restrictions or shortage of foreign exchange.

F. Human skills

Shortage of human skills affected nearly all sectors of industry in the 1950s and covered all levels, namely, skilled workers, supervisors (foremen), accountants, engineers and middle and senior management. Such shortage acted as a constraint on industrialization in the 1950s and, in some cases, foreign technical personnel had to be employed.

The shortage was not overcome in the 1960s and supply of human skills remained unable to satisfy the demand. This is evident from the structural composition of employment in the public industrial sector, for example, in

1970, as shown below:

- engineers	0.51 %
- technicians	2.63 %
- skilled workers	23.19 %
- semi-skilled workers	34.63 %
- unskilled workers	27.92 %
- administrative personnel	<u>11.12 %</u>
- Total	100.00 %
- total number of persons employed:	<u>28728</u>

G. Available financing

Until the late 1950s, banks operating in Syria performed financing activities for commerce and industry. Nevertheless, long-term financing on appropriate terms for the establishment of new industrial enterprises was not properly available in the 1950s, and industry was deprived of loans exceeding one year, although the Public Debt Fund extended its assistance to a number of industries and gave them credits for terms not exceeding ten years. This assistance, however, did not produce the expected results due to the limited number of beneficiary industries and the difficult procedure adopted by the Fund in granting loans.

In order to meet the growing demand for investment funds in the industrial field, a specialized institution was established, namely, the Industrial Bank, by Law No. 31 of 1958, as a joint-stock company with a capital of L.S. 12.5 million. The Bank started its operations in February 1959. In May 1963, it was nationalized by virtue of Legislative Decree No. 37.

Imports of machinery and equipment were freely permitted in the 1950s and the 1960s. Import permits and licenses for industrial machinery and equipment were usually referred by the Ministry of Economy and Foreign Trade to the Ministry of Industry to know the views of the latter in connection with such importation, in accordance with industrial organization and control regulations. There were instances, however, when shortage of foreign exchange affected imports of machinery and equipment and caused delays in delivery.

H. Entrepreneurial initiative

The main sources of private initiative in starting new manufacturing enterprises in the 1950s were the share-holding companies, the collective companies as well as the single-owned enterprises. Entrepreneurs accumulated sufficient capitals mainly from the economic activities performed during war years, which enabled them to launch industrial projects. The group of private entrepreneurs has steadily widened over the last 20 years and ownership of private industry at present is not concentrated at all in the hands of a few groups.

II. INDUSTRIALIZATION ACHIEVEMENTS IN THE PERIOD 1950-72

A. A brief review

The 25 major new industrial projects established in the 1950s, 1960s and early 1970s which contributed to a broadening of the structure of the industrial sector are listed in Table 4 which indicates:

- the year established
- the products produced
- the capital invested
- the value of annual sales
- the approximate value of imported supplies
- level of tariff protection provided

The pattern of new industries established over the last 20 years did not experience any switch from the consumer goods to intermediate and capital goods. This is evident from Table 4.

Despite the fact that a few industrial projects have been established to produce some intermediate and capital goods such as the steel rolling mill, the nitrogen fertilizer plant, the tractor production plant, the petroleum refinery, portland cement factories and chipboard and plywood plants, the pattern of Syrian manufacturing has not changed radically and is still characterized by being of the light type, producing mainly consumer goods as well as some intermediate goods directed chiefly to consumption. Thus it is noticed that a large proportion of the intermediate goods production consists of industries serving the construction and housing industry, namely, cement, glass, porcelain, steel bars for reinforced concrete, and paints.

Table 5 shows the distribution of the industrial output in the manufacturing sector over the main branches of industrial activity in 1970, classified according to the final purpose of production into three categories:

- a- Consumer goods industries
- b- Basic intermediate industries
- c- Production goods industries

Table 4. List of 25 major industries established since 1950

<u>Industry</u>	<u>Date estab- lished(*)</u>	<u>Products produced by the enterprise</u>	<u>Capital invested (1972)</u> (million L.S.)	<u>Annual sales (1972)</u> (million L.S.)	<u>Cost of im- ported sup- plies (1972)</u> (million L.S.)	<u>Tariff Protec- tion (**)</u> (SP=Syrian piasters)
1. Petroleum refining	1959-1969	Butane Gasoline Kerosene Gasoil Fuel oil Asphalt	226.1	181.2(1970)	...	SP. 2.5/kg SP. 2.42-2.88/l. SP. 1.58-1.98/l. SP. 50/ton SP. 50/ton 15%
2. Chemical fertilizers	1972	Nitrogen fertilizers	130.0	3.9	...	7%
3. Textile	1958	Cotton yarn	39.1	27.7	4.4	{ below No. 30: SP. 75- 105/kg above No. 30: 7% (***) SP. 155-655/kg
4. Textile	1962-63	Cotton fabrics Woolen yarn Mixed yarn Woolen fabrics Mixed fabrics	30.8	26.3	14.0	20%; min. SP. 400/kg " " " " " 25%; min. SP 400/kg SP. 550/kg; min. 30%
5. Textile	1956-62	Cotton yarn and fabrics	28.7	27.3	6.4	Cotton yarn: below No.30: SP. 75- 105/kg above No.30: 7% (***)
6. Textile	1957-64	Cotton yarn and fabrics	28.2	28.9	1.3	Cotton fabrics: SP. 155-655/kg
7. Textile	1971	Cotton yarn	27.6	14.7	6.8	

<u>Industry</u>	<u>Date established(*)</u>	<u>Products produced by the enterprise (1972)</u> (million L.S.)	<u>Annual sales (1972)</u> (million L.S.)	<u>Cost of imported supplies (1972)</u> (million L.S.)	<u>Tariff Protection (**)</u> (SP.=Syrian piasters)
8. Textile	1952-61	Cotton underwear Ready made clothing	11.4	1.2	SP. 800/kg; min.30% 50%
9. Cement	1953-66	Cement	27.6	5.3	25%
10. Cement and porcelain	1960-66	Cement Porcelain tiles	15.4	2.2	25% 7%
11. Steel rolling	1971	Steel bars	58.2	...	7%
12. Metal industry	1958-64	Domestic refrigerators Butagas ovens Pressure cookers Cutlery Electric cables	31.5	14.3	100% 100% 25% 15-25% 15%
13. Wood	1955	Chipboard Plywood Built-in wood	10.2	6.7	15%
14. Electronic	1965	TV receivers Telephones	14.9(1971)	3.7(1971)	50% 15%
15. Wood	1958-64	Chipboard Safety matches	6.9	3.4	15% SP. 1700-3000/ 100 boxes
16. Sugar and Agricultural products	1946-69	Sugar Vegetable oil Baker's yeast Soap Alcohol Carbon dioxide Glucose	136.3	95.6	SP. 18/kg SP. 35/kg; min.20% 15% SP. 80-150/kg; min.35% SP. 60/kg SP. 30/kg 1-15%

<u>Industry</u>	<u>Date estab- lished(*)</u>	<u>Products produced by the enterprise</u>	<u>Capital invested (1972) (million L.S.)</u>	<u>Annual sales (1972) (million L.S.)</u>	<u>Cost of im- ported sub- pieces (1972) (million L.S.)</u>	<u>Tariff Protec- tion (**) (SP. = Syrian Plasters)</u>
17. Oil and soap	1952-60	Vegetable oil Hydrogenated oil Oilcake Soap	37.5	63.3	3.8	SP. 35/kg; min. 20% SP. 65/kg; min 30% 1% SP. 80-150/Kg; min. 35%
18. Food canning	1952-58	Canned food	13.3	7.4	1.5	25-65%
19. Vegetable dehydra- tion	1970	Dehydrated onion	5.9	0.8	0.1	30%
20. Food production	1957	Biscuits Chocolates Beer	4.3	4.1	1.4	SP. 200/kg; min. 40% SP. 600/kg, min. 50% SP. 75-100/l; min. 50%
21. Oil and soap	1958	Vegetable oil Oilcake Soap	4.2	12.2	0.4	SP. 36/kg; min. 20% 1% SP. 80-150/kg; min. 35%
22. Rubber and plastics	1951-56	Rubber & plastic shoes Rubber sheets, soles and heels	8.3	8.9	4.0	65% 45%
23. Leather tanning	1952-54	Tanned leather	4.9	7.6	4.1	PS. 1000-1200/kg; min. 20- 30%
24. Synthetic detergent	1959	Synthetic detergents Scouring powder	3.9	6.6	3.9	30% 15%
25. Paints & varnishes	1963	Paints and varnishes	2.1	4.9	3.5	30%

(*) Some enterprises comprise more than one industrial establishment, therefore, the date of establishment of the first and the last one are given. In some cases, enterprises underwent large expansions and, thus, the date of establishment as well as the date of completion of the expansion are given.

(**) Tariff protection refers to customs duty rates imposed on imported manufactures. In many instances, however, protection is effected through physical import controls.

(***) Yarn No. is expressed in English count.

Table 5. Distribution of industrial output in the manufacturing sector over the main branches of industrial activity, 1970 (1)
(at current prices, thousand Syrian pounds)

	<u>Gross output</u>	<u>Percentage</u>
A. <u>Consumer goods industries</u>		
1. Food manufacturing, beverages and tobacco industries	862 817	36.8
2. Textiles, wearing apparel and leather industries	836 321	35.7
3. Wood and furniture industries	87 947	3.8
4. Paper, printing and publishing industries	20 472	0.9
5. Metal products industries	132 114	5.6
6. Domestic and personal services	38 725	1.6
7. Miscellaneous industries	5 431	0.2
Total	1 983 827	84.6
B. <u>Basic intermediate industries</u>		
1. Chemical industries and chemical products	230 714	9.9
2. Non-metal products industries	108 615	4.5
Total	339 329	14.5
C. <u>Production goods industries</u>		
1. Basic metal industries	20 405	0.9
Total	20 405	0.9
Grand total	2 343 561	100.0

Figures shown in Table 5 reveal that at the beginning of the 1970s consumer goods industries rank first in relation to gross output, accounting for 34.5% of the total. The most important industries of this category are food manufacturing, beverages and tobacco industries, and the textiles, wearing apparel and leather industries, which account for 72.5% of the gross output of manufacturing and 85.7% of the total output of consumer goods industries. Moreover, it should be pointed out that the main bulk of production of consumer goods industries goes to local consumption and only limited amounts are exported.

The contribution of the basic intermediate industries to gross output is very low, representing only about 14.5% while the lowest contribution comes from the production goods industries, and more specifically, from the basic metal industries which account for only 0.9% of the total.

It is evident from these figures that the Country is still in the relatively first stages of industrialization, where the main proportion of industrial production comes from the consumer goods industries which are basically intended to serve the domestic market.

Resource-based industries, particularly those based on agriculture, have played an important role in the industrialization process over the last 20 years. This is something natural due to the importance agriculture has in the national economy. The availability of raw materials of agricultural origin has acted as an effective promoter for the establishment of new industrial enterprises and the development of existing ones. It is not surprising, therefore, to see that agricultural resource-based industries account for the largest percentage of gross manufacturing output, as already shown in Table 5. The main local agricultural materials that are industrialized include: fruits and vegetables, sugar-beet, tobacco, grains, cotton fibre, cotton seed and milk. This led to the establishment and development of food processing and canning plants, olive oil extraction plants, a vegetable dehydrating plant, fermentation plants for the production of alcohol, beverages, baker's yeast and carbon dioxide, sugar factories, tobacco processing plants, flour mills, modern bakeries and factories for pastes and biscuits, cotton ginning plants, cotton

textile mills, vegetable oil and hydrogenated oil plants, dairy products plants, soap factories, etc.

Table 6 which shows index numbers for the production of main industries based on agricultural products, gives an insight into the development of such industries over the period 1954-70.

Table 6. Index numbers for the production of resource-based (agricultural) industries (1)
(Base year 1950 = 100)

	1954	1958	1962	1966	1970
Food industries	70	115	157	215	241
- Beverages industries	79	207	246	219	300
- Tobacco industry	93	93	128	130	135
- Textile industry (*)	<u>104</u>	<u>123</u>	<u>161</u>	<u>203</u>	<u>501</u>
General index number	92	125	167	198	411

The most important mineral resource-based industries established over the last 20 years include petroleum refining and cement production. This has led to providing the domestic market with the main bulk of petroleum products it needs, as well as supplying the construction and housing industry with the principal raw material needed, namely, cement.

As already mentioned, a large proportion of the domestic intermediate goods production consists of industries serving the construction and housing industry. The availability of the basic materials needed for construction and housing has led to a steady development of this industry, as shown in Table 7, which gives the number of building permits granted and the floor area involved during the period 1963-71.

(*) Textile industry covers: cotton, wool, silk and artificial materials, both locally produced and imported.

Table 7. Building permits granted and floor area involved (1)

Year	<u>Residential buildings</u>		<u>Non-residential buildings</u>		<u>Total</u>		<u>Floor area index number</u>
	No. of permits	Floor area (thousand m ²)	No. of permits	Floor area (thousand m ²)	No. of permits	Floor area (thousand m ²)	
1953	11 472	1312	763	147	12 235	1459	100
1956	10 860	1240	552	138	11 412	1376	95
1969	13 961	1893	658	194	14 619	2087	143
1971	10 742	1818	519	147	11 261	1965	135

Most of the new industries established over the last 20 years have concentrated on supplying the domestic market, with the net result that the pattern of industry did not change over the said period.

Local industries have been able to supply the local demand for manufactured goods (i.e. local production plus imports minus exports) to quite a good extent. The proportion of local demand satisfied by local industry for the years 1953, 1960 and 1970 is as follows:

	1953	1960	1970
	L.S. million		
- Gross output, producer's value (at constant 1963 prices) (1)	795.5	1424.7	2643.9
- Imports of manufactured goods (1)	194.0	473.0	551.0
- Total	989.5	1897.7	3194.9
- Exports of manufactured goods (1)	51.0	107.0	71.0
- Total demand of manufactured goods	938.5	1790.7	3123.9
- Proportion of local demand satisfied by the domestic industry	84.9 %	79.6 %	84.7 %

i.e. the degree of self-reliance achieved by the Country in the manufacturing sector was 84.9% in 1953, 79.6% in 1960 and 84.7% in 1970.

The main industries which have been successful in exporting manufactured goods are the textile industry and the food products industry. These two industries normally account for the major part of the total export of manufactures. There are, however, other industries which contribute to a smaller extent to the volume of export of manufactured goods. Among these, mention may be made of the glass industry, the mechanical and electrical equipment and components industry and the transport equipment industry. Nevertheless, the proportion of national manufacturing output which is exported remains very low, i.e. about 3%. Thus, for example, in 1970 export of manufactured goods amounted to L.S. 71 million, i.e. about 3.1% of the gross industrial output of the manufacturing sector, which was estimated at L.S. 2343.6 million, and about 9.2% of the total exports for the same year.

Table 8 gives figures related to the balance of international trade over the period 1953-72. It is evident from these figures that the proportion of manufactured goods exported to the total amount of exports has been very low, ranging from 13.3% in 1953 to 26.4% in 1960, 9.2% in 1970 and 8.2% in 1972.

No industries have so far been established with capacity designed to supply a sub-regional market. So long as strict criteria of competitiveness with international costs are applied, the small size of the domestic market is likely to remain an obstacle to the development of some industries, particularly those producing intermediate and capital goods. Regional co-operation in the field of industrial development could provide an efficient tool for overcoming such obstacle, besides offering the opportunity to broaden the range of manufactured products which can be efficiently produced locally and to accelerate industrial development by establishing new industries intended to serve a sub-regional market.

Studies have been underway concerning industrial development at a regional or sub-regional level, whether in the context of the Arab League of States which, through the Industrial Development Centre for Arab States (IDCAS), has carried out studies on the possibility of co-ordinating development of certain industries at a regional level, with priority being given

Table 0. Balance of International Trade (1)
(Million Syrian Pounds)

	<u>1953</u>	<u>1960</u>	<u>1970</u>	<u>1972</u>
- Exports	376	406	775	1098
- Imports	<u>462</u>	<u>821</u>	<u>1375</u>	<u>2061</u>
- Trade balance	<u>- 86</u>	<u>- 416</u>	<u>- 600</u>	<u>- 963</u>
- Exports of manufactured goods	51	107	71	90
- Imports of manufactured goods	<u>194</u>	<u>473</u>	<u>551</u>	<u>846</u>
Local Currency (2)				
- Exchange rate for one US\$	3,5866	3,7710	4,3100	4,3100

to petrochemicals, iron and steel, fertilizers, pulp and paper, tractors and agricultural implements, and textiles, or within the framework of the Federation of Arab Republics (Syria, Egypt and Libya). Nevertheless, no concrete steps have so far been taken towards the establishment of industrial enterprises which would serve such regional or sub-regional markets.

B. Statistical indicators of industrial development progress

The contribution of the manufacturing sector to national output (Gross Domestic Product: GDP) showed a steady increase during the past 20 years. This contribution amounted to L.S. 305.0 million in 1953 and increased to L.S. 921.5 million in 1960 and L.S. 695.0 million in 1970, reaching L.S. 1140.8 million in 1972. Despite this steady increase, the percentage contribution of the manufacturing sector to national output showed some fluctuations, thus while amounting to 12.4% of the GDP in 1953 and to 17.6% in 1960, it decreased to 15.9% in 1970 and reached 14.0% in 1972. These fluctuations in the percentage contribution to the Gross Domestic Product were due to variations in the actual contribution of other sectors, particularly agriculture. The abnormally low figure of L.S. 642.1 million which represents the contribution of the agricultural sector to GDP in 1960, boosted the percentage contribution of the manufacturing sector to GDP to 17.6% in that year, as shown in Table 9.

Table 9 gives the composition of Gross Domestic Product at market prices in 1953, 1960, 1970 and 1972 and shows the actual share as well as the percentage contribution of the major economic sectors to GDP. It is evident from this table that the most important economic sector is agriculture and that fluctuations in the contribution of this sector to GDP are reflected in the contribution of other sectors. This reveals the need for a radical change in the composition of Gross Domestic Product in favour of the manufacturing industry.

Table 9. Composition of gross domestic product
at market prices (1)

(at constant 1963 prices, million Syrian pounds)

	1953		1960		1970		1972		Growth rate		
	SDP	%	SDP	%	SDP	%	SDP	%	1953-60	1960-70	1970-72
- Agriculture	905.4	36.7	612.1	20.7	1152.7	20.5	1617.8	22.7	- 5.8	6.4	18.3
- Mining and petroleum	2.8	0.1	1.8	0.1	123.8	2.2	170.0	2.4	- 6.5	52.6	17.2
- Manufacturing	305.0	12.4	521.5	17.6	895.0	15.9	1140.8	16.0	8.0	5.6	13.0
- Electricity, gas and water	14.5	0.6	31.4	1.1	90.3	1.6	108.0	1.5	11.7	11.1	9.5
- Building and construction	77.0	3.1	119.0	4.0	158.7	2.8	230.5	3.2	6.4	2.9	20.5
- Transport & communication	221.0	9.0	304.0	10.3	623.4	11.1	793.1	11.1	4.7	7.3	12.8
- Wholesale and retail trade	468.0	19.0	650.0	21.9	997.8	17.8	1159.3	16.3	4.8	4.4	7.7
- Other sectors	475.9	19.1	722.5	24.3	1574.7	28.1	1916.0	26.8	6.2	8.1	10.3
- Total GDP	2469.6	100.0	2562.3	100.0	5616.4	100.0	7135.5	100.0	2.6	6.6	12.6
- GDP (million US\$)	546.5		775.5		1470.3		1867.9		2.6	6.6	12.6
- Population (million)	3.638		4.565		6.305		6.726		3.3	3.3	3.3
- GDP per capita (US\$)	177.7		169.9		233.2		277.6		-0.7	3.2	9.2

Local currency (2)

- Exchange rate for one US\$: Since GDP figures in Syrian pounds are at constant 1963 prices, the exchange rate for 1963, i.e. L.S. 3.82 for one US dollar, was adopted in conversion operations.

It is possible to estimate the rate of increase of value added in the manufacturing sector in the 1950s and 1960s from figures of the Net Domestic Product, as shown in Table 10.

Table 10. Net domestic product in the manufacturing sector,
at market prices
(at constant 1963 prices, million Syrian pounds)

Year	1953	1960	1970	1972	Growth rate		
					1953-60	1960-70	1970-72
					%	%	%
<u>NDF</u>	289.2	479.6	821.7	1047.3	7.5	5.5	12.9

Figures given in Table 10 for the net domestic product in the manufacturing sector have been obtained from the Central Bureau of Statistics. They represent the most reliable available estimates in this respect. From these figures, the growth rate was calculated using the compound growth method. Results show that such rate was about 7.9% for the period 1953-60, 5.9% during the 1960s and 12.9% for the period 1970-72.

Estimation of the net domestic product was carried out by the Central Bureau of Statistics making use of all available sources of relevant information such as: foreign trade statistics, results of industrial investigations, production figures, power consumption in manufacturing and others.

Available data on the proportion of manufacturing output accounted for by industrial enterprises classified according to the number of persons employed, cover only the years 1967 to 1970, and the following ranges of employment in enterprises: a) more than 10 persons, b) 5-9 persons, and c) 1-4 persons, as shown in Table 11.

Table 11. Gross manufacturing output according to number of persons employed by enterprises (1)
(at current prices, million Syrian pounds)

No. of persons employed	1967		1968		1969		1970	
		%		%		%		%
a) more than 10	1114.6	67.1	1158.4	67.2	1408.1	70.0	1616.3	69.0
b) 5 - 9	129.2	7.8	127.6	7.4	125.0	6.2	153.2	6.5
c) 1 - 4	417.6	25.1	436.7	25.4	478.0	23.8	574.1	24.5
Total	1661.4	100.0	1722.7	100.0	2011.1	100.0	2343.6	100.0

Figures given in Table 11 reveal that the largest proportion of manufacturing output i.e. 67-70% is accounted for by enterprises employing more than 10 persons. The percentage contribution to gross manufacturing output by enterprises employing 1-4 persons comes next and amounts to about 24-25% followed by enterprises employing 5-9 persons whose share is about 6-8%.

Data representing the manufacturing output in 1970 produced in enterprises in: a) the public sector b) the private sector and c) enterprises with mixed ownership, show that the largest proportion of manufacturing output comes from the public sector which accounts for 63.45%. The proportion accounted for by the private sector is 36.51% while the contribution of enterprises with mixed ownership is almost negligible, representing only 0.04%. Relative figures and percentages are shown in Table 12. Such data clearly indicate the leading role played by the public sector in the industrial development of the Country which is in line with the economic policy of the Government.

Table 12. Distribution of gross manufacturing output according to ownership of enterprises, 1970 (1)
(at current prices, thousand Syrian pounds)

	Manufacturing output	percentage
a) public sector	1 487 972	63.45
b) private sector	855 589	36.51
c) mixed ownership	856	0.04
Total	2 343 561	100.00

The contribution industry has made to total employment in the economy, both in number and in percentage terms, in 1961, 1969, 1970 and 1971, is shown in Table 13. The percentage contribution of the manufacturing sector to total employment is relatively low i.e. about 8-12% compared with that of agriculture which is, undoubtedly, the main contributing sector, for it still uses labour-intensive methods and accounts for 48-69% of total employment.

Fluctuations in percentage contribution of the various economic sectors are due to the fact that figures given have been obtained from the results of labour force sample surveys, with the exception of those corresponding to 1970 which were obtained from the results of the general census of the population carried out in September 1970 and which can be regarded as more reliable than the data given for the other years.

Table 14 gives the distribution of the number of persons employed in manufacturing in 1969, according to ownership of enterprises (public sector and private sector), and the number of enterprises and total number of persons employed for the following ranges of employment:

Enterprises employing:

- a) over 1000 persons
- b) 500 - 999 persons
- c) 100 - 499 persons
- d) 10 - 99 persons
- e) 5 - 9 persons
- f) 1 - 4 persons

Table 13. Number of persons actively employed in the economy

	1960	1961*	1969*	1970**	1971*
	%	%	%	%	%
- Agriculture	579 340	53.3	1307 775	752 404	891 832
- Mining and petroleum	4 227	0.4	145 657	8 949	1 599
- Manufacturing	123 758	11.4		7.7	190 345
- Electricity, gas and water	6 082	0.6	6 790	7 565	7 039
- Other sectors	372 986	34.3	425 407	611 513	449 583
- Total economy	1086 403	100.0	1805 635	1570 776	1522 334
			100.0	100.0	100.0

(*) Data obtained from the results of labour force sample surveys (8).

(**) Data obtained from the results of the general census of the population carried out in September 1970.

Table 14. Number of persons employed in manufacturing sector

Census: Year 1969 (?)

	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
- <u>Enterprises employing over 1000 persons:</u>			
- Number of enterprises	15	-	15
- Total employed	27 855	-	27 355
- <u>Enterprises employing 500-999 persons</u>			
- Number of enterprises	6	-	6
- Total employed	4 368	-	4 368
- <u>Enterprises employing 100-499 persons</u>			
- Number of enterprises	21	-	21
- Total employed	5 103	-	5 103
- <u>Enterprises employing 10-99 persons</u>			
- Number of enterprises	7	314	321
- Total employed	369	2 009	2 009
- <u>Enterprises employing 5-9 persons</u>			
- Number of enterprises	-	-	-
- Total employed	-	25 172	25 172
- <u>Enterprises employing 1-4 persons</u>			
- Number of enterprises	-	-	-
- Total employed	49	27 495	27 544
- Total number of enterprises	37 105	69 885	107 070
- Total employed			
		Total employed: 69 885	Total employed: 70 254

It is evident from figures given in Table 14 that the public sector accounts for all enterprises employing over 100 persons and which number 12 and employ 36016 persons, and for only 7 enterprises employing 10-99 persons. The total number of enterprises in the public sector is 49 and total employment in them reaches the figure of 37185, i.e. 34.7% of the total employment in manufacturing. The private sector, however, accounts for the majority of enterprises employing 10-99 persons, which number 314 out of a total of 321, and for all enterprises employing 5-9 and 1-4 persons, which number 2009 and 25172 consecutively. Total employment in the private sector numbers 69885 persons, i.e. 65.3% of the total employment in manufacturing.

III. THE STRATEGY OF INDUSTRIALIZATION. 1950-72

A. Selection of priority industries

The first attempt at planning the manufacturing sector in Syria was made in the late 1950s, when the First Five-Year Industrial Programme was formulated in 1958. Before then, industrial activity was mainly the concern of private entrepreneurship.

It was only at the beginning of the 1960s that the Country witnessed the formulation of the First Five-Year Plan for economic and social development covering the period 1960/61 - 1964/65 with the participation of both the public and the private sectors. This marks the starting of a new era of development planning at the national level.

The First Five-Year Plan was followed by the Second Five-Year Plan 1966-70 and this, in turn, by the Third Five-Year Plan 1971-75, which is the one enacted at present.

With regard to the broad quantitative targets formulated by the Government for the development of the manufacturing sector in the development plans during the period 1950-72, and in view of the fact that the First Five-Year Plan 1960/61 - 1964/65 represents the first concrete step towards development planning, it will be difficult to give any information or data pertaining to the 1950s.

The broad targets formulated in the First Five-Year Plan dealt with the following (3):

- a) Increase the national income in the industrial sector by L.S. 150 million i.e. from L.S. 275 million in the base year to L.S. 425 million in the fifth year.
- b) Increase in the manufacturing output in a number of industries by percentages varying from one industry to another.
- c) Increase in the level of investment by L.S. 544 million distributed

as follows: L.S. 394 million in the public sector and L.S. 150 million in the private sector.

These targets were not achieved as originally envisaged in the Plan despite the fact that national income increased by L.S. 220 million, i.e. exceeding the planned figure by L.S. 70 million. However, the structural composition of the existing industry did not change radically and the increase in manufacturing output was confined mainly to existing establishments, i.e. it resulted from improvement in productivity on the one hand, and from enlargement and better utilization of production capacities on the other hand.

In connection with actual investments, it must be pointed out that because of the lack of studies on the industrial projects covered by the Plan, and due to difficulties in concluding contracts and in executing most of the new projects, annual development budgets used to include projects not listed in the Plan. Moreover, they did not allocate any sums to some of the Plan projects. Development budget allocations over the five-year period of the Plan reached L.S. 489 million, compared with the planned figure of L.S. 394 million. Actual investments in the public sector were in the range of L.S. 316 million, i.e. about 80% of the planned figure, but only about 65% of the total allocations in the annual development budgets.

Actual investments in the private sector were much lower than the planned figure, due to reluctance of the private sector in executing many of the projects listed in the Plan. Projects implemented in this sector during the Plan years represent an investment of L.S. 86 million, i.e. 57% of the planned figure. However, industrial licenses granted to the private sector for the establishment of new industrial enterprises or the enlargement of existing ones during the same period amounted to L.S. 262 million.

The general targets of the Second Five-Year Plan 1966-1970, were defined, on the one hand, in the light of the outcome of analytical studies which showed cases of disequilibrium and structural disorder, from which the

Syrian economy suffers, and, on the other hand, in the light of the aim to build an economic foundation which would support the socialist structure in the Country and make material and cultural requirements available to all citizens.

In quantitative terms, the targets of the Plan in the industrial sector were defined as follows (4):

- a) Contribution of industry (i.e. mining and petroleum, manufacturing, and electricity, gas and water) to the increase in national income - which was estimated at L.S. 1535 million - should reach 30.6% i.e. L.S. 470 million.
- b) Production of a number of new manufactured goods and increase in the manufacturing output in a number of industries.
- c) Increase in the level of investment by L.S. 1010.5 million which represent 20.4% of the total investments of the Plan, distributed as follows: L.S. 960.5 million in the public sector and L.S. 50 million in the private sector.

The targets of the Second Five-Year Plan were not achieved as originally foreseen in it. Thus in connection with national income, the net domestic product at market prices (at constant 1963 prices) showed the following development,

	NDP (million Syrian pounds)					
	1965 (base year)	1966	1967	1968	1969	1970
- Mining and petroleum	2.9	1.8	2.8	32.5	60.0	120.0
- Manufacturing	615.2	610.5	671.4	681.9	764.7	821.7
- Electricity, gas & water	47.4	39.4	28.8	39.8	67.0	81.4
Total industry (1)	665.5	659.7	703.0	754.2	919.7	1023.9

i.e. the increase over the five-year period of the Plan amounted to L.S. 358.4 million which represents 76.4% of the planned figure.

Realization of production targets differed widely from one project to another depending on the extent of implementation of the projects themselves. In many cases, however, execution of new projects did not keep pace with original plans and, therefore, production targets could not be met.

The increase in the level of investment in the public sector was realized to the extent of 81% of the planned target during the period 1966-70. In the private sector, however, actual investments in industry reached L.S. 40 million, i.e. 80% of the planned figure while industrial licenses granted to the public sector for the establishment of new industrial enterprises or the enlargement of existing ones during the Second Five-Year Plan period, amounted to L.S. 80 million.

The Third Five-Year Plan 1971-1975, aims at completing the building of the industrial base by the development and modernization of existing industries and the establishment of industries which would enable the Country to exploit its natural and agricultural resources.

The broad targets of the Plan in the industrial sector are as follows(b):

- a) Increase in the net domestic product at the rate of 15.0% per annum for the industrial sector and 8.2% per annum for all sectors of the economy.
- b) Increase the production of a number of manufactured goods, by raising production capacities through the establishment of new industrial projects and modernization of existing industries.
- c) Increase in the level of industrial investment by L.S. 2336.8 million which represent 29.2 % of the total investments envisaged by the Plan, distributed as follows:

	Public sector	Private sector	Total
- Manufacturing	1123.0	15.4	1138.4
- Fuel and power	1010.6	-	1010.6
Total industry	2133.6	150.4	2284.0

Although it is difficult at present to estimate the extent to which the targets of the Third Five-Year Plan have been met, it is possible to give the growth rate of the net domestic product for the two-year period 1970-72. This rate reached 12.8% per annum for all sectors of the economy and 13.1% per annum for the industrial sector.

The First Five-Year Plan did not indicate clear-cut priorities for the development of new industries. The manufacturing sector included a list of projects the vast majority of which aimed at supplying the domestic market with import-substitution products.

The Second Five-Year Plan like the First, did not reveal any priorities in connection with industrial projects listed in it. In the manufacturing field, projects aimed at the utilization of local natural resources, agricultural and mineral, or at the production of import-substitution manufactured goods and their diversification, with the possibility of exportation in many instances.

The Third Five-Year Plan, however, classified investments into three categories, two of which enjoy first priority and represent investments actually embodied by the Plan. These investment allocations are assigned to:

- a) Projects the implementation of which is underway
- b) New development projects

The third category represents a group of reserve projects for which investments are only estimated, but no allocations are actually assigned. Nevertheless, it is possible to transfer reserve projects to the group of new

projects, and thus become first priority ones, by a decree of the Prime Minister, Chairman of the Supreme Planning Council.

In formulating the new projects of the manufacturing sector in the Third Plan, it was taken into account to select those projects necessary for:

- a) Improvement in operating projects actually established or under execution.
- b) Proper exploitation of available natural resources.
- c) Meeting the increased local demand for some manufactured goods.
- d) Development of production methods and modern techniques.
- e) Increasing the volume of exports.
- f) Satisfying some strategic needs.

New industries established in the 1950s did not follow any plans since there were no development plans in that decade, nor they followed any priorities outlined by the Government. Initiative in establishing new industries was left entirely to private entrepreneurship.

In the first half of the 1960s, the majority of new industries established were not in accordance with those listed in the First Five-Year Plan, whether in the public sector or the private sector. Major exceptions were the nitrogen fertilizer project (public sector), the execution of which was started during the First Plan, and the tobacco industrialization project (public sector).

In the second half of the 1960s new industries established or in train of establishment in the public sector, were well in agreement with those outlined in Second Five-Year Plan.

Private initiative, although it identified and established new industries which were not included in the First Plan 1960/61 - 1964/65, was reluctant in fulfilling its share in the investment programme of the Plan in manufacturing, to which L.S. 150 million were allocated. Actual investments reached only about L.S. 86 million, i.e. 57% of the planned figure.

The Second Five-Year Plan gave private initiative a considerable degree of elasticity, since it estimated planned investments in it at a lump sum of L.S. 50million, without listing any specific projects, thus giving entrepreneurs the freedom to identify and establish industrial projects within the framework of the general policy of the State.

Evaluation of national benefits and costs devised from the implementation of development plans, in general, and major industrial projects, in particular, is exclusively the task of the State Planning Organization.

The Ministry of Industry and the organizations linked to it are responsible for evaluating the commercial viability of major new industrial projects, their dependence on tariff protection and their potential for achieving lower costs at a later date.

B. Implementation of industrial projects

There was no Government policy in the 1950s to indicate clearly which projects in the manufacturing field would be implemented in the public sector, in the private sector and by foreign investors. As mentioned earlier, identification of investment opportunities and promotion of industrial projects was left to the initiative of entrepreneurs.

It was only in the early 1960s that such indication was made for the first time in the First Five-Year Plan 1960/61 - 1964/65, which assigned some projects to the public sector and left the rest to the private sector.

The Second Plan 1966-1970, however, differed from the First in that all industrial projects specifically listed in it were to be implemented by the public sector. The investments of the private sector in the Second Plan were not earmarked for determined projects.

The turning point between the First and the Second Five-Year Plans was something obvious, in view of the fact that the latter Plan came after important steps have been taken in the economic field towards the establishment of the socialist system in the Country. In the industrial field,

in particular, the most important industrial enterprises were nationalized in early 1965. From then onwards, the policy of the Government has been to strengthen the public sector and let it lead national economic development.

The Third Five-Year Plan 1971-1975, resembles the Second in that industrial projects listed in it were all in the public sector. No specific projects were determined for the private sector.

The Government's policy is basically elaborated in the development plan itself. The clearest example of this may be found in the present Third Five-Year Plan which contains the following:

- a) General and sectoral objectives.
- b) Investment programme.
- c) Financial revenues available for development.
- d) Policies and measures to be followed for successful implementation of the Plan.

This, however, does not prevent the issue of special statements which may touch upon industrial development policies, such as the Cabinet statement made by the Prime Minister before the People's Assembly, for example.

Changes in policy were not, in general, frequently made. The Supreme Planning Council is the competent body responsible for this. The development plan is annually reviewed by the Council and, in the light of follow-up studies and reports, adjustments may be introduced in order to remove difficulties that may be hampering implementation.

The main thrust of industrialization in the 1950s came from local initiative of the private sector, while in the 1960s and early 1970s it came from Government's initiative in establishing new enterprises.

C. Promoting exports of manufactured goods

With a view to promote exports of manufactured goods, and although the temporary importation procedure has been in force since 1935, when the

Customs Law was issued, new measures were introduced by the Government in the 1960s in order to give export promotion the impetus it deserves. These measures include import duty rebates and exemption from certain taxes, according to Legislative Decree No. 87 of 1967, the two basic points of which are:

- a) Rebate of customs duties and fiscal and municipal duties levied on imported materials used in the manufacture of local goods when such goods are exported.
- b) Exemption of locally manufactured products or materials used in their manufacture, from the agricultural production tax and fiscal and municipal duties and taxes, or their total or partial rebate on export.

Implementation of these measures encountered a number of difficulties which had an adverse effect on their success in promoting exports. Some of the main difficulties that affect promotion of exports of manufactured goods are:

1. Complexity of procedures and routine formalities related to implementation of the above mentioned measures.
2. Prices of locally manufactured products exceed in many instances world-market prices, due to domestic high production costs.
3. Lack of suitable control methods necessary to ensure conformity of exported goods with internationally acceptable standards of quality.
4. Weak co-operation and co-ordination between the industrial sector and foreign trade institutions.
5. Lack of sufficient advertising for local manufactures abroad.

In the early 1970s two further steps were taken to promote exports of manufactures. These are:

- i) Establishment of the Fund for Development of Exports of Syrian Industrial Products, by virtue of Legislative Decree No. 147 of 1970, to replace the former Fund for the Promotion of the Cotton Textile

Industry, established by Law No. 196 of 1956. The tasks assigned to the newly established Fund may be summarized as follows:

- a) Planning the policy of export promotion of Syrian manufactured products and formulating the basis on which such planning should be founded.
- b) Carry out marketing studies for Syrian products.
- c) Grant material subsidies to exports.
- d) Extend consulting, technical or laboratory services to official institutions and agencies and to private sector against monetary fees.
- e) Collect information on foreign markets.
- f) Propose the participation in international fairs.

The Fund is still in the foundation stage and its activity is so far restricted to the promotion of the cotton textile industry, in which field it has been quite successful).

- ii) Establishment of the General Organization of Free Zones, by Legislative Decree No. 18 of 1971. Such zones are considered, in principle, to be outside the customs area. Industries, particularly export-oriented ones, may be established in the free zones on pre-planned industrial sites and thus avoid the complicated procedures involved at customs and in claiming rebate of duties and taxes.

This Organization is also in the foundation stage. Nevertheless, free zones so far established have shown encouraging signs of success in promoting the establishment of new export-oriented industries in them.

D. Promoting employment

One of the current measures of encouraging industrial development consists in imposing low tariff rates on industrial machinery and equipment, i.e. 1% of the value, when imported into the Country. In many instances, import

of industrial machinery and equipment may be exempted from customs duties, according to Legislative Decree No. 103 of 1952 which grants some exemptions and privileges to industrial establishments.

However, relative costs of labour and capital had, usually, no bearing on the choice of processes of production, whether labour-intensive or capital-intensive. The Government did not take any special steps to promote employment in this or other ways.

E. Location of industries in new centres and rural areas

Until the late 1950s industrial development used to be concentrated in the two main industrial poles in the Country namely, Damascus and Aleppo. The 1960s witnessed increased attention being focused by the Government to develop greater decentralization of the location of new industrial projects, particularly those pertaining to the public sector. In locating new projects, techno-economic factors were no longer the sole ones governing the final decision to be taken. Social considerations began to play an important role too. Thus new industrial poles became established, viz., in Homs and Hama. Moreover, it is expected to see more industrial poles being established in the 1970s, most probably in Lattakia, Tartous and Deir-ez-Zor.

No special measures were adopted to promote industrialization in rural areas, although there have been instances where new industrial projects were located in such areas, with a view to improve their conditions by ensuring suitable and permanent markets for their agricultural production which is absorbed for industrialization by the manufacturing plants established, as well as for social and employment reasons. Examples of such industrial public sector projects are: vegetable dehydration, grapes industrialization and food canning projects.

F. Development of manufacturing technology

No measures were taken by the Government in the 1960s to facilitate the acquisition of foreign technical collaboration nor to regulate the type of

technology chosen and the fees paid. Up to the present time, there are no such measures or regulations and industrial enterprises are free to conclude bilateral agreements or contracts with foreign firms for the acquisition of technical co-operation and know-how, on terms negotiated by both parties.

Collaboration with foreign sources of technical know-how is in many instances somewhat limited so that local enterprises have not always had access to the more recent improvements developed in the industrialized countries. Such a problem arises from the limited terms of the original technical collaboration agreement. It is, therefore, important in this respect that relevant measures and regulations be taken which would enable the Government to examine carefully the terms of collaboration agreements for these and other matters which may be in the national interest, thus avoiding such agreements on the transfer of technology which restrict the development of export sales or which force the local enterprise to rely extensively on imported supplies and components on a continuing basis.

In order to promote a growing national capability to:

- a) adapt or improve manufacturing processes and product design,
- b) design and engineer new manufacturing plants,
- c) erect and commission new plants

two organizations were established, namely:

- i) The General Organization for Engineering Studies and Designs, by Legislative Decree No. 256 of 1969.
- ii) The General Organization for Executing Industrial Projects, by Legislative Decree No. 139 of 1966.

The first organization undertakes the tasks referred to under a) and b) above, while the second one undertakes mainly the tasks referred to under c).

G. Training of local labour and management

The Government did not take any measures to influence industrial enterprises to train indigenous labour, technicians and managers. Initiative in this respect is left to industrial establishments. However, some large industrial public sector enterprises run by themselves or in co-operation with Government training centres or institutions, special training courses for workers, technicians and management. Nevertheless, such training in general remains the responsibility of the Government which runs vocational training centres, intermediate specialized technical institutes, management development and other institutions.

IV. INDUSTRIAL POLICIES AND MEASURES 1950-72

In order to ensure that industrial projects established in the public sector were technically and commercially sound, the procedure adopted by the Government consists in entrusting to specially composed working groups to carry out detailed techno-economic studies of the projects before embarking on their implementation, even when such projects are included in development plans. The relevant books of tenders are then prepared containing the general, technical and special conditions by which would-be suppliers and contractors should abide. Tenderers are then invited to submit their offers within pre-determined dates. Offers received are studied and analysed so as to choose the one embodying the best and most convenient technical and financial conditions. Once the choice has been made a contract is signed, thus the project is commissioned and implementation started.

A step which should run side by side with the above mentioned procedure consists in securing the necessary trained labour and skills as well as technical personnel needed for the projects. Unfortunately, there were instances when this was not so, thus creating bottlenecks that delayed or hampered proper and economic operation of implemented projects.

Legislative Decree No. 8 of 1971 which contains the Third Five-Year Plan 1971-1975 for economic and social development, explicitly refers to the fact that: "Executing organizations should complete all detailed economic, technical and social studies of new projects and implementation will be allowed only after completion of such studies". This is considered as a safety valve to prevent recurrence of previous mistakes or shortcomings by executing agencies.

Tariffs, i.e. customs duties, were first imposed in order to secure financial revenues, and economic considerations had no great effect in imposing them. After independence, the tariff policy began to have an economic bearing and was thus directed to protect the newly emerging local industry from competition of imported goods. Nevertheless, such protection was not based on general and definite foundations but was linked with individual initiatives and was, to a great extent, affected by circumstances as well as by experience.

However, since the Revolution of 8 March 1963 and the onset of the social transformation process which relies on economic development and economic guidance for increasing and strengthening the productive power of the Nation, economic and social considerations began to occupy first place among the principles adopted in formulating customs duty rates, and the financial objective of customs duties was thus shifted to rank in a subsequent place.

Thus the tariff structure is based on the following principles:

- a) Promotion and development of national industry.
- b) Promotion and development of agriculture.
- c) To direct imports to capital and productive goods and limit imports of luxury goods.
- d) To raise the level of culture, arts and sports.
- e) To avoid burdening the consumer with high customs duty rates on basic consumer goods.
- f) To take into account the geographical position of the Country with no natural limits or barriers with neighbouring countries.

The first of the principles just mentioned, namely, promotion and development of national industry, has been put into effect in connection with tariff structure and formulation of tariff rates by:

- 1) Imposing low tariff rates on raw materials essential to industry as well as on industrial machinery and equipment. The tariff rates table thus includes low rates, i.e. 1% of the value for machinery and equipment needed for industrial establishments. This is a very low rate, indeed, compared with those imposed on machinery and equipment of non-industrial character, in which case the tariff rate may be as high as 100% of the value. The same applies to raw materials needed by industry. These may either enjoy tariff exemption or be subject to low rates not exceeding 1% of the value in most instances.

- ii) Imposing reasonable tariff rates on semi-manufactured materials, depending on their extent of manufacture.
- iii) Imposing high tariff rates on imported goods when similar or equivalent goods are produced locally, in order to help local industry to develop and consolidate itself and face foreign competition. The cost of locally produced goods is taken into consideration when determining tariff rates. These rates range, generally, between 25% and 75% and may, at times, be as high as 100%. This limit which is in fact the upper limit of tariff rates, is applied only in few special cases, and the Government is not prepared to go beyond it when protecting a new industry.
- iv) Exempting locally made industrial products, in general, from duties when exported.

Tariff protection normally uses the nominal or basic rate as the main criterion. The effective rate is taken into consideration when determining the nominal rate.

Besides the nominal rates stipulated in the Table of Customs Duties, additional duties are also levied.

Customs duties are, in most instances, based on the value of the goods i.e. these are relative duties. There are, however, certain goods which are subject to rates based on:

- a) weight: as in the case of cotton textiles.
- b) volume: as in the case of beer.
- c) surface area: as in the case of carpets.

These are specific duties.

Some goods are subject to relative duties and specific duties simultaneously, and only one of the two, whichever the higher, is the one levied. Only in the case of passenger cars both duties have to be paid together.

The Syrian Tariff or Customs Duties Table is based on the United Tariff Table of the Arab League of States which has been adopted by most Arab

countries and is, in fact, based on the Brussels Tariff Table.

The following are examples of customs duty rates applicable to some industrial and consumer goods:

<u>Customs duty</u>	<u>Type of goods</u>
1%	- Industrial machinery and equipment. - Agricultural machinery like motors, pumps, tractors, harvesters, etc. - Raw materials, like tanning and dyeing materials, raw hides, rayon fibres, raw wool, minerals, oils used in soap manufacture, industrial chemicals, etc. - Materials used in agriculture, like fertilizers.
9%	- Scientific, technical and precision apparatus.
15%	- Consumer goods like paper, prepared food products, fuels, some metal-made goods, etc.
25 - 30%	- Textiles.
50%	- Wearing apparel.
75 - 100%	- Alcoholic beverages, refrigerators, washing machines, butagas ovens, chandeliers, etc.

Tariff levels have neither been subsequently reduced to promote greater efficiency, nor raised to accommodate inefficiency. In some instances, however, tariff rates have been altered to provide protection for newly established industries.

Protection of local manufacturing enterprises is also provided in some cases by physical import controls, namely by prohibiting importation or by suspending or restricting it. Prohibition or suspension of importation is used to protect new industrial enterprises, the production of which is of reasonably good quality compared with similar imported goods, and satisfy in quantity the demand of local consumption. In case quantity of production does not meet the demand of domestic markets, the protection measure adopted

may be to increase customs duty rates on similar imported goods. Another criterion taken into consideration when deciding prohibition or suspension of importation, is the cost of locally produced goods compared with the cost of similar imported ones.

Despite the low tariff rates imposed on industrial machinery and equipment, and raw materials needed by industry, and in order to provide incentives for investment in the manufacturing sector and to reduce the adverse impact the tariff structure may have on the operation of new industries, import duty concessions are provided for imports of machinery and equipment and component parts according to Legislative Decree No. 103 of 1952, which exempts such items from customs duties when destined for erection of new industrial projects or expansion of existing enterprises, in both the public and the private sectors. Modernization schemes do not qualify for these exemptions. Such concessions did not have the effect of discouraging the development of local industries supplying these products.

Taxes levied on the operation of industrial enterprises include, according to existing fiscal legislation, income tax on profits and real estate tax. Relief from taxation is offered to new industries in the form of investment incentives, according to Legislative Decree No. 103 of 1952 which grants industrial enterprises some exemptions and privileges. New industrial establishments and expansion schemes, in both the public and the private sectors, qualify for these incentives, while modernization schemes do not. These tax exemptions may be summarized as follows:

- a) Exemption for six years from the real estate tax for:
 - i) new construction of factory buildings, administrative buildings and housing for workers and employees, annexed to the plant.
 - ii) industrial machinery and equipment forming part of the new constructions.
- b) Exemption from the income tax on all reserve funds allocated for expansion provided that:
 - i) the amounts should not exceed ten per cent of annual profits.

- ii) such reserves should be invested in further expansion of the industrial establishment within a period of two years.
- c) Exemption from the "temettu" tax for a period of six years from the beginning of operation of the establishment.
- d) Exemption from the income tax for a period of three years from the beginning of operation of the establishment.

The "temettu" tax referred to above was abolished by Legislative Decree No. 326 of 1969 and replaced by an increase in the rates of income tax.

Incentive measures other than those indicated in previous paragraphs cover the provision of land on favourable terms and facilities concerning power supply. According to Legislative Decree No. 103 of 1952, any entrepreneur who wants to establish an industrial enterprise is granted the right to lease State domain land within a limit of 25,000 square meters, with a further right to purchase the land from the State. The beneficiary is not allowed, however, to sell the land or use it for non-industrial purposes.

In connection with power supply facilities, industrial establishments are provided with three-tariff power meters to enable them to benefit from the reduced night-tariff, and minimize consumption during peak hours. In addition, industrial enterprises requiring power in excess of ten kilowatts are provided with special transforming stations assigned to them. Moreover, industrial establishments are granted a reduction in the lighting tariff, which depends on the amount of consumption.

Incentives offered have, no doubt, been quite successful in promoting investments in the industrial sector and, although it is difficult to express such success quantitatively, reference may be made to the fact that the net domestic product at market prices (at constant 1963 prices) in the manufacturing sector increased from L.S. 289.2 million in 1953 to L.S. 1047.3 million in 1972, i.e. by about 362% while the total increase for all sectors over the same period was from L.S. 2384.3 million in 1953 to L.S. 642.2 million in 1972, i.e. by about 286%.

In order to facilitate financing of development projects by the utilization of domestic, Arab and immigrants capitals, it was found essential to issue the necessary legislation that would organize the status of private investment, whether national, Arab or foreign, and define the relationship between the parties concerned in such a way that it will, on the one hand, ensure conformity of these investments with national sovereignty and State plans and laws, and, on the other hand, guarantee the basic rights of investors.

A new law was thus issued to promote national and Arab investment, in accordance with the recommendations of the Immigrants Congress held in Damascus in 1965, concerning the issue of a law that would facilitate the participation of immigrants in some of the development projects, and provide the guarantees that will encourage them to invest their capitals in the motherland. The law in question is contained in Legislative Decree No. 343 of 1969. It deals with the promotion of investment of capital by immigrants and Arab nationals in some economic development projects and within the general plans of the State. The said decree defines the investments covered by it, and gives the general conditions that qualify investments for the facilities and privileges provided and which are duly stated in the decree.

Measures adopted by the above mentioned decree succeeded only to a limited extent in attracting immigrants and Arab nationals to invest their capitals in industrial, agricultural, transport and building projects, for which formal applications were submitted and the relevant permits and licenses granted. The number of such applications, the volume of capitals requested to be invested, as well as the types of projects chosen by investors, were not in line with what was originally envisaged when the decree was issued.

In order to judge whether the overall impact of tariff protection, physical import controls, investment incentives, promotion of capital investment by immigrants and Arab nationals, etc., has been sufficient to stimulate the level of private investment foreseen in the Government's development plans, reference should be made to actual investments in the private sector and compare them with investments envisaged in the development plans. This has already been dealt with in Chapter III.

The reluctance of the private sector in implementing its share in the development plans during the 1960s was not attributed to the inefficacy or the insufficient strength of measures of investment promotion, but was mainly due to the adverse impression taken by private entrepreneurs as a result of nationalization of main industries, and their fears of further similar steps being taken.

It was not until the early 1970s and, precisely, after the Corrective Movement of 16 November 1970, that the confidence of the private sector was largely restored and its fears dissipated to a fairly good extent. Political stability has, undoubtedly, had a favourable effect in this respect. An indicative list, approved by the Government, was issued in 1971, by which the activities of the public, private and mixed sectors in the industrial field were demarcated, thus ensuring a consistent industrial licensing policy within the general framework of Government plans. This list has recently been reviewed and it is expected that a new and more detailed list will be issued in this respect. It is natural, therefore, to see with the beginning of the Third Five-Year Plan 1971-1975, a stimulation in the activity of the private industrial sector. Investments envisaged by the Plan in the private industrial sector are L.S. 150 million, i.e. by an average of L.S. 30 million annually. Actual investments during the first two years of the Plan, i.e. 1971 and 1972, were estimated at L.S. 30 million, while industrial licenses granted to the private sector during the same period amounted to L.S. 190 million.

V. INSTITUTIONS AND INDUSTRIALIZATION 1950-72

As mentioned earlier, the first attempt at planning the manufacturing sector was made in the late 1950s, and more precisely, in 1958, when the First Five-Year Industrial Programme was formulated. It cannot be said, therefore, that there was a broad strategy of industrialization in the 1950s. Industrial affairs remained until late 1958 connected with the Directorate of Industry in the Ministry of Economy. In December 1958, the Ministry of Industry was established by Law No. 212, to undertake all matters dealing with industry and mineral resources. In 1958, also, the Ministry of Planning was established by Decree Law No. 194, as the central technical body for planning affairs, and was transformed later into the State Planning Organization by Legislative Decree No. 86 of 1968. The Organization acts as liaison between the Supreme Planning Council, established in 1963, and Government ministries and public institutions, and is responsible for formulating overall project plans for economic and social development.

With the beginning of the 1960s development planning was introduced and two five-year plans, namely, the First and the Second, were enacted during that decade.

The Supreme Planning Council, which is the highest planning authority in the Country, is the main body responsible for formulating the broad strategy of industrialization. Its tasks include, among others, determining the general framework of the economic and social targets, and discussion and approval of the guide figures or indices prepared by the State Planning Organization for the formulation of plans for development of the national economy.

The tasks of the Inter-ministerial Economic Commission, created by Legislative Decree No. 147 of 1967, also have a bearing on the strategy of industrialization. The Commission undertakes, among other things, to find suitable means and submit relevant proposals for the development of national economy and realization of its basic tasks, and to formulate programmes and plans, and refer to the Prime Minister the recommendations that would ensure the development of industry and agriculture.

The Ministry of Industry plays an important part in the overall planning of industrial development. On the one hand, it collaborates with the State Planning Organization in the preparation of the guide numbers or indices pertaining to the development of industry and which constitute the basis on which industrial development plans are formulated. On the other hand, once these guide numbers or indices are approved by the Supreme Planning Council, they are transmitted to the Ministry of Industry, which undertakes to translate them into relevant industrial projects. This Ministry also carries out the techno-economic studies necessary for the appraisal of new project proposals submitted for inclusion in development plans.

Moreover, the Ministry of Industry plays an active part in ensuring that economic policy facilitated rapid industrial development. Besides being the competent body responsible for supervising both sectors of industry, the public and the private, as well as for industrial licensing and for rendering technical assistance to industrial enterprises requesting it, it acts as a co-ordinator between industrial enterprises and Government departments concerned with implementation of industrial policies and measures. In addition, the Ministry of Industry provides training facilities for labour and management personnel of industrial enterprises, as well as testing and research facilities intended for the service of industry. Export promotion of manufactured goods is also undertaken by the Ministry of Industry. All these activities and others have one main aim: to facilitate rapid industrial development and boost it.

The following institutions are responsible for industrial projects implemented in the public sector and for their overall performance:

- a - The Union of Textile Industry, established by Decree No. 42 dated 7 January 1968, is responsible for all textile industry projects.
- b - The Union of Food Industries, established by Decree No. 44 dated 7 January 1968, is responsible for all food industry projects.
- c - The Union of Engineering and Chemical Industries, established by

Decree No. 45 dated 7 January 1968, is responsible for all engineering and chemical industry projects.

- d - The Euphrates Company for the manufacture of tractors, motors and engineering products, established by Legislative Decree No. 243 of 1969.
- e - The General Petroleum Company, established by Legislative Decree No. 269 of 1969, to replace the former General Petroleum Organization established in 1961.
- f - The General Company for Phosphates and Mines, established by Legislative Decree No. 122 of 1970.
- g - The General Company for Iron and Steel, established by Legislative Decree No. 142 of 1970.

The first four institutions mentioned above are linked with the Minister of Industry, while the remaining three are linked with the Minister of Petroleum, Electricity and Mineral Resources.

The responsibility of implementing investment incentives and other measures used to promote private and foreign investment is not centralized in one institution due to the different nature of incentives and measures. The Government bodies mainly concerned with the subject are the Ministries of Industry, Finance, and Economy and Foreign Trade. In the case of promotion of private investment, tax incentive measures for example, are implemented by the Ministry of Finance, which coordinates the matter with the Ministry of Industry to check up that industrial projects executed qualify for such incentives. Measures and incentives designed to promote immigrants and Arab capital investments, are implemented by the Ministry of Economy and Foreign Trade, which coordinates the matter with Government bodies concerned through a commission in which these are represented. Potential investors start negotiations with the said Ministry, then they should contact the Central Bank of Syria to settle problems related to transfer of capitals. To obtain industrial licenses, the competent body to be contacted

is the Ministry of Industry. There can be little doubt that centralization of implementation of investment incentives and other measures in one focal point would be of great assistance to potential investors. In fact, it could be regarded as an incentive by itself. Unfortunately, due to technical and administrative reasons, such centralization is difficult to be put into effect. The alternative solution is to try to simplify matters and find out efficient and speedy ways of co-ordination.

Until the late 1950s, banks operating in Syria performed financing activities for commerce and industry. Nevertheless, industry was deprived of loans extended for periods ~~exceeding~~ one year, although the Public Debt Fund -- which is a Government institution -- extended its assistance to a number of industries and gave them credits for terms not exceeding ten years. This assistance, however, did not produce the expected results due to the limited number of beneficiary industries and the difficult procedure adopted by the Fund in granting the loans. Thus, in view of the urgent need experienced, the Industrial Bank was established by virtue of Law No. 177 of 1958.

Although the objectives of the Bank include -- besides extension of credits and the carrying out of all banking operations related to industry -- the participation in the establishment of national joint-stock industrial companies, the purchase of shares and bonds of national industrial companies and the provision of technical advice to industrialists, the Bank confined itself to banking. It did not assist in the identification and promotion of new industries.

To improve the supply and quality of skilled labour for industry, specialized training institutions have been established by the Government. Thus in the post-secondary training stage, a number of intermediate institutes have been established.

The first intermediate institute, namely, the Industrial Institute, was established in 1960 in Aleppo. It is linked to the Ministry of Education and aims at supplying industry with technicians specialized in the following fields: electricity, general mechanics, automotives, carpentry and wood-

work. It also aims at supplying instructors for industrial and technical schools. Courses are of two years duration. Students admitted to the Institute should be holders of the Certificate of Industrial Secondary Studies. They are granted scholarships and may graduate as: a) engineering assistants or b) trade instructors.

In the late 1960s, two other institutes were established, namely, the Intermediate Institute of Textile Industry, by virtue of Legislative Decree No. 245 of 1969, and the Intermediate Institute of Petroleum and Mineral Trades, by Legislative Decree No. 251 of 1969. The first institute is in Damascus, it is linked to the Minister of Industry and aims at supplying the textile industry with technical personnel specialized in the different branches of this industry, namely, spinning, weaving and textile chemistry. The second institute is in Homs and has a branch in Damascus and another in the Rumedlan oilfields. It is linked to the Minister of Petroleum, Electricity and Mineral Resources and aims at supplying the petroleum industry and the geological sector with technical personnel specialized in the various fields covered by them. Students admitted to both institutes should be holders of the Certificate of Secondary Studies, or equivalent, and are granted scholarships. Courses are of two years duration after which successful students graduate as engineering assistants.

A fourth institute, namely, the Intermediate Institute of Industrial Engineering, was established in 1970. The institute is linked to the University of Damascus and provides training in the fields of automotives, electricity and electronics. Holders of the Certificate of Secondary Studies, or equivalent, are admitted to the institute. Courses are of two years duration and successful students graduate as engineering assistants.

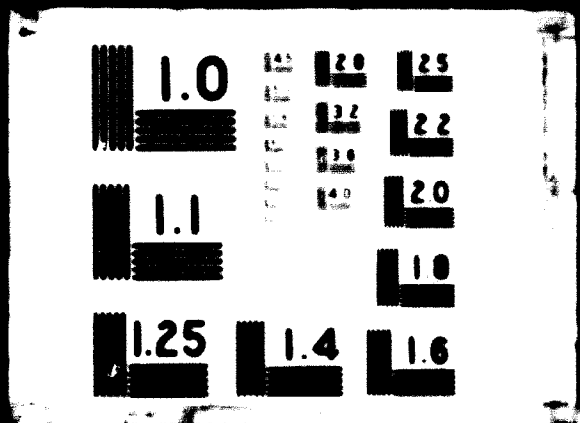
The Ministry of Education is the competent body responsible for establishing secondary schools of industrial character, from which students graduate as holders of the Certificate of Industrial Secondary Studies in one of the following fields: electricity, wireless, automotives, carpentry and wood carving, textiles and the various metal trades which enable them



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to take up technical jobs in industrial enterprises. A number of such schools have been established throughout the Country, and from 1968 courses and training programmes have been adjusted so as to suit the needs of industry and facilitate, therefore, employment of graduates. The duration of the courses in industrial secondary schools is three years and students are granted scholarships.

In addition to the training referred to above, facilities are also provided for training those engaged in industry, at all levels, in management, production and supervision methods as applied in the industrially developed countries. For this purpose, the Management Development and Productivity Centre was established by Legislative Decree No. 79 of 1967, and is linked to the Minister of Industry. The Centre provides training in a number of fields, such as: industrial engineering, industrial cost accounting, organization and management, marketing, productivity, etc.

Moreover, training facilities are provided for workers in the Vocational Training Centres established by the Ministry of Industry. These centres cover various trades, like electricity, metal trades, textiles, automotives, carpentry and wood-work, etc. Steps are being taken at present to add new trades to the existing ones. Training in these centres is free of charge and is provided to both the public and the private sectors. Training methods used are the following:

- a) Industrial apprenticeship, the duration of which is 2-3 years.
- b) Intensive training, with two types of courses: beginners courses, lasting 3 months and advanced courses, lasting 6 months.
- c) Special training seminars which are usually of short duration, about one month or less.

The last two methods have been started since 1965, and studies have been prepared in connection with implementation of the first method, namely, industrial apprenticeship. Legislative Decree No. 159 of 1965 attached Vocational Training Centres to the Directorate of Vocational Training and

Qualifying in the Ministry of Industry.

No specialized institution has been established by the Government to promote private investment, both domestic and foreign.

In order to promote export sales of manufactured goods, the Fund for development of exports of Syrian industrial products has been established by Legislative Decree No. 147 of 1970, to replace the former Fund for the promotion of the cotton textile industry established in 1956 by Law No. 198, the activities of which were confined to this particular industry. The Fund operates under the supervision and according to the guidance of the Minister of Industry.

Provision of entrepreneurs with technical information on selection of a manufacturing process, product design, machinery and equipment suitable for local conditions, may be effected by the Ministry of Industry as well as by the General Organization for Engineering Studies and Designs, established by Legislative Decree No. 255 of 1969 and linked to the Minister of Petroleum, Electricity and Mineral Resources. Thus according to Law No. 21 of 1958 which deals with the organization and promotion of industry, the Ministry of Industry provides entrepreneurs, upon their request, with information, statistical data, reports and technical drawings needed by them for establishing or enlarging a determined industry. A fee may be charged against such services.

The General Organization for Engineering Studies and Designs undertakes a number of tasks which include, among others, the following:

- a - To carry out techno-economic feasibility studies.
- b - To carry out detailed studies and designs for the projects.
- c - To prepare the necessary books of technical conditions and specifications of machinery and equipment needed for the projects.
- d - To carry out studies dealing with development and expansion of projects.

e - Design of machinery and equipment required,

f - Purchase of patents and detailed designs needed.

The activities of the Organization have so far been confined to projects related to the Ministry of Petroleum, Electricity and Mineral Resources.

To provide advice on the adaptation of product design and manufacturing processes to suit local conditions, on standardization of product design and on the control of quality of products manufactured, the Industrial Testing and Research Centre has been established by Legislative Decree No. 71 of 1965. The Centre is linked to the Ministry of Industry and is still in the foundation stage. Its activities are diversified, and in this particular field it aims, among other things, at improving the quality of industrial products by providing industrial enterprises with technical studies, preparing studies on specifications, calibration and measurements, carrying out tests and analyses on industrial raw materials and products, and conducting applied research in the various fields of industry. The Centre also aims at guiding industry in raising the quality of products and the level of productivity and assist in the installation of testing equipment in factories. Legislative Decree No. 249 of 1962 established the Syrian Arab Standardization and Metrology Organization to be the sole body in the country responsible for standardization and metrology affairs. The same Decree entrusted the tasks of the Organization, for the time being, to the Industrial Testing and Research Centre. The Organization is linked to the Ministry of Industry.

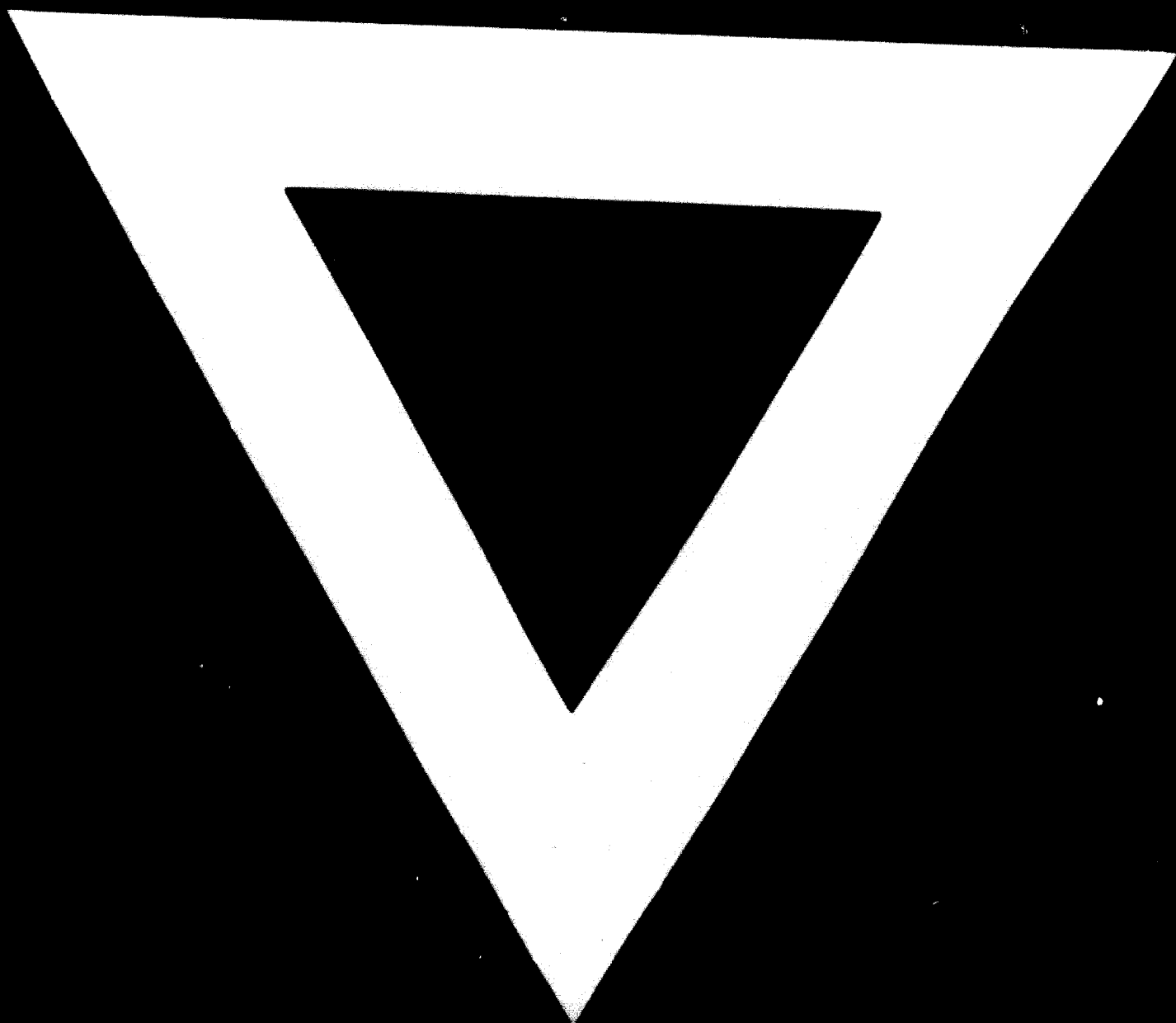
In the light of the above factual description it cannot be concluded that a single Government agency has overall responsibility to effectively promote and manage the process of industrialization. Nevertheless, the Ministry of Industry seems to be the executive agency most concerned with such affairs and which plays a prominent role in the promotion and management of the industrialization process. It is natural, therefore, that the said Ministry should have the influence that corresponds to the growing importance of industrialization to the Country's development. In practice, this is so.

Moreover, it can be concluded that the activities of other institutions concerned with industrial development are, to some extent, effectively well co-ordinated. It should be pointed out, however, that such co-ordination could be further improved so as to be more effective and thus facilitate promotion of industrial development.

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