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CURRENT SUPPORT MEMORANDUM

THE IMPLEMENTATION OF THE SOVIET-SYRIAN ECONOMIC AID AGREEMENT

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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THE SOVIET-SYRIAN ECONOMIC AID AGREEMENT

The USSR began rapidly implementing in March the survey phase of its economic aid agreement with Syria, which was signed on 28 October 1957. As many as 250 Soviet technicians may now be engaging in geological, agricultural, and irrigation surveys for projects listed under the agreement. Most of the projects are scheduled for northeastern Syria, in the triangular area formed by the Euphrates River and the Syrian-Iraqi border.

Approximately 50 Soviet technicians are preparing a geological map of Syria, which will entail six months of aerial photography and 17 months of topographic work. 1/ About 60 of the technicians will soon undertake a five-month survey of the Euphrates, Khabur and Orontes Rivers. 2/ Smaller groups are employed in surveys relating to bridge construction, irrigation projects and mineral exploration. 3/ The number of Soviet technicians now engaging in surveys probably will be supplemented by an even larger number of technicians who will be required as the projects of the Soviet-Syrian economic agreement are actually implemented.

The rapid influx of Soviet technicians indicates that the USSR intends to concentrate on those projects which can be completed rapidly. This is supported by statements of Syrian officials who claim that, in addition to the numerous surveys in progress, first priority will be given to the installation of thermoelectric power equipment in Damascus and Aleppo and the construction of several dams in the Ghab Valley 4/--projects which can be completed in a relatively short time. The USSR, on the other hand, can be expected to proceed cautiously before agreeing to underwrite such costly projects as the Latakia-Qamishliye Railroad and the Euphrates irrigation complex.

Syrian officials have stated that if all projects in the agreement are completed the total cost of Syria's development program will be two billion Syrian pounds* (\$560,000,000) of which 30 percent (\$168,000,000) will be provided in the form of aid by the USSR. 5/ An analysis of the projects included in the agreement, however, does not support statements indicating a program of such magnitude. Cost estimates of these projects suggest instead that the total cost of the Syrian development program will be about \$392,000,000. (See Table I)

The need for extensive surveys is in itself an indication that specific cost estimates have not been determined and that a specific line of credit has not yet been extended by the USSR. Further, it is unlikely that Syrian economy is capable of absorbing a \$560,000,000-development program within the seven years specified in the agreement. Syria would be required to provide as much as 200 million Syrian pounds (\$56,000,000) annually to cover domestic expenditures. With about 480 million Syrian pounds (\$134,000,000) already in circulation, the inflationary impact of such large budgetary outlays for economic development lessens the possibility of promoting so large a program in seven years.

*£S1 = \$US 0.28

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The Soviet-Syrian Economic Aid Agreement
(28 October 1957)

| <u>Project</u> | <u>Cost Estimate (\$US Million)</u> | <u>Remarks</u> |
|---|---|---|
| <u>I. Irrigation and Hydro-electric Power</u> | | |
| 1. <u>Euphrates River</u> - Utilization survey; construction of dam and power station to generate 100,000 kw; first stages of irrigation system; provision of materials, equipment and technicians. | 197* | Potential irrigable area of 1,000,000 acres. About 10 years to complete entire complex. |
| 2. <u>Orontes River</u> - Utilization survey; construction of two power stations and three dams; provision of materials, equipment, and technicians. | 50* | Basis for the Ghab drainage project. Syrians plan to reclaim 185,000 acres and install 21,000 kw of power capacity. Yugoslavia undertook initial stages in 1953. IBRD estimates completion in 1965. |
| 3. <u>El-Kebir River</u> - Utilization survey; provision of irrigation equipment. | 6* | To irrigate about 8,750 acres and install about 4,000 kw of power capacity. |
| 4. <u>Barada River</u> - Provision of irrigation equipment and technicians. | 11* | To irrigate about 37,500 acres and provide 17,000 kw of power capacity. |
| 5. <u>Khabur River</u> - Utilization survey. | 8* | Potential irrigable area of about 250,000 acres; project costing about \$1,200,000 recently completed. |
| 6. <u>Yarmuk River</u> - Power station with 3,000 kw capacity. | 1.2 | |
| 7. <u>Homs Lake</u> - Power station with 3,000 kw capacity. | 1.2 | |
| <u>II. Transportation Facilities</u> | | |
| 1. <u>Aleppo-Qamishliye Railroad</u> - About 300 miles; provide rolling stock. | 80 | Estimate of Syria government; includes rolling stock. SEGTRACO, a Belgian firm which surveyed the project, estimates \$107,500,000 exclusive of rolling stock. |
| <u>Homs-Latakia Railroad</u> - About 90 miles. | 9 | |

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| <u>Project</u> | <u>Cost Estimate (\$US Million)</u> | <u>Remarks</u> |
|--|---|--|
| 2. Reconstruction of two bridges over the Euphrates River. | .2 | |
| Repair of one bridge over the Khabur River. | .1 | |
| Construction of two bridges over the Khabur River. | .5 | |
| 3. Extend present oil facilities at Latakia. | .3 | |
| <u>III. Geophysical Surveys</u> | | |
| 1. Oil prospecting in an area of 50,000 km ² ; drilling of up to 18 wells to a depth ranging from 1,500 to 6,000 meters; preparation of a survey map. | 2.5 | |
| 2. Mineral survey; preparation of two survey maps--500 km ² and 35,000 km ² ; mining and drilling to determine value of ores. | .2 | |
| 3. Survey and drilling for underground water resources in an areas of about 10,000,000 acres. | .3 | |
| 4. A geological map of Syria. | 1.0 | Bulgaria was awarded a \$1,000,000 contract for this survey in 1956. |
| <u>IV. Miscellaneous</u> | | |
| 1. Thermoelectric power stations - 15,000 kw each at Aleppo and Damascus. | 12.0 | |
| 2. Nitrate fertilizer plant - 44,000 tons of ammonium nitrate per annum. | 10.0 | |
| 3. Agricultural research laboratory. | .5 | |
| TOTAL | 392 | |

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