

Government programs to liberalize the economy and encourage private sector are still in progress. Reforms are deliberately slowed down to avoid sudden inflation and negative social impact. Inefficient state enterprises will continue to require subsidies from the state budget and will continue to be a drain on the economy. Inflation is once again becoming a problem; an inflation rate of over 20 % is forecast for 1996. The pace of new investment is slowing as Syrian businessmen continue to be uncertain of the progress in the peace process and frustrated by an inefficient and outmoded banking system. Funds from the Gulf are drying up as the Gulf States and Saudi Arabia reduce their commitments to other than regional projects.

The private sector is permitted to import either with foreign currency gained through exports and held at the Commercial Bank of Syria, or with funds from outside Syria. This latter is the source of many of the investments currently undertaken.

Canadian-Syrian trade continues to expand. Merchandise total exports from Canada to Syria for 1995 exceeded \$C 21.5 million in 1995, up from \$C 18 million in 1994. This export figure, of course, does not include payments for services such as oil field and consulting services. Imports from Syria exceed \$C 27.3 million in 1995, mainly due to a \$26 million oil purchase from Syria.

PROSPECTS

In the **electricity** sector, prospects are good for 1996 as more companies become interested in the market, and bids are entered for two major electrical projects - the Zahra power station, financed by a loan from Japan, where Canadian companies are bidding as sub-contractors, and the Jordan-Syria power interconnection, financed by the Arab Fund for Economic and Social Development. More generation projects are planned but will depend on financing. There will be possibilities in the consulting field as projects are prepared for both the Syria-Turkey and the Syria-Iraq interconnections. The European Investment Bank, we understand, has loaned Turkey the funds for a project to link Aleppo to the Attaturk Dam in Turkey. The Arab Fund has recently signed a loan for the Syrian section.

Prospects are also good for the **telecommunications** sector as Syria will be installing a cellular system and expanding in the urban areas with 800,000 new lines, and installing 250,000 in the rural areas. There may also be potential for a PCS system, but this is currently uncertain. A paging system is also planned. These projects will be supply and install projects as there are currently no plans to privatize the sector.

The **agricultural** sector will be opening up more on-farm storage with a tender called for 20 ten-thousand-ton metal silos and a further two tenders planned for the same