

1973-11-20, Assad, US, Economy

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 SUBJECT: Economic Relations with Syria

Embassy Beirut has recommended that, in response to the Syrian Prime Minister's invitation, we assign Norman Pratt, the outgoing Economic Counselor, Beirut, to USINT Damascus. His primary function would be to work out with Syrian officials & at the staff level the elements of our economic relations.

Beirut's cable may be somewhat misleading in suggesting we have a broad range of economic problems to discuss with SARG. The essence of most of our financial problems with Syria is political. It appears that certain key Syrians are increasingly interested in closer economic ties with the US as a counterweight to what they consider a dangerously close relationship with Soviet Russia. The key factor in building on this rather tentative Syrian attitude could be the sensitivity which we show to the Syrians' need to avoid any appearance of political compromise with the U.S.

The economic interests which would presumably be the preoccupation of an American officer resident in Damascus are:

- 1) Collecting the various debts owed by SARG to U.S. Government agencies. (The Syrians have paid faithfully on a number of their debts to us and the <sup>tr</sup>outstanding

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indebtedness almost all relates to disputes which arose during the deterioration and collapse of our relations with Syria in late 1966 and 1967. These disputes are unlikely to be resolved until we have reestablished a reasonably cordial and direct dialogue with the Syrians, although its always possible that the lure of new American credits will bring about Syrian steps to settle their debts.)

2) Expanding our volume of exports to Syria (The key element here is provision of competitive financing, which in turn depends greatly on settlement of Syrian debt arrearages).

3) Resolving the recent nationalization by SARG of the Iraq Petroleum Company pipeline across Syria. (If IPC gets a satisfactory settlement with Iraq, settlement of the financially much less significant Syrian aspect should be relatively easy. If there is no settlement with Iraq, the Syrian action could remain a nagging issue indefinitely.)

4) Syrian desire for hard currency credits in connection with economic development. (The debt issue and the nationalization are barriers here and the absence of diplomatic relations blocks PL-480 or other AID activity. Ex-Im credits for specific American ~~XXXXXX~~ sales or services probably ~~X~~ would not require settlement of all the Syrian debts to us. However, the Syrians probably would seek

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credit in amounts higher than Ex-Im would feel the state of the Syrian economy ~~would~~ warrants Ex-Im's providing. ~~(b-1)~~)

If we are to have an officer resident in Damascus, he should be intensively briefed on the advantages and limits of American credit facilities and on the history of Syrian debts to the U.S. However, the issues are relatively simply and do not require vast personal knowledge of Syrian/American relations for their resolution.

If we can reestablish an American presence in Damascus, despite Syrian and Ba'athi political sensitivity, there is a ~~xxx~~ chance of starting a dialogue which could lead to creation of vested interests/both sides <sup>on</sup> in reaching a settlement of our relatively minor bilateral financial problems. I very much doubt that we could offer the Syrians <sup>or offer an opening yourself,</sup> enough economic aid to persuade them to let us in through the political door; but through the economic route there is a chance of gradually rebuilding a position of some modest influence in Damascus.