



# Newsletter

Issue N° 5 October 2004

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H.E. The FAO Representative      H.E. The Minister of Agriculture      H.E. The Italian Ambassador

### Dear Reader,

We are pleased to issue the fifth Newsletter of the National Agricultural Policy Center, whose mission is to enhance agricultural development policies in Syria, conduct agricultural policy research and analysis and stimulate policy dialogue among stakeholders, researchers, and policy makers, counting on the support provided by the FAO Project GCP/SYR/006/ITA funded by the Italian Government.

The major event organized in 2004 was the Third National Agricultural Policy Workshop, held on 1 July, during which three researches conducted by NAPC task forces, in collaboration with FAO experts, on Comparative Advantages of Selected Syrian Commodity Chains, Farming System in Syria, and Monitoring Implementation of GAFTA Agreement, were presented and discussed.

Following the Syrian request of WTO membership, the Center is receiving FAO support in carrying out two new studies: *Accession to WTO: Procedures and Requirements* and *Agricultural Subsidization of Agriculture in Syria*,

consistent with WTO regulations. Over this period, the two periodical reports on *Syrian Agricultural Trade 2004* and the *State of Food and Agriculture 2004* are being drafted and will be published by the end of the year.

Two NAPC researchers, after successful completion of postgraduate studies at Master's level at the Universities of Arizona and Iowa in the USA, made possible by the 2-year grants awarded by the FAO Project GCP/SYR/006/ITA, returned to the Center contributing with their enhanced expertise to the advancement of groundwork and research.

We are also delighted to inform you that the Website of the Center will be soon available online; this will allow an easy access to all the electronic copies of our studies and to all the information related to our activities, including forums, workshops and ongoing studies.

We always appreciate your participation in our activities and welcome your suggestions that will further develop our work.

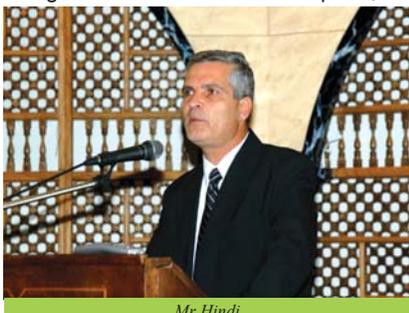
## 3<sup>rd</sup> National Agricultural Policy Workshop

Under the auspices of the Minister of Agriculture and Agrarian Reform, the National Agricultural Policy Center, supported by the Italian funded FAO Project GCP/SYR/006/ITA, organized the 3<sup>rd</sup> National Agricultural Policy Workshop on 1 July 2004 at Cham Palace, in Damascus.

The meeting was opened by H.E. Adel Safer, Minister of Agriculture and Agrarian Reform, H.E. Francesco Cerulli, Ambassador of Italy to Syria, and H.E. Mahmoud Taher, FAO Representative in Syria. Eminent representatives of international organizations and embassies were part of the audience.

The opening ceremony was followed by the presentation of two recent publications: the book on *Syrian Agriculture at the Crossroads* and the 2003 issue of the periodical report on *Syrian Agricultural Trade*, given by Mr El Hindi, NACP Director. *Syrian Agriculture at the Crossroads* collects a set of studies elaborated by high-level international and national experts, and provides key references to policy makers and practitioners for research and policy making related to Syrian agricultural development.

The successive presentations were accompanied by animate debates, coordinated by Mr M. Gorgoni, Director of the Department of Public Economics at the University of Rome, Mr J. Vercueil, Senior Project Advisor, and H.E. Nabi Rasheed Mohammed, Deputy Minister of Agriculture and Agrarian Reform. They presided over the discussion on three studies, conducted by NACP researchers alongside FAO international experts, on



Mr Hindi



topics related to actual opportunities and needs of Syrian agriculture.

Specifically, the first session reported on the first broad implementation of a farming systems study in Syria, carried out by a NACP taskforce represented by Ms Al Zoughbi and Mr Hamza, in collaboration with Mr Wattenbach, international FAO consultant from Germany; it gave an overview of the six farming systems identified throughout the country and presented the development prospects for the various household types. The objective of the study was to define homogeneous areas of agricultural production, based on appropriate agro-ecological and socio-economic characteristics. It was highlighted that each farming system is characterized by its natural conditions, market integration, and historic influences leading to differentiation and specialization of production within it. (see page 4)

The second one, presented by Mr Al Ashkar, NACP researcher, jointly with Mr Lançon, FAO expert from the French Centre de Coopération Internationale en Recherche Agronomique pour le Développement (CIRAD), focused on the analysis of the comparative advantages of selected Syrian agricultural commodities, specifically cotton, wheat, olive, tomato, orange and livestock. Indicators of competitiveness and efficiency were calculated in order to assess the advantage of the above-mentioned products. This study covered a topic of considerable importance for Syria, in line with the actual orientation of the country towards export promotion of agricultural products. It aims at providing policy makers with valuable technical support in formulating the government interventions

required to facilitate the adjustment of the agro-industrial sector and to anticipate and control any potential drawback on rural population welfare. (see page 5)

The third session, introduced by Mr El Hindi and further discussed by Mr Alvarez Coque, international FAO consultant from the Universidad Politécnica de Valencia (Spain), examined opportunities and requirements for the Syrian accession to the World Trade Organization and suggested the adoption of measures aiming at facilitating the accession process. It was also stressed how, in the long term, accession to the WTO and thus integration with the international economic system would expedite the Syrian economic reform and trade liberalization processes, enhance agricultural and agricultural processing investments, create more market access opportunities, and improve the country's competitiveness.

The lecture highlighted the importance of transparency and multilateral and reciprocal trade concessions, principles of primary importance for WTO membership. It was also stressed that the accession negotiations require well-prepared and qualified negotiators capable of balancing the commitments offered with the advantages gained. The amount of work needed to complete the accession process should not be underestimated, as well as the importance for securing funds required for staff training and for the participation in related international meetings. The lecture continued referring to the policy conditions for accession, the main steps of the application process, the areas where commitments are to be offered, and other formal requirements to be presented to the WTO Secretariat,



Mr Ashkar



Mr Hamzah



Ms Zoughbi

including, for Syria, a detailed description of its trade system and policies. As regards the preparation of the requested documentation, the applicant country can benefit from the technical assistance of the WTO Secretariat or some member countries.

The conclusion of the lecture was that, despite the large amount of work needed to prepare the negotiations, Syria's

accession to the WTO will help getting a number of advantages, including all the benefits related to the development dimension of the Doha declaration and the concessions given to developing countries, more market access opportunities for non oil exports, financial and technical support from the WTO Secretariat, and the reduction of input and other raw materials prices.

The activities of the workshop were then concluded by the intervention of the Deputy Minister of Agriculture and Agrarian Reform, Mr Nabi Rasheed Mohammed, who highlighted the importance of the studies presented, thanked the participants, and acknowledged the role of the NAPC in Syria as promoter and coordinator of research, communication and debate on agricultural policies ■

## Monitoring Implementation of the GAFTA Agreement

A seminar on *Monitoring Implementation of the Great Arab Free Trade Agreement: Achievements and Constraints* was held in Damascus, at the Center's premises, on 28 April 2004.

Ms Waficca Hussni, NAPC researcher, along with Mr Manfred Metz, FAO international consultant, presented the results of a monitoring exercise on the Great Arab Free Trade Agreement (GAFTA). It was shown how far the implementation of GAFTA has already gone, whether it works towards achieving the planned objectives of enhancing trade, integration and

development in the Member Countries (MCs), particularly in Syria, which are the obstacles that prevent GAFTA from being fully effective.

Ms Hussni provided an overview of the GAFTA and traced its impact by comparing the main features of Syrian foreign trade before and after 1997, year in which the agreement came into force. It was showed that Syrian agricultural trade with MCs increased from SP 12.9 to 13.2 billion during the reference period (1997-2001), with a remarkable annual increase of 6.2% in agricultural imports.

Some evidences on the evolution of the trade structure were presented, noticing

that, between 2000 and 2001, new agricultural products entered the Syrian market. Moreover, the composition of the main trade partners somehow changed over time, although, in the reference period, Egypt and Saudi Arabia confirmed being respectively the main source and destination of agricultural products traded by Syria.

The main finding was that the overall impact of GAFTA on Arab economies is still very limited because of the absence of a conducive environment, conflicts of interest among MCs, differences in national laws and regulations, Non-Tariff Barriers and poor economic integration leading to inadequate valorization of national comparative advantages and, thus, to the stagnation of exports to external markets.

Finally, Mr Manfred Metz addressed the participants to the relevance of policy monitoring as a policy management instrument and explained its role in the process of policy formulation and implementation. By identifying critical factors that affect the policy implementation process, the Center intended to provide a prompt feedback to policy makers, in order to enable them to make early adjustments of policy design and implementation ■



Mr Metz

Ms Hussni

## Farming Systems in Syria

The development and analysis of Farming Systems (FS) is an instrument adopted in support of agricultural analysis at the NAPC. The specific contribution of the national farming system study to the tasks undertaken by the NAPC lies in providing a framework of analysis based on a consideration of both the geographical differentiation as well as the socio-economic stratification of the agricultural sector of Syria.

A team of six NAPC researchers (Ahmed Saadedin, Akram Shhaideh, Firas Yassin, Hassan Mojahed, Mourad Sayyed, Raid Hamza, and Samira Al-Zoughbi) carried out this study over a period of nine months, with the assistance of Mr Horst Wattenbach, FAO international consultant. During a part of this period, Mr Mahmoud Al Ashram also supported the team as National FAO Consultant.

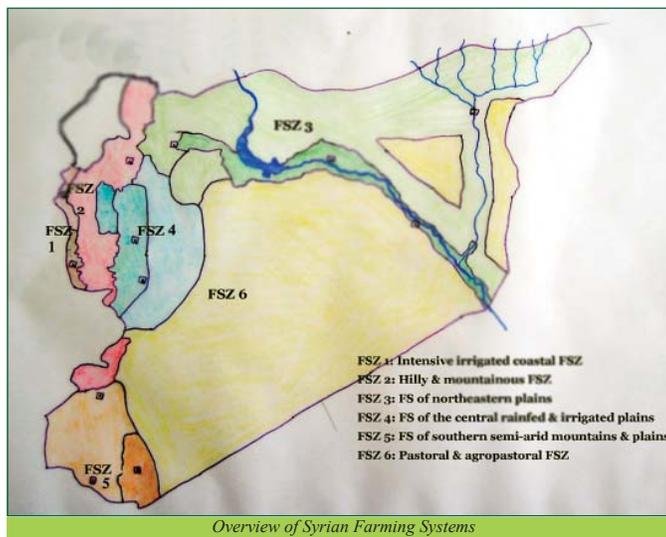
A main objective of the FS research was to allow policy makers to base their decisions on a better knowledge of the agro-ecologic and socio-economic



Mr Wattenbach

conditions of the households and of the potential impacts of agricultural policy changes (e.g. prices, market openness).

The methodology of the study comprised several analytical steps. In a first step, the team defined the major farming systems, which reflect geographic zones, marked by different agro-climatic, agro-ecologic and market conditions as well as production traditions based on socio-demographic characteristics



Overview of Syrian Farming Systems

and supporting public investments. Secondary literature was used to develop a preliminary structure and criteria for differentiation, which was subsequently refined in collaboration with experts from the different regions.

This resulted in the distinction of six major Farming Systems (Coastal Intensive Irrigated FS, Hilly and Mountainous FS, FS of Northern and North-eastern Plains, FS of Al Ghab and the Central Rain fed and Irrigated Plains, FS of Southern Semi-arid Mountains and Plains, and Pastoral and Agro-Pastoral FS).

In the study, each farming system is characterized by its natural conditions, market integration and historical influences leading to differentiation and specialization of production within it. The contribution of each farming system to the national production of major crops and the degree of specialization is presented. Within each farming system, typical households represent the socio-economic variation, which exists naturally in any rural society. These household types are developed in light of typical resources endowment, their mix of livelihood assets and changes of the last decade. The share of each household type in the farming system in combination with its production orientation allows analyzing ability to adjust to, opportunities deriving

from, and vulnerabilities to changing production conditions.

The study counted on substantial fieldwork conducted by the NAPC team, which spent on average three days in each of the selected villages. It included individual farmer interviews as well as group discussion focusing on the compilation of information for each of the three household types, which represent socio-economic groups and their corresponding livelihood systems. Available statistics provided descriptions of the importance of each system in the national context in terms of contribution to production of key commodities as well as the identification of socio-economic characteristics of each system in terms of average holding sizes and cropping pattern.

The research shows how policy change and technological innovation will affect each household type, depending on the relative importance of its different income sources and livelihood strategies. The key finding is the characterization of each farming systems in the national context. This allows reviewing the possible effects of policy and technological adjustments for representative households, individual farming system as well as at aggregate level, providing valuable information for agricultural policy making. ■

## Comparative Advantages of Selected Syrian Commodity Chains

The comparative advantages study was carried out by six NAPC researchers, namely H. Al Ashkar, B. Atiya, R. Snoubar, R. Sheikh, N. Amouri and M. Al Shareef, with the assistance provided by FAO, especially through Projects GCP/SYR/006/ITA and TCP/SYR/2906, which financed and coordinated the establishment of a cooperative relationship with CIRAD (Centre de Coopération Internationale en Recherche Agronomique Pour le Développement) in the person of two international experts, F. Lançon and M. Fok, and recruited three national experts, M. Khazma, Y. Kassem, and Y. Ismail.

The study assumes that an economic activity has a comparative advantage as far as it can compete with alternative sources of supply from import, without benefiting from any specific support from the rest of the economy under the form of transfer of resources.

Products were classified according to main categories: strategic crops, vegetables, perennials, and livestock.

Within each category, relevant products were chosen by the NAPC in consultation with members of the Ministerial Price Committee. Cotton and wheat were selected as strategic crops, orange and olive as perennials, beef meat and cow milk as livestock production.

The 6 above-mentioned products were then divided into 28 representative commodity chain systems on the basis of type of raw material, cropping technique, processing technique, and export targeted market. These chains and their related final outputs under the form of processed agro-food products were selected in order to provide a first set of indications about the capacity of the agricultural sector to continue fulfilling its expected contribution to economic development in a new policy environment.

The Policy Analysis Matrix (PAM) was used as the analytical framework to estimate the comparative advantages of the given productive systems. The PAM allows to compare Income, Input cost, Factors cost, and Profit under private prices (level of price observed under the current economic conditions) and social prices (price that would prevail under perfect market conditions leading to an optimal allocation of resources within the economic system).

The results of this study show that all the systems achieved a positive profit at private price, the highest profit per hectare being achieved by tomato, followed by orange - with the exception of Fresh Orange Juice Concentrate (FOJC) - and

olive oil production. Field crops, cotton, and wheat achieved a much lower return per hectare compared to the tomato and perennial production systems. However, cotton still generates a profit that is more than the profit per hectare obtained by wheat-based systems, where flour production gets the lowest profit per hectare while pasta production is more profitable on a per hectare basis.

Looking at the profit obtained at social price, the group which achieved the highest profit at private price, i.e. tomato, fresh oranges and olive oil, maintains its profitability in absence of support or protection, while, for the field crops group, only systems producing pasta, hard wheat flour and some of the systems producing soft wheat maintain their profitability. In the livestock group, only the production of packed milk is profitable at social price while meat production becomes

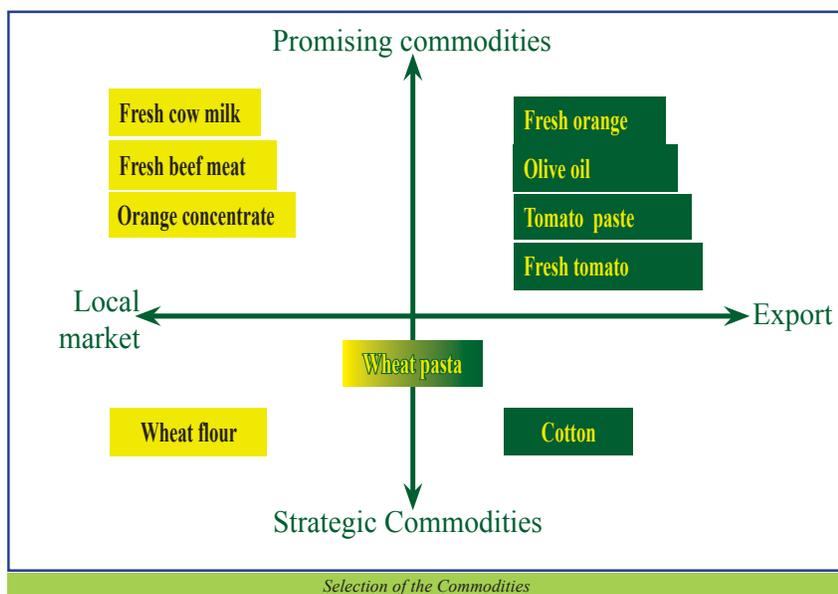


Mr Lançon

unprofitable under live animal form or fresh meat form. Cotton production is also not profitable at social price and the same applies to the production of Fresh Orange Juice Concentrate. It is worth noting that, with the exception of cotton, systems targeting foreign markets have a comparative advantage, while systems targeting the domestic market do not have a comparative advantage, with the exception of the milk system.

With the important exception of cotton, these results indicate that the current structure of trade flow is not significantly affected by the current Syrian agricultural policy; in other words, systems such as oranges, tomato, or pasta, which are already exporting a share of their output, will do so even without any policy or market induced distortion.

Overall, the study aims at assisting policy maker in formulating policy options and priorities on a commodity basis with the most cost-effective compromise between economic efficiency and social equity ■



## ***2 NAPC Researchers Return from USA***

Thanks to the 2-year grants awarded by the FAO Project GCP/ SYR/006/ ITA, two NAPC researchers returned to the Center after they successfully completed their postgraduate studies obtaining the *Master of Science Degree in Agricultural and Resource Economics* at the Universities of Arizona and Iowa in the USA. The two other researchers will return soon.



Ms A. Munlahasan



Mr S. Grad

## ***2 NAPC Researchers in ITALY***

Two NAPC researchers visited Italian Universities for two months (May – July 2004).

Mr Firas Yassin conducted his study at the University of Florence in order to finalize a research on *Economic Incentives and Policy Options for Sustainable Water Use in Agriculture: the Case of Al-Khabour Basin in Syria*, under the supervision of

Mr Donato Romano, FAO international consultant.

Mr Ahmad Sadiddin carried out his activity at the University of Naples under

the supervision of Mr Carlo Cafiero, FAO international consultant, to finalize a research report on *An Assessment of Alternative Price Policies for Cotton in Syria*.



University of Florence

## ***A NAPC Researcher in Norway***

Ms Nawal Nehme, NAPC Researcher, participated in the XI World Congress of Rural Sociology on *Globalization, Risks and Resistance* held in Trodheim, Norway on July 25-30. The overarching themes of the Congress were unevenness, risks, resistance, and dialogue in relation to rural economies and societies throughout

the world.

Particularly, Ms Nehme participated in the Working Group “Challenging Gender Relations in a Context of Rural Change”. Papers from different countries were presented, analyzing the divergent effects of changing ruralities on various aspects of gender relations.

A wide range of topics was examined: labor and migration, access to and control

over resources, gender ideologies and images, participation and representation in politics, gender specific effects of fundamental societal transitions, and specifically strategies of resistance to social change, traditional practices, and exercises of power.



Ms N. Nehme

## ***2 NAPC Researchers in Florence***

Mr R. Hamza and Mr H. Mojahed, NAPC researchers, attended a seminar on “Agricultural Development and Rural Poverty under Globalization” held in Florence, Italy on September 7-11. The presentations addressed the critical challenges that confront rural people in

developing countries under globalization, and the experience of many countries and institutions in combating the negative impacts and enhancing the good effects of globalization on agricultural development and rural poverty.



Mr Mojahed & Mr Hamza

## Study on Agricultural Subsidies in Syria

The Syrian Minister of Agriculture and Agrarian Reform requested NAPC to contribute to the assessment of the compatibility of its agricultural subsidy programs with the WTO. NAPC referred to the FAO Project GCP/SYR/006/ITA, to receive the assistance of international expertise in developing and assessing options for subsidization of agriculture consistent with WTO regulations.

FAO contracted Mr Bruce Huff, an agricultural economist and former agricultural policy advisor to the government of Canada and OECD, to undertake this work during the month of July. He examined the current set of subsidies policies for Syrian agriculture, and then developed and evaluated a series of options involving tariffication, input subsidies and direct decoupled payments. The results were presented in a workshop to stakeholders on July 27, including the Deputy Minister of Agriculture and Agrarian Reform, the Head of the Commission reviewing agricultural policies, advisors to other ministries, and producer organizations.

The final report provides information on the impact of the options, and proposes that Syria uses direct payments, possibly

with requirements for continued production, for cotton. A tariffication approach is proposed for wheat, sugar beets, and tobacco and other importable commodities.

The conclusions drawn and recommendations made by the expert regard the necessity of current policies revisions, especially with reference to the following main issues.

Firstly, there are a number of agricultural support programs operating in Syria, which provide considerable support, that are not acceptable to the WTO. These include the quantitative import barriers such as bans, restrictive licensing requirements, and monopoly importers. Such restrictions have to be converted to tariffs, providing 'equivalent' levels of protection. As well, Syria would be required to guarantee a minimum level of access, generally through a lower or zero tariff.

Secondly, the WTO allows state trading enterprises such as those operating in Syrian agriculture, but they must conform to WTO rules and these agencies will likely come under pressure to be more open and transparent on market transactions and losses.

Finally, the report urges Syria to increase the competition in the marketing and processing sector to lower costs and improve quality. It indicates the need for new stakeholder information programs and new policies to cope with and benefit from increased market price fluctuations. The study indicates the need for more medium and long term loans to allow the desirable adaptation of the agricultural sector to the new international market environment. It notes that the currently provided subsidis in the areas of food security, infrastructure, research and extension are compatible with the WTO regulations. ■



### VISITING EXPERTS

Mr B. Amouri, *FAO Consultant (Morocco)*

Mr D. Mc Clatchy, *FAO Consultant (New Zealand)*



Mr T. Cornford, *London School of Economics (UK)*

Mr M. Metz, *FAO Consultant (Germany)*

Mr J. M. Garcia Alvarez Coque, *Universidad Politécnic de Valencia (Spain)*

Mr N.S. Partasaraty, *FAO Consultant (India)*



Mr M. Gorgoni, *University of Rome (Italy)*

Ms M. G. Quieti, *Senior Agricultural Policy Support Officer, FAO, TCAS (Italy)*

Mr B. Huff, *FAO Consultant (Canada)*

Mr J. Vercueil, *FAO Consultant (France)*

Mr F. Lançon, *CIRAD (France)*

Mr H. Wattenbach, *FAO Consultant (Germany)*





### *Project Steering Committee Meeting*

On 28 and 29 June 2004, the FAO Project GCP/SYR/006/ITA Steering Committee held its fifth meeting, which was opened by Mr N. Rasheed Mohammed, Deputy Minister of Agriculture and Agrarian Reform, Mr A. Cascone, Counselor for Economic Affairs at the Italian Embassy in Syria, and Mr M. Taher, FAO Representative in Damascus. The Committee discussed the future of the NACP and its perspectives, acknowledged its recent progresses, and endorsed the Work Plan for Phase III of the Project, which has received further funding from the Italian Government for other 3 years of activity.

### *NACP Information System*

In order to enhance and develop the NACP Information System, Mr T. Cornford, Professor at the London School of Economics and international FAO consultant, visited the Center in March and May 2004. During his visits, the expert assessed the current status of and future options for the information and communication activities of the NACP.



### *SOFAS 2004*

Mr Brahim Amouri, FAO international consultant, cooperated with the Center to design the reference template of the NACP biennial Report *The State of Food and Agriculture in Syria (SOFAS)* and to produce the 2004 issue, to be disseminated by the end of this year. This report aims at achieving the following three objectives:

- 1) Providing a comprehensive set of relevant and useful data for agricultural development;
- 2) Presenting, every two years, to researchers, policy makers and stakeholders an updated overview of agricultural issues;
- 3) Serving as a means to enhance agricultural policy work by including in the report a section about a subject of special interest for Syrian agricultural development.

### *Syrian-Turkish Free Trade Agreement*

NACP has actively participated in the preparation of the agricultural file concerning the Syrian-Turkish Free Trade Agreement that was signed in September 2004. NACP is also involved in the following up of the conclusion of the Syrian-EU Association Agreement.

### *Syrian Accession to the WTO*

In May 2004, the NACP started, with the support of the international consultant, Mr D. Mc Clatchy to conduct a study on *Accession to the WTO: procedures, issues and lessons for Syria*, drawing on the experience of the recently acceding countries such as Jordan.

Beside the study, Mr Mc Clatchy has provided on-the-job training to 4 NACP researchers in elaborating technical documents required for the negotiations, with special references to calculations of the Aggregate Measures of Support (AMS) and options for Tariffication.



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*Project Website: [www.fao.org/decentralizedoffices/syria/GCPITA/index\\_en.htm](http://www.fao.org/decentralizedoffices/syria/GCPITA/index_en.htm)*