



SYRIAN ARAB REPUBLIC
Ministry of Agriculture and Agrarian Reform

NAPC
National Agricultural Policy Center

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Syrian Agricultural Trade



Executive summary

This report contains an analysis of total and agricultural trade, as well as recent development in terms of international trade, besides a track of the latest changes in general and agricultural policies.

The report consists of six chapters, with an additional special-issue chapter on producer markets as a new marketing method.

A review of these chapters is shown hereafter:

Chapter 1st: deals with recent developments in international trade, where the recovery in the international economy continued in 2011, though it became weak – the growth in developed economies became very low, to the level that it has been unable to produce any noticeable change in unemployment rates. In addition, the growth in the major emerging economies shrank, despite that it was strong in a past stage.

The volume of international trade in 2010 reached about US\$ 29927 billion, bearing an increase of 20% if compared to 2009. This is due to the absence of any increase in trade barriers that are imposed by WTO member countries - a reaction to the international crisis in 2008. The presence of the WTO played a role in hindering the surge of protectionism, which spread during the crisis.

Exports' volume in all regions in the world increased by 21% on average in 2010, comparing with 2009. Europe's rate, however, was smaller than the international rate, while rates of Middle East, Africa, Asia and CIS (Commonwealth of Independent States) were larger, thanks to the oil exporting countries belong to these regions. North and South America's rates were slightly larger than international rate.

Middle East agricultural exports in 2010 increased almost by 15%, whereas it contracted considerably in 2009 as a result of the hard climatic conditions that the region experienced in 2008. In addition, intra-Middle East exports expanded almost by 10%.

Concerning agricultural trade, wheat exports increased by 40% in 2010, the USA topped the list of major international exporters, while Egypt and Algeria jumped to the first rank among major international importers. Furthermore, rice trade expanded in 2010, but at the expense of its reserved stocks. Cotton global production decreased in 2010 for the second year in a row, and sugar global consumption increased despite the rise in its prices.

Chapter 2^d: explores the aspects of Syria's foreign trade. The chapter reviews the main characters of Syrian economy in 2010 from all sides: from the side of trade performance, or the side of trade partners. This is presented through the demonstration of latest developments in terms of total and agricultural trade till 2010. In this respect, Syrian economy achieved rapid growth in the first decade of the current century. Economic growth, represented by GDP in fixed prices (2000=100), demonstrated an expansion of 6.1% during the period between Ave. 2001-2003 and 2010. The rate of change, when the averages of 2001-2003 and 2007-2010 are compared, reached about 45%. However, GDP per capita in 2011 was 70435 S.P., thus dropping by 1725 S.P. when compared to 2010 figure.

On the other hand, the value of total trade increased by US\$ 3918 million in 2010, comparing with the figure of 2009. Still, the ratio of total trade to GDP was 69% in 2004, and reached a record of 94% in 2010 –this reflects the importance of trade in terms of development and promotion of national economy.

The chapter also reveals that the annual growth rate of Syrian exports during the period between Ave. 2001-2003 and 2010 was 11%. Nevertheless, the exports were affected negatively in 2009 and 2010 by consequences of the financial crisis, which decelerated international trade flows. In this sense, Syrian exports' value in 2010 was US\$ 12185 million -less by US\$ 3046 million than their value in 2009. The chapter also points that Syrian imports demonstrated vibrant development during the period between Ave. 2001-2003 and 2010, where their annual growth exceeded 19%. The rate of imports strongly accelerated between 2004 and 2007; imports' value increased from US\$ 7696 million to US\$ 13691 million. In 2010, imports' value reached a record of US\$ 17392 million. However, as a result of this trend, Syrian trade balance registered a deficit in most addressed years; the deficit reached US\$ 5281 million in 2010.

Identically, the chapter indicates that a change occurred in 2010 in terms of the rank of Syria's trading partners, comparing with ranks of 2009, where Italy ranked first with 9.4% of total Syrian trade, while Iraq which was the first partner in 2009 with 10.8% ranked second in 2009 with a share of 7.8%. Turkey, however, maintained its rank as the third partner in 2009 and 2010, yet with increased share (5.7% and 7.7% respectively). Germany followed Turkey (7.4%), and was followed by China (5.4%), Saudi Arabia (4.5%), and Ukraine (4%) respectively. Lastly, Russia and Egypt, maintained the same share (3.8%).

Chapter 3^d: this chapter includes an analysis of Syrian agricultural trade in terms of performance and trading partners. The chapter elaborates the performance of Syrian agricultural exports, using three indicators: revealed comparative advantage (RCA), relative unit value (RUV) and Syrian agricultural trade map. The chapter reviews recent developments regarding developments of main Syrian agricultural exports and imports during 2001-2010, and most important agricultural trading partners.

Conducting RCA for most important Syrian agricultural exports reveals that most Syrian exported commodities in 2010 enjoyed a revealed comparative advantage except wheat, cheese and chickpea. Sheep, cottonseeds linters and lentil enjoyed the largest RCAs respectively.

RUVs experienced some changes: potato RUV was greater than 1 in 2010, which indicates its good competitive capability in foreign markets. RUVs for orange, wheat, tomato and virgin olive oil fell to less than 1 recently.

Syrian agricultural exports and imports showed high levels of concentration concerning trading partners in 2010, where 92.7% (on average) of trade for a given product was controlled by the most important five partners, though the percentage was 89.3% in 2009. Furthermore, if the most important ten partners are considered, the percentage becomes 98% (it was 93.9% in 2009).

Mineral water, sheep, tomato and dairy products were the main components of Syria's agricultural exports, where their total value represented 30% (on average) of Syria's agricultural exports' total value during 2008-2010.

Arab countries were the major destination for Syria's agricultural exports: their share reached 89.6% of total Syria's agricultural export. Asian countries (excluding Arab countries) ranked second on this scale, yet their share decreased from 13.9% to 5.3% when comparing the two basic periods.

Trade balance deficit topped in 2010; its value reached about US\$ 1254 million. Nonetheless, agricultural trade balance with some Arab countries (Saudi Arabia, Iraq, Jordan, Emirates and Lebanon) registered surpluses, the largest surplus was with Iraq (US\$ 1180 million). However, the trade balance with Ukraine, Russia, Argentina, USA, Brazil, EU and Egypt registered deficits.

Iraq was the most important destination for Syria's agricultural products in 2010, receiving 41.3% of total Syria's agricultural exports, followed by Saudi Arabia (10.8%), Jordan (9.1%) and Egypt (7.9%). Identically, the EU was the main source for Syria's agricultural imports in 2010, where its share reached 15.6%. The most important other sources were Brazil (14.2%), followed by the USA (11%), and Argentina, Ukraine and Egypt.

Chapter 4th: sheds light on the developments of international trade policies and international agreements. The year 2011 was distinguished by the continued stumbling of Doha negotiations to the extent that ambitions to reach an agreement among WTO member countries to finalize Doha Round in the foreseen future have diminished. Although Doha Round was launched more than ten years ago, it is still stuck on the way to reach an agreement that concludes it. Agriculture is seen as the major obstacle in this relevance; however, the essence of the matter is food security rather than agricultural trade. It is expected that any agreement to conclude Doha Round would have negative effects on food sector in many countries – that's why achieving such an agreement in the near future is unexpected.

In addition, the year 2011 was distinguished by further proposals for great trans-regional, regional and bilateral free trade agreements, while protectionism is repeatedly still on rise. The proliferation of regional trade agreements has been continuously in place since the 90s and until now. The debate among economists about the advantages and disadvantages of regionalism vis-à-vis globalism is growing constantly.

Concerning international trade disputes, WTO dispute settlement body is still active, and perhaps it's the most active part in the organization. The year 2011 witnessed a reduction in percentage of anti-dumping cases, while non-trade barriers (NTBs) cases were noticeably sued.

On the Arab-world level, the chapter indicates that Arab world is facing serious challenges in terms of food security, and real poverty rates are higher than formal figures. This fragility springs from food prices' fluctuations, natural disasters and water scarcity. Arab world is globally the most dependent region on food importation: it imports about 50% of its food requirements. Its agricultural potentials are limited due to climatic changes and water shortage,

while its population growth-rate is the highest after African desert countries. The chapter anticipates that the food gap will continue to increase, which will exaggerate the fragility of marginal population groups. The author advises Arab world to conduct two long-run strategies in order to change this worrisome situation: (a) enhancing the quality and credibility of existing data on food security so as to draw beneficial policies upon it; and (b) encourage non-oil exports by policies like promoting infrastructure and increased spending on farm sector and social protection.

On the national level, signing the free trade agreement with Islamic Republic of Iran can be mentioned. This free trade agreement is the most prominent achievement for Syria in terms of trade agreements in 2011. The agreement implies the establishment of a free trade area within five years at most, aiming at promoting economic cooperation and abolishing barriers to trade in commodities, particularly agricultural commodities. Additionally, the growing bilateral trade with each of Iraq and Russia Federation, in shed of the unfair sanctions imposed on Syria by the EU and Arab League, can be mentioned as well.

Arab League announced imposing a package of sanctions on Syria in 27-11-2011. The package includes banning trade with Syria, and freezing any financial asset tied to the Syrian state. The sanctions also include suspending any project or investment in Syria, prohibiting relations with Syria's central bank, banning trade transactions with Syrian state except those related to what the decision called "strategic commodities that influence Syrian people". The European Commission also announced - consecutively and in different dates during 2011 and 2012 - imposing 15 packages of sanctions on Syria. These include banning the exportation of luxury commodities and technical products to Syria, prohibiting financial and banking relations with Syrian banks, freezing financial assets tied with Syrian state, prohibiting remittances to Syria, suspending European projects in Syria, and penalizing a number of Syrian public and private institutions as well as some Syrian persons. In addition, the sanctions include banning the importation of Syrian oil, and prohibiting investments in Syria's oil sector.

Chapter 5th: highlights farm policies that are applied in OECD (Organization for Economic and Development Cooperation) countries, and the development of common agricultural policies (CAP) in the EU and the USA. The chapter also sheds lights on farm sector in Ukraine. Concerning farm policies in OECD countries, several reform policies in some member countries have expired in 2011 and 2012, yet concerned governments haven't announced any new packages of farm policies. In Switzerland, the initiative to reform agricultural policies indicated in 2011 the expiration of the 4 years of reform, which were characterized by gradual shifting from market price support to budget payments, but negotiations about a new package of reforms are still running. In Australia, the farming future initiative expired in 2012; the initiative focused on adaption with climatic changes. However, a set of its programmes will integrate with wider economic initiatives like Clean Energy Future Plan. In Mexico, Sector Development Programme and Climate Change Strategy have expired in 2012. In Norway, the so-called "White Paper" on farm and food policies was approved, but farm policies' tools and procedures are still applied as they are, though they are being discussed regularly with farmers' organizations.

On the other hand, EU's CAP has been always an important item in the EU's general balance sheet, where its share of general budget reached 80% in the 80s of the past century, but slumped to 50% in 2003. This figure shrank across years, in the framework of CAP continuous reform, yet it is still a large figure; it represented 48% of EU total budget in 2010. In 2013, the expenditure on CAP is expected to fall largely to 32%, while it has fell in real value in the past financial period.

According to OECD 2012 report, export subsidies in 2011 reached US\$ 270 million, while it was US\$ 579 million in 2010, and US\$ 5 billion in 2004. This gradual reduction has been the result of reforming sugar, fruits and vegetables, dairy products and alcoholic beverages sectors, as well as the increase in international prices. Lastly, import fees were zeroed for each of maize, legumes and oat in 2010 and 2011 marketing seasons; this was the outcome of linking import fees to border prices.

Concerning the USA, most agricultural policy developments in 2010 reflected somehow the continued application of American Farm Law, which is known as Food, Conservation, and Energy Act of 2010; this law controls agricultural policies during 2008-2012. On the other hand, the importance of environmental programmes grew in American agricultural policies, with particular emphasize on procedures that aim at rehabilitating agricultural areas to be wetlands, and encouraging crop-farmers and herders to adopt practices that reduce environmental problems.

Regarding Ukrainian agricultural trade, the chapter points that the EU is still the main trading partner, either in terms of exporting or importing agricultural commodities. In addition, CIS and Middle East shares in Ukrainian exports increased, whereas Russian portion decreased, though Russia ranks third on the scale of Ukrainian exports' destination. Farm products represented more than 10% during last five years. Nevertheless, in 2010 it represented more than 16%: this can be explained by the global increase in basic commodities' prices. Regarding imports, agriculture represented 6%-9% during 2003-2008.

Chapter 6th: demonstrates the development of economic and trade policies in Syria, and the role of economic reform in terms of achieving the desired developmental goals. It also illustrates in some details the most important macro-policies that influence the farm sector.

The chapter points that 2011 witnessed the issuance of a large package of decrees and decisions, in the framework of the comprehensive reform agenda being implemented in all sectors, and in a way that serves the good of the Syrian nation and the national interests. The chapter highlights that the current crisis in Syria and the economic sanctions imposed on a number of major Syrian institutions have pushed Syrian government to temporarily modify its trade policies in a way that makes it more elaborated and have a scheme of rationalization regarding the two ways of foreign trade –this is particularly true in terms of commodities of consumptive nature. Simultaneously, there was a press to find out alternative trading markets through directing the compass of trade towards “orient” (i.e. the sister countries like Iraq and Lebanon, and the friend countries like Russia, China, India and Brazil). In addition, the efforts were directed to create an intervention

policy, bearing in mind that the state is the first and final shelter on the road to depart the crisis, as well as the reliance on national potentials and production.

Regarding agricultural policies, Ministry of Agriculture and Agrarian Reform declared its plan to support strategic crops in 2011, offering a profit margin of 25% plus the actual costs of production. The amount is to be based on the marketed quantities, and delivered as a price support for farmers upon marketing their production through concerned state-owned institutions. The estimated budget for supporting strategic crops included the following items: 13 billion S.P. to support wheat; 6.5 billion S.P. to support cotton; and 1.3 billion S.P. to support sugar beet. In addition, the Agricultural support Fund decided to keep supporting inputs of major agricultural products (tomato, potato, maize, citrus, olive and apple), adding chickpea and lentil to these products and leaving the door open for its Management Council to possibly add other products.

In terms of import policies, Syrian markets were opened to most imports, in the framework of openness policy. Thus, hundreds decisions that aimed at liberalizing import commodities and eliminating barriers to trade were taken. These decisions aimed also at organizing import market and emphasizing the equitable competition among imported and domestic products through procedures that allow national industry to enhance its productivity and promote the quality of products.

Chapter 7th: is the special-issue chapter. It explains the idea of producer markets, which was applied in Syria six years ago, in the context of discovering new marketing methods to shorten the marketing chain between the producer and consumer in Syria, and simultaneously provide a healthy product to the consumer. The idea was successfully applied and executed in a number of Syrian governorates. The chapter reviews the aspects of agricultural marketing in Syria and the types of agricultural markets, clarifying that producer markets were launched in Latakia governorate in 2006, as an unpaid work to exhibit domestic agricultural products and some rural commodities as well. Later on, these markets were spread to other governorates under the motto “everything is domestic and duly”, and with clear support and adoption from the governmental bodies, particularly secretary of governorates. In this sense, producer market in Latakia became a weekly activity after the governorate offered it an adequate place, while another producer market was established in Aleppo governorate, in cooperation with Syrian Agency for Development. Furthermore, another market was established in Al Swaida, under the auspices of some agronomists, and two markets were established in Damascus, in cooperation with the secretary of Damascus governorate. The committee supervising the project of producer markets is planning to launch 12 markets in Rural Damascus, but waiting for the proper conditions to start the work.

The chapter notices that producer markets offer a steady opportunity to farmers to sell their products instead of the temporary and disorderly marketing, which also occurs in irrelevant places, and takes the form of vegetable stalls that distort the city’s image, or the form of random marketing augmentations. Moreover, the participation of handcrafts adds a touristy dimension to the market. Also, several activities related to children, health, environment, rural development and agricultural development are all run on the margin of the market.

The chapter sheds light on some similar Arab and international markets, as utilizable examples that can be used to develop the Syrian experience.