

Ministry of Agriculture and Agrarian Reform

NAPC

National Agricultural Policy Center

POLICY BRIEF No. 6

Agricultural Exports in Syria

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October, 2005

With the support of
Project GCP/SYR/006/ITA



Food and Agriculture
Organization of
the United Nations

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and Agrarian Reform

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Syrian Exports

Syria is located at the cross-roads of the Near East international trade routes, benefiting of a strategic logistic position. Trade is important for the Syrian economy. In order to foster and to enhance its economy, it will generate employment opportunities which in turn will generate good environment for investment. The export trade can make a significant contribution in the national GDP through increased export earning.

Syria seeks to develop its export competitiveness.

In the past, Syrian exports were entirely controlled by public establishments. And to achieve self satisfaction of agricultural products and to protect local firms and domestic production, the government practiced antiexport bias and restricted import through practices stemmed from an overvalued exchange rate and tariff structure that provided high protection for local commodities, so that weakened their competitiveness. Also, the government used to adopt policies to ban exports of some products and allow only the surpluses to be traded after satisfying the domestic demand. Legacy of state intervention on price, trade, and foreign exchange controls hampered economic growth and thus resulted in restricting export for some goods, banning export for others and enforcing taxes on exports has aggravated the impact of these policies.

After 1987, Syria started to take up an economical reform toward open market to adjust its trade conditions with an open economy environment. This economic reform has been incremental and gradual. As a result, trade restrictions have been reduced, and Syria has gradually liberalized its foreign trade, and thus moved toward export promotion policy. For example, all agricultural exports have been exempted from taxes, links between exports and imports that intended to save hard currency from export to supply the need of imports were eliminated, prices of air transportation for exports have been reduced, it has been allowed the import of used grading, sorting and packing machines, exchange rate has been unified at the rate of real market value. Also, trade restrictions have been relaxed through the implementation of the Great Arab Free Trade Area (GAFTA) as well as bilateral agreements with countries outside the Arab region.

In addition, Syria strived to raise its supply capacities as an essential factor to improve export by concentrating on producing mainly for export with emphasis on good quality to get along with international market requirements. Also, it allowed private agents to be involved in trade activities, encouraged foreign investment (relaxing the many previous impediments) and initiated legislative and regulatory environment favourable to export.

Furthermore, Syria legalized private banking, and in 2003 three private banks were licensed. Currently, private banks in Syria are working and many private banks have requested authorization to operate. In addition, a new law allowed for dealing in financial paper. These will facilitate the exchange of hard currency

.At present, the main objectives of the Syrian export policy are¹:

- Achieving optimum national growth through increase of exports to regional and international markets;
- Narrowing down the gap between the country's export earnings and import payment through meeting export targets;
- Producing, especially for exports, at a competitive price with emphasis on diversification and quality improvement;
- Expanding and strengthening markets;
- Encouraging high value added exports.

Recent export developments²

Syrian economy is based on energy, industry and agriculture (Graph 1 shows the costuction of syrian exports). Major exports include crude oil and their refined products, and raw cotton. In addition, Syria exports phosphates, textiles, chemicals, glassware, and a variety of agricultural products. Substantial export growth has taken place in the last 4 years. The total value of national exports in SP rose by 22.6% from 2000 to 2003.

Similarly, agricultural exports witnessed significant improvement in the last years, especially towards Arab countries and Europe countries. Syria operates at competitive prices due to its relatively low labor cost and has the potential to export various agricultural products such as fruits (citrus, apples and grapes), vegetables (tomato and potato), olives and olive oil, cereals (wheat and barley), livestock (sheep), textile (cotton, wool). Syrian exports strongly rely on raw products, making Syrian trade vulnerable to the high variability of the prices of such products in the world markets. ³

During the period 2000-2003, the internal distribution of exports has displayed significant changes. Agricultural and manufactured exports have substantially grown in comparison to the traditional mining products whose contribution is falling in relative terms. Agricultural exports have been the most dynamic, rising by 34.8% between 2000 and 2003, and accounting for the 14% of total exported value in 2003.

¹ Based on the “Ninth five year plan, 2001-2005” of the State Planning Commission, ..

² At the end of this article you find a list of laws and degrees intended to modify the legislation environment in favor of export

³ international market prices for agricultural products are depressed by the support of developed countries to their exports and the raw products are subject to a high degree of competition since most developing countries produce similar goods

Graph (1): Composition of Syrian Exports, 2003



source: syrian SBC

In 2003, Syria's major trading partners were Western Europe (60%), Arabic countries (22%), American countries (4%), East European States (1%) and different countries (12%).

While the domestic market is still the main outlet for Syrian food-processing industries, the export growth has been boosted by the growth in the private sector involvement and, to a lesser extent, the growth in the number of joint ventures between Syrian and foreign companies.

Needed steps to move forward

There is an urgent need for Syria to improve its export competitiveness by cutting down the remnant anti-export bias that still exercised and to widen its markets. To achieve this goal, Syria mostly needs to identify companies with an export potential, orient production and exports toward high-value products, build an export strategy, set enhancing export policy, create specialized export bodies, orient production to be more favorable for export, establish export inspection system, make special programs with flexible loan conditions and easy procedures.

In addition, Syria should concentrate on maximizing returns from areas in which it has comparative advantage and further studies are needed to identify these areas. In fact, the NAPC has undertaken studies on some important products including tomato, wheat, cotton, oranges, olive oil and cow's meat and milk.

To benefit from the value added, Syrian policies should concentrate to export processed and semi-processed products instead of raw goods. Hence, food-processing industries need to be enhanced.

Syria can enhance its exports by facilitating exports of quality products. This implies to establish pre-shipment inspection and certification processes to guarantee that only high quality goods are exported, according to international standards. In this context, the authorities are exploring ways to promote the ISO 9000 instructions and other quality measures.

The signature of bilateral and regional agreements is a needed condition to enhance export growth. This will become a reality if more attention is paid to the strghthening of market information systems and a quality strategy in addition to several important factors connected to export.

Annex

Moreover, the recent regulations encouraging export in Syria are:

Item	Number	Date	Subject
decree	279	1987	Exporters can keep 75% of their export earning of hard currency, and the rest 25% exchanged in the Syrian trade banks
decree	973	1990	Permission for exporters of agricultural products to import pick ups and refrigerated cars by export earnings
decree	1048	1990	Exporters of fruit and vegetable can keep 75% of their export earning of hard currency, and the rest 25% exchanged in the Syrian trade banks at the neighbor counties exchange rate
decree	2184	1990	Exporters from private and joined sectors can exchange their earning at neighbor exchange rate
law	15	2001	Exemption of export tax for all agricultural products
law	28	2001	Permission of initiating private banks
decree	336	2002	United exchange rates used to count tariffs
law		2002	Permission of private banks
decree	1184	2002	Exporters can keep 90% of export earning in hard currency and exchange 10% in the Syrian trade banks
decree		2003	Abolish the link between export and import
decree	1515	2003	Eliminate most Non Tariff Barrier on export such as the previously required certificate from ministry of supply except on some productions such as wheat and barley
law	3	2004	Applying an exchange rate of 48.5 sp /U\$ for buying and 48.65 for selling for public sector