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Agricultural Export Diversification in Syria

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1.Introduction

The objective of this paper has been to present the Syrian agricultural export situation in the unstable international markets and to indicate the necessity for Syrian Arab Republic to deliberately shift toward producing agricultural products that have the potential to diversify Syrian export base.

Export diversification means the introduction of new non-traditional agricultural commodities to the export list and the expansion of market opportunities. It is about prioritizing in order to maximize the marginal gain of export to the economy. In short, export diversification intends to maximize the earnings from export.

“Under classical international trade theory it is beneficial for countries to specialize in and export those goods in which they have a comparative advantage. However, specialization in production and exposure to world markets may realistically also make nations more vulnerable to shocks” (Eric Strobl).

“Diversifying away from traditional exports is supposed to raise growth rates, as traditional exports are particularly vulnerable to prices movements and unfavorable weather conditions” (Matteo Piazza-Carlo Sdravovich). Accordingly, export diversification is likely to boost economic growth.

It is not recommended to heavily relying on few exported commodities due to the fact that, production of the same products can lead to oversupply the market.

Export diversity should be the main target of the national development plan, since it would support export competitiveness as well as avoiding price fluctuation. Those countries which export all but few commodities are subject to instability in their export earning.

2. The state of export diversification in Syria

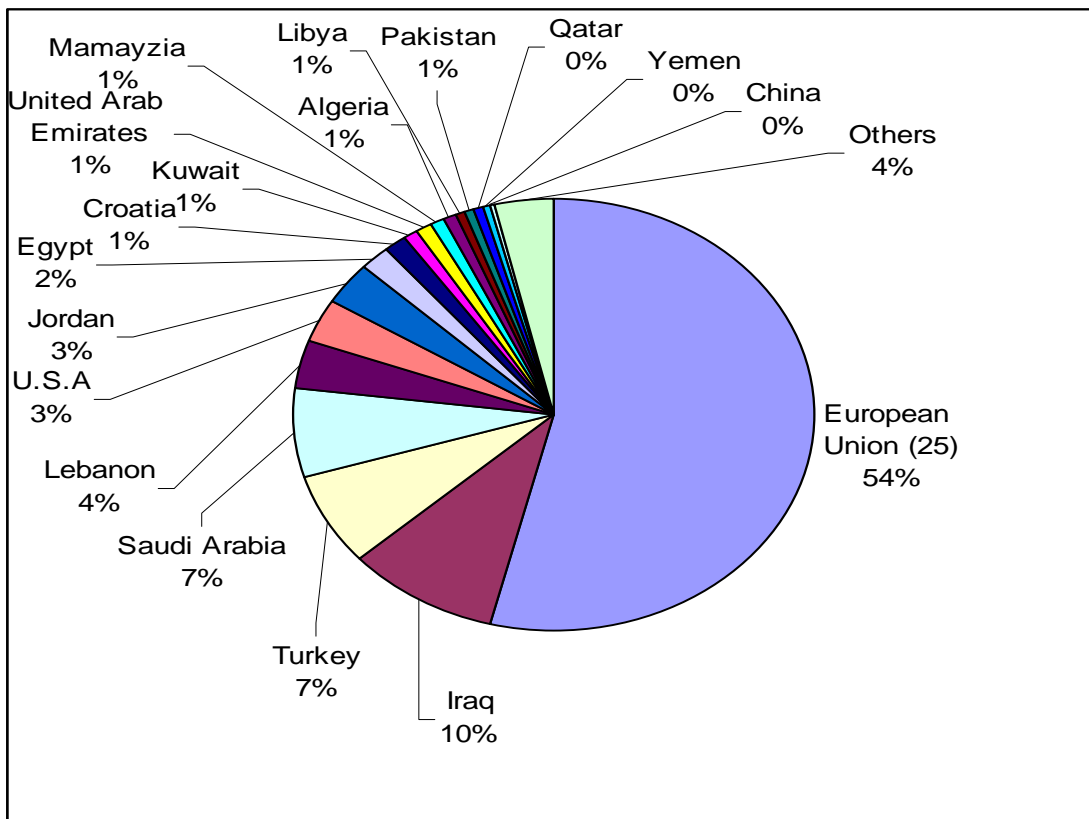
Syrian economy is recognized to be agricultural based. Agricultural commodities dominate Syrian exports (they consisted of about 19% of total exports between 1995-2004). Furthermore its exports are mainly primary goods such as raw cotton, fruit, vegetables, olive oil and agro products. Added to which Syrian agricultural exports are considered to be highly concentrated. This is reflected by the statistical data of 1995- 2004 when, the export of the following 9 products - sheep, cotton, mineral and aerated water, olive oil, tomato, lentils, barley and cumin - comprised more than 56% of total agricultural exports and all except olive oil are raw materials. In this regard, Syria should reduce its reliance on commodity exports and increase the export of manufactured goods.

Table 1. main agricultural exports in Syria in 1998-2004, US\$ million

Agricultural exports	1998	1999	2000	2001	2002	2003	2004
Sheep	48.9	54.5	99.6	34.9	326.7	201.1	238.2
Cotton	273.7	155.8	198.3	204.1	201.2	139.5	165.2
Mineral and Aerated Water	0.7	0.9	0.4	0.1	7.0	16.0	55.5
Olive Oil	1.3	8.6	4.6	6.1	11.5	53.2	38.0
Tomatoes	78.3	95.0	78.1	69.2	62.4	51.8	28.9
Lentils	32.6	24.6	10.4	18.5	22.4	28.8	28.2
Barley	0.0	0.0	0.0	0.0	7.6	47.9	27.1
Cumin Seeds	11.7	21.2	34.7	74.6	131.0	42.7	24.6

Source: NAPC database

Syrian exports are also notable for a fairly high degree of export market concentration. Export value to Arab countries and the EU together accounted for 81% of Syrian export earnings during 1996-2000. The export destination did not change in 2004 as clarified in the following figure:



From the above figure, we find that, the share of EU, Iraq, Turkey, Saudi Arabia, Lebanon, USA, Jordan and Egypt represents about 89% of total exports. This reflexes a high degree of concentration in export destination markets.

From the following table, which shows the volume of Syrian exports we find that the share of the five first countries for some commodities such as animal hides and cake of olive, soybean and others reached more than 99.5%. Trade partners for other commodities such as barley and flour numbered not more than three. This evidently necessitates a review of the export strategy and a widening of the export markets through contacting new trade partners.

Table 2. Market diversification for main Syrian agricultural exports, 2003 and 2004 (%)

Exported Commodities	Share of Top 5		Share of Top 10		Partners Number	
	2003	2004	2003	2004	2003	2004
Sheep	92.3	99.4	93.2	100.0	15	10
Cotton	68.3	73.0	85.5	87.4	32	38
Soft and Durum Wheat	96.4	85.1	100	99.4	6	12
Oil-Cake form Soybean, cotton seeds, olive, sunflower and maize	91.0	97.6	99.3	100	13	10
Olive Oil	85.5	85.7	94.9	95.4	45	43
Tomatoes	91.7	86.1	98.1	97.2	32	25
Barley	98.9	100	100	100	7	3
Cumin Seeds	52.9	55.8	74.6	75.0	57	63
Selected Fruits*	81.1	78.5	99.2	96.4	28	28
Lentils	88.7	90.6	98.8	98.6	29	36
Leather	99.8	99.1	100	100	7	9
Cotton Linters	95.5	98.9	100	100	10	7
Chickpeas (garbanzos)	98.7	83.5	99.7	98.9	22	28
Citrus	88.6	91.4	97.3	99.5	28	19
Lactic Cheese and Curd	97.9	95.4	99.9	99.6	17	17
Flour	100	100	100	100	3	3
Apricot and grape paste (Kemeradin)	89.2	92.5	97.8	98.0	31	26
Fresh Grape	89.2	90.9	99.7	99.4	21	17
Pistachios	96.2	92.5	99.9	99.2	18	17
Potatoes (fresh or chilled, seed, frozen)	80.8	83.3	98.7	99.8	23	15
Average	89.6	89.5	97.0	97.3	-	-

Source: General Department of Customs

*Apple, apricots, cherries, pears, plums, and peaches

Syria has good potential to diversify its agricultural exports due to the presence of appropriate agricultural conditions. It is therefore capable of producing many different crops effectively and economically. Accordingly it ought to be able to diversify and improve its exports. To achieve this goal, it is necessary to design a plan and formulate and implement a strategy to produce and improve non traditional crops that can be competitive in the foreign markets. Pursuing export diversification is the best choice for Syria to stay away from instability in commodity prices in the world market and avoiding the inappropriate weather conditions. Also, achieving diversification will influence positively the Syrian capability in agricultural export performance to great extent. So, supporting the export diversification has to be a top target of decision makers to think about and work to achieve.

One way to apply diversification is by slowing down Syrian reliance on the raw products and by developing exporting manufactured goods which benefit from added value. Also, enhancing non traditional agricultural production and exports for crops that have comparative advantages, exportable and competitive products is preferable such as sheep, animal products, poultry and dairy products because there is wide capacity for producing fodders and improving the animal wealth. As

examples of the agricultural products that can be develop its exports are cumin, black cumin seeds and pistachios. Additionally the use of high technology equipments should be encouraged so that production is achieved with high efficiency. This can be done by choosing pioneers among the most recognized farmers who would volunteer to risk introducing new varieties and applying various cultural practices through adaptation of new technology. It is remarkable internationally that depending on fruit and vegetable production and export led to surplus in their supply so they scarcely can be exported in reasonable earnings.

Product diversification efforts in Syria must go hand-in-hand with efforts to secure markets for new products. Syria should also explore new markets for its exports and develop its competitiveness in new markets, in addition to efforts to penetrate current markets further.

In this context producers should be encouraged to shift to produce the most profitable crops and to verify their exports to stabilize their earnings. Encouraging and facilitating the participation of private exporters is very essential to achieve export diversifying

Recently, after initiating economic reform, Syria has placed greater emphasis on improving export quality, producing manufactured goods, as well as securing new markets for their products. Statistical data shows that, the situation of exports moved slightly toward new non traditional products such as mineral and aerated Water which developed from US\$ 0.7 million in 1998 to US\$55.5 million ton in 2004, and with sheep from US\$ 48.9 million in 1998 to 238.2 ton in 2004. Also cumin export importance has highly increased in the last decade since its developed from 13.4 thousand ton for the period 1995-1997 to 36.4 thousand ton for 2002-2004, its value was 18.1 million US\$ and reached 66.1 million US\$ for the respected periods (table 1 above).

On contrary, raw cotton exports declined from US\$ 273.7 million in 1998 to US\$ 165.2 million in 2004, while manufactured cotton has increased.

This registered starting point for a change that must be encouraged.

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