

**Table 3.4.** Banned/suspended agricultural products for which current tariff protection lies in 20-45% range (the “moderately vulnerable” group)

<b>Product</b>	<b>HS number</b>	<b>Applied tariff %</b>
Live Horses, Asses, etc.	0101	20
Live Chickens (except breeding chickens for egg production)	0105	20
Sheep Meat, Fresh or Chilled	0204.21	20
Edible Red Meat Offals	0206	20, 29
Eggs (other than hatching eggs)	0407	20
Honey	0409	20
Potatoes, Fresh or Chilled	0701	29
Onions, Shallots, Leeks, Garlic	0703	29
Almonds, Walnuts, Pistachios	0802	29
Groundnuts (in shell)	1202.10	29
Oils from Olives (except for soap manufacture)	1509, 1510	20, 29
Cottonseed oil (except for soap manufacture)	1512	20
Copra & Palm oils (except for soap manufacture)	1513	20
Breakfast cereals + (except bulgur wheat or containing cocoa)	1904	29
Frozen vegetables (most)	2004	29
Sauces, Condiments, Seasonings, Mustards (ex. for industrial)	2103	29
Tobacco (unmanufactured)	2401	20, 29

**Table 3.5.** Banned/suspended agricultural products for which current tariff protection lies in 0-19% range (the “most vulnerable” group)

<b>Product</b>	<b>HS number</b>	<b>Applied tariff %</b>
Milk & Cream	0401	1
Whey	0404	10
Live plants & cuttings	0602	1.7; 7
Wheat	1001	1.7; 7
Wheat Flour	1101	1.7; 11.75
Flours & Meals of dried legumes or salep	1106.10/20	11.75
Sugar Beet	1212.91	7
Bran & other residues of cereal & legume processing	2302	7

Existing WTO rules do not prohibit the existence of **state trading enterprises with import or export monopoly powers**<sup>36</sup>. Many Member countries still have such enterprises. However, based on the experiences of recently acceding countries, this may be a third area where member countries will apply much negotiating pressure for Syria to make changes. In this event, the present legislated trading monopoly status for the following organizations may need to be reconsidered:

- General Organisation for Cotton Ginning & Marketing (Exports of Cotton fibre)
- General Organisation for Cereals Trade & Processing (Exports & Imports of Wheat; - except for processing for re-export, or sale on the domestic market in times of need with special authorisation)
- General Organisation for Tobacco (Imports & Exports of Tobacco)
- General Organisation for Seeds Multiplication (Imports & Imports of some Seeds)

In this regard, it may be advisable for Syria to study carefully the terms of accession obtained by recently-acceding countries like China and Chinese Taipei, which have many such enterprises.

**Differential tariffs on imports according to use** (e.g., lower tariffs for industrial use, higher for other uses) is a widely used feature of the Syrian tariff schedule which might cause problems in accession. It might be seen by Member countries as a way of providing indirect subsidies to certain selected industries. That said, Jordan had the same and was able to retain them after accession, though in most cases Jordan has reduced the size of the differential in its post-accession schedule.

#### Potential benefits to the Syrian Agri-food sector

While WTO accession will only oblige rather few changes to agricultural policies and institutions, there are several ways in which the sector can be expected to benefit from such a move. These are reviewed below. However, it is not considered necessary to revisit here the many general arguments for Syria to move from a relatively closed economy with a high degree of centralized control to an open trading society fully integrated into the global economy. The premise here is that Syria has already made this decision and been embarked irrevocably on such a path for some time now, and the focus here is put on the more particular ways in which joining the WTO will facilitate the more rapid attainment of those broad objectives.

One way in which the farm sector can benefit from trade liberalization is from **lower prices due to import tariff reductions on farm inputs**. However, it appears that in Syria's case there is very little scope for this as most farm inputs import tariffs are already only 1% or 1.7%. Furthermore, previous bans on imports of various animal feeds, tractors and some agricultural and agrifood plant & machinery items have already recently been removed. In other words, the potential gains here have already been largely obtained.

To the extent that a country shifts its farm sector support from open-ended market price support to other forms, **lower prices for raw farm products can strengthen the competitiveness of the processing sector**. Until recently there was a great potential for this to happen in the case of cotton, which appears to have been one of the main reasons for that policy to be changed in 2001. By lowering the price charged by GOCGM for domestically-produced fibre, the Government has boosted the profitability of the cotton processing sector. As already discussed, several options exist for Syria to continue to provide cotton producer price

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<sup>36</sup> Examples: The Canadian Wheat Board remains the sole legal exporter of western Canadian wheat, and the Canadian Dairy Commission the sole legal importer of within-quota butter (there are no over-quota imports of butter into Canada because the over-quota tariff is prohibitive). Post-accession, Chinese Taipei will retain state trading for sugar, rice, some fruits, tobacco & wine. Similarly, recently-acceded China lists several products in Annex 2A of its Protocol of Accession which remain subject to state trading. Like other acceding countries, China and Chinese Taipei have made some commitments to phase out trading monopoly powers of their STEs.

support, while phasing completely out of MPS (and, by definition, the use of export subsidies). Similarly, to the extent that existing rates of protection for raw and intermediate products are not maintained as non-compliant NTBs are phased out, then the competitiveness of further processors will be enhanced.

In more general terms, accession negotiations provide a leverage **opportunity for increased levels of foreign assistance of a technical and financial nature**. In particular, but not exclusively, other countries to have recently acceded have received both types of assistance to upgrade and modernize their health inspection, quarantine and laboratory testing facilities, - tasks which are widely recognized to be very resource-demanding. The need for certain policy changes provides added justification to ask for assistance with farm sector adjustment and restructuring efforts and infrastructure development.

WTO membership will open up more and **better opportunities for Syria to export agricultural products to Member countries**. However, taking advantage of these opportunities, particularly to the higher priced developed country markets, will require a considerable improvement in quality control, particularly with regard to sanitary and phytosanitary attributes (the same applies to profiting from EU Association). Regardless of the amount of foreign assistance forthcoming, the fact that Syria will be obliged to bring its food control system up to the standards required by foreign importers will lead to benefits for the whole Syrian consumer population. Of course, more effective sanitary and phytosanitary controls are also in the longer term economic interests of Syria's farm sector.

The negotiations will also inevitably lead to **administrative changes designed to facilitate trade**. Syria will be encouraged to streamline and modernize its public administration system related to trade, - for examples, in the directions of removing duplication of responsibilities among multiple institutions, of increased transparency of policies and regulations leading to more reliability and consistency in application, of introducing "one stop shopping" for information about and satisfying Syria's trading requirements, and of harmonizing those rules and procedures as much as possible with international norms.

Such changes will go far to facilitating **increased levels of two-way trade and foreign investment inflows**. WTO membership will give foreign investors and traders much more confidence to deal with Syria, in the belief that Syria will have certain international commitments to keep its policies transparent (and, by extension, more stable) and in line with international rules. With trade and investment come the well known immediate economic benefits. Perhaps less well recognized are the arguably more important longer term benefits deriving from the embodied technological transfer and human skills upgrading which accompany that trade and investment, in turn enhancing Syria's longer-term international competitiveness.

Perhaps one of the most important benefits of WTO membership is the **access it provides to the WTO dispute-settlement mechanism**. At the present time WTO members are under no obligation to apply WTO rules in their dealings with Syria and other non-member countries. They may arbitrarily stop imports from a non-Member, or show little hesitation in "dumping", in a non-Member's market, a surplus of some agricultural product which they may want to offload cheaply. Smaller non-Member countries are at particular risk of this, as they lack the trading size and importance ("clout") to retaliate in kind, particularly as the number of non-Member countries becomes fewer and fewer. WTO membership provides an opportunity for a smaller country to put in place a trade remedy law which is consistent with the WTO Agreements on Safeguards and on Subsidies and Countervail, and to apply that law to counteract subsidized or private sector "dumping" by another Member country, safe in the knowledge that such actions are likely to be backed up by a WTO panel, should they be disputed. Conversely, should another Member country apply WTO-inconsistent barriers to that Member's exports, the Member would have recourse through the WTO dispute-settlement mechanism to seek compensation and a cessation of the practice. There have been many examples, in recent

years, of relatively small Members winning WTO dispute panel judgments against the unfair trading practices of some of the biggest Members.

In the longer term, WTO accession is likely to accelerate economic reforms and trade liberalisation, in turn stimulating investment and accelerating the process of agri-food sector development towards increased international competitiveness.

### 1.7 Broad Choices for Syria in Accession Negotiations Relating to the Agri-food Sector

- **Whether to claim developing country status in order to be entitled to the various “special & differential” provisions in the agriculture-related Agreements.** It is hard to see any downsides to this option. However, it appears that Syria will have to ask for this status to apply in each relevant section of the Agreement on Agriculture to which it would wish to have recourse, one by one. The most important ones are probably Articles “6.2”, “6.4(b)”, and “9.4”. Another is Article “Article 12.2”. Article “15” seems to be regarded as no longer applying in the accession negotiations. Some acceding countries appear to have gained “developing country” status under only one or a subset of the above Articles.
- **Whether to hold out for as high as possible tariff protection,** in general, and for strategic products in particular, or whether to take the opportunity which WTO accession provides to speed up the rate of progress to opening up the agri-food sector to market orientation and trade. This choice will determine how much negotiating energy and capital should be devoted to things like achieving high tariff bindings, the right to use the SSG for certain strategic products, and to minimizing the acceptance of TRQs. It needs to be recalled that Syria is never obliged to apply any tariff as high as the level of binding obtained; in principle it may choose its applied tariff anywhere between zero and the bound level. Some WTO Member countries may be expected to argue that there is no need for a country to bind any tariff at a level higher than an applied rate at a given point in time. Many countries which make such arguments have themselves some applied and bound tariffs at very high levels, and, unlike most developing countries, have other practical alternatives available to protect farmers from the effects of significant world price declines. Such hypocritical rhetoric can and should be resisted by acceding developing countries.
- **Whether to seek any room to use agricultural export subsidies in the early years after accession,** bearing in mind that they will inevitably have to be phased out fairly quickly anyway. This would imply finding a base period where export subsidies can plausibly be calculated to be as high as possible, and getting that base period accepted by Members of the Working Party. The other option would be to accept a zero binding on future use of export subsidies from the outset, which of course would be much easier, and would free up scarce negotiation resources to concentrate on other things. The first option may be chosen for purely strategic reasons: for example, a high initial demand for export subsidy rights may be later withdrawn as a “price” for obtaining a better deal in the market access area.
- **Whether to seek recognition of as high as possible a level of base period trade-distorting support in agriculture,** or whether to take the view that the “de minimis” provision offers more than enough capacity for Syria to use this kind of support in the future. Lebanon has apparently chosen the latter option. Choosing the first option would imply spending considerable time

and resources exploring different possible ways of calculating the AMS for different possible base periods. The downsides of the second option would be the loss of future policy flexibility implied, and also the risk of future changes in the definition of “de minimis”.

- **Whether to** insure against possible future depreciation of the currency by taking **value commitments** (AMS and Export Subsidies) in a **foreign currency** (e.g., Euro, \$US or the SDR currency “basket”). A 1998 Round Table discussion in Syria is reported to have considered this point and recommended the use of the \$US as the currency of commitment. This will only be an issue if the AMS or export subsidy binding is non-zero.

## 1.8 Review of the Status of Syria’s WTO Application and Assessment of Syrian Preparedness for Servicing the Agri-food-related Negotiations

Syria first applied to join the WTO in October, 2001, and then “reaffirmed” its application in February, 2004.<sup>37</sup> In July, 2004, the General Council formally accepted Libya’s application for accession and began the process of establishing a Working Party for that country. The report of that meeting made no mention of Syria. There appears to be a widespread belief, both inside and outside Syria, that the US is blocking Syria’s and Iran’s applications for political reasons. The existence of the US “Syria Accountability Act”, 2003, is not helpful in this respect.

Despite lack of progress in Geneva to date, preparations are not at a standstill in Damascus. The extent of organization and related activity to date is reviewed below under the headings General Organisation, Agriculture, SPS/TBT, and Intellectual Property.

### General Organisation

Principal lead and coordination responsibility for Syria’s WTO accession lies with the Ministry of the Economy and Trade, under the Directorate of International Affairs. A small “WTO Unit” has been established with a staff of 5 professionals at present. A need for this unit to expand later is foreseen. Obviously the State Planning Commission and the Prime Minister’s Office also have a key interest in monitoring and overseeing the overall process, once it begins in earnest.

Technical assistance relating to WTO accession has so far been received from the World Bank and from ESCWA.<sup>38</sup> Considerable experience with regard to international trade negotiations processes, and with regard to international rules and norms, has been obtained by Syrian authorities over the course of their discussions with the EU about the new Association Agreement.

Syria’s WTO negotiating team had not been announced at time of writing, but there seemed to be a common expectation that it would evolve out of the team which undertook the EU Association negotiations.

Four oversight “technical committees” have been defined to help manage the process. These are:

- 1) **“General Preparation Committee”** chaired by the Ministry of Economy and Trade. MAAR will be represented on this committee, probably by the Deputy Minister.
- 2) **“Trade Liberalization Committee”**. This committee will include some non-government representatives, including from the Agricultural Chambers. MAAR is represented by the NAPC Director.

<sup>37</sup> See WTO documents WT/ACC/SYR/1 and WT/ACC/SYR/2

<sup>38</sup> One way in which ESCWA has assisted Syria and other acceding countries in the region has been through the translation into Arabic of all relevant WTO documents.

- 3) “**Competition and TRIPs Committee**”. Several Ministries are represented, but not MAAR at present.
- 4) “**Services Committee**”. No MAAR representation.

Even though Syria’s WTO accession process has not formally begun, work is about to commence on the first major step: preparation of the Memorandum on the Foreign Trade Regime. Work in this area was initiated with a workshop in late June, 2004, organized with the support of ESCWA and the World Bank. Several other meetings and workshops followed with the objective of enhancing the capacity of the Syrian cadre to prepare the FTR Memorandum.

Another initiative currently underway with considerable relevance to WTO accession is a study on the subject of improving the trade system in Syria, financed by the EU.

### Agriculture

No plans have yet been formalized. A Chief Negotiator for Agriculture has yet to be formally named, and institutional responsibility for servicing agricultural aspects of the negotiations to be identified.

Many institutions have policy and/or program responsibilities for different parts of the overall agri-food products area. MAAR is the major one, but the Ministries of Economy & Trade, Finance, Industry, Local Administration & Environment, and Irrigation, together with the State Planning Commission, all have some policy responsibilities relating to the agri-food sector, not to mention the many other parastatal institutions which have policy and program implementation functions, such as the Agricultural Cooperative Bank, the GOCPT, the GOCGM, and the GESM. Some single unit will be needed to consult, undertake analysis and provide coordination across the full range of agricultural products as defined in the WTO, in such activities as preparing: (1) option papers for ministerial decision, (2) background material for the use of the Negotiator(s), (3) notifications in standard WTO format, and (4) responses to information requests from Member countries. The present fragmentation of responsibilities will make this a complicated function to fulfill.

There exists no trade-analytical expertise in MAAR outside the NAPC. Some NAPC staff are being trained in order to be able to provide support for the preparations and analytical support on agriculture-related matters for the accession negotiations. Much of the previous training and assistance provided to NAPC under Phases 1 and 2 of this same FAO project has focused on trade-related issues.

A huge scope exists already for preparatory work in agriculture which, if largely completed before the negotiations get underway in earnest, would greatly strengthen the hand of the negotiator, and facilitate the choice of negotiating positions. A modest start with this has been made in the NAPC. However, the new Trade Division of that Centre also has a full agenda of other work identified. Clearly, not much more can happen until responsibilities for the accession-related work are formally established and the necessary resources put in place. Responsibilities for conducting and supporting the negotiations on agricultural policies and products urgently need to be formalized.

MAAR is currently represented on two of the four committees established for the preparations for the WTO accession discussions/negotiations, namely the General Preparations Committee and the Trade Liberalisation Committee. Work on assembling the necessary information and drafting the agriculture-related text of the FTR Memorandum has not yet begun. Given the amount of work which will be required, the earlier it can be started the better. Responsibility for this is one of the first things which needs to be clarified.

### SPS/TBT

There is a clear separation of responsibilities relating to, respectively, plant health, animal health and food health issues in Syria. The first two come in turn under the Plant Protection

and the Animal Health Departments of MAAR. Responsibilities in the food health area are somewhat fragmented<sup>39</sup>

The Plant Protection Department employs some 130 plant quarantine officers which service 27 border entry points. The main reference legislation is the “Agricultural Sanitary Quarantine Law” of 1960. The Central Laboratory of the Agricultural Research Commission in Aleppo provides several testing and diagnostic services. In addition there is a Pesticides Residues Laboratory in Duma, and other smaller facilities. Syria joined the IPPC in 2003.

The Animal Health Department employs about 1500 veterinarians, which staff more than 1000 centres, units and mobile units throughout the country as well as the border crossings. The situation regarding physical facilities appears to be quite good. Three new laboratories have recently been established. It was indicated that the greatest need for assistance is in personnel training – particularly in laboratory techniques – with an urgent need in the epidemiological area.

Animal Health laws and regulations are currently under revision. The basic legislation has been the “Animal Health Law” of 1979. At least 5 new “decisions” introducing new regulations have been issued by MAAR in the 2001-03 period. As much as possible, OIE standards are being adopted. New legislation is being based on the OIE’s template “Terrestrial Animal Health Code”.

According to the Director of the Syrian Arabic Standardisation & Metrology Organisation (SASMO), Syria follows ISO and OIML international standards, and has established a National Codex Committee. It was indicated that Syria is in the process of bringing its 550 food product regulations into conformity with Codex Alimentarius. That Organisation does not anticipate problems with WTO accession.

In contrast, a report produced in the Ministry of Economy & Trade<sup>40</sup> drew attention to a multiplicity of legislation and ministries with responsibilities in the food regulation area at present. This report gives the impression that a considerable rationalization will be needed as part of the WTO accession process, and suggests the possible desirability of a single new comprehensive “Food Law” and the consolidation of responsibilities under a single new food and drug agency, such as Jordan has established.

There have been several recent technical assistance projects in the SPS/TBT-related areas. Some are ongoing. The contributions of these to preparing Syria for the changes and improvements which would be needed in this area as part of WTO accession vary. The following is a checklist of such projects:

- 1) FAO regional project on Integrated Pest Management, based in Damascus; 18 month duration beginning mid-2004.
- 2) FAO Plant Quarantine project; consultant Mr. Jeffrey Johns from the Caribbean; 2004.
- 3) FAO project to review Syria’s food, animal and plant health legislation; Mr. J-P Bosquet from the Legal Division in Rome.
- 4) FAO project on pesticide residues; Dr. Solh; 2004.
- 5) FAO/TCP project on improving Foot & Mouth Disease and Brucellosis control
- 6) FAO project to assist SASMO in setting up a Codex information network; staff training; focal points at Governorate level.

<sup>39</sup> See Dagher (1996) and Baroudi (2003).

<sup>40</sup> Baroudi (2003).

- 7) FAO project to assist Syria to harmonize food standards with those of Codex Alimentarius; 2003-05; Dr. Baroudi et al.
- 8) FAO project to assist in strengthening National Codex Committee; Dr. Shahi Sareen (India)

On the whole there appears to have been considerable interaction already with the various specialist international standards-setting organizations, a high level of awareness of the principles and requirements of the SPS and TBT Agreements, and a good appreciation of what changes Syria was likely to have to make in these areas as part of WTO accession. Particular existing Syrian regulations would have to be changed to become WTO-compliant.

The main problem, from the point of view of WTO accession, appears to be the relative lack of generalists with a balanced overview of the whole SPS/TBT (or even SPS) area. The considerable multiplicity of responsibilities in this area has generated a large number of people with specialized knowledge in a particular area. This creates a problem in the context of servicing the accession negotiations, and future WTO meetings dealing with SPS, as generalists who can knowledgeably address all areas are needed.

There is therefore a need to name SPS and TBT spokespersons/negotiators as quickly as possible. It is probable that at least the former will have to spend some time getting up to speed in the areas where he/she is not a specialist. Additionally, the SPS negotiator will need back-up secretarial support which also has broad expertise (animal, plant and food health). This suggests that such a unit should be set up as soon as possible, drawing staff from the various specialty areas and encouraging each of them to become knowledgeable in the other areas as well.

A WTO requirement after accession will be a single national SPS notification and enquiry point. The SPS "accession support unit" (perhaps 3-4 people) should be designed with a view to its evolving into the notification/enquiry point, as well as continuing to service WTO SPS Committee meetings and possible further negotiations, in the future, after accession.

### Intellectual Property

There is currently no legislation in Syria dealing with either Plant Varietal Protection (PVP) or Geographical Indications (GI), but there is recognition (Ministry of Economy & Trade, MAAR, Ministry of Culture) that such will be needed for WTO accession. Existing laws relevant to the TRIPS Agreement date back to 1946, and are currently in the process of complete revision. Some help is being received from WIPO. A new law on PVP, based on the internationally approved "UPOV" model, is currently being drafted in MAAR under the guidance of an inter-ministerial committee which also includes some non-government representatives.

Perhaps understandably, given the present focus of the TRIPS Agreement on alcoholic beverages, there appears to be little activity or interest in the GI area at present in Syria. Ongoing Doha Round negotiations may result in current TRIPS provisions for alcoholic beverages being extended to other agricultural products. Such extended GI protection may be of interest to Syria in the future for products such as olive oil.

There is considerable interest (Ministry of Culture, MAAR) in the area of the preservation of traditional knowledge and genetic resources. To a large extent, this is an agricultural concern. There is an ongoing project (1999-2005) in the biological diversity area funded by UNDP promoting the conservation and sustainable use of plant varieties in Syria. Depending on how ongoing multilateral negotiations in the TRIPS area unfold, this could become another issue for Syrian accession negotiations before they are completed. It was reported that Syria has signed the "International Treaty for Plant Genetic Resources" developed under the aegis of FAO, the "Convention on Biological Diversity", and the "Cartagena Protocol".

As with SPS/TBT, Syrian government officials with responsibilities impinging on the TRIPS Agreement appear to have a good knowledge and understanding of its contents and also experience in interacting with specialist international bodies in this field.

Addressing the needs for plant varietal protection legislation (PVP) appears to be well underway.

Some help may be needed, however, in dealing with WTO obligations in the GI area. It might be expected that Syria will choose to take a minimalist approach here, and the best beginning may be to review how other regional countries have satisfied this requirement.

## **1.9 Proposed Strategy for Syria in Accession Negotiations Relating to the Agri-food Sector**

### *1.9.1 Process-Related Strategy*

#### **Work which will be needed and should be planned<sup>41</sup>**

The first major task which will require input from agricultural policy experts in the Ministry of Agriculture and Agrarian Reform (MAAR) is the **preparation of the Memorandum on Syria's Foreign Trade Regime (FTR)**, in the standardized format prescribed by the WTO. This is expected to be a very detailed, and inevitably large document. Doing a thorough job on this at the outset is likely to greatly facilitate subsequent progress of the accession and minimize the need for additional supplementary informational documents to be prepared at later stages.

The choice of a base year will have implications for base levels of “tariff equivalents”, “export subsidies” and “AMS” levels. Therefore, an **early identification of base year options, followed by exploratory calculations of these numbers for each of these options**, will be needed to facilitate this particular strategic choice. Once the choice is made, these calculations will need to be further refined, based on the exploration of further methodological options, for that particular set of base years. This work needs to be completed prior to Syria **formally submitting the details of its base period support**, which is required for accession purposes, in the format laid out in WTO document **WT/ACC/4**. It would be strongly advisable to automate the AMS calculations as much as possible, as they will be required to be repeated in all future years as a basis for Syria's annual notifications of support levels, after it becomes a Member.<sup>42</sup>

MAAR should also be involved in the **preparation of Syria's comprehensive initial offer on market access**. This will involve working through the entire tariff schedule, line by line, looking at existing applied tariffs and deciding on the levels Syria would like to propose as upper bindings on these tariffs. As mentioned previously, it should also involve consideration, tariff line by tariff line, of what Syria's “fall-back” (or “bottom line” or “red line”) position would be. This may well involve consultation with stakeholders such as commodity group representatives. It will also involve refining the calculations of “tariff equivalents” for (at least the more sensitive) products where NTBs are to be given up.

As the negotiations progress, there will be a need for policy analysts to examine **requests** from Members for changes in Syria's initial offer of commitments, in order to **judge their likely implications for the sector and to provide advice about possible options or**

<sup>41</sup> The scope of this section has been confined to work directly associated with the accession process. It may be argued that WTO membership more generally, and in the longer term, may require other initiatives, such as improving the collection and publication of various market price statistics, as the Government phases more and more out of controlling prices. Questions about the source, quality and reliability of data used in various calculations may well arise in the course of the accession Working Party discussions. Price data are often more scarce and suspect than quantity data, particularly in formerly centrally-planned economies. There is a strong concern about transparency in the WTO.

<sup>42</sup> Various spreadsheet (e.g. in EXCEL) templates have already been developed for this. One of these has been provided by the author to NAPC staff who are currently customizing it for use by Syria.

**counter-proposals.** MAAR should be involved in this insofar as the requests pertain to agri-food products.

For the cases of wheat and cotton (and perhaps others), another major agricultural policy analytical task will be to **identify and analyse the options** where changes in the trade regime will indirectly force **changes to the nature of** the corresponding **domestic supports**. Ideally this would parallel or even precede the decision to change the border measure, in order to provide reassurance that feasible and acceptable options do exist to meet the main policy objectives in each case. NAPC could be requested to take the lead on this task.

At a relatively early stage in the accession process, **further information** will also be required on Syria's regimes relating to the areas of **SPS/TBT and TRIPS**. Guidelines for the preparation of these submissions are provided in WTO documents **WT/ACC/8 and WT/ACC/9**, respectively. There will be areas of these submissions where at least some MAAR involvement will be required.

Again, as far as the SPS/TBT and TRIPS areas are concerned, the major initial task is to **review all the existing Syrian laws and regulations** pertaining to these subject areas with a view to **identifying any revisions or new legislation necessary** to bring them into full conformity with these three Agreements. The lead on that should probably be taken by people with trade-legal expertise, but MAAR input should occur once they have reached their preliminary conclusions and before decisions are taken about just how to rectify the deficiencies.

### **Administrative and Organisational Arrangements**

The foregoing provided a synopsis of the main agri-food-related work requirements of WTO accession. Consideration of these in the light of existing institutional structures and responsibilities suggests that some administrative arrangements will be needed to be put in place in order to cope adequately with the tasks involved.

**"Agricultural products"**, as defined for WTO purposes and covered by the Agreement on Agriculture, include not only raw farm products but also a broad range of moderately to highly processed and transformed farm products, some of which, like chocolate and confectionary, and certain types of alcoholic beverages, have a market value most of which has been added post-farm. Correspondingly, the range of policies which countries put in place to support and protect these products, and which therefore become subject to certain WTO disciplines, typically extends way beyond the mandates of ministries of agriculture. This in turn means that, for virtually all countries, negotiating and implementing commitments on "agriculture" is a task which must involve several government institutions working collaboratively and cooperatively. Syria is obviously no exception to this, as the number of ministries and parastatal organisations currently with a mandate concerning some aspect of the production and/or trade of one or more "agricultural product" is probably greater than in most countries. In fact, for trade purposes, even some primary agricultural products are controlled by MET (import licensing for wheat, barley, flour, lentils, chickpeas), and some agricultural parastatal enterprises come administratively under ministries other than MAAR. But the country's agricultural negotiator must deal with all agricultural products. This means that considerable cross-ministerial consultation must take place in preparing the country's agricultural negotiating position and in determining appropriate responses to other countries' requests and other developments. An appropriate mechanism must be put in place to facilitate this interaction, in addition to the oversight committees which have already been created. A formal **inter-ministerial committee on agricultural negotiations** would appear to be essential. This may or may not be combined with a **broader advisory committee on agricultural negotiations** which includes representation by non-government stakeholders. Another implication is that the **unit charged with providing analytical and secretariat back-up to the agricultural**

**negotiations** must have the mandate and the expertise to undertake analysis across the full range of agricultural products.

Much the same situation exists regarding the **SPS Agreement**. As in most countries, the implications of this agreement cut across the mandates of several existing ministries and institutions (MAAR, MET, Health, SASMO, MLAE, etc). While the scope and need for negotiation will be less in this area than in agriculture, there will still be a need for Syria's SPS spokesperson at the WP meetings in Geneva to be able to communicate effectively with all SPS players in Damascus, and for them to collectively resolve Syria's positions on issues as they arise. This implies the need for an **interministerial SPS committee**. It may be possible for a single such committee to have responsibilities for both SPS and TBT issues. Again, too, there will be the need for a **small SPS secretariat** to be established with competence across all SPS areas, - not only for the duration of the accession process, but on a permanent on-going basis to service the needs of Syria's WTO SPS obligations as a Member.

The **Agriculture and SPS "WTO Accession Support Units"** should both be located in MAAR, and conceivably could be combined. The ideal location for the Agriculture Support Unit would be at NACP, given the accumulated trade expertise of that organization and that its new organizational structure includes a dedicated "Trade Division" whose initial principal responsibility could be servicing the WTO accession process. Consideration could be given to the possibility of also locating the SPS Support Unit at NACP, but this would imply the need for additional resources with different skills and knowledge than exist among the present staff. This Unit should be located outside and apart from the existing Plant Quarantine and Animal Health Departments, albeit that it will need to interact closely with both, and several others.

Finally, an early identification of the people who will represent Syria in the Geneva talks is highly desirable. It must not be a different person each time: continuity in representation is very important for Syria's success in this process. In the case of Agriculture, at least, two people should be named; a **Chief Negotiator and a Deputy Chief Negotiator**. The latter would fill in for the former on any occasions when he was not available. It is crucial to avoid depending too much on one individual person, because of the potential disruption to the whole process if such a person were to be taken out of play by accident or ill-health, or something else. All three or more people named in the Agriculture and SPS areas as Syria's negotiators and spokespersons should be relatively senior and experienced individuals; - tough people unlikely to be overawed by experienced and shrewd negotiators from Member countries on the other side of the table. Starting immediately, these individuals should be sent to Geneva as observers to all scheduled meetings of the Committee on Agriculture, the Committee on Agriculture in Special (Negotiating) Sessions, and the Committee on SPS Measures, as appropriate, to allow them to become as familiar as possible with "how the game is played". They should also be sent to the next available WTO training session in Geneva.<sup>43</sup>

### *1.9.2 Policy-Related Strategy*

#### General observations

As indicated in the Introduction, the **starting premise** of the approach in this report is that Syria will wish to join the WTO with as little disruption as possible to its existing agri-food policy mix. That is, it is assumed that the existing mix reflects a balance of interests and political considerations which the Government of Syria will wish to maintain, even though it clearly results in much higher levels of support and protection for some farm commodity and processing sub-sectors than for others. Thus the goal here has been to identify the policies which would have to be changed in order to comply with WTO rules, and then seek alternative,

<sup>43</sup> WTO also has a program of accession-specific technical assistance activities. Recent summaries can be found in WTO documents WT/COMTD/W/104/Add.1/Rev.4, WT/COMTD/W/127, WT/COMTD/W/132 and WT/COMTD/W/134, - all available from the WTO website [www.wto.org](http://www.wto.org).

WTO-compatible ways in which Syria could provide equivalent levels of protection and support, at least in the short term and with as little change as possible to the existing policies, programs and institutions. Such a premise is consistent with maintaining a pace of gradual change towards a more open economy, which appears to have been the stated and applied broad direction of Syrian policy for approximately the last two decades.

Reference has already been made to the implications of the **WTO definition of “agricultural products”** for the national office in any country charged with analysis in support of agricultural trade negotiations. That agency must have a mandate and a capability to undertake analyses across the full range of such “agricultural products”. Even if the unit is administratively attached to a Ministry of Agriculture, it must not be prevented from analyzing trade-related issues ‘across the board’ in agri-food processing. At the present time, because of their MAAR backgrounds, it may be difficult for NAPC staff to work on analysis covering the agri-food processing sector, where coordination among different authorities is required. It will be up to senior officials to overcome this situation via steps such as clarifying mandates, further training, developing working relationships with other ministries and institutions as appropriate, and perhaps broadening the recruitment base.

An important, perhaps overriding, concern of Syrian agricultural policy-makers is the limited availability of **water** for irrigation, and the farm sector’s dependence on it. Water considerations tend to underlie most elements of Syrian farm and farm product support policies. It is one of the main reasons given for Syria to be persisting with an annual planning exercise involving some Government involvement in determining planted and irrigated areas of certain major crops. Similarly, any policy change which may have implications for the mix of crops grown by farmers, or for the substitution of some crops by others, needs to be scrutinized very closely from the point of view of what that might mean for water demand and usage. Clearly, there is some scope for water to be used more efficiently by farmers, and efforts to achieve this will continue. At the same time there will need to be great caution about possible expansion of crops which are water-intensive, whereas some shift out of such crops (with the substitution of crops requiring less water) can be expected to be viewed more favorably. A related point is that there appears to be a great reluctance for Syria to move to a market-determined equilibrium of demand and supply for water. There has been a tradition of farmers being given access to water at low or zero cost, and the option of raising the price of water to farmers is seen as having very serious socio-political repercussions. There appears to be a strong preference on the part of the Syrian authorities to achieve the necessary rationing of water use by other, non-price means.

As discussed in the Section 3.6, Syria is likely to have to adjust its support regimes for both **wheat and cotton** following accession, because of anticipated requirements for moderate reductions in “amber” domestic support levels and, perhaps more importantly, to totally eliminate the use of agricultural export subsidies in the future. In some recent past years, Syria has provided indirect export subsidies to wheat and cotton. The basic options available to a country to continue to provide product specific support to an exported product, if export subsidies are to be eliminated, have been summarized in Table 3.2., and those most suitable to be considered for Syrian wheat and cotton already identified, namely:

- 1) To move completely away from market price support, so that consumers face export-parity prices on the domestic market, and farmers’ price support is achieved fully by **deficiency payments** financed by the Government. . This would imply farmers receiving world market parity prices for all their raw product deliveries plus a supplementary payment financed by the Government.<sup>44</sup>

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<sup>44</sup> As envisaged here, such a payment would be related to current production (“coupled”) and/or prices, and therefore, just like the price support policy it was replacing, it would have to be counted as part of Syria’s overall AMS, which would be subject to gradual reductions over time to the extent that it still remained above the developing

- 2) To introduce a “**two-price**” **scheme**, whereby only production within a quota (in aggregate not more than domestic needs) receives the higher support price; production beyond this level would receive only a world market parity price or less.<sup>45</sup>
- 3) To **limit supply** to no more than domestic needs so as to avoid generating export surpluses. A buffer stocks scheme would be a useful complement here, as a means to managing year-to-year fluctuations in yields.

These options are now examined more closely for wheat and cotton in turn. It is worth recalling some essential details of the present support regimes for both commodities at this point. Through the annual planning exercise, individual farmers are allocated area planting licenses for cotton, irrigated wheat, and dryland wheat. Farmers deliver their crop to a single purchasing agency (GOCPT, for wheat, and GOCGM, for cotton). These purchasing organizations provide farmers with delivery receipts which are redeemable at the Agricultural Cooperatives Bank (ACB). In making payment, the ACB first deducts the amount owing by the farmer on in-kind advances of fertilizer and other inputs, and on any cash loans. The ACB is reimbursed (either directly, or through the GOCPT and the GOCGM) by the Government for the amount by which the payment to the farmer exceeds the amount by which GOCPT or GOCGM can on-sell the raw or processed product without loss, at controlled wholesale prices, and is reimbursed directly by GOCPT/GOCGM for the remainder.

#### Wheat (and wheat products)

It appears that the **first option (deficiency payments)** above may already exist in Syria for wheat. That is, the price charged by the milling arm of GOCPT to domestic users of flour is no higher, basis the mill gate, than it could sell that flour for at export. If that is the case then Syria could legitimately claim that it provides no export subsidies (as defined in Article 9 of the AoA), and that all Government payments are, effectively, deficiency payments. Such an argument would be strengthened if it could also be demonstrated that the net cost to the GOCPT for wheat is also no higher than the price (basis silo) that that same wheat could be sold to export. If the domestic market prices for wheat and flour were still higher than export price parity levels, then the GoS could achieve this option by lowering these controlled prices until they were at or below export parity level. Future domestic support reduction commitments would be achieved by reductions in support price levels, under this option.

This option would allow wheat exports to continue in the future. It may be the sensible choice if considerable future growth in Syrian wheat production was foreseen. It would also imply Syrian market prices for wheat and flour tending to be on a lower “export basis” most of the time, - good for consumers, but potentially more costly for the Government.

Under a deficiency payments scheme, effective prices to farmers can be kept stable; farmers can be protected from the effects of changes in world market prices. The corollary of this, however, is that fiscal costs to the Government are less stable and predictable, over time. The present scheme could be easily adapted to one of supplementing domestic price levels for farmers by a fixed per-unit amount. Syria could consider switching to this option at some point in the future if it was willing to expose its wheat producers to more market risk, while bringing its own fiscal exposure under more control.

There are several potential disadvantages associated with this first option, however. Firstly, world market price levels fluctuate, which means that the domestic “export parity” price is also unstable; but the GoS is interested in maintaining some domestic market price stability – particularly for wheat flour. Aside from world price instability, there is also the prospect that wheat production in Syria may fluctuate just around the level of domestic needs, and so

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country de minimis level. In other words, such a policy would be “amber”, which is not the same as being WTO-incompatible. Alternatively, direct payments to farmers can be made “green” by making them unrelated to production or price. This could be a “fall back” option, in the unlikely event that Syria came under AMS limits pressure in some future year(s).

<sup>45</sup> The present Canadian milk pricing policy, which has survived a number of WTO challenges, is essentially this type of scheme.

conceivably move back and forth between a net export and a net import position from one year to the next; this would add further instability to the domestic “parity price”. When the true parity price is so unstable and difficult to determine, may be also difficult for the GoS to demonstrate that, when exports occur, they are not “subsidized”. From the point of view of domestic price stability, it is better to be in a clear net export **or** a clear net import position.

Another drawback of the first option may be some difficulty in persuading Member countries, in accession negotiations, that Syria has really moved away fully from providing any market price support or export subsidies in its wheat support regime, and that a pure “deficiency payments” scheme is, in fact, being implemented. Annex 3. provides some further discussion of “market price support, export subsidies and deficiency payments” which may be helpful top Syrian authorities in this regard if this first option was to be chosen.

If Syria decides to pursue the **second option (two price scheme)** for cotton (as appears to be the present declared intent) then it may make sense to introduce it also for wheat, in order to maintain some consistency between these two regimes. Care would need to be taken to ensure that the price paid to farmers for above-quota wheat (to be exported) was in fact low enough to ensure that no losses were incurred on subsequent export, and also to ensure that the amount of wheat entitled to the higher price was no higher than domestic consumption, net of imports. Domestic support reduction commitments under this option could be achieved by either reducing the support price, or by reducing the quantity of production entitled to receive it, or by a combination of these two.

Under a two-price scheme for wheat, the over-quota price at world market level may generate very little over-quota production. Thus it may result in little or no exports in the future, even though not explicitly preventing them. An advantage over deficiency payments is that limiting the production entitled to the high support payment also limits the fiscal exposure somewhat. Another advantage of this option would be that it would not be necessary for Syria to demonstrate that its domestic wheat or flour prices were at or below export parity levels (i.e. that MPS had been eliminated) as long as it could demonstrate that any wheat or flour exports which did occur derived from wheat for which farmers had been paid export parity prices.

The **third option, of managing supply to avoid exports**, is feasible for wheat because the export surplus as a percentage of total wheat production appears to be generally small; with some years (e.g., 2000) in which there have been no exports. This option could thus involve rather minor changes to current production patterns for wheat. In this regard it may make even more sense if the long term trend prospects were for Syrian wheat consumption to grow faster than wheat production, implying that Syria will anyway be on a net import basis in the future, and in turn implying that the supply controls necessary in the near future could be expected to be only a temporary measure. On the other hand, future rises in domestic needs (with population and income growth) might be more or less offset by gradual yield increases over time (due to technological improvements) with a result that planted wheat acreage might be expected to stay relatively stable over time.

It would appear that the current annual plan mechanism could be adapted to implement this option. Clearly, controls would have to be tighter than they are now, and there would be some farmer resistance. Issuing farmers with exchangeable (marketable) production quotas might be considered as a way to redistribute benefits away from the landowners to the farm operators (where these are different). As the plan makes provision for both irrigated and non-irrigated wheat; consideration could be given to imposing most or all of the required reduction on irrigated wheat. As with the previous option, domestic support reduction commitments could be achieved by either reducing the support price, or by reducing the quantity of production permitted, or by a combination of these two.

Under this scenario exports would be avoided altogether. As wheat is a storable commodity, a complementary strategic reserve (buffer stock) could be maintained which could be built up in higher yield years and depleted in years of poorer crops.

In the future, as trade becomes more and more free, it can be expected that there will be a growing demand for imports of specialty wheats of types which are not grown in Syria. An advantage of keeping the wheat sector on an import basis (by keeping production just below domestic needs) is that domestic market prices (for both wheat and flour) would tend to be at a higher “import parity” level, rather than a lower “export parity” level. Generally higher domestic market prices would mean that the fiscal cost to the Government of the wheat support purchases would be significantly lower, although they would not be favored by consumers. Domestic market prices could also be expected to be more stable here than under the previous two options.

There may be pressure, as part of WTO accession, for the flour milling industry to be further liberalized. This may mean that the support purchasing agent, GOCPT, may in time be obliged to sell more and more domestic wheat to private millers at world-market-equivalent prices, rather than retaining ownership until the flour sales stage, as at present. It might be expected that, as the current bans on wheat and flour imports are relaxed as part of WTO accession, Syria will seek to raise applied tariffs on imports of these products from currently relatively low levels (see also discussion below). Assuming this can be negotiated, a commitment for Syria to gradually reduce its tariff bindings on wheat and on flour (along with those on other products) can be anticipated. In this situation, and under this option domestic prices for these products could be expected to gradually fall and fiscal costs of farm price support for wheat to become gradually higher.

**In conclusion**, the only compelling reason for adopting the two-price option, in the case of wheat, may be if that option is chosen for cotton, for the sake of consistency between the two regimes. The deficiency payment option has the advantage that it essentially exists now, but its maintenance would imply keeping Syria potentially swinging from year to year between a net export and a net import position for the foreseeable future, which could have adverse implications for the stability of domestic market wheat and wheat flour consumer prices. This latter point will depend somewhat on the degree to which Syria comes under pressure to further liberalize private sector imports of wheat and flour, and on the negotiated levels of tariff bindings for these products. For the sake of more market price stability and lower fiscal exposure in the future, the **supply control** option is proposed here for **wheat**.

#### Cotton (and cotton products)

The situation with cotton is somewhat different from that of wheat. Cotton fibre is by far Syria’s most important agricultural export. Furthermore, it seems probable that the majority of the Syrian crop ends up at export, if cotton at all stages of processing is counted. So the **third option**, which implies reducing the size of the crop to match Syria’s domestic needs, would not be realistic for cotton. That leaves a **two-price scheme** and a **deficiency payments** scheme for consideration here.

Until recently, cotton also differed from wheat in that much of the economic cost of the price support for Syrian cotton producers was not borne by the Government (ultimately the Syrian taxpayer) but rather by the Syrian consumers of cotton fibre – essentially the further-processing sectors. In effect, Syrian yarn, fabric and apparel producers were being taxed by the price support for farmers. And yet this sector, too, is collectively a major export earner for Syria. The cotton further-processing sectors were being effectively taxed at the same time that other agri-processing sectors were heavily protected. WTO accession aside, there appeared to be a strong

case for changing the policy, for the sake of boosting the international competitiveness of the Syrian cotton further-processing sectors<sup>46</sup>.

Approximately two years ago the cotton price support regime was modified, and the price charged by the GOCGM to domestic further-processors for cotton fibre was lowered to a world market parity level. Furthermore, it was announced that a **two-price scheme** for raw cotton was to be introduced. However, it is understood that such a scheme has not yet been implemented. Providing that, in fact, the domestic processors do pay export parity or lower prices for their cotton fibre, it appears that the current cotton support regime is, in effect, fully a **deficiency payment** scheme.

The advantages and disadvantages of these two alternatives for cotton in many ways parallel those already discussed for the case of wheat. For either option, a case will have to be made and any and all remaining government fiscal support for the GOCGM can be expected to come under close scrutiny as a potentially disguised form of export subsidy. The main difference between the two is that a **two-price scheme** for cotton, in order to satisfy the requirement for no export subsidies, would mean that only somewhat less than one half of farm production could qualify for the higher support price. This would probably be strongly opposed by farmers (unless the “within quota” support price was raised substantially) and difficult to administer. It would almost certainly cause a significant fall in farm production of cotton, and therefore imply a much more serious departure from existing production patterns. Its advantage would be that Syria would not be obliged to demonstrate that MPS for cotton had been eliminated (i.e., that consumers of cotton fibre paid no more than export parity prices); it would suffice to demonstrate that all exports were derived from the lower-priced raw product. Another advantage would be that the fiscal costs of support could be considerably lower than they are at present (unless compensatory “within-quota” support price rises were made).

**In conclusion**, the **deficiency payments** option would appear to be much closer to the cotton support regime as it now operates in Syria, and would result in far less disruption to existing production patterns than would the introduction of a two-price scheme which met WTO requirements for no export subsidies. It would ensure that the cotton (and cottonseed) processing sectors would not be penalized in future, and could source their inputs at world market export parity prices. Gradual reductions of the farm support price level in the future would be necessary to meet “amber” domestic support reduction requirements.<sup>47</sup> As in the case of wheat, a choice of the deficiency payments option would probably imply the need for a case to be made, objectively demonstrating with transparent calculations that domestic market prices, - particularly for cotton fibre, in this case, - are at or below export parity levels (i.e., that MPS has been fully eliminated). Annex 3 to this report may be helpful in preparing this case.

### Other farm products

Outside the four strategic crops with relatively high levels of price support (wheat, cotton, sugar beet and tobacco), there appear to be no farm products which will be affected by WTO requirements in the domestic support and export subsidy areas. In fact, there are some which enjoy very little support at all of types which will be affected by WTO accession. This situation is probably appropriate for the many product areas, - such as in the fruits, vegetables, nuts and field crops areas where Syria is seen as having potential export potential to be developed in the future, as tariff protection is generally ineffective for exported products, and amber support can inhibit the development of international competitiveness.

Some non-strategic farm products, - many of them importables, - are affected, however, by support provided through **border measures** which will in turn be affected by WTO accession. These measures include **tariffs**, - which will be subject to gradual reductions in the future, - and

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<sup>46</sup> See also Westlake (p. 151) in FAO (2003).

<sup>47</sup> Unless it was decided to achieve all the required reduction through cutting wheat support prices (perhaps also with minor contributions from cuts to tobacco and/or sugar beet prices).

**bans and non-automatic licences**, - which will have to be eliminated. As border protection is reduced for such products in the future, it will be difficult to provide compensatory product-specific support of other kinds, since such support is normally “amber”, and would therefore be limited to the de minimis level of 10% of the value of production.<sup>48</sup> So to preserve the possibility of support continuing in these product areas, an effort should be made to negotiate tariff binding levels as high as possible. Some farm products whose MFN tariffs are high may no longer enjoy much price protection because the effective competition comes from imports from AFTA countries which face lower or zero tariffs. Similarly, preliminary investigations of differences between domestic and comparable external prices suggest that only some of the products subject to import bans are receiving significant effective price protection.<sup>49</sup> Nevertheless, there are some farm products which appear to be at definite risk of reduced support due to anticipated WTO-related adjustments to existing border protection measures, because their current levels of price protection are considerably higher than currently applying MFN tariff levels. These include several of the nuts (almond, walnut, pistachio), dairy products and honey.

Once the list of products vulnerable to import ban/license removal has been more thoroughly identified, it would be a good idea for Syria to raise the applied tariffs immediately, without waiting until the time when the bans have to be removed. This would strengthen Syria's hand in later achieving the desired higher tariff bindings on these products. Member countries will tend to be suspicious of recently-raised tariffs, so it would be a good idea for desired adjustments to be made before Syria's base tariff schedule is notified to the WTO as an appendix to its FTR Memorandum.

It would also be good strategy for Syria's negotiators to be well-briefed on specific examples from other recently acceding countries where tariff bindings higher than recently-applied levels have been agreed as part of phasing out WTO-inconsistent NTBs. Other potential precedents may also exist. For example, in response to the findings of a recent WTO dispute Panel, the EU is proposing to phase out its existing quota system for banana imports, and replace it with tariff-only protection. Its initial proposal, which appears unacceptable to Latin American banana exporting countries like Costa Rica, is to raise its MFN tariff from something like 60 Euros/tonne to 230 Euros/tonne (bananas from ACP countries would be able to enter tariff-free, without quota). What seems to be clear is that a raising of the EU's present tariff binding for bananas is going to be negotiated (together with a margin of preference for ACP countries). It may pay Syrian authorities to remain well-informed about the progress of this particular WTO issue, even though it is not accession-related.

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<sup>48</sup> This is not strictly correct, as there would be nothing in the rules to prevent Syria providing new amber support in future to products which did not benefit from it in the base period. To do so, however, would mean that commensurate additional reductions would have to be made in the combined total of amber support for wheat, cotton, tobacco and sugar beet.

<sup>49</sup> Hosni, Waficca, pers.comm.



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## Chapter 2 – Recommendations

### 2.1 Accession Process Management

**R.1** Establish an Inter-ministerial Committee for Agricultural Trade Negotiations, chaired at a high level by MAAR, and including representation by other affected ministries (additional to existing oversight committees).

**R.2** Establish a Sectoral Advisory Committee for Agricultural Trade Negotiations, chaired at a high level by MAAR, and including representation by other affected ministries and key agricultural sector stakeholders (additional to existing oversight committees).

**R.3** Quick appointments of the chief negotiator and a deputy negotiator for Agriculture, as well as Syria's international spokesman on SPS and its representative to periodic WTO SPS Committee meetings.

**R.4** Syria's Negotiator and Deputy-Negotiator for Agriculture to begin immediately attending as observers all relevant WTO meetings in GVA (Committee for Agriculture in regular and in "Special Session" (negotiating) meetings. Similarly, the SPS negotiator/spokesman should begin to regularly attend meetings of the WTO SPS Committee. Technical support staff should be given opportunities, on a rotating basis in turn, to accompany them to these meetings.

**R.5** All negotiators (initially) and technical support staff (later) to be given the opportunity to attend WTO Secretariat training courses at the nearest possible opportunities.

**R.6** Establish a dedicated Agricultural Trade Policy & Agreements servicing unit, which could be within NAPC, to deal with agricultural trade matters. Because of the specialized nature of this work, and the fact that a whole new vocabulary of concepts will have to be learnt, it will be very important to maximise staff continuity in this area. While the accession process is ongoing, it can be expected to provide full-time work for at least 4 staff, who should be freed of other responsibilities. All staff of this unit should have a major foreign language capability (English or French).

**R.7** Establish a similar unit to service (initially) the accession negotiations relating to the SPS Agreement, and the SPS Committees meetings. This could also be attached to NAPC, but anyway will need to establish close contacts with the Plant Health and Animal Health Departments of MAAR, together with all other Ministries and institutions with responsibilities in the food safety area. Staff could be initially drawn from the specialist divisions and departments in various ministries dealing with (aspects of) animal health, plant health, or food safety, but must be prepared to become generalists, knowledgeable about all SPS matters (and, preferably, also TBT matters). All staff of this unit should have a major foreign language capability (English or French). This unit should continue in existence and take on SPS Notification Authority and Enquiry Point responsibilities after accession.

## **2.2 Accession Negotiating Strategy on Agricultural Issues**

**R.8** Formally seek “developing country” status with respect to each of: Article 6.2, Article 6.4(b), Article 9.4 and Article 12.2 of the Agreement on Agriculture.

**R.9** Consider carefully and decide early whether Syria wishes to take its domestic support commitments denominated in Syrian pounds or in an alternative currency. If the latter, the use of SDRs may offer less currency risk than either \$US or Euros.

**R.10** With a view to maximizing the notified level of “base period” support in agriculture (as a means, in turn, to maximizing domestic support policy flexibility for the future), thoroughly investigate all feasible options for calculating such support, including the exploration of possible alternative 3-consecutive-year base period definitions. This should include the preparation of several alternative sets of AMS-calculation tables in the required WTO-specified format. From these, a choice would be made for formal notification to the WTO Working Party.

**R.11** In general, seek to obtain agricultural tariff bindings as high as possible in order to maximize future policy flexibility.

**R.12** Identify “vulnerable” products among those for which WTO-inconsistent NTBs currently apply, and raise applied tariffs immediately for those products to the levels which Syria considers would provide adequate protection in the absence of bans and non-automatic import licensing.

**R.13** As a fall-back (in case recently-raised applied tariffs are not accepted for WTO binding purposes), calculate “equivalent tariff” values for the domestic price effects of existing import bans and non-automatic import licenses, which may then be used to justify requests for tariff binding levels to be set above recent applied rates. Be prepared to consider requests for tariff rate quotas to be introduced for such products as a “payment” for achieving relatively high tariff bindings.

**R.14** Select not more than about 10 “sensitive” agricultural products for which Syria will seek access to the use of the Special Safeguard provision of the Agreement on Agriculture.

**R.15** For all other agricultural product lines (for which it might be assumed that tariff binding “offers” will be at current applied rates), prepare a comprehensive listing of “bottom line” (“fall-back”) positions, after inter-ministerial consultation (and perhaps also with stakeholders), in anticipation of and in preparation for “requests” for further reductions which will come as part of the bilateral negotiations on market access.

**R.16** Change Syria’s wheat support policy to one of producing no more than Syria’s domestic needs, explicitly avoiding exports. Annual plan guidelines for plantings should be tightened accordingly, and provisions made to accumulate production in excess of domestic requirements, such as may occur in more favorable crop years, into a strategic national buffer reserve. This reserve could be drawn down to help meet domestic needs in poorer crop years, and built up in higher-yielding years.

**R.17** Announce that henceforth Syria’s cotton support regime will be a 100% deficiency payments scheme, not involving any market price support. That is, domestic buyers will have guaranteed access to cotton fibre at or below the price it fetches on the export market. Very little change to existing pricing and payment regimes is envisaged by this. Some changes to fiscal accounting practices to ensure greater transparency may become necessary.

## **2.3 Agri-food Policy & Infrastructure**

**R.18** Syria should make a major effort to improve and expand the scope of its agri-food product market price statistics.

**R.19** Parallel with the last, Syria should make a major effort to development a markets information system for its farmers. This could include regular radio, TV and newspaper reporting of agriculture and food market prices, region by region, across a full range of products and within-product grades. The same information should also be made accessible by phone-in, and by internet (dedicated web site).



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- WT/ACC/JOR/15 Agricultural Law
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- WT/ACC/JOR/18 "Additional Questions and Replies", 17 March, 1999, 75 pp.
- WT/ACC/JOR/21 "Agenda for Enacting Laws and for Adopting Regulations", 15 Sept., 1999, 5pp.
- WT/ACC/JOR/22 "Additional Questions and Replies", 30 Sept., 1999, 40 pp.
- WT/ACC/JOR/24 "Legislation - Implementation Agenda", 1 Oct., 1999, 5 pp.
- WT/ACC/JOR/25 "Report on the Right to Trade"

- WT/ACC/JOR/26 “Report on State Trading”, 4 Oct., 1999, 19 pp.
- WT/ACC/JOR/28 “Report on Import/Export Licensing – Proposal”, 4 Oct., 1999, 6 pp.
- WT/ACC/JOR/32 “Additional Questions and Replies”, 25 Nov., 1999, 29 pp.
- WT/ACC/JOR/33 “Report of the Working Party”, 3 Dec., 1999, 69 pp.
- WT/ACC/JOR/35 “Protocol of Accession”, 23 Dec., 1999, 3 pp.
- WT/ACC/JOR/36 “List of Goods subject to Mandatory Standards”, 17 Jan., 2000, 5 pp.
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- WT/ACC/SPEC/OMN/7/Rev.1 - 2 “Draft Report of the Working Party”

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WT/ACC/DZA/17 “Information on Import Licensing Procedures”, 22 April, 2002, 21 pp.

WT/ACC/DZA/18 “Information on State Trading”, 22 April, 2002, 2pp.

WT/ACC/DZA/19 “SPS and TBT Issues”, 22 April, 2002, 7 pp.

**WTO Documents on Accession of Sudan**

WT/ACC/SDN/3 “Memorandum on the Foreign Trade Regime”, 26 Jan., 1999, 70 pp.

WT/ACC/SDN/4 “Questions and Replies”, 30 Nov., 2000, 35 pp.

## **ANNEX 2: People Met**

### **In Rome (all FAO):**

Ms. Maria-Grazia Quieti, Senior Agricultural Support Officer, TCAS.

Dr. Nasredin Hag Elamin, ESC

Dr. Ramesh Sharma, ESC

Ms. Gangadharan, Chief, TCAS.

### **In Damascus:**

Dr. Mamoud M. Taher, FAO Representative to Syria.

Eng. Attieh El-Hindi, Director, NAPC.

Dr. Ciro Fiorillo, Chief Technical Advisor, FAO Project GCP/SYR/006/ITA

Mr. Tomaso Perri, Agricultural Economist, FAO Project GCP/SYR/006/ITA

Ms. Asma Matar, Assistant Translator and Liaison Officer, FAO Project GCP/SYR/006/ITA

Ms. Baghasa, NAPC

Mr. Isam Ismail, NAPC

Ms. Waficca Hosni, NAPC

Ms. Samira Subh, NAPC

Mr. Yaseer Isa, NAPC

Ms. Rima Kadri, Director, International Affairs, Ministry of Economy & Trade.

Mr. Bader Koujan, Deputy Director, International Affairs, Ministry of Economy & Trade.

Mr. Mahmood Ebed, International Affairs, Ministry of Economy & Trade.

Dr. Farouk Najjar, Director, Foreign Trade, Ministry of Economy & Trade.

Mr Omar Abu Dawod, Deputy Director, Foreign Trade, Ministry of Economy & Trade.

Dr. Abdoul Latif Baroudi, Director, Technical Affairs, Department of Supply, Ministry of Economy & Trade.

Dr. Bachir Hazaa, Director, Commercial & Industrial Property Protection Directorate, Ministry of Economy & Trade.

Dr. Nazir Kussa, Director General, Commission on Standards & Metrology.

Dr. Jamal Hajjar, Director, Plant Protection Department, MAAR.

Ms. Iman Al Daghistani, Deputy Director, Plant Protection Directorate, MAAR.

Dr. Haitham Kaheed, Director, Damascus Pesticide Laboratory, Plant Protection Department, MAAR.

Ms. Rasmeyyeh Al Muallem, Damascus Pesticide Laboratory, Plant Protection Department, MAAR.

Dr. George Khoury, Director, Animal Health Directorate, MAAR.

Mr. Moh'd Al Aboud, Veterinarian, Animal Health Directorate, MAAR.

Mr. M.Abdul Mouen Al-Kadmany, Manager, Department of Agricultural Affairs, MAAR

Eng. Marwan Al-Kateb, Department of Agricultural Affairs, MAAR

Mr. Moh'd Zein El-Deen, Director, Department of Agricultural Economics & Investment, MAAR.

Mr. Hassan Katana, Director, Department of Planning & Statistics, MAAR.

Mr. Rabie Khashana, Legal Consultant, (supervising establishment of) Copyrights Department, Ministry of Culture.

Dr. Basil Sanoufa, Director General, Customs Department, Ministry of Finance.

Ms. Nareman Charanie, Customs Department, Ministry of Finance.

Ms. Wafaa Abd Al Rahman, Director, Trade Planning Division, State Planning Commission.

Dr. Iyad Ali, Trade Planning Division, State Planning Commission.

Mr. Bian Mehsawe, Trade Planning Division, State Planning Commission.

Mr. Muneer Zheli, Director, Agriculture & Irrigation Planning Division, State Planning Commission.

Dr. Samir Sefin, Managing Director, ADC Economic & Business Consultants.

Mr. Ibrahim Shamica, Director General, General Union of Peasants.

Mr. Ibrahim Grydeh, Chief, General Relations Bureau, General Union of Peasants.

Eng. Moh'd Al-alou, President, Federation of Syrian Chambers of Agriculture.

Dr. Najdat Salloum, General Manager, Federation of Syrian Chambers of Agriculture.

Mr. Michel Salameh, Member, Board of Management, Syndicat of Agricultural Engineers.

Mr. Hassan Chuman, Secretary, Syndicat of Agricultural Engineers.

**In Amman:**

Dr. Ahmed Elminiawy, FAO Representative to Jordan.

Dr. Ibrahim Abu Atilah, Assistant Secretary General, Ministry of Agriculture.

Dr. Moh'd Rahahela, Director, Policy Analysis Unit, Ministry of Agriculture.

Mr. Suleiman Rkeibat, Director, Trade Agreements Unit, Ministry of Agriculture.

Eng. Khaled Moh'd Hwaidi, Head, Enquiry & Notifications Division, Trade Agreements Unit, Ministry of Agriculture.

Mr. Ahmed Al Kayyali, Deputy Director, Trade Agreements Unit, Ministry of Agriculture.

Mr. Rami Al Habahbeh, Trade Agreements Unit, Ministry of Agriculture.

Mr. Moh'd Kreesheh, Head, Information Division, Ministry of Agriculture.

Ms. Maha Ali, Director, Foreign Trade Policy Department, Ministry of Industry & Trade.

Mr. Jamal Olaimat, Customs Specialist, AMIR Project.

Mr. Geoff Wright, Manager, Trade Market Access, AMIR Project.

Dr. Amer Jabarin, Professor, Department of Agricultural Economics & Business, University of Jordan.

## ANNEX 3: Market Price Support, Export Subsidies and efficiency Payments

**Market price support (MPS)** occurs when the domestic market price (reference is usually to a wholesale price) is maintained above a “world market price parity”<sup>50</sup> level as a result of some government trade action.

It is one way of achieving **farm price support**, but not the only way. For example, the effective price to farmers may be maintained via a **direct payments** scheme, whereby returns from the market are topped up by payments from government. Direct payments include **deficiency payments**, - where the government payment makes up the variable difference between the market price and a fixed target support price, - and **fixed per unit payments**, - where the effective price to the farmer remains variable, albeit supported. It is possible, too, that farm price support may consist of a combination of MPS and direct payments; that is, partially funded by consumer transfers and partially by fiscal transfers. It should be noted that future domestic support obligations of Syria under the WTO would not prevent support being given to farmers principally as (amber) direct payments in the future even if it was given principally as (amber) market price support in the base period.

The **key distinguishing feature** of MPS is that the economic benefits to producers which it provides are **paid for by consumers**, which includes **processors** where the good concerned is a primary or raw farm product.

There are two main types of MPS, - “active” and “passive”. **Active MPS** involves the active intervention of the government (or its agency) in the market to achieve a predetermined target support price. The purchasing agency may be a monopoly buyer (the only legally permitted buyer) or may simply be able, through an open-ended “offer to purchase”, to indirectly force other buyers to pay a competitive price.

To be effective, active MPS **requires**, - in addition to a purchasing agency, - some **control over imports**, which might otherwise flow in to put downward pressure on the supported domestic price level (even if the country is in a net export position). There are several ways in which the required import control may be achieved:

- the government may retain quantitative control on imports (through a ban, or a licensing system, or a quota system)
- import monopoly powers may be given to an agency of government (possibly the purchasing agency)
- use of an import tariff<sup>51</sup>

**Passive MPS** is achieved with the use of a tariff alone. Unless it can be set high enough to be prohibitive to trade or can be varied over time inversely with world price movements, passive MPS will not be stabilizing. Since the Uruguay Round, variable import levies have not been allowed. Less automatic schemes for changing the level of an applied tariff, while remaining within the upper limits set by its WTO-bound level, remain to be in somewhat of a “grey zone” without clear WTO rules. Unless the tariff is at a prohibitive level, or some way can be found to change it from time to time without provoking complaints from WTO members, domestic prices

<sup>50</sup> A world market “parity” price is the price that could be expected in the event that free trade in the product was possible. This would be an “import parity” price (cif import price plus internal transport and other costs) for products for which the country is a clear net importer, and an “export parity” price (fob export price minus internal transport and other costs) for products for which the country is a clear net exporter. For products for which the country is approximately self-sufficient, the world market parity price may fluctuate in the range between the lower export parity and the higher import parity levels.

<sup>51</sup> In approximate terms, the unit value of the tariff may be lower than the unit value of the deficiency payment, by the amount of the difference between the export parity price and the import parity price.

will tend to move up and down in tandem with world market prices, with the tariff merely providing an effective wedge between the two.

When a country is in an **export position, and employing some type of MPS**, then the use of **export subsidies** becomes almost a **necessity**.<sup>52</sup> The corollary of this is that a ban on the use of export subsidies, through WTO rules or negotiated commitments, effectively rules out most possibilities for a country to use MPS for its export products. Another corollary is that when Member countries see what appears to be a form of MPS provided for an exported product they will tend to assume that export subsidies must exist.

The definition of “export subsidies”, for WTO purposes, is provided in Article 9.1 of the Agreement on Agriculture (AoA). It will be (or become) clear to Member countries that both the wheat and cotton regimes in Syria have involved MPS and export subsidies in at least some recent years. That is, some product was sold “..... for export by government or its agency at a price lower than the price charged for the like product to buyers in the domestic market” (Article 9.1(a)).

There will therefore be a presumption that, if exports of wheat or cotton fibre still exist, then export subsidies must still exist. **If Syria wishes to argue** that either or both of its wheat and cotton support regimes have now evolved to a point where neither MPS nor export subsidies do still exist, - i.e. **that the support provided to farmers is now effectively a deficiency payment**, - then it will probably be necessary to have a well reasoned and documented case prepared.

In addition to a clear understanding of the concept of MPS, and a close familiarity with the wording and contents of AoA Articles 8, 9, 10 & 11 dealing with export subsidies, the **key requirement** will be **evidence** that the “**price charged to buyers on the domestic market**” is at or below an **export parity level**. This is complicated by the facts that, in both cases, trade is constrained in the raw product (wheat and raw cotton), - so that there is no easily observable domestic market price at this level, - and that the purchasing agency retains ownership until after the first stage of processing, selling a transformed product (flour and cotton fibre) on the domestic market. However, it is still possible to compare the domestic selling price and the export sales price for these latter processed products (adjusted to the same basis point). Some pressure for more liberalization of the wheat market can anyway be expected as part of the accession negotiations, and the development of a commercial market for wheat in Syria may make it easier to demonstrate an equivalence between domestic market prices and export prices for like grades of wheat. Otherwise, a correspondence between a domestic price for wheat flour and an export price for wheat will always be open to challenge because of the processing margins assumed.

Member countries will tend to associate “deficiency payments” with the well-known American scheme which no longer exists. It may be necessary to argue that the Syrian regime is the same in its effects and, for this, it may be helpful to modify the Syrian fiscal accounting practices in order to make them more transparent. For example, the organizations which buy and sell the farm product (GOCPT and GOCGM) could be required to operate on a strictly commercial basis, - buying and selling only at world market equivalent prices, - and be made free of government subsidies. The “deficiency payment” could be separated from the basic payment which farmers would receive on delivery to either of these organizations, and be the only part paid by the Agricultural Cooperatives Bank (still on the basis of delivery receipts). Reimbursement by the government would then be only to the ACB. If the Government wished to provide a flour and/or bread subsidy to consumers, then it could do so through a ration book system, as is used now for sugar and rice.

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<sup>52</sup> An **exception** to this involves the use of a **two-price scheme** whereby only product destined for the domestic market receives the higher support price. Farm production in excess of domestic needs is purchased at a lower, export parity price. A modern day example of this is the Canadian dairy support regime, which has been challenged but found to be WTO-compatible.

**ANNEX 4: Selected Working Party Memberships (WTO Accession)**

Argentina	JOR	OMN	DZA	Malaysia	JOR	OMN	DZA	
Australia	JOR	OMN	DZA	Mexico		OMN	DZA	
Bahrain	JOR	OMN		Morocco	JOR	OMN	DZA	
Brazil	JOR	OMN	DZA	New Zealand	JOR	OMN	DZA	
Bulgaria	JOR		DZA	Norway	JOR	OMN		
Brunei Darussalam			OMN	Pakistan	JOR	OMN		
Canada	JOR	OMN	DZA	Paraguay			DZA	
China			DZA	Poland			DZA	
Colombia		JOR		Qatar	JOR	OMN	DZA	
Croatia			DZA	Romania	JOR	OMN		
Cuba			DZA					
Czech Republic	JOR		DZA	Singapore	JOR			
Egypt		JOR	OMN	DZA	Slovak Republic	JOR	DZA	
EU & member States	JOR	OMN	DZA	Sri Lanka		OMN		
Hungary			OMN	Switzerland	JOR	OMN	DZA	
India		JOR	OMN	DZA	Taipei (Chinese)		DZA	
Indonesia		JOR	OMN		Thailand	JOR	OMN	DZA
Israel		JOR		DZA	Tunisia	JOR	OMN	DZA
Japan		JOR	OMN	DZA	Turkey	JOR	OMN	DZA
Korea		JOR	OMN	DZA	UA Emirates	JOR	OMN	
Kuwait			OMN		United States	JOR	OMN	DZA
Kyrgyz Republic	JOR	OMN	DZA	Uruguay	JOR		DZA	
Latvia			OMN	Venezuela			DZA	

Source: WTO documents WT/ACC/DZA/8/Rev.13, WT/ACC/JOR/5/Rev.3, WT/ACC/OMN/4/Rev.5

JOR = Jordan

OMN = Oman

DZA = Algeria