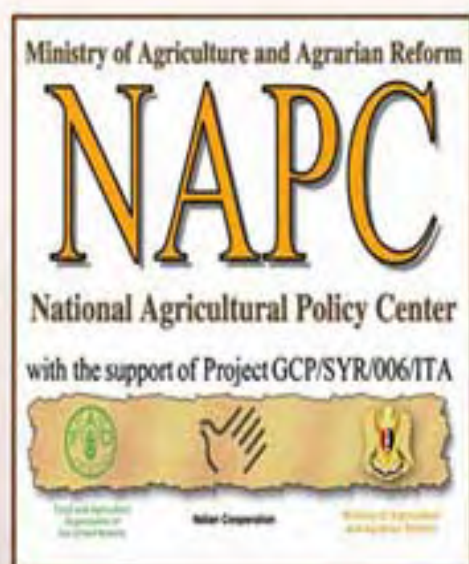


2002

Syrian Agricultural Trade



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National Agriculture Policy Center

With the Support of the FAO Project

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Foreword

The world is witnessing significant social and economic changes as result of the new trade environment promoted by the liberalization process activated, at regional level, by a variety of trade agreements, and, at global level, by the increasing political and economic relevance of the World Trade Organization.

In recognition of the increasing relevance of international trade for national development, Syria is promoting foreign trade by increasing its market openness, promoting the private sector participation in trade, and taking an active stand in trade negotiations. In particular, Syria has joined the Arab Free Trade area, signed a number of bilateral trade agreements and is negotiating an Association Agreement with the European Union. Moreover, it has formally applied for WTO membership.

In support of this endeavor, the National Agricultural Policy Center (NAPC) is committed to make available periodically a report on Syrian Agricultural Trade (SAT) documenting agricultural trade trends and policies, with the aim of supporting research and decision making in the field.

The present issue of SAT was produced by a team of four NAPC researchers, namely Majd Abdullah, Waficca Hussni, Abeer Munlahasan, and Al Muhannad Melhim, working under the joint supervision of the Director of the NAPC, Mr. A. El Hindi, and of the Chief Technical Advisor of the FAO Project GCP/SYR/006/ITA, Mr. C. Fiorillo. The FAO Project made also available the technical support of two international consultants, Mr. F. De Filippis and Mr. F. Santucci, and the translation services of Ms. Asma Matar.

The NAPC management wishes to extend compliments to the readers of this report, apologizing for inaccuracies that might have been overseen in this first issue. On this ground, the NAPC welcomes any critic and suggestion useful for improving future editions.

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List of Abbreviations

AA: Association Agreement
AFTA: Arab Free Trade Area
AMS: Aggregate Measures Supports
CEE: Central and Eastern Europe
CIS: Community of Independent States
EU: European Union
GATT: General Agreement on Tariff and Trade
GCC: Gulf Cooperation Council
GDC: General Directorate for Customs
GDP: Gross Domestic Product
MCs: Mediterranean Countries
MFN: Most Favored Nations
NGOs: Non Governmental Organizations
WTO: World Trade Organization

Introduction

In recent years, the global economy has been sliding into a recession. Developing countries have seen their economic growth rates plunge. In this context, the growth in trade has undergone one of the most severe decelerations of the last few decades, from about 10% in 2000 to about 1% in 2001. Demand for developing countries' exports has dropped despite substantial liberalization of trade policies. In addition, there has been a dramatic shift in the trade pattern of developing countries. First, there has been a shift away from dependence on commodity exports to a much greater reliance on manufactured goods and services. Second, the volume of trade among developing countries has increased significantly.

In this new international framework, a reduction in trade barriers could accelerate growth, provide stimulus to new forms of productivity, enhance specialization, and lead to a rapid pace of job creation and poverty reduction around the world. The international community faces a clear challenge. It must choose between continuing on the path toward greater openness that has led to increased integration and prosperity for more than five decades, or to allow the gap in the aftermath of the WTO meeting in Seattle (1999) to endure. Talks should continue in order to stimulate a new wave of global prosperity. However, they must also address problems of income disparity and ensure economic and ecological sustainability.

In the late 90s, Syrian economic policies changed mainly in response to the rapid transformation of the global economic environment. In agriculture, the new policy approach has been characterized by a gradual move toward indicative, participatory, and decentralized planning, without denying the government's role in promoting resource allocation. This new orientation stimulates private sector participation, especially in the processing and marketing of agricultural products. The transition toward a market economy is aimed at increasing competitiveness on international markets and enhancing the efficiency of the Syrian agro-business.

The Syrian Government has continued to reduce administrative barriers to trade. Prospects for private sector investment and imports have continued to improve, spurred by economic reforms. Liberalization measures have permitted private exporters to retain foreign exchange earnings in order to finance imports.

Monetary policy remains a passive tool, used almost exclusively to cover fiscal deficits. All five banks in the country are controlled by the Government. Since interest rates are fixed by law, the Central bank has no independent policy role. Until 1998, the Syrian Government maintained a multiple exchange rate system. In that year, the offshore value of the US dollar fluctuated between SP 51 and SP 52.5. The Government devalued the "neighboring country" rate to SP 46 SP in the beginning of 1999, as a further step to unify the exchange rates. Total unification happened at the beginning of 2001, so that all domestic prices are now set on the basis of the unified exchange rate.

Exchange controls, however, are still strict. Hard currencies can be imported, but not exported. Private capital outflows are prohibited, unless approved by the Prime Minister or done under the Investment Law 10. The Ministry of Supply and Internal Trade maintains controls on the prices of virtually all products, imported or locally produced, even though this policy is not strictly enforced. The ministry also sets profit margin ceilings – usually 20% – on private sector imports.

Syrian import tariffs are high, especially for finished and luxury products. They may exceed 250%, as it happens for passenger cars. Syria has agreed to reduce customs duties for Arab League members by 10% a year starting from late November, 1998. Moreover, Syria and Lebanon agreed to reduce customs duties by 25% per year for industrial products, whereas agricultural products have been fully liberalized with the exception of 17 products which were subject to 50% reduction starting from 2000 and an annual reduction of 10% in the subsequent years.

Recent Government decisions allowing private firms to transact exports and imports at the unified exchange rate, as opposed to the overvalued official rate, have encouraged private trade through official channels. Similar concessions for public sector companies have enhanced their foreign exchange position.

In the agricultural sector, the production of strategic crops (e.g. cotton and wheat) is guided by the planning system, procurement prices and limited subsidies on inputs, such as seeds, fuel, and electricity. Public companies are exporting some of these strategic products, such as wheat and cotton, at prevailing international prices, which are lower than the prices paid by public procurement.

Syrian main agricultural exports are raw cotton, sheep, meat, tomatoes, lentils, grapes, citrus, vegetables, fruits, potatoes, chickpea, and wheat. Main imported agricultural products are sugar (raw and refined), bananas, rice, maize, barley, tea, milk powder, coffee, vegetables oils, cake of olives, and canned fish.

The most important markets for Syrian agricultural exports are other Arab countries, such as the Gulf countries, Lebanon, Algeria, Egypt, and Tunisia, together with some European and Mediterranean countries, such as Italy, Turkey, and Russia. Imported commodities mainly come from Europe, Latin America, Thailand, Vietnam, and Egypt.

During the period 1990-2000, the volumes (exports plus imports) of total and agricultural trade increased. The improvement in agricultural trade is also the result of the many bilateral and regional trade agreements signed in the recent past with several countries, including Lebanon, Jordan, and the AFTA group. These agreements have recently come into force. The Association Agreement between Syria and the EU is still in the negotiation phase. With respect to multilateral agreements, Syria is not yet a member of the WTO, but has formally applied for membership.

This report is organized in six chapters giving a general picture of Syrian trade policy and trade relationships with the rest of the world, particularly the EU and the Arab countries.

The first chapter covers the principles of the trading system under WTO rules, the Doha ministerial conference, many aspects of globalization and trade, and describes world trade development.

World agricultural trade is the focus of Chapter Two, which describes the peculiar position of agriculture under the WTO, presents the main agricultural trade flows in 2000 and illustrates the network of agricultural trade.

Chapter Three explains the Syrian trade patterns and policies, the exchange rate policy, and the share of trade to GDP.

Syrian agricultural trade is addressed in Chapter Four, which deals with current agricultural trade measures and related policies, non-tariff import constraints, exchange rate policies, and provides an overview of the Syrian agricultural trade

flows.

Taking into consideration the close relationship with other Arab countries, Chapter Five discusses, with special reference to agriculture, the trade agreements with Lebanon, Jordan, and AFTA, providing quantitative evidences on the related trade flows, in term of both volume and value.

Finally, Chapter Six illustrates the Syrian agricultural trade with the European Union, the EU-Mediterranean agricultural trade, and presents data on the Syria-EU agricultural trade for the years 1995-1999.

Chapter 1

The World Trade

1.1. Principles of the Trading System under WTO Rules

The WTO is the result of long multilateral negotiations at the world level, and its purpose is to improve the GATT, an agreement that had been in place since 1947. As far as its ability to promote liberalization is concerned, GATT suffered from three main shortcomings. First, it was an agreement originally limited to western countries, with the only exception of Japan. Second, it was weak in ensuring compliance due to the absence of a formal procedure to enforce its commitments. Third, its approach to trade policy had become outdated in latter years of its life.

In this context, during the eighties, the need to establish a formal organization capable of regulating the international trade relations among countries rapidly increased. As result of the latest, longest, and broadest rounds of GATT negotiations, the so-called Uruguay Round, the WTO was established in 1994. It is currently the only international body dealing with trade rules among nations, with an increasing number of members (143 on July 31st, 2001 – Box 1.1). The three main objectives of the WTO are:

- I. to liberalize international trade;
- II. to serve as a forum for trade negotiations;
- III. to handle the Dispute Settlement procedure between nations.

Before the establishment of WTO, GATT has tried to introduce rules of commercial behavior, in order to promote free trade and to reduce the risk of trade wars. The guiding principles of the GATT approach, then adopted by WTO, to promote multilateral trade liberalization can be summarized as follows.

Trade without discrimination, or Most Favored-Nation (MFN) clause, which means that countries cannot discriminate between their trading partners and must grant all of them the MFN status. In other words, the MFN principle implies that once a country lowers its trade barriers or opens up a market, it has to do so for the same goods or services from all its trading partners, whether they are rich or poor, weak or strong. This principle governs trade in goods, services and in related intellectual property rights. There are some exceptions to the MFN rule. The most important one is related to regional agreements, which allows exchanging preferential treatment among countries adhering to the agreement (NAPC, 2002). Another one is the possibility of raising “countervailing duties”, i.e. import barriers against products from specific countries that are considered to behave unfairly, because not complaining with their international commitments. As far as trade in services is concerned, some discrimination is allowed, but only under strict conditions.

National treatment: under this principle, each country should treat local and foreign goods, services, trademarks, copyright and patents equally. National treatment only applies once a product, a service or an item of intellectual property has entered the national market.

Freer trade: this means lowering trade barriers to encourage trade. Trade barriers include tariffs, import bans or quotas that restrict quantities selectively and non-tariff barriers on goods, services, and intellectual property. It is obvious that opening markets to imported products is beneficial only after the country has made the required adjustment gradually. In any case, countries have to liberalize their trade and related systems in order to fulfill their obligations toward WTO.

Predictability and transparency: this is a general principle, which is very important for encouraging investment, creating jobs, and to pass the benefits of competition (many choices, and lower prices) to consumers. The multilateral trading system aims at making the economic environment stable and conducive, improving predictability and transparency in several ways. In the particular case of market access, this means to accept only tariffs as policy instrument, prohibiting the use of quantitative restrictions and other non-tariff-barriers to restrict imports. More generally, predictability and transparency call for a set of multilateral trade rules as clear and fair as possible.

Promoting fair competition: This goal is pursued by reducing trade distortion, not only by decreasing tariffs, but also by enforcing rules against dumping and subsidies (especially export subsidies) that distort competitiveness.

Encouraging development and economic reform: WTO recognizes the need for developing and least developed countries to reform their economic system and for being active and more effective in international trade system. Therefore, in the WTO these countries are granted special treatment and are allowed to implement their international commitments with more flexibility. Since over three quarters of the members of WTO are developing countries, which are showing an increasing negotiating capacity, one of the most urgent items on the WTO agenda is to effectively address the issues concerning development, in order to facilitate the effective integration of these countries in international trade.

1.2. The Doha Ministerial Conference

WTO holds regular ministerial conferences, every two years. The last one was held in Doha, Qatar, in November 2001. The previous one had been the famous Seattle (USA) conference in 1999, which ended up in failure, being also marked by the birth of the anti-globalization movement.

The Doha conference did not succeed in launching the so-called “millennium round”, i.e. a comprehensive round on all the emerging issues (development, environment, and labor standards), but an agreement was reached on a mandate for negotiations on a relatively wide range of subjects. Moreover, this mandate includes all the relevant issues concerning the implementation of the previous agreements, as explicitly requested by many less developed countries.

The *Doha ministerial declaration* was adopted on 14 November 2001. It covers several items that had been previously discussed as well as new issues. It reaffirmed some commitments and recognized the importance of some objectives related to sustainable development. The following are some of the main points of the Doha declaration¹:

¹ The full text of Doha Declaration can be downloaded at the WTO website (www.WTO.org), where a large amount of information, documents and papers is available.

- I. it is fully recognized that the multilateral trading system contributed significantly to economic growth, development and employment throughout the past fifty years. Consequently, the Doha Declaration confirms the objective of maintaining and reinforcing the process of reform and liberalization of trade policies;
- II. it insists on the major role that can be played by international trade in promoting economic development and alleviating poverty. Since the majority of WTO members are developing countries, the Declaration seeks to give adequate space to their needs and interests within the Work Program adopted for the next round. Moreover, WTO should continue to make positive efforts to ensure that developing countries and least developed countries are secured with a share in the growth of world trade commensurate with the needs of their economic development;
- III. it stresses the importance of regional trade agreements in promoting liberalization and trade expansion and in fostering development;
- IV. it notes with particular satisfaction the completed WTO accession procedures for China and Taiwan, and welcomes the accession of new members since the previous session.

The Work Program of Doha ministerial conference deals with a huge number of subjects and issues, according to the following list:

- Agriculture
- Services
- Market access for non-agricultural products
- Trade related aspects of intellectual property rights
- Relationship between trade and investment
- Interaction between trade and competition policy
- Transparency in Government procurement
- Trade facilitation
- WTO rules
- Dispute settlement understanding
- Electronic commerce
- Small economies
- Trade, debt and finance
- Trade and transfer of technology
- Technical cooperation and capacity building
- Special and differential treatment of least-developed countries
- Organization and management of the Work Program.

With respect to the agenda agreed at Doha Ministerial conference, it is worth noting the concerns of developing countries about new issues to be included in the WTO.

For a long time, the EU, Japan and USA have tried to include new issues in the mandate of the WTO, such as labor and environmental standards, foreign

investment, competition and transparency in state trading enterprises of developing countries. These new issues raised the serious concerns of many developing countries and Non-Governmental Organizations (NGO), because they could result in the creation of onerous obligations for poorer and weaker countries. In particular, a potential risk was pointed out by developing countries, in terms of opening their market to foreign investment with a small censorship and control by the Governments, with the possible consequence that local firms, which are small and weak compared with the foreign ones, could find it hard to survive. Furthermore, it would be very difficult for Governments to design domestic policies in economic and social areas and national sovereignty could be compromised.

More precisely, the concerns pointed out by developing countries on these new issues can be described by the following:

- I. the WTO is a multilateral organization that makes and enforces rules concerning trade liberalization. It should stick to its mandate for dealing with trade issues;
- II. the traditional GATT principles, such as reciprocity, transparency, national treatment, and non-discrimination, were created for a regime only dealing with trade issues, and may not be suitable when applied to non-trade issues;
- III. developed countries would like to bring many non-trade issues into WTO, not because this would strengthen the trade system, but only because they want to make use of the enforcement system of WTO. The risk is that the application of WTO principles to developing countries could produce a great disadvantage for them, especially in terms of losing their economic sovereignty, and their ability to make national policies of their own on economic, financial, social and political ground;
- IV. as the new issues heavily favor developed countries, the WTO system would become even more unbalanced and inequitable.

1.3. Globalization and Trade

GATT had been playing an important role in organizing the trade relations among nations for at least four decades. Since 1995, with the conclusion of the Uruguay round of GATT, WTO has been handling these issues by providing a framework for conducting trade relations in a world characterized by much complexity and interdependence.

Over the last 50 years, i.e. since the establishment of the international trade system, the total output has increased seventeen fold, while the foreign investment increased fivefold in the last decades (WTO, 1999).

Due to the GATT action and to the new rules applied by WTO, many trade barriers have been removed or kept at lower level. In agriculture, this is not only represented by removing or reducing tariffs and other trade restrictions, but also by applying new standards and regulations in terms of market access and subsidies given to exporters or to farmers. Moreover, WTO competence is rapidly expanding to include trade in services, investments, international competition and intellectual property rights. In general, the overall objective is to support globalization by bringing nations closer, in encouraging communications and in improving telecommunication information by setting a special regulation in WTO rules.

As far as agriculture is concerned, WTO rules focus on three major areas, which will be described in the following chapter:

- Market access;
- Domestic support;
- Export subsidies.

Trade liberalization can produce very high benefits in the long-run, but the adjustment needed may be painful and costly in the short run. This is particularly true for developing countries, due to the policy adjustments needed to comply with the new international trade system. These structural changes can cause stress and disturbance and can create needs for dramatic changes in the internal resource allocation. For other countries, a mismatch between their potential skills or capacities and the demands coming from the free market economy may put incomes under pressure. Many worries have also been raised in connection to the potential costs of trade liberalization, increasing globalization, technology-driven interdependence and economic specialization.

Nevertheless, this multilateral trading system based on trade liberalization is expected to contribute to the improvement of standards of living, employment, economic growth, and welfare. In this framework, the benefits from globalization should be widely spread among nations, but many countries and many actors, such as NGOs and other interest groups representing the so-called “civil society”, do not share this optimistic vision.

Actually many concerns are emerging about the potential negative implications of an increased trade and international competition for the quality of the environment and the relationship between trade and labor legislation. Worries have also been expressed with regard to the implications of globalization for national sovereignty and the capacity of societies to exercise choice and determine their own future. This resulted in the birth of the anti-globalization movements.

As a matter of fact, a number of different actors act within the anti-globalization movements in both developing and developed countries, from the traditional protectionist interest groups to the environmentalist movements, and all are showing a strong resistance to further expansion of world trade. Now, these groups have turned their argument and pointed out that corporate-driven global trade practices create a breeding ground for unequal trade that has resulted in poverty and inequality. Therefore, greater attention than in the past will be needed in order to ensure that globalization will effectively benefit the masses of workers and consumers throughout the world, and not only a few multinational companies or a limited number of stakeholders of developed countries.

1.4. World Trade Development

The world trade has largely expanded between 1999 and 2000. The value of world merchandise exports went up by 10%, increasing from US\$ 5.6 trillion in 1999 to US\$ 6.2 trillion in 2000 (Table 1.1). This was a “real” growth, since it was largely due to the increase in the volume of exports and only for a minor part to the increase of prices. Western Europe recorded the highest exports value, reflected in a share on world export of 39.5%, followed by Asia (26.7%) and North America (17.1%). Latin America, Central and Eastern Europe (CEE)/Baltic States/ Community of Independent States (CIS), Africa and Middle East have a small share of world exports, ranging between 2.5 and 5.8% (Table 1.1).

The same trend is obviously observed for total imports² (Table 1.2). At regional level Western Europe has again the highest share of world imports (39.6%), followed by North America and Asia, with a share of 23.2% and 22.8 % respectively.

In 2000, total export value significantly exceeded total import value both in Middle East, where exports were estimated at US\$ 263 billions corresponding to a share of 4.3% on world exports, and in the transition economies, where exports reached US\$ 271 billions at (4.4%).

Over the period 1990-2000, value of world trade increased by about 80%. Trade flows expanded in absolute terms in all regions, but the variable speed of the relative growth is reflected in declining or increasing share of different regions on world imports and exports (Tables 1.1 and 1.2).

The highest export growth during the 90s was registered for the groups CEE/Baltic States/CIS (157.1%), Latin America (144.6%) and North America (102.8%). In the same period, Western Europe maintained the highest exports share despite the significant decline due to the slower growth during the decade (Table 1.1).

Noticeably, the faster exporting regions have been also registered higher import growth: 198% for Latin America, 135% for North America and 113% for CEE/Baltic States/CIS.

For the Middle East region growth was significantly higher for export (+96%) than import (+72%), as shown by opposite the trends registered for the relevant shares: increasing on export, decreasing on import.

Large variability can be observed in exports of manufactured and raw goods among regions, over the period of 1997-2000 (Table 1.3). Western Europe is the first exporter of manufactured goods, while Middle East is first for non-agricultural raw material, reflecting the importance in oil export. Western Europe is first also for agricultural raw materials followed by North America. Noticeably Asia is second in export of both manufactured and total raw materials.

On the import side, in 2000 Western Europe was in the first position in almost all categories of goods except fuels, where Asia became first. Asia was second in all other imports except manufactured good, for which North America, which was third for all raw materials, remains second as result of a sustained growth. Noticeably, Middle East has the least weight on raw imports, while Africa is last for manufactured goods (Table 1.4).

² The difference between import and export value at world level is only due to the fact that imports is comprehensive of the Cost Insurance and Freight costs (valued CIF), while exports are valued FOB (Free On Board).

WTO MEMBERSHIP (July 2002)

Albania	Fiji	Malawi
Angola	Finland	Malaysia
Antigua and Barbuda	France	Maldives
Argentina	Gabon	Mali
Austria	Gambia	Malta
Bahrain	Georgia	Mauritania
Bangladesh	Namibia	Mauritius
Barbados	Germany	Mexico
Belgium	Ghana	Moldova
Belize	Greece	Mongolia
Benin	Grenada	Morocco
Bolivia	Guinea Bissau	Mozambique
Botswana	Guinea, Republic of	Myanmar
Brazil	Guyana	Netherlands
Brunei Darussalam	Haiti	New Zealand
Bulgaria	Honduras	Nicaragua
Burkina Faso	Hong Kong, China	Niger
Burundi	Hungary	Nigeria
Cameroon	Iceland	Norway
Canada	India	Pakistan
Chad	Indonesia	Panama
Chile	Ireland	Papua New Guinea
Colombia	Israel	Paraguay
Congo, Dem. Republic	Italy	Peru
Costa Rica	Jamaica	Philippines
Cote d'Ivoire	Japan	Poland
Croatia	Jordan	Portugal
Cuba	Kenya	Qatar
Cyprus	Korea, Republic of	Romania
Czech Republic	Kuwait	Rwanda
Denmark	Kyrgyz Republic	St. Kitts and Nevis
Djibouti	Latvia	St. Lucia
Dominican Republic	Lesotho	St. Vincent & the Grenadines
Ecuador	Liechtenstein	Senegal
Egypt	Lithuania	Sierra Leone
El Salvador	Luxembourg	Singapore
Estonia	Macau, China	Slovak Republic
European Union	Madagascar	

1.5. Leading Exporting and Importing Countries in 1999 and 2000

In 1999 and 2000, the leading ten exporters remained nearly the same. The USA has the first position followed by Germany, Japan, France, United Kingdom and Canada. It is worth noting the substantial growth of China, which in 2000 reached the seventh position, with a total export value of US\$ 249.3 billion, and an annual growth of 28% (Table 1.5), whereas in the previous year its exports valued US\$195.2 billion, with an annual growth of 6% (Table1.6).

The Russian Federation achieved an even better performance, with its exports increased by US\$31 billions (+42%). This improved the position of the Russian Federation in the ranking of the leading exporting countries, from the twentieth to the seventeenth position, corresponding to a 2% share on world exports (Table 1.5).

Also noticeable are the good positions of Asian exporters, such as Hong Kong, Korea, Taipei, Singapore, and Malaysia (Table 1.6). In particular, Hong Kong's exports reached US\$ 202.4 billions (3.33 % of total world exports), reaching the tenth position. Singapore has the fifteenth position among major exporters with US\$ 138 billions (Table 1.5).

As far as imports are concerned, USA is the major importing country, followed by Germany, Japan, United Kingdom, France, Canada, and Italy. This situation did not change from 1999 to 2000.

Asian countries are also big importers. Hong Kong, China, Korea and Singapore have high import value and high share of world imports, ranging between 3.3% for Hong Kong, and 2.1% for Singapore.

China, which had the seventh position as an exporter, had the eighth position as an importer in 2000. In 1999, China imports were US\$ 166 billions and its share of the world imports was 2.8% with annual change of 18% (Table1.7). Its imports in 2000 increased to US\$ 225 billions (Table 1.8).

Chapter 2

The World Agricultural Trade

2.1. Agriculture in the WTO

Agriculture has traditionally been granted special status within GATT, so that non-tariff measures and subsidies were allowed before the conclusion the Uruguay Round. The latter established the WTO and included comprehensive provisions on agricultural trade and related policies. The so-called Agriculture Agreement³ aims at reforming trade in agriculture in order to enhance predictability and security for both importing and exporting countries. As mentioned in the previous chapter, the agreement on agriculture covers three main areas: market access, domestic supports, and export subsidies.

In the area of *market access*, all the non-tariff measures, such as quotas, import licenses and other non-tariff border measures have been converted into their “tariff equivalent”, through a process known as “tariffication”. These tariffs have to be reduced gradually over time. Developing countries have a special treatment both in the (lower) percentage of this reduction and in the (longer) time of implementation. The newly committed tariffs and tariff quotas covering all agricultural products, took effect in 1995. Uruguay Round participants agreed that developed countries would cut the tariff (the higher out of quota rates in the case of tariff quotas) by an average of 36%, in equal steps over six years. Developing countries were committed to 24% cuts over 10 years. Several developing countries also used the option of offering ceiling tariff rates in cases where duties were not “bound” before the Uruguay Round⁴. Least developing countries do not have to cut their tariffs at all. For products whose non-tariff restrictions have been converted to tariffs, Governments are allowed to adopt emergency measures able to prevent the adverse effects of swiftly falling prices or surges in imports (safeguard clause). The agreement specifies when and how those measures can be introduced.

Domestic support component of the agreement deals with policies that distort competition and encourage over-production by increasing domestic prices or subsidizing production in some other way. These policies reduce imports or subsidize exports and lead to lower prices on world markets. The agricultural agreement distinguished between support programs that directly stimulate production (coupled policies), which have to be reduced over time, and those that are considered to have no direct effect (decoupled), which are not affected. In order to know how much the coupled policies have to be cut, the WTO members agreed on a methodology to calculate the support derived from this type of measures. All supports measures have been listed and quantified, in order to have one final

³The Agreement on agriculture is part of the agreement resulting from the Uruguay Round of negotiation launched in 1986 and concluded after seven and half years in Marrakech in 1994. As mentioned in the previous chapter, this round brought about the largest reform of the world trading system since the establishment of the GATT at the end of the Second World War, including the setting up of the WTO that replaced the GATT itself.

⁴ The “bound” tariff indicates the level of the tariff that is included in the market access schedules of each country: they are “bound” in the sense that they represent the maximum applicable level of the tariff, which cannot be increased by a country without the consensus of all members of WTO. For developing countries the bound rates are generally the rates actually charged.

indicator summarizing the aggregate level of national support to agriculture in the baseline period 1986-1988. This indicator is called *Aggregate Measures Supports* (total AMS). Also in this case different treatments applied to developing and developed countries. Developed countries had to reduce their support “represented by the figure of total AMS” by 20% over six years, while developing countries had to reduce their supports (total AMS) by 13% over 10 years. Least developed countries were not committed to reducing their domestic supports.

Usually, Government uses the domestic support in order to achieve the following main purposes:

- I. supporting farmers' income;
- II. ensuring a food production adequate to satisfy the country's needs;
- III. shielding farmers and consumers from the negative effects of instability of domestic production and fluctuation in world prices;
- IV. to preserve rural society.

These policies are very expensive in terms of budget. Moreover, they distort very much the world market and make competition unfair among countries. The agricultural agreement classified these policies into three groups indicated as “boxes”:

- I. *green box*, including policies that are permitted because do not have any distortion effects or cause minimal distortion;
- II. *blue box*, including policies exempted from the general despite consisting of subsidies at least indirectly linked to production and that should be reduced or kept within defined minimal levels. It covers payment directly linked to acreage or animal numbers, but under schemes that also limit production by imposing production quotas or requiring farmers to set aside part of their land;
- III. *amber box*, including prohibited policies of support that distort production and trade. The total value of these measures is embodied in the AMS, and must be reduced according to the above mentioned percentages.

As far as *export subsidies* are concerned, the agreement prohibits export subsidies on agricultural products unless they are specified in a member's list of commitments. The agricultural agreement requires WTO members to cut both the amount of money spent on export subsidies and the quantities of exports that receive subsidies. WTO defined the base level to be cut as the average of subsidies that a country was giving in the base period 1986-90. Developed countries have agreed to cut the value of export subsidies by 36 % over six years, starting in 1995 (24% over ten years for developing countries). Furthermore, developed countries agreed to reduce the quantities of subsidized exports by 21% over six years (14% over 10 years for developing countries). Least developed countries do not need to make any cut .

A major problem in this area is that some developing countries have been highly dependent on supplies of cheap food, derived from the subsidized exports of the major industrialized nations. They include some of the poorest countries and, although their farming sectors might receive a boost from higher prices, they might need temporary assistance to make the necessary adjustments needed in order to deal with higher priced imports.

2.2. World Agricultural Trade in 2000

Agricultural trade fluctuated heavily since 1980, with an annual average variation of -2% during the period of 1980-1985, and increased up to 9% in the period 1985-1990. This high growth reflects a considerable increase in agricultural output. In the following period 1990-00, the annual rate of change decreased noticeably (3%) remaining on average positive. In recent years (1998, 1999, 2000), the agricultural trade recovered from a negative growth, first reducing and then inverting the negative trend (Table 2.1).

Latin America is characterized by the highest share of agricultural products on total exports (18.4%), followed by Africa (12.9%) and North America (10%). The Middle East recorded the lowest share of agricultural products on total export (2.4%). Conversely, on the import side, with a share of 13.2% of agricultural products on total, it is second only to Africa (15.1%).

In terms of share of agricultural products on primary exports, North America stands first (85.2%), followed by Western Europe, Asia and Latin America. In terms of share of agricultural products on total primary import, the Middle East recorded the highest share (59.9%) and North America the lowest one.

Western Europe, Latin and North America traditionally controlled a large part of the world trade in agricultural products. In 2000, the agricultural exports from Western Europe were estimated at US\$230 billion, equivalent to 41.2% of world agricultural exports. Asia also plays an important role with agriculture exports estimated at US\$107 billions in 2000 corresponding to an 11% increase compared to the previous year. As result, its share on world exports increased from 17.4% in 1999 to 19.2% in 2000. The Middle East controlled the smallest share of agricultural export, estimated at US\$ 6 billions in 2000, showing high variability during the last 2 years.

2.3. Leading Exporting and Importing Countries of Agricultural Products in 2000

The United States is by large the first exporter of agricultural products, with a value estimated at US\$71 billions and an increase of 7% on the previous year. It is noticeable that the export value of the second major exporter, France, was US\$37 billion, i.e. almost half of the value registered for US exports. Canada, the Netherlands, Germany and Belgium follow with export values ranging between US\$ 35 and US\$ 20 billion. Change in their relative position has been quite relevant as shown by the comparison between shares in world export in 1999 and 2000. All these countries registered a contraction of exports in 2000, except Canada, whose exports increased by 7% in 2000 and 4% in 1999. Spain, United Kingdom, China, Australia, and Italy showed similar value of agricultural exports in 2000 with share in world agricultural exports close to 3%. Among these countries, China shows the highest annual growth in 2000 (15%). (Table 2.4)

The USA has the first position also among importing countries, with a total imports value of US\$ 67 billions in 2000. As an importer, the USA is closely followed by Japan with US\$62 billions, resulting from an average annual growth of 2% over the last decade. Many European countries are very important importers too. Germany is third with US\$ 42 billions (6.9% of world agricultural imports in 2000). France is the fifth importer with US\$30 billions (5% of world agricultural imports). Asian countries (China, Korea, Hong Kong) account together for a substantial share of agricultural imports at world level. China is eighth among major importers with US\$ 20 billions

and a share of 3.2%, resulting from an annual increase of 41% in 2000. Another important importing Asian country is Korea, with US\$13 billion. The Russian Federation has the lowest agricultural imports value among the first fifteen major importing countries. Its imports value is estimated at US\$10 billions with 1.6 % of world agricultural imports, and -7% annual changes in 2000. (Table 2.5)

2.4. The Agricultural Trade by Region of Origin and Destination in 2000

World agricultural trade has increased from US\$ 414.2 billions in 1990, to US\$ 576.7 billions in 1995, and remained almost stagnant from 1995 to 2000, when it reached US\$ 558.3 billions.

The trade within the North American region increased, almost doubling between 1990 and 2000, with an increase of nearly US\$16 billions. Agricultural trade originating from the region increased remarkably as well, reaching a maximum in 1995 and a minimum in 1999 with US\$ 99.8 billions (Table 2.6).

Also agricultural trade originating in Latin America recorded a remarkable increase, reaching US\$ 66 billions in 2000. The intra-region agricultural trade increased in 1990s, as it was estimated at US\$ 4.5 billions in 1990 and US\$ 11.6 billions in 2000. In spite of that increase in intra-regional trade, Latin American agricultural exports to Western Europe remained high, increasing from US\$ 13.3 billions in 1990 to US\$ 18.3 billions in 2000. Accordingly, Western Europe can be considered the main partner of Latin America in agricultural trade (Table 2.6).

The agricultural trade originating in Western European countries increased from US\$ 187 billions in 1990 to 230 billions in 2000. Western Europe agricultural trade is fairly dominated by intra-region trade, which reached US\$ 174.2 billions in 2000, down from the maximum of US\$ 190.2 billions in 1995. The second partner is Asia, with agricultural export estimated at US\$ 14.7 billion. North America was the main destination with US\$ 12.9 billion.

The transition economies experienced an increase in their agricultural trade during the 90s, when their exports, estimated at US\$12.6 billions in 1990, almost doubled reaching US\$ 24.2 billions in 2000. Their main partner is Western Europe; the second is Asia. Intra-trade in this region has been developing quite rapidly.

African agricultural trade was significant, estimated at US\$ 16.3 billions in 1999 and increased up to US\$18.6 billions in 2000. The main partner is Western Europe, with an export estimated at US\$ 10 billions in 1990 and US\$10.4 billions in 2000, that exceeds by large the intra regional trade.

The Middle East situation is similar to the one of Africa. Its main partner is Western Europe, but its intra regional trade has been growing quite rapidly.

Asia's world agricultural trade is comparable to that of North America, estimated at US\$ 72 billions in 1990 and 107.2 billions in 2000. The main partner in agricultural trade is also in this case Western Europe, followed by North America, but its exports to other regions are relatively low. Meanwhile, intra-trade in this region is very high and is estimated at US\$ 67.2 billions in 2000.

Chapter 3

Syrian Trade

3.1. The Setting of Syrian Trade Policies

During the 80s, Syria witnessed a period of persistent economic hardship, which resulted in economic imbalances, with particularly severe effects on foreign accounts. This undesirable situation forced the Syrian Government to restore tight controls on the external trade, particularly on imports, in order to cut down the outflow of hard currency. A number of strict regulations, partly pre-existing but progressively relaxed, were implemented. The most important were the following:

- I. limiting most import and export to Governmental and public agencies, and tightly linking imports to the availability of export revenues often at the level of individual companies;
- II. pre-planning the amounts of exports (based on estimates of production and domestic consumption) and imports, within the framework of annual plans;
- III. applying multiple exchange rates, as an instrument to manage domestic prices and tariffs on the basis of economic and social consideration.

These measures proved inadequate to cope with the growing external and budgetary imbalances that became unsustainable in the second half of the '80. The Syrian Government responded by initiating a process of gradual reform of its economic regime.

The following sections provide an overall description of the present policy settings related to trade as shaped by the reform process, while some more details on agricultural trade policy will be given in a separate section of the next chapter, which covers Syrian agricultural trade.

3.1.1. Exchange Rate and Access to Currency Use

The determination of exchange rates in Syria is still to some extent in the hand of the Government, and represents the most important macroeconomic policy affecting the Syrian economy as a whole. In the 80s and early 90s, a system of multiple exchange rates was effectively used as an alternative policy tool to import and export subsidies and tariffs, and as an instrument for stabilizing prices of imported goods and limiting import to essential commodities. In particular, as far as the agricultural and food sectors are concerned, the use of overvalued exchange rates contributed to domestic producers' income by subsidizing imported inputs.

The evolution of exchange rate policy during the last decade suggests that an increasing policy orientation toward the unification of different rates has taken place. In 1992 a gradual devaluation of some exchange rates has been implemented, particularly the exchange rates related to inputs, with the objective of bringing them to their free market equivalents (Table 3.1). More recently, the Government made a great effort and a substantial progress in minimizing exchange rates distortions.

The result of the unification and devaluation processes is clearly represented by the decreasing difference between the official exchange rate and the prevailing market one.

The unification of the exchange rates relevant for agricultural inputs started in the late 80s. In 1992, the exchange rate at which pesticides had to be imported was raised from 11.25 to 422 SP/US\$ (neighboring countries rate). In 1999, an adjustment of similar magnitude followed with respect to the exchange rate at which fertilizers were imported. In 2000 all remaining exchange rates were adjusted from the previous value of SP/US\$ 11.25 to 46.5.

One last important point is that the Syrian Government has recently allowed Syrian and foreign citizens to sell foreign exchange to the Commercial Bank of Syria at the prevailing market rate.

A parallel set of measures, whose aim was to control foreign currency use, accompanied the reform of the exchange rate policy. According to these measures, exporters are required to sell a variable share from 0 to 50% (depending on the product) of the export revenues at the official exchange rate and are allowed to use the export revenues in one of the following ways:

- I. to import permitted goods;
- II. to sell the foreign currency to other dealers on the so called export revenues market or to the Commercial Bank of Syria;
- III. to save it in a foreign currency account held at the Commercial Bank of Syria.

Moreover, in this framework importers should prove that the foreign currency needed for imports is either earned from exports or available to them abroad as cash or credit.

3.2. Trade Policies

The economic liberalization started in 1987 aimed at promoting private sector's contribution to both domestic production and external trade, which until that date had been largely monopolized by the public sector. Equally important, the new policy approach called for the gradual move toward indicative, more participatory and decentralized planning, without taking away from the Government the role of guiding resource allocation.

The private sector was allowed to import all inputs, machinery and spare parts through self-financing of such imports. Similarly, public sector enterprises were authorized to import inputs using their export revenues in hard currencies. Accordingly, public and private sector exporting companies were allowed to open accounts in foreign currency and deposit their export earning to be used in financing imports.

The Ministry of Economy and Foreign Trade is responsible for regulating and supervising the import and export activities. In the past, it operated through the Export Committee, including a number of concerned Ministers and chaired by the Deputy Prime Minister for Economic Affairs (established under legislative decree no. 19 of 1986). This Committee was responsible for designing the export plan, identifying the commodities to be exported by each organization or Ministry, and supervising its implementation by all concerned organizations, with special reference to state controlled firms. A special office chaired by the Minister of Economy followed up the activity of the Export Committee in implementing the export plan, and supervised all the export process. The Export Committee was operating in close coordination with the Export Rationalization Committee, the Ministry of Economy and Foreign Trade and the Supreme Agricultural Council till

their recent abolishment, Nowadays the special office has assumed the functions of the Export Committee and reports directly to the Cabinet.

As far as foreign trade regulations are concerned, they are mainly related to the agricultural sector and they will be better explained in the next chapter. However, they can be briefly summarized as follows:

- I. imports of a number of commodities are prohibited, both for economic reasons, in order to protect domestic production from international competition, or for security or religious reasons;
- II. imports and exports of some products are restricted to public agencies;
- III. an import or export license must be obtained for all traded products;
- IV. imports have to be financed from export earnings. Hence, importers are required to prove the source of their foreign exchange before getting an import license;
- V. imports are restricted to countries of origin; and
- VI. imported and exported commodities should comply with approved specifications and certificates of compliance from relevant authorities should be obtained in advance.

Financing foreign trade is confined to the Commercial Bank of Syria, which is a public body. The role of the Bank is limited to support exports and to control foreign currency use. It does not directly finance imports but its role is important as a regulator of the export revenue market, where importers can legally acquire foreign currency coming from export revenues, in order to finance imports.

On the other side, export loans are granted within a maximum of 30-80% of the value of exported commodities, taking export contracts, letters of credits, or shipping documents as collaterals. Export loans cannot exceed the ceiling of 30 millions SP and the interest rates applied range between 17 and 20% annually.

3.3. An Overview of Total Syrian Trade⁵

Volume⁶ of Syrian total trade grew from SP 82 billions in 1993 to SP 98 billions in 2000 at an annual average growth rate of 2.6% (Table 3.2). Trade Volume growth was only a result of export expansion. Indeed, total export increased from 35 billions SP in 1993 to 53 billions SP in 2000, at an average rate of 5.9% per year, compared to a contraction of import over the same period from 46 to 45 billions SP, corresponding to an average annual growth rate of -0.3%.

Table 3.2 also shows the great variability characterizing both exports and imports, and hence total trade, during the period 1993-2000. Some encouraging improvements are observed in some years, as in 1994, when total Syrian trade experienced a very good recovery, and some opposite cases, such as in 1998, when Syrian trade had the deepest fallback. It is important to note the boost of the value of Syrian trade in 2000, which is not only due to the devaluation of the official exchange rate used for accounting import-export. Indeed, the data sterilized from the devaluation of the accounting exchange rate show increases of +34% for the

⁵ Trade values expressed in SP show a significant increase in the year 2000, due to the devaluation of the official exchange rate from SP/US\$ 11,25 to 46.5. In the text and in the annexed tables, trade values for the year 2000 were converted from US\$ to SP using the old exchange rate whenever needed to allow comparability with previous years and meaningful calculation of trend indicators (e.g., growth rates).

⁶ Trade volume is here defined as sum of import and export values

exports and +6% for the imports.

Between 1993 and 1999, total trade balance remained negative. The maximum trade deficit occurred in 1994, mainly because of the booming imports, while the minimum deficit took place in 1997, as result of substantial shrinking of imports accompanied by a limited exports' contraction. This shows some evidence of negative correlation between trade balance and import trends, with the former improving in presence of a contraction of the latter, and a less clear influence of exports variations, at least until 1997. On the contrary, trade balance slump in 1998 seems mainly related to the strong contraction of exports, as it is the case of the balance improvements registered in the following two years, when export improved significantly in presence of a slow dynamics of import, leading to a significant positive trade balance in 2000 for the first time after many years. In fact, the Standardized Trade Balance⁷ shows an improvement from -14.8% in 1998 to +7.4% in 2000.

The structure of both Syrian total exports and imports by major economic sectors suggests a case of "one sector dominance". On export side (Tables 3.3 and 3.4), mining and quarrying products are the main exports to the world. Syrian exports became more dependent on this category of products over recent years as it accounted for 68% in 2000, while the share of the other sectors has been deteriorating.

On import side (Tables 3.5 and 3.6), the picture is similar, with a strong concentration due to the high share of manufactured products. However, this share showed a slightly declining trend and became 88% in 2000.

Agricultural exports declined in absolute and relative terms over the past two years, mainly as effect of the harsh drought. On the contrary, export of manufactured products shows a significant improvement in the year 2000, inverting the negative trend observed in relative and especially absolute terms in the previous year. Food and beverage exports accounted for 9% of total manufactured exports, which is the lowest share in the whole period 1993-2000. Textile and processing industries products⁸ are the main items manufactured exports, and their values increased in 2000 (Tables 3.3 and 3.4).

Agricultural imports' share on total imports has been consistently increasing over the last years. Food and beverage imports declined to 13% of total manufactured imports after the maximum registered in relative and absolute terms on 1999. The other main manufactured imports are usually chemicals, machinery and basic metals (Tables 3.5 and 3.6).

As far as the geographical distribution of the Syrian foreign trade is concerned, it can be noted that it is very much concentrated. Actually, two main areas that represent the traditional markets absorb 80% of Syrian exports for the whole period 1993-2000. The EU has continued to be the most important export partner, receiving 58% of Syrian exports. The second most important export market is the group of Arab countries, receiving 21% of Syrian goods. Recently, however, new markets, mainly in Asia, have been opening to Syrian exports and their share increased from 3% in 1993 to 11% in 2000 (Table 3.7).

⁷The Standardized Trade Balance is defined as ratio of trade balance (exports minus imports) to trade volume (imports plus exports).

⁸ This includes coke and refined petroleum products.

On the other hand, countries of origin of imported goods are more geographically differentiated. The EU still represents the main origin of Syrian imports, although its weight has decreased in the last years from 39 to 29%. Over the last years, Arab countries have been improving their presence on Syrian market, while also other regions, such as Asia and Eastern Europe, can be still considered important suppliers (Table 3.8).

A closer look at individual country level, confirms the increasing geographical concentration of Syrian exports. In the period 1993-1995, four countries, namely Italy, France, Lebanon and Spain, accounted for 58% of total Syrian exports (Table 3.9). In the period 1998-2000, export markets became even more concentrated, with 65% of goods going to only four countries, namely Italy, France, Turkey, and Saudi Arabia (Table 3.10).

As far as imports are concerned, the first four countries of origin represented 31% of Syrian imports in the periods 1993-1995 and 24% in 1998-2000 respectively. Germany, Italy and USA are among the four most important countries of origin of goods imported into Syria in both periods considered (Tables 3.11 and 3.12).

Chapter 4

Syrian Agricultural Trade

4.1. Agricultural Trade Measures: An Overview

Before 1987, all import and export operations were strictly controlled by the State. Starting from 1987, as already mentioned in the previous chapters, a process of gradual economic liberalization was undertaken, aiming at promoting private sector's contribution to both production and external trade. Public and private exporting companies have been allowed to open accounts in foreign currency, in order to deposit their export earnings to be used in financing imports. However, there are still some restrictions on the use of foreign currency, which have been reviewed in chapter three. Other main tariff and non-tariff trade measures can be summarized as follows:

Custom tariffs, applied at rates that differ from one commodity to the other according to the "custom tariff table" issued by the General Directorate for Customs (GDC) under decree no. 265 of May 9th 2001. These tariffs range between 1% and 150% of the value mentioned in the import invoice and converted in SP according to a set of exchange rates (known as "custom exchange rates" or "custom dollar", and differentiated by commodity according to social and economic considerations).

The Unified tax on import, a comprehensive additional tax including a set of fees (defense, consumption, school, statistics, harbor, sea transport, and import & export license). It is imposed on all imported goods, with some exceptions according to Law no.1/1980. This tax is imposed as a percentage of the value of the good, and is paid together with the custom tariff mentioned above. It ranges from 6% to 35% and increases with custom tariff rate. The unified tax on import is reduced according to the following schedule:

- 1% reduction (relative to consumption fee) for goods that are exempted or subject to a 1% custom tariff, and 4% reduction for goods that are subject to custom tariffs above 1%;
- 4% reduction relative to the statistics fee;
- 2% reduction relative to import or export licensing fee;
- 0.02% exemption from the sea transport fee.

The harmonized custom tariff defined under Decree no. 265 concerns agricultural and industrial inputs indicated in the decree no. 266 of May 9th 2001, which are only subject to 1% tariff covering both the custom tariff and the unified tax. This tariff applies on the value in SP, calculated according to the list of the neighboring countries exchange rates issued by the Commercial Bank of Syria. In a more advanced step the custom dollar exchange rates were unified at the rate of 46.5 SP/\$US. Moreover, law no. 336 of September 28th 2002 was issued to unify in one single set of tariff rate the custom tariffs and the unified tax. The new tariff rates were set so as to preserve the current level of tariff revenues.

Non-tariff import constraints for agricultural commodities are imposed in Syria. In an attempt to protect producers of fruit and vegetables, which are likely to be products that can potentially enjoy relatively high comparative advantages, a total import ban has been in force during the 90s. The import of some other products such as wheat, sugar, and barley was restricted to the Government companies, and later the private sector has been allowed to import these commodities subject to the approval of the public company concerned. Agricultural imports from Arab countries were opened according to the regulations of the Agreement of Arab Trade Facilitation. Imports of vegetables and fruit from Lebanon and Jordan were allowed in certain periods of the year, as result of bilateral trade agreements with the aim of accelerating trade liberalization. Moreover, bilateral free trade agreements were signed with Saudi Arabia, UAE, Qatar, and Iraq.

Approval by the Ministry: only products for which no import ban exists can be imported. However, most agro-food imports need to be awarded by the MAAR a certification of compliance with sanitary and phyto-sanitary standards adopted by the Syrian Government.

4.2. Major Trends in Syrian Agricultural Trade

As shown in Table 4.1, in 2000 the volume of Syrian agricultural trade (exports plus imports) reached US\$ 1,643 millions compared to US\$ 1,505 millions in 1990, equivalent to a moderate average annual growth rate of 0.9%. The level reached in 2000 was significantly below the maximum registered in 1997, mainly as result of the contraction of exports, caused by the severe drought of the late 90s, which was partly compensated by the import growth.

Over the same period, the volume of total trade increased from US\$ 6612 millions in 1990 to US\$ 8,733 millions in 2000, at an average annual growth rate of 2.8%. As a result, the share of agriculture on the volume of total trade (all goods) has been declining from 22.8% in 1990 to 18.8% in 2000, with a maximum of 24.5% registered in 1998 (Table 4.1).

Syrian overall trade balance was positive in 1990, 1991, and 2000, and negative from 1992 until 1999. A negative balance prevailed also for agricultural products in all years except 1997 and 1998. This is reflected in the Standardized Balance index⁹ ranging between -21% (1994) and +27% (1990) for total trade, and between -15% (2000) and +12% (1997) for agricultural trade (Table 4.7). Comparing the average values for the last three years of the first and second half of the decade (1993-95 and 1998-2000), Table 4.2 shows improvements for both total and agricultural trade balance, and an increase of the share of agricultural on total trade. This is especially evident on the import side, resulting from the moderate increase of agricultural trade volume (due to increasing exports and slightly declining imports) accompanied by the decline of total trade volume (due to increasing exports and substantially declining import).

The tables from 4.3 through 4.9 summarize information and indicators on the products composition of agricultural trade. While details on individual products are discussed below, two main general characteristics can be highlighted. First, Syrian agricultural trade is increasingly concentrated on a relatively small number of agricultural products. Indeed, on average during the period 1998-2000, the

² For a definition of the Standardized Balance (SB) see footnote 7 in chapter 3

aggregate value of the eleven most traded items accounted for about 72% of the agricultural export and 66% of agricultural import, with a clear tendency to increase concentration compared to the average flows registered for the period 1993-95 (see tables 4.8 and 4.9). Second, the one-way trade is largely prevalent, i.e., products are either only exported or only imported. As shown in table 4.7 in 2000, out of 39 products or narrow categories considered, only 12 are traded in two directions, while 11 are only imported and 16 are only exported. The limited number of products traded in two directions reflects the existence of import bans on most domestically produced agricultural products. However, the gradual relaxation of these restrictions is reflected in the increase of two-way trade relative to the early 90s.

4.3. Syrian Agricultural Exports

Comparing the beginning and the end of last decade (Table 4.1), Syrian total and agricultural exports show a relatively low average annual variability (+1.1% for total and -0.6% for agricultural exports), but a high variability is observed within the same period. Total export registered particularly low values in 1992, and 1998, and reached an estimated historical maximum in 2000. The value of agricultural exports registered the minimum level for the decade in 1992, markedly improving thereafter until a maximum above US\$ 1 billions in 1997, and declining thereafter to a new minimum registered in 2000.

The share of agriculture on total Syrian exports shows high variability, oscillating between a maximum of 30.6% in 1998 and the minimum of 14.9% registered in 2000 (Table 4.1). These sharp fluctuations are a joint effect of the climatic variability on agricultural export and of the international oil price variability on total export. To smooth out the annual variability Table 4.2 compares the three-year averages for 1993-95 and 1998-2000, showing that the share of agriculture remains between 21.5 and 22% on total export.

Table 4.4, provides details on individual commodity contribution to agricultural export value. The most relevant individual exports, selected according to their average weight on total agricultural exports value in 1998-2000, are summarized in Table 4.9, which includes the products totaling about 72% of Syrian agricultural export value. These products are shortly and individually reviewed below.

Raw cotton: cotton is by far the single most important agricultural export in Syria. With an average export in 1993-95 of 148,000 tons and SP 2,166 millions it accounted for 29.5% of the agricultural exports value and 13.8% of agricultural trade volume. In 1998-00 the average export of raw cotton was about 176,000 ton and SP 4,641 millions (SP 2,343 millions if converted at the same exchange rate applied to previous years), accounting for 28.1% of the agricultural exports value and 13% of the agricultural trade volume. The exports of raw cotton recorded a significant increase in both quantity and value terms between the two periods. The average unit value was 14.6 SP/kg in the first period, decreased to 13.3 SP/kg in the second period, equivalent to a decrease from 1.3 to 1.2 US\$/kg (calculated using the exchange rate applied in the official statistics each year). The main destination countries are Italy, Turkey, Pakistan, Indonesia and Taiwan (Table 4.10).

Sheep: Syrian trade in live sheep has been traditionally characterized as a two-way trade, mainly as result of quality and price differentiation. However, while the share of sheep imports on total agricultural import value in 2000 was about 1.6%, with Romania as the main country of origin, the share of sheep on agricultural export

value was 14%. The positive balance for sheep trade is summarized by a standardized balance index of 44.9% (Table 4.7). Exported quantity has slightly decreased, from an annual average of 32,000 tons in 1993-95 to 31,000 tons in 1998-00, while export value has increased mainly as result of the increased unit value (from 1.9 to 2.2 US\$/kg). The main destination countries are Saudi Arabia, Kuwait and Qatar (Table 4.11).

Tomato: Syria exports a large variety of fruit and vegetables whose export revenues exceed in value cotton exports. Within the group, tomato is the single most important product. In 1993-95 the average export of tomato amounted to 77,000 tons and SP 445 millions with an average unit value of 5.8 SP/kg and a share on agro-food exports value of 6.1%. During the period 1998-00, the average annual export was 155,000 tons and SP 393 millions with an average unit value of 6 SP/kg. The main destination countries are Saudi Arabia, Russian Federation, United Arab Emirates and Kuwait (Table 4.12).

Fresh Vegetables not elsewhere specified. This group includes mushrooms, truffles, cabbage, cauliflower, onion, garlic, artichokes, roots, radish, beat, beans, pea beans, cucumber, squash, eggplant, and okra. It accounted for 10% of the agricultural exports value in 1993-95 with an annual average of 82,000 tons and SP 737 millions. In 1998-00, the average exports declined to 53,000 tons and SP 490 millions equivalent to 4.4% of the agricultural exports. The main destination countries are Saudi Arabia, Lebanon, Kuwait, and U.A.E (Table 4.13).

Selected Fruits (apple, cherry, and apricot). Syria's climate allows the production of several fruits, and particularly, apples, apricots, and cherries. The average annual exports had an increase of 27 thousand tons in 1993-95 38 thousand tons in 1998-00, accompanied by a more than proportional increase in export revenues due to a significant increase registered in average unit export value (from 0.55 to 0.76 US\$/kg). As a result, the share of these fruits on total agricultural exports increased from 2.5% in the first period to 3.7% in the second period. The main destinations are Saudi Arabia, Egypt, U.A.E. and Kuwait (Table 4.14).

Citrus. Citrus fruits (orange, lemon, and mandarin) constitute another important part of Syrian fruit and vegetable exports. Average annual exports increased from 5,000 tons and a share of 0.7% of total agricultural exports value in 1993-95, to an average of 30,000 tons, corresponding to 2.9% of the agricultural exports value in 1998-00. The main destination for Syrian citrus is Saudi Arabia, importing more than two thirds of Syrian citrus in recent years, followed by Kuwait, U.A.E. and Qatar, while the Russian Federation has been loosing most of its previous importance as destination market (Table 4.15).

Wheat. Considered as the most important staple and strategic crop in Syrian agriculture, its production has been encouraged on both rain-fed and irrigated areas, with the objective of achieving self sufficiency. The outcome has been that Syria became a net exporter of wheat during the last decade, a position only partly reverted by the harsh drought of the recent years. In particular, Syria imported 17,000 tons in 2000, only for milling, and re-exporting mainly to allow new private mills to continue their activities also during a period of low domestic production. In 1993-95, the average annual export was 25,500 tons valued at SP 94 millions. The impressive increase in production of the mid 90s resulted in record exports in 1998, year that boosted the annual average export up to 147,000 tons, and registered a

value of SP 444 millions between 1998 and 2000. The main destination countries are South and North Korea, Tunisia, and Algeria (Table 4.16).

Grapes. Syrian grapes are characterized by good shape, quality, taste, and for their suitability for use in the wine industry. In 1993-95, the average export of grapes was almost 17,000 tons with a value of SP 168 and a unit value estimated at 10 SP/kg. In the second period, there was a remarkable increase of the exported quantity (almost 27,000 tons and SP 245 million), accompanied by a unit value increase of more than 45%, resulting in a share of 2.5% on total agricultural export. The main destination countries are Saudi Arabia, U.A.E., Kuwait and Jordan (Table 4.17).

Lentil. The high quality of Syrian lentils is recognized on international markets, where they are usually sold at a premium price. In 1993-95, average exports were estimated at 34,000 tons with an average unit value of 0.38 US\$/kg. In 1998-00, the average annual export increased up to 37,000 tons and the average unit value of 0.6 US\$/kg. The main destination countries are Turkey, Saudi Arabia, Jordan and Lebanon (Table 4.18).

Potato is characterized by a two-way trade, as Syria imports potato seeds (super elite) and exports potatoes. The main countries of origin are Netherlands, France, Ireland and Italy. On the export side, average annual exports decreased from 54 thousand tons in 1993-95 to 31,000 tons in 1998-00, while a decrease of about 25% was registered for the average unit export value expressed in US\$. The main destination countries are Greece, U.A.E, Kuwait, Saudi Arabia, and Germany (Table 4.19).

Chick-pea is another traditional Syrian exported product, mainly cultivated on rain-fed land. For this reason its production and export is often affected by the drought, so that average annual export declined from almost 36,000 tons in 1993-95 to less than 15,000 tons in 1998-2000. The main destination countries in the second period are Jordan, Saudi Arabia, and Lebanon (Table 4.20).

4.4. Syrian Agricultural Imports

Over the period 1990-2000, imports grew faster than export both for total (5.3%) and agricultural (2.1%) trade (Table 4.1). Agricultural import was less concentrated than export with the first 11 products accounting for 61% of the value of agricultural imports during 1998-2000. These eleven products, listed according to their share on agro-food import value, are hereafter considered in more detail.

Sugar (refined and raw) is the single most important Syrian agro-food import. Data reviews indicate that the imports of sugar increased significantly over the 90s. The average annual import increased from 360,000 tons and SP 1,288 millions in 1993-95, to 501,000 tons and SP 1,472 millions (valued at constant exchange rate) in 1998-00. Accordingly, the share on total agro-food import increased from 11.9% to 14.1% despite a fall of the unit cost of import from US\$/ton 317 to US\$/ton 261. The main countries of origin are France, Belgium, Spain, and Mexico (Table 4.21)

Maize. During the selected period, maize share on agricultural imports increased substantially (from 5% to 9%) as result of imported quantity increase from 355,000 tons in 1993-1995 to 696,000 tons in 1998-2000. The increase in average annual imported value from SP 543 millions in 93-95 to SP 963 millions in 1998-00 (at

constant exchange rate), corresponded to a unit value decrease from 136 to 123 US\$/ton. During the more recent years, export origin has increasingly concentrated. As a result, USA and Argentina accounted for more than 90% in the year 2000 (Table 4.22).

Rice. Despite limited growth of quantity and value of import, rice is still the third most important Syrian agricultural import (5.6% of the agro-food import value). In 1993-95 the average import was 134,000 tons valued at SP 546 millions, with a unit value US\$/ton 362, while in 1998-00 the average quantity was 144,000 tons valued (using the old exchange rate) at SP 583 millions with a unit value of US\$/ton 321. The main countries of origin are Egypt, Thailand, Australia, and Italy (Table 4.23).

Cakes and residues of oil extraction. This aggregate includes residues of oil extraction and cakes of oilseed such as Soya, and is characterized by a two-way trade, as the large import is accompanied by limited export. Indeed, in 1993-95 the average imports were 127,000 tons (valued at SP 332 million) while the average exports were 8 thousand tons. In 1998-00, the average imports were 214,000 tons (valued, using the old exchange rate at SP 565 million) while the average exports were 34,000 tons. Trade increased considerably on both directions, but despite the faster growth of exports, imports remains prevalent. Unit import cost remained almost constant (from 233 to 235 US\$/ton). The main countries of origin are USA and Argentina, while Brazil has lost its once significant share that used to be 25% in the first period (Table 4.24). Main destinations of Syrian exports are Turkey, Lebanon and Saudi Arabia.

Banana import was banned until 1994, when the private sector was allowed to import on condition to use only export revenues in financing operations. In 1994 import boomed but contracted in the following year, so that the average import for 1994-95 was close to 70 thousand ton with a record unit cost of US\$/kg 1.3. Import stabilized in the following years, so that on average during the period 1998-00, almost 67,000 ton and Sp 514 millions were imported each year at an average cost of US\$/kg 0.7. The most important country of origin is Ecuador followed by Colombia, Panama, and, more recently, Lebanon (Table 4.25).

Canned Fish is the most important processed food import, counting for 4.6% of total agro-food import value during the period 1998-00, as result of a fairly rapid growth: from an annual average of 3,000 tons and SP 262 millions in 1993-95, to 6,000 tons and SP 484 millions (at old exchange rate) in 1998-00. The unit import cost reduced from US\$/kg 8.5 to 6.8. The main countries of origin are Morocco, and Thailand (Table 4.26).

Barley is an important source of livestock feeding in Syria, where it is cultivated in dry and semi-dry areas. In order to protect domestic production, import was banned until 1999, when the Government allowed purchasing abroad to compensate the fall of domestic production caused by the drought. In the last two year an average of 586,500 tons was imported at an average cost of US\$/ton 104, mainly from France, Germany, Ukraine, Turkey and Austria (Table 4.27).

Tea is a very popular consumption good in Syria. Average annual import of Tea has remained quite stable in quantity, at around 20,000 ton, while has increased in value over the analyzed period: from SP 371 millions in 1993-95 to SP 436 millions in 1998-00 (at constant exchange rate). Conversely, the average unit imports cost

increased from 1.4 to almost 2 US\$/kg. The most important countries of origin is Sri Lanka, accounting for more than 90% of total import in a typical year, while limited import takes place from various other countries in different years (Table 4.28).

Milk powder. Over the 90s, the value of import increased mainly following the increased demand for infant feeding and the increased unit price. Imported quantity increased from 7,000 tons in 1993-95 to 11,000 tons in 1998-00, which, given an increase in unit import cost from US\$/kg 2.3 to 3.1, resulted in an import value increase from SP 180 millions to SP 386 millions (at constant exchange rate of SP/US\$ 11.25). The main countries of origin are Netherlands, Poland, Belgium, and France (Table 4.29).

Coffee, green or dry. The average annual imported quantity of this product increased from 12,000 tons in 1993-95 to 14,000 tons in 1998-00. As the average import cost declined from US\$/kg 2.2 to US\$/kg 1.7, reflecting international prices, total value of imports (calculated at constant exchange rate) declined from SP 290 millions to SP 279 millions. The main countries of origin are Brazil, India, and Costa Rica (Table 4.30).

Vegetable oils of various seeds (soybeans, maize and sunflowers) Despite the demand growth, import of these oils decreased over the reference period as result of the increasing availability of domestic substitutes. Indeed the average imported quantity reduced from 32,000 tons in 1993-95 to 28,000 tons 1998-00. Import value decreased from SP 276 millions in the first period to SP 284 millions in the second period, whereas the unit value remained fairly stable. The most important countries of origin are Turkey, Cyprus, and UAE (Table 4.31).

4.5. Syrian Agricultural Terms of Trade¹⁰

After having reviewed the trends in unit values of main single commodities, it is worth considering here the aggregate evolution of unit value for import and export, i.e. the Syrian terms of trade. To this effect, Table 4.32 reproduces the unit value indexes calculated by the FAO for Syrian imports and exports.

The unit value of Syrian export dropped at the beginning of the decade and it has been since then constantly below the level of 1990, despite an increasing trend that tended to accelerate in the second half of the 90s.

As far as imports are concerned, the unit value index fell between 1990 and 1991 as well but, after two more years of decline, showed high variability around a faster increasing trend, which led to reaching an unprecedented maximum of 156 in 1998.

In general, it is possible to highlight that the unit price of export tended to increase at a slower pace than the unit price of import. This is clearly indicated by the fact that the ratio between the two unit prices, which is a measure of the terms of trade, has constantly been below the maximum of 1.2 registered in 1992, oscillating between the minimum of 0.6 registered in 1995 and 1, a level reached in various years and, most recently, in 1999.

In other words, given the faster growing trend observed for import in comparison with export prices, in order to be able to pay for increasingly expensive imports

¹⁰ Terms of trade are defined as ratio between the unit price index of export and import.

Syrian needs to increase more than proportionally the exported quantities. The alternative is to focus on increasing the unit value of export, which requires more attention to the international profitability of domestic productions and the ability to increase export of processed, higher value added products relative to unprocessed and low value added crops. Indeed, price trends are closely related to trade flows composition and, as shown in previous sections, the main Syrian agricultural exports include almost exclusively raw agricultural goods (food and non-food), while agricultural imports include a significant part of processed food.

Chapter 5

Agricultural Agreements with Arab Countries

Syria has signed a number of trade and cooperation agreements, in order to enhance its commercial relationships with neighboring Arab countries, to foster mutual relationship, and to strengthen the economic development in the Region. In the following sections, the three most important agreements, with Lebanon, Jordan, and AFTA countries, are briefly summarized. After a description of the content of the agreements, a brief account of the Syrian agricultural trade with the related countries is provided.

5.1. The Bilateral Agreements with Lebanon

An agreement of social and economic cooperation and coordination was signed by Syria and Lebanon in 1992. It aims at the establishment of a common market characterized by free movement of goods, individuals, capitals, and settlements, as well as at coordinating the agricultural policies and fiscal legislation. Moreover, the agreement includes provisions on mutual committees and criteria to be followed in implementing the agreement.

A special protocol referring to the cooperation in the field of agriculture was set in 1994. It provides for an exchange of experts as a form of cooperation in agricultural research and several other field of common interest. An agreement on encouraging and protecting investments was signed in 1997. It included rules and principles for promoting investment between the two countries.

Further progresses were registered in the meetings among the Prime Ministers, held in 1998, and in the ministerial meeting, held in 1999. The latter dealt with coordination, cooperation, free trade, and movement of capitals, and paved the way for reducing custom tariffs on national agricultural products starting from 12/10/1999. The following meeting of the technical committee, held in Damascus in 2000, agreed on the details for implementing the liberalization including the measures needed to ensure enforcement and compliance of the Custom Departments in both countries.

5.1.1. Trends in Syrian Agricultural Trade with Lebanon

Tables 5.1 and 5.2 trace the evolution of agricultural trade between Lebanon and Syria over the last decade considering averages annual flows for three periods: 1989-1990, 1994-1995, and 1998-1999. Syrian agricultural export to Lebanon is much larger than the Lebanese agricultural export to Syria, which is almost negligible.

Table 5.1 shows that the value of Syrian agricultural imports coming from Lebanon is relatively low and decreasing over time especially in relative terms. It drops from SP 36 millions, equivalent to 13% of Syria's imports from AFTA countries and 0.5% of imports from the world in 1989-90, to SP 13 millions, equivalent to 1.7% of Syrian import to AFTA and 0.2% of the total import. As regards to the product composition of the imports, it consists mainly of processed goods such as processed cereals and meats, and beverages, while also significant are imports of fruits, sugar, and cocoa.

On the other side, Table 5.2 shows that the value of Syrian agricultural exports to Lebanon are very significant in absolute term but show a tendency to decline in the second half of the 90s, after the large increase registered in the first part of the decade. Overall, Syrian agricultural exports declined both in absolute and relative terms from SP 990 millions in 1989-90, equivalent to 26% of export to AFTA countries and 15% of total agricultural exports, to SP 786 millions, equivalent to 16% of the Syrian exports to AFTA countries and 8% of total agricultural exports. With regard to product composition, fresh vegetables constitute by large the most important group (59% of the total in 1998-99), followed by fruits, nuts, vegetables (16%) and flowers (10%).

5.2. The Bilateral Agreements with Jordan

An agreement of economic cooperation and trade was signed in 1975 with Jordan, aimed at fostering the economic relations between the two countries, and to facilitate trade exchange by allowing import and export of all industrial, animal, and agricultural products. The agreement included several exemptions from custom duties and related fees, the establishment of trade promotion offices, the realization of co-operation projects and the establishment of joint committees to follow up the implementation of the agreement.

The trade protocol of 1999 stressed the need for simplification of custom procedures in order to facilitate the movement of goods. The Syrian-Jordanian high committee meeting held in 1999 initiated the elaboration of an agricultural calendar, establishing preferential treatments consistent with the agricultural calendar established under the AFTA. The agricultural committee meeting of 2000 activated the agricultural calendar that gives tariff exemption to the exchanged commodities, stressing the necessity of regular meetings for monitoring its implementation.

5.2.1. Trend of Syrian Agricultural Trade with Jordan

Also the agricultural trade flows between Syria and Jordan are characterized by the strong prevalence of Syrian exports (Tables 5.3 and 5.4). Indeed, the average value of the Syrian agricultural imports from Jordan during 1998-99 was SP 36 millions corresponding to the 4.7% of its agricultural imports from AFTA and 0.4% of the imports from the world, while exports to Jordan was SP 200 millions corresponding to 5.1% of Syrian exports to AFTA and 2.7% of total export.

Concerning the evolution over the last decade, it is possible to notice that the value of Syrian import reduced in mid 90s and recovered at the end of the decade, but the share of Jordan on Syrian import reduced substantially, especially as a consequence of the faster growing import from the AFTA group (Tables 5.3). As far as Syrian exports to Jordan are concerned, in the mid 90s there was a very significant increase so that their value reached SP 503.4 millions. This figure corresponds to the very significant share of 9.5% of Syrian export to AFTA and 6.5% of Syrian export to the world. However, export declined substantially in the following years and at the end of the decade, Jordanian shares on Syrian agricultural export to AFTA and to the World were below the level registered in the early 90s, despite the absolute increase in export value (Table 5.4).

As far as specific products are concerned, Syrian exports to Jordan are dominated by vegetables, which outweighed the cereals (especially barley) and cotton, two products that played a major role during the previous years. Similarly concentrated

is the import structure, characterized by the strict prevalence of few products in each one of the period considered: oils and fats (hydrated vegetable oil) in the late 90s, live animals in addition to oil and fats in mid 90s, and milling products (flour) at the beginning of the decade. It is worth noticing that these products are not regulated by the agreements. In other words, agricultural trade between Syria and Jordan has not been significantly influenced so far by the trade agreements.

5.3. Arab Free Trade Agreement (AFTA)

The promotion of regional economic integration among Arab Countries has been the objective of a number of agreements signed by Syria. A first agreement was signed in 1953, to facilitate transit trade, but it was not effective, mainly because it lacked adequate provisions for its implementation.

The agreement on the Arab Common Market (ACM) was signed in 1964, with the aim of eliminating all custom and non-custom restriction to trade among Arab countries. This agreement was never implemented, but it was resumed more recently, in 1981, with the agreement signed to facilitate and enhance inter-Arab trade by eliminating tariff and non-tariff restrictions on processed and semi-processed commodities. Unfortunately, this agreement did not realize its objectives, due to its dependence on very limited commodity lists and to the lack of real commitment to the objective of trade liberalization.

The failure of the first pan-Arab regional liberalization attempts pushed some Governments to promote smaller regional groupings, such as:

- the Gulf Cooperation Council (GCC), established in 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates;
- the Arab Cooperation Council, including Egypt, Iraq, Jordan, and Yemen;
- the Arab Maghreb Union, associating Algeria, Libya, Mauritania, Morocco, and Tunisia.

However, even these smaller groupings did not achieve substantial result in trade liberalization.

More recently, the Arab Summit held in Cairo in June 1996 delegated the Social and Economic Council of the Arab League for the establishment of an effective Arab Free Trade Area (AFTA). A few months later, at the beginning of 1997, the Social and Economic Council agreed on implementing the AFTA within ten years, starting from the 1st of January 1998. The resolution aimed at the gradual decrease of custom duties and taxes of similar effect imposed on all commodities of national origin. The ten year period is considered a transitional phase allowing all member countries to take the measures required in order to establish the AFTA.

The agreement signed in 1981 was adopted as the reference framework for the setting up of the AFTA. Consequently, the Arab States that had signed that agreement were automatically included in the membership of AFTA, and were committed to its implementation. As for the countries that are not members, they should first adopt the 1981 agreement. At present, the number of members is 11 (Jordan, Tunisia, Saudi Arabia, Syria, Iraq, Oman, Kuwait, Lebanon, Libya, Egypt, and Morocco), while four more countries have been granted the status of observers.

5.3.1. The Executive Program of AFTA

The Arab Social Economic Council approved in February 1997 the executive program and the timetable for the implementation of AFTA. It established the AFTA according to the 1981 agreement on trade liberalization among Arab Countries, so that it will also comply with the rules of the World Trade Organization. The Arab Countries that are members in the agreement committed themselves to finalizing the establishment of the AFTA in ten years, starting from January 1st, 1998.

The AFTA will be implemented by decreasing custom duties by equal annual percentages (10%) so that total liberalization should be accomplished by December 31, 2007. Moreover, the trade of any commodities can be fully liberalized at any time during the execution of the program.

The Social Economic council reviews the execution of the program every six months. Under the program, exchanged commodities are treated like the national commodities in the member countries in terms of rules of origin, standards and specifications, medical and security protection conditions, local tax and fees. With reference to dumping and technical barriers to trade, the agreement assumes as reference to the existing international principles and procedures.

The custom duties that have to be gradually eliminated are those existent in every country in January 1998. These reference duties will be the basis for calculating the reductions foreseen in the program. If decreases in custom duties were made after January 1, 1998, the decreased duties will replace the stipulated ones. Under the rules of the agreement of 1981, any two or more members of the agreement can agree among themselves to exchange additional trade concessions in advance with respect to the agreed timetable.

5.3.2. Trend of Syrian Agricultural Trade with AFTA Region

In its trade relation with AFTA countries Syria is by large a net agricultural exporter. Indeed, AFTA countries are not a major source of agricultural imports for Syria, despite the fact that their relevance has been steadily increasing in both value (+166%) and share on total Syrian agricultural imports (from 4% in 1989-90 to 9% in 1998-99). Syria imports from AFTA countries mainly processed meat and fish, cereals and oils. Most imports have no potential to be produced locally, such as dates, banana, rice, canned fish, and hydrogenated vegetable oil (Table 5.5). Dates are imported from Saudi Arabia and the Gulf countries, rice from Egypt, canned fish from Morocco. Hides and animal leathers are imported as inputs for the domestic tanning industry.

On the export side, Arab countries are by large the main destination of Syrian agricultural products, with a share on total varying over the 90s between a maximum of 69% in 1994-95 and a minimum of 53% in 1999-00 of total agricultural export. Syrian exports to AFTA countries increased by 38% in the first part of the 1990s, and, despite the trend inverted in the second part of the decade, by 28% over the whole decade. Arab countries are the main destination of Syrian products such as vegetables and fruits, fresh and processed, and live animals. Fresh vegetables and fruits counted for over 67% of the total and live animals for almost 12%. It is worth noticing that these are all products in which Government intervention is very limited in Syria and trade is fully controlled by the private sector.

It can be concluded that Syrian agricultural trade with AFTA countries developed fairly rapidly over the 90s, particular on the import side, even though export remained largely prevalent, ensuring a substantial net trade balance. It is difficult to relate this positive development to the implementation of AFTA as this started only toward the end of the decade. Instead, it is likely to be the effect of the Syrian Government orientation, prevailing since the late 80s, to favor a growing involvement of the private sector in import-export activities. It is in fact reasonable to assume that this orientation had a more immediate and stronger effect in boosting the trade flows with neighbor countries, while the implementation of AFTA had just started in the years for which data are available.

In 2001, the Social Economic Council agreed on pursuing the acceleration of the AFTA implementation through a set of measures, such as the reduction of the custom tariff by 20% during the last two years, the reduction of the protection period of some commodities from 45 to 35 months, and the reduction of the protected commodities from 10 to 7.

5.4. Current Initiatives Towards More Trade Integration with Arab Countries

Syria has recently signed two other agreements for establishing free trade zones to boost commercial cooperation with Arab countries. The first is the one with Iraq. An agreement was signed on 31/1/2000 and entered into force in 2002. Syrian-Iraq products of local origin are exempted from custom and non-custom duties, starting from the date of agreement ratification.

The second is the agreement with Saudi Arabia. It was signed on 20/2/2001 and its application started from January 2001. The old agreement of 1972 between Syria and Saudi Arabia remains valid, but in addition products not covered in that agreement are subject to a 50% reduction of custom duties upon ratification of the agreement, a 70% in 2002 and a 100% in 2003.

5.5. Agreements with Countries other than Arab and European ones

Since 1995, several agreements have been signed by Syria with various countries outside the Arab and European regions, such as Iran, Turkey, Armenia, Pakistan, India, and Chile.

All these agreements aim at fostering cooperation in various fields such as agriculture, transportation, and research. None of them includes specific commitments on agricultural trade, but all of them have a focus on technical assistance in the field of agriculture.

In this framework, Syria signed two agreements with Iran, in 1994 and in 1999 respectively. These two agreements are related to research cooperation in plant production research; crops, horticulture, food processing industry; plant protection and plant quarantine; animal production and health; forest research and management; agricultural extension, and development; research in aquaculture and marine resources; training and exchange of experts and scientists in agriculture.

The agreement signed with Armenia refers to enhancing the technical, commercial and economic cooperation in the field of agriculture. It is also related to improving the bilateral trade between both countries, exchanging agricultural information and experts, and encouraging the establishment of joints institutions.

The agreement signed with Turkey aims at strengthening, enlarging and improving the cooperation in agriculture, animals breeding and rural issues, including exchanging scientific and technical information and experts; encouraging the establishment of joint business between private companies; establishing an agricultural committee between the two countries in order to facilitate cooperation.

The agreement signed with Chile, like the previous agreements that were in place, envisaged cooperation in agriculture research, plant and forest protection, animal breeding, land and irrigation, agricultural and animal extension, and forestry.

The agreement with Pakistan focuses on cooperation on agricultural research, animal production and health, irrigation and land, plant protection, facilitating export of the surplus, and training.

Since the impact of all these agreements on agricultural trade is negligible, it is possible to conclude that the real focus of Syrian agricultural trade agreements is on the partnerships with Arab and European countries.

Chapter 6

The Syrian Agricultural Trade with the European Union

6.1. Introduction

The bilateral economic cooperation between Syria and the European Union dates back to 1977, when Syria and the European Community signed a cooperation protocol that has been guiding their economic relations since then.

The protocol covers two main aspects of bilateral cooperation: the economic, cultural, and financial cooperation, and, more specifically the commercial cooperation, aiming at encouraging trade between the two parties. This goal, also taking into account the negative Syrian balance in agricultural trade with the European Community, was specifically intended to increase the growth rate of Syrian exports, improving, in particular, the access of Syrian agricultural products to European markets, by granting Syria asymmetric trade concessions.

In this framework, the 1977 agreement granted free access to EU markets for Syrian manufactured products, financial assistance to Syria through the Financial Protocols, and some tariff concessions for agricultural products. In particular, Syrian agricultural products imported by the European Community were subject to specific tariff reduction rates as described in Table 6.1.

By late 1995, a new epoch of economic relations in the Mediterranean region began by the launch of the so-called "Barcelona Process", which represented a new approach of Euro-Mediterranean partnership. In this new framework, the countries from the southern and northern shores of the Mediterranean Sea, expressed their wish to strengthen their reciprocal links. The ultimate goal perceived by all participants to the Barcelona Conference was not only the establishment of a Free Trade Area, but also the extension of the scope of a strong regional cooperation and integration toward a prosperous, peaceful and integrated region.

The outcome of this new approach has been a series of Association Agreements (AA) between Mediterranean Countries (MCs) and EU. Within this framework, in addition to other several aspects, MCs can seek further trade concessions in agricultural goods, and can have access to substantial financial assistance offered by EU countries. In return, the EU can negotiate for free trade in manufactures, and assure that the economic stability, possibly achieved as a result of the structural adjustments in MCs economies, will help to overcome the problem of increasing labor migration from the south.

Out of the 12 MCs involved in the process, Syria is the only one that has not yet concluded the negotiations for the Agreement. Actually, while all the other Mediterranean partners have signed their agreements with the EU and the majority of them are already operating, Syria began its formal negotiation only in 2001. However, several negotiating rounds have already taken place, showing a clear commitment to conclude speedily. In this context, the Syrian Government has initiated a structural reform program in order to create a more favorable economic environment, thereby minimizing potential negative impacts that might occur from

the expected increased openness of its economy.

This chapter is specifically devoted to describing agricultural trade between Syria and the EU, and to discuss some trade issues in the context of the forthcoming AA. Nevertheless, some reference to the agricultural trade between other MCs' and the EU will be made, in order to facilitate the understanding of the overall picture of Euro-Mediterranean agricultural trade, identifying the position of Syria among MCs in the same perspective, and addressing the issue of inter-Mediterranean competition on the EU agricultural market.

6.2. The EU-Mediterranean Agricultural Trade¹¹

The European Union is traditionally the main trade partner for all MCs. Trade indices of a selected group of the MCs show that EU has a significant share in the total trade of these countries (Garcia Alvarez Coque, 2001). Nearly 56% of the total exports and 54% of the total imports of this group of countries are made by trade flows with the EU.

Looking at individual MCs, some countries, such as Tunisia, Egypt, and, to a more limited extent, Turkey show a very high dependence of their trade on the EU, either as a destination of their exports or as an origin of their imports. Other countries are by far less trade dependent on the EU. Jordan and Lebanon are a good example of these countries, with about 16 and 24% of their total exports going to the EU. However, EU is a more important partner on the import side, with shares of 33 and 47 %, respectively (Table 6.2).

One interesting point that is worth underscoring is that Syria, among the Mediterranean group, is the only country with an overall positive trade balance with the EU, due to the high share of crude oil and petroleum products in its exports (Garcia Alvarez Coque, 2001). The EU accounts for 59% of total Syrian exports, and 38% of total imports (Table 6.2). As far as agricultural trade is concerned, the picture is quite different, and it will be described in the next section.

The shares of total trade of the MCs with the EU are more significant than the shares of agricultural trade. However, these shares of export and import are still relevant as they account respectively for 35% and 29%. (Table 6.3)

Among the countries considered, Tunisia, Egypt, and Turkey are more EU-oriented in their agricultural exports, while there is a lower dependence on the EU in agricultural imports. For the remaining countries, including Syria, according to data assembled by Garcia Alvarez Coque (2001), the EU share is lower, both as a destination of agricultural exports and origin of imports. In the case of Syria, only 15% of Syrian agricultural export goes to the EU market, while the EU is the source of 25 % of Syrian agricultural imports (Table 6.3).

The previous description has illustrated the importance of the EU as a trade partner of selected MCs. The following analysis looks at the other side of the picture, by detecting the significance of Mediterranean countries in EU agricultural trade. The eleven analyzed Mediterranean countries will be referred to as MC-11. The EU agricultural trade with non-member countries, referred to as "extra-EU" trade, makes up on average about one third of total agricultural trade of EU member countries. Out of this relatively small share, only 11% of the extra-EU agricultural exports and

¹¹ The data that were used for the analysis are drawn from various sources different from those used in other parts of this report. Accordingly, data can differ from the ones reported in the other chapters.

7% of the extra-EU agricultural imports are traded with the MC-11 (Table 6.4).

Turkey, Egypt, and the Maghreb countries, which are considered the most important Mediterranean trade partners of the EU, have very small weights in both EU agricultural exports and imports. On the import side, as a main destination of EU exports in the Mediterranean region, Algeria has the highest share, with 2% of total extra-EU agricultural exports, while Turkey, with a 3% share in EU agricultural imports, is the main Mediterranean exporter to the EU.

Syrian position among MCs is one of the lowest, with a share of 0.4 on EU agricultural exports and 0.2% share on agricultural imports (Table 6.4).

During the period 1995-1999, the agricultural exports of the MC-11 have grown by 3.3%, reaching Euros 4852 millions in 1999. Agricultural export value of individual MC-11 suggests that the Mediterranean region could be divided into two subgroups. Tunisia, Morocco, Israel, Lebanon, Malta and Turkey, witnessed a remarkable growth in their agricultural exports to the EU, while an opposite trend was observed for Libya, Cyprus, and, to a more limited extent, Egypt. Syria belongs to the second group with agricultural exports to the EU decreasing by almost 28% (Table 6.5).

On the other hand, agricultural imports of MC-11 from the EU were overall stagnant, even though highly variable among countries. The big increases of agricultural imports witnessed by some countries like Cyprus, Lebanon, Malta, and Egypt, was outweighed by the import reductions of others, like Libya, Tunisia, Turkey, and Morocco. As far as Syrian imports from the EU are concerned, they were in 1999 almost at the same level registered in 1995 (Table 6.6).

In the late 90s, the overall agricultural trade balance of the MC-11 as a whole with the EU remained negative, showing high variability but no specific trend (table 6.7). Countries like Tunisia, Morocco, Israel, and Turkey, which are the major Mediterranean exporters to the EU markets, showed positive agricultural trade balances and improving standardized trade balances. The remaining countries kept highly negative agricultural trade balances (particularly Algeria, Egypt, and Lebanon). However, standardized agricultural trade balances of these countries showed no deterioration. Syria is the only country of MC-11 that has showed a clear deterioration of its agricultural trade balance with a worsening trend particularly in 1998 and 1999, when the country was seriously affected by the drought (Tables 6.7 and 6.8).

One complementary but important element of the analysis is given by the pattern of agricultural trade composition according to product categories. In particular, it is interesting to note that the composition of Syrian agricultural exports is characterized by a very high weight of raw agricultural products (84%) against manufactured ones (16%), while the pattern of the total MC-11 group is quite different, with the manufactured agricultural products accounting for 56 % of agricultural exports to the EU. In other words, the high dependence of Syria on low value added products represents a unique case in the Mediterranean region, and can provide a meaningful explanation for the deterioration of its Standardized Trade Balance (Table 6.9). This is true especially in the medium long run, when the effects of peculiar climatic conditions tend to smooth out.

As far as export concentration by products is concerned, the different structure in product groups between Syria and MC-11 should be noted. Syrian agricultural exports to the EU are very concentrated on four product categories, while the export of other MC-11 is much more diversified, covering almost all product categories.

More specifically, Syrian agricultural exports depend mainly on vegetable fibers (including cotton), with a share of 73%, fresh and frozen meat (11%), and fresh legumes and vegetables (5%). As for other MC-11, agricultural exports are concentrated on processed cereals (42%), dried fruits (21%), fresh legumes and vegetables (13%), citrus (11%), processed vegetables (7 %), and processed fish (6.5 %). (Table 6.9)

On the import side, the situation is not different. Agricultural imports from the EU to the Mediterranean region consist mainly of processed agricultural products. This feature is even clearer in the case of Syria, where manufactured products represent 85% of its agricultural imports. Syrian agricultural imports are highly concentrated, too. They consist of sugar and sweets (55%); cereals (11%); dairy products (10%); processed food products (6%); and oil seed cakes (4.5%). Conversely, the agricultural imports of MC-11 from EU show a lower degree of concentration, with the leading shares as follows: processed cereals (17%); cereals (14%); and fresh and frozen meat (11%), to mention a few (Table 6.9).

Another interesting issue that can be pointed out is the degree of potential competition between Syria and other MC-11 in exporting their agricultural products on the EU markets. A simple way to identify the degree of potential competition is to analyze the “similarity” of the export structure to EU between Syria and other MC-11. Indeed, the larger is the similarity of the export composition, the higher is the potential competition, since the countries have to sell the same products on the same market. Table 6.10 shows the Product Similarity index¹² between Syria and selected MC-11 for selected years.

In general, six Mediterranean countries appear as close potential competitors for Syria on the EU markets. Egypt shows very high and increasingly similar export structure, so that it is likely to be the closest competitor for Syrian exports. Lebanon and Turkey show relatively high but static value of export similarity. Morocco, Cyprus, Malta and Israel, whose export similarity with Syria was relatively low in 1990, showed a substantial increased of the index (Table 6.10).

6.3. Syria-EU Agricultural Trade (1995-1999)

During the period from 1995 to 1999, the agricultural trade between Syria and the EU declined remarkably, reaching its lowest value in 1999. The main contraction in trade took place in Syrian exports, which have been declining throughout the whole period, except for a one-year recovery in 1997. As far as imports are concerned, they reached the highest value in 1998 before a new decline in 1999. As a result, the shares of agricultural products on total Syrian trade with the EU declined sharply on the export side (from 36 to 17%), and showed high variability on the import side, from a minimum of 22% in 1996 to a maximum of 55% in 1998 (Table 6.11).

The bilateral trade between Syria and the EU is quite consistent with a typical “North-South” pattern of exchange (Garcia Alvarez Coque, 2001). Syrian agricultural exports are increasingly composed of raw agricultural products, as indicated by increasing shares for the aggregate (Table 6.11) and the positive standardized trade balance indexes registered for many products (table 6.12). Imports consist mainly of processed food products, such as sugar and sweets, dairy, oils, processed cereals

¹² The similarity index (PS) between two countries (“i” and “j”) is $PS_{ij} = \sum_t (\min P_{it}, P_{jt})$, assuming that Syria is the country “i”, $P_{i,t}$ is the share of the product t on total export from Syria to the EU and P_{jt} is the share on export to the EU for the country to be compared (“j”). If the export structure is the same for the two countries the PS totals 100.

and beverages, but also important are cereals, raw tobacco, and live animals (Table 6.12).

Only a small number of Syrian agricultural products are present on the EU markets. Indeed, Syrian agricultural exports are concentrated on a small number of products mainly due to the very high and increasing share of cotton: from an average of 63% in 1995-97 to 73% in 1997-99 (Table 6.13). Over the two periods considered, only one new product entered the very small group of Syrian agricultural products that count for more than 1% of the total agricultural export to the EU (potatoes, whose exports have shown a good improvement in recent years), while three products disappeared (Tables 6.13). Import from EU is significantly less concentrated and tends to articulate further, but sugar maintains a share well above 50% of total agro-food imports (Table 6.14).

In short, Syrian agricultural trade with the EU appears as a weak trade link, also compared to the good and important trade relation existing for non-agricultural trade. Moreover, Syria is the only Mediterranean partner of the EU characterized by a deteriorating standardized trade balance, and by high dependency of the agricultural export revenues on a very limited number of non processed, low value-added primary products

6.4. The Syria-EU Association Agreement

As already mentioned, Syria is the only participant to the Barcelona Process that hasn't signed yet an association agreement with the EU despite the fact that a draft text covering political, economic, social, and cooperation issues has been produced with the aim of establishing a free trade area by the year 2010.

Agricultural and agro-processing trade is the fundamental issue in the Association agreement, due to its importance for Syria and its sensitivity for the European countries. Moreover, the subsidies offered to agricultural commodities consume around a half of the overall EU budget.

Nine formal negotiating rounds have taken place between May 1998 and November 2002 so far at various levels. Concerning agricultural negotiation, the Syrian initial proposal included the reduction of the custom tariff applied by the EU on the products that have a large surplus in Syria right after the entry into force of the agreement, and gradual reduction for the remaining products. The EU counter proposal delays the discussion on agricultural products liberalization till five years after the signature of the agreement, and includes concessions in terms of preferential entry based on the traditional flows as a base to be increased by agreed rates. These concessions include tariff free and tariff reduced quotas for some Syrian products.

Due to the different initial positions, the two parties agreed on identifying the commodities that will enjoy tariff reduction or exemption and the quantities that will be allowed into the markets of the two sides. The proposals can be summarized as follows.

The European proposal included the liberalization of several Syrian products, including products that are either not exported by Syria or needed by the EU for its industry. Concerning the EU exports to Syria, the proposal foresees the full liberalization of the European traditional exports, ignoring the sensitiveness for Syria of some products such as citrus, olives, olive oil, apples, stone nuts, etc. Concerning

the agro-processing products, the EU will maintain its policy related to the exemption of the industrial component and levying the agricultural one.

The Syrian proposal is based on the traditional flow of the agricultural commodities that used to enjoy a zero tariff under the 1977 Protocol. Moreover, Syria has requested some additional tariff quotas for sensitive products such as olives, olive oil, citrus, apples, stone fruits, potato, tomato, etc that were not included in the protocol because of the insufficient local production at that time.

Regarding Syrian imports from EU, the tariff exemptions will be consistent with the traditional flow and quotas exempted will be identified for the products imported in large quantities (like sugar), to avoid that full liberalization could affect Government revenues since the entry into force of the agreement.

Concerning processed agricultural products, Syria has requested to extend to the agricultural component the same exemption given to industrial products under the 1977 Protocol, given that Syria was unable to compete with the European industry despite the exemption already in place.

The ninth negotiation round, held in Brussels on 11-12th of November 2002 was devoted to discuss in detail the two proposals and reached an agreement to revise the proposals taking into account the interests of the two parties.

Moreover, it was agreed to reduce the interval between the meetings in order to accelerate the conclusion of the agreement.

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Annex Tables by Chapter

Table 1.1 - World exports by region, 1990-2000

Regions	Current Value (billion US\$)											Average Values		% Variation	
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	90-92	98-00	2000 / 1990	1998-2000 / 1990-92
World	3,442	3,509	3,759	3,746	4,243	5,078	5,345	5,535	5,440	5,625	6,186	3,570	5,750	79.7	61.1
North America	522	549	583	610	678	777	827	903	897	934	1,058	551	963	102.8	74.7
Latin America	147	145	153	162	188	229	256	283	279	297	359	148	312	144.6	110.2
Western Europe	1,637	1,619	1,719	1,591	1,808	2,215	2,294	2,282	2,362	2,353	2,441	1,658	2,385	49.1	43.8
- out of which EU15	1,509	1,493	1,584	1,466	1,668	2,052	2,120	2,110	2,194	2,180	2,251	1,529	2,208	49.2	44.5
CEE/Baltic States/CIS*	105	93	100	107	124	159	214	224	215	214	271	99	233	157.1	134.7
Africa	104	99	97	91	94	107	122	125	103	112	154	100	123	47.9	23.1
Middle East	134	119	127	122	125	146	170	178	138	170	263	127	190	96.1	50.1
Asia	792	885	980	1,063	1,226	1,445	1,462	1,540	1,446	1,546	1,649	886	1,547	108.1	74.7
Regions	Share of total world exports														
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000				
World	100	100	100	100	100	100	100	100	100	100	100				
North America	15.2	15.7	15.5	16.3	16.0	15.3	15.5	16.3	16.5	16.6	17.1				
Latin America	4.3	4.1	4.1	4.3	4.4	4.5	4.8	5.1	5.1	5.3	5.8				
Western Europe	47.6	46.1	45.7	42.5	42.6	43.6	42.9	41.2	43.4	41.8	39.5				
- out of which EU15	43.8	42.5	42.1	39.1	39.3	40.4	39.7	38.1	40.3	38.8	36.4				
CEE/Baltic States/CIS	3.1	2.6	2.7	2.9	2.9	3.1	4.0	4.0	4.0	3.8	4.4				
Africa	3.0	2.8	2.6	2.4	2.2	2.1	2.3	2.3	1.9	2.0	2.5				
Middle East	3.9	3.4	3.4	3.3	2.9	2.9	3.2	3.2	2.5	3.0	4.3				
Asia	23.0	25.2	26.1	28.4	28.9	28.4	27.4	27.8	26.6	27.5	26.7				

Source: WTO.

* Central and Eastern Europe/Community of Independent States

Table 1.2 - World imports by region, 1990-2000

Region	Current Value (billion US\$)											Average Values		% Variation	
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	90-92	98-00	2000 / 1990	1998-2000 / 1990-92
World	3,542	3,626	3,880	3,858	4,368	5,216	5,521	5,719	5,658	5,881	6,490	3,683	6,010	83.2	63.2
North America	641	634	684	743	845	940	998	1,101	1,152	1,280	1,504	653	1,312	134.5	100.8
Latin America	130	148	177	194	226	254	278	329	345	335	388	152	356	198.0	134.8
Western Europe	1,700	1,711	1,790	1,608	1,807	2,209	2,280	2,277	2,403	2,418	2,567	1,734	2,463	51.0	42.0
<i>- out of which EU15</i>	1,558	1,579	1,654	1,477	1,668	2,035	2,091	2,085	2,207	2,232	2,362	1,597	2,267	51.6	42.0
CEE/Baltic States/CIS*	114	98	100	109	121	155	230	246	242	214	242	104	233	112.8	124.2
Africa	95	94	99	97	105	126	124	132	132	133	137	96	134	44.5	39.8
Middle East	99	111	130	121	117	130	140	151	146	150	171	113	156	72.4	37.2
Asia	762	830	900	985	1,146	1,401	1,471	1,484	1,238	1,352	1,481	831	1,357	94.3	63.3
Region	Share of total world imports														
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000				
World	100	100	100	100	100	100	100	100	100	100	100				
North America	18.1	17.5	17.6	19.3	19.4	18.0	18.1	19.3	20.4	21.8	23.2				
Latin America	3.7	4.1	4.6	5.0	5.2	4.9	5.0	5.7	6.1	5.7	6.0				
Western Europe	48.0	47.2	46.1	41.7	41.4	42.4	41.3	39.8	42.5	41.1	39.6				
<i>- out of which EU15</i>	44.0	43.5	42.6	38.3	38.2	39.0	37.9	36.5	39.0	38.0	36.4				
CEE/Baltic States/CIS	3.2	2.7	2.6	2.8	2.8	3.0	4.2	4.3	4.3	3.6	3.7				
Africa	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.1				
Middle East	2.8	3.1	3.3	3.1	2.7	2.5	2.5	2.6	2.6	2.5	2.6				
Asia	21.5	22.9	23.2	25.5	26.2	26.9	26.6	25.9	21.9	23.0	22.8				

Source: WTO.

* Central and Eastern Europe/Community of Independent States

Table 1.3 - Total exports in raw and manufactured goods by region (billion US\$)

Regions	Year	Raw goods					Manufactured goods	Annual variations %		
		Agr. Materials	Mining products			Agr. Materials		Mining products	Manufactured goods	
			Ores & other minerals	Fuels	Non-ferrous metals					Total
World	1997	121	64	457	104	625	3,991	-	-	-
	1998	108	59	337	100	496	4,044	-10.9	-20.6	-26.3
	1999	107	56	401	99	556	4,186	-0.6	12.1	19.0
	2000	116	62	631	120	813	4,630	8.1	46.2	57.3
North America	1997	34	11	34	16	61	688	-	-	-
	1998	30	9	28	15	52	700	-12.5	-15.2	-19.3
	1999	30	9	30	14	53	736	0.4	1.7	8.8
	2000	30	9	28	15	52	425	-0.4	-1.7	-8.1
Latin America	1997	7	9	42	11	62	150	-	-	-
	1998	7	9	29	9	47	165	-10.5	-24.2	-31.3
	1999	7	9	38	9	56	179	5.9	18.5	31.9
	2000	8	10	51	12	73	217	15.8	31.1	35.2
Western Europe	1997	36	17	89	40	145	1,828	-	-	-
	1998	35	15	69	39	123	1,903	-2.4	-15.7	-22.7
	1999	34	14	76	39	129	1,894	-3.6	5.5	11.1
	2000	34	16	112	45	172	1,959	0.0	33.3	46.0
CEE/BS/CIS*	1997	NA	NA	NA	NA	69	114	-	-	-
	1998	NA	NA	NA	NA	58	125	-	-16.1	-
	1999	NA	NA	NA	NA	60	122	-	3.8	-
	2000	NA	NA	NA	NA	93	147	-	55.2	-
Africa	1997	NA	NA	NA	NA	62	32	-	-	-
	1998	NA	NA	NA	NA	45	31	-	-27.3	-
	1999	NA	NA	NA	NA	53	34	-	17.5	-
	2000	NA	NA	NA	NA	86	36	-	63.2	-
Middle East	1997	NA	NA	NA	NA	129	39	-	-	-
	1998	NA	NA	NA	NA	91	39	-	-29.9	-
	1999	NA	NA	NA	NA	118	43	-	30.0	-
	2000	NA	NA	NA	NA	196	57	-	66.2	-
Asia	1997	27	14	63	18	95	1,140	-	-	-
	1998	22	13	50	17	81	1,081	-20.0	-15.4	-20.2
	1999	22	12	57	18	87	1,177	0.5	8.0	13.4
	2000	25	15	79	22	116	1,389	13.3	33.0	39.2

Source: WTO.

* Central and Eastern Europe/Baltic States/Community of Independent States

Table 1.4 - Total imports in raw and manufactured goods by region (billion US\$)

Regions	Year	Raw goods					Manufactured goods	Annual variations %		
		Agr. Material	Mining products					Agr. Material	Mining products	Manufactured goods
			Ores & other minerals	Fuels	Non-ferrous metals	Total				
World	1997	121	64	457	104	625	3,991	-	-	-
	1998	108	59	337	100	496	4,044	-10.9	-20.6	1.3
	1999	107	56	401	99	556	4,186	-0.6	12.1	3.5
	2000	116	62	631	120	813	4,630	8.1	46.2	10.6
North America	1997	19	8	86	18	111	834	-	-	-
	1998	18	8	63	18	89	893	-5.6	-20.0	7.0
	1999	19	7	79	19	105	991	6.9	18.4	11.0
	2000	21	8	132	23	164	1,125	6.3	55.9	13.5
Latin America	1997	6	2	22	4	28	232	-	-	-
	1998	5	2	17	4	23	243	-4.2	-14.8	4.5
	1999	4	2	21	4	27	230	-16.8	13.4	-5.5
	2000	5	2	18	4	24	266	20.9	-11.4	15.9
Western Europe	1997	49	27	150	47	224	1,639	-	-	-
	1998	48	26	114	48	188	1,765	-3.0	-16.0	7.7
	1999	45	24	129	45	198	1,774	-5.9	5.1	0.5
	2000	46	25	195	52	271	1,839	1.8	37.2	3.7
CEE/BS/CIS*	1997	NA	NA	NA	NA	33	160	-	-	-
	1998	NA	NA	NA	NA	26	160	-	-19.9	0.0
	1999	NA	NA	NA	NA	24	142	-	-9.8	-11.0
	2000	NA	NA	NA	NA	34	165	-	43.9	15.9
Africa	1997	NA	NA	NA	NA	11	82	-	-	-
	1998	NA	NA	NA	NA	9	85	-	-11.0	3.9
	1999	NA	NA	NA	NA	12	81	-	23.8	-4.2
	2000	NA	NA	NA	NA	17	82	-	43.3	1.1
Middle East	1997	NA	NA	NA	NA	9	110	-	-	-
	1998	NA	NA	NA	NA	7	113	-	-22.0	3.1
	1999	NA	NA	NA	NA	9	105	-	26.5	-7.3
	2000	NA	NA	NA	NA	13	112	-	43.5	6.8
Asia	1997	39	20	146	30	196	910	-	-	-
	1998	29	16	101	25	143	756	-25.3	-27.1	-17.0
	1999	31	17	123	26	166	830	6.6	16.2	9.8
	2000	36	22	199	33	253	1,006	17.2	52.9	21.2

Source: WTO.

* Central and Eastern Europe/Baltic States/Community of Independent States

Table 1.5 - Leading exporting countries, 2000 (billion US\$)

Rank	Exporters	Value	%	Annual % change
1	USA	781.1	12.6	12.4
2	Germany	551.5	8.9	1.8
3	Japan	479.2	7.7	14.3
4	France	298.1	4.8	-0.8
5	United Kingdom	284.1	4.6	5.6
6	Canada	276.6	4.5	16.0
7	China	249.3	4.0	27.7
8	Italy	237.8	3.8	3.1
9	Netherlands	212.5	3.4	6.0
10	Hong Kong	202.4	3.3	16.1
11	Belgium	186.1	3.0	5.6
12	Korea	172.3	2.8	17.8
13	Mexico	166.4	2.7	23.2
14	Taipei	148.3	2.4	19.8
15	Singapore	137.9	2.2	22.6
16	Spain	113.7	1.8	3.3
17	Russian Federation	105.2	1.7	41.6
18	Malaysia	98.2	1.6	16.2
19	Sweden	86.9	1.4	2.4
20	Saudi Arabia	84.1	1.4	NA

Source: WTO.

Table 1.6 - Leading exporting countries, 1999 (billion US\$)

Rank	Exporters	Value	%	Annual % change
1	USA	695.2	12.4	2.0
2	Germany	541.5	9.6	0.0
3	Japan	419.4	7.5	8.0
4	France	300.4	5.3	-2.0
5	United Kingdom	269.0	4.8	-1.0
6	Canada	238.4	4.2	11.0
7	Italy	230.6	4.1	-6.0
8	Netherlands	200.4	3.6	0.0
9	China	195.2	3.5	6.0
10	Belgium	176.3	3.1	
11	Hong Kong	174.4	3.1	0.0
12	Korea	146.3	2.6	9.0
13	Mexico	135.0	2.4	16.0
14	Taipei	123.8	2.2	10.0
15	Singapore	112.5	2.0	4.0
16	Spain	110.1	1.8	1.0
17	Sweden	84.9	1.5	0.0
18	Malaysia	84.5	1.5	15.0
19	Switzerland	80.4	1.4	2.0
20	Russian Federation	74.3	1.3	0.0

Source: WTO.