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Operation of the National Agricultural Policy Centre**

Accession to the WTO: Procedures, Issues and Lessons for Syria from Recent Experiences

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Abbreviations

AMS	Aggregate Measure of Support
AoA	(Uruguay Round) Agreement on Agriculture
CARICOM	Caribbean (economic) Community
CD	Compact disk
CTA	Chief Technical Advisor
DC	Developing country
ECOSOC	Economic and Social Council (of the UN)
ESCWA	Economic and Social Commission for West Asia (of the UN)
EU	European Union
FAO	Food and Agriculture Organisation (of the UN)
FTR	Foreign Trade Regime
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GC	General Council (of the WTO)
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GESM	General Establishment for Seeds Multiplication
GI	Geographical Indications
GOCGM	General Organisation for Cotton Ginning & Marketing
GOCTP	General Organisation for Cereals Trade & Processing
GoS	Government of Syria
HS	Harmonised System (of customs classification for goods)
IPPC	International Plant Protection Convention
ISO	International Standards Organisation
LDC	Least-Developed Country
MAAR	Ministry of Agriculture and Agrarian Reform (Syria)
MET	Ministry of Economy and Trade (Syria)
MLAE	Ministry of Local Administration and Environment (Syria)
MPS	Market price support
MTN	Multilateral Trade Negotiation
NAPC	National Agricultural Policy Centre (MAAR/Syria)
NTB	Non-Tariff Barrier
OIE	Organisation Internationale des Epizooties
OIML	International Organisation of Legal Metrology
QR	Quantitative restriction
PVP	Plant Varietal Protection
SASMO	Syrian Arabic Standards & Metrology Organisation
SAT	“Syrian Agricultural Trade” (an annual publication of NAPC)
SDR	Special Drawing Right (an IMF concept; effectively an exchange rate vis-à-vis a basket of other currencies)
S&DT	Special and Differential Treatment (for DCs)
SPC	State Planning Commission

SPS	Sanitary and Phytosanitary (Measures)
SSG	Special (agricultural) Safeguard
STE	State Trading Enterprise
TBT	Technical Barriers to Trade
TCP	Technical Cooperation Project (FAO)
TE	Tariff Equivalent
TORs	Terms of Reference
TRIPS	Trade-Related Intellectual Property Rights
TRQ	Tariff-rate Quota
UN	United Nations
UNDP	UN Development Program
UPOV	International Union for the Protection of New Varieties of Plants
UR	Uruguay Round (of MTNs)
US	United States
USAID	US Agency for International Development
WIPO	World Intellectual Property Organisation
WP	Working Party (in the context of WTO accession)
WTO	World Trade Organisation

Executive Summary

Abstract

The process of Syria's accession to the World Trade Organisation (WTO) is expected to begin soon. This report reviews the standard accession process, and identifies the input which will be required from the Syrian authorities relating to its agri-food sector and the Agreements on Agriculture, SPS, and TRIPS. Taking into account WTO texts, Syria's existing agri-food policy mix, and the recent experiences of other countries (particularly Jordan) in joining the WTO, the report also predicts which policy measures Syria is likely to have to change in order to bring them into conformity with WTO rules. Suggestions are made about how the Syrian Government might organize its negotiating mechanism for agriculture, the negotiating strategies it might adopt, and the policy changes it might consider in order to minimize the disruption to its existing pattern of protection and support. Potential benefits to the Syrian agri-food sector from WTO membership are reviewed, and the report is concluded with recommendations.

Accession Process

A **standard process** must be followed by countries acceding to the WTO. The **first phase** is the provision by the acceding country "X" of a large amount of detailed material describing, in a prescribed format, its economy and its economic and trade policies. The principal document is the "Memorandum on the Foreign Trade Regime" (content requirements specified in WTO document "WT/ACC/1"), which is supplemented by a range of other material, including, inter alia, the country's currently applied tariff schedule, copies of all relevant laws, and information on agricultural support ("WT/ACC/4"), SPS and TBT measures ("WT/ACC/8") and intellectual property protection measures ("WT/ACC/9"). All this information is scrutinized by each WTO Member country which has chosen to participate in the **Working Party (WP)** on "X's" accession. In a **second phase**, WP members submit questions in writing requesting further information or clarification, to which "X" must reply in writing, and then undergo further oral questioning in WP meetings. When the examination process is considered sufficiently advanced, a **third phase** involving bilateral market access negotiations with individual WP members begins. These take place on the basis of a comprehensive "initial offer" on market access submitted by "X". Concurrently, plurilateral negotiations on "X's" quantitative commitments on agricultural domestic support and export subsidies take place. A **final phase** covers the drafting of various documents in which "X's" future commitments (including agreements about bringing its legislation and regulation into conformity with WTO rules) are recorded. These include "X's" "Schedules of Concessions and Commitments", the "WP Report", the WTO "Decision" on "X's" membership, and the "Protocol of Accession".

Among countries to have completed their process of joining the WTO in the last 10 years, the **time taken** for the accession process has varied greatly, ranging between 3 and 19 years. The main determinant of the pace of progress appears to be the basic strategic approach of the country acceding. Some countries have been keen to join rapidly and willing to do almost anything they were asked to facilitate that. These countries were in many cases already committed to a process of radical economic reform anyway, such as several former Soviet Union

countries in the 1990s. Some countries' progress has been slow simply because they lacked adequate human and/or financial resources to carry the very demanding process forward. Other countries' progress has been slow because they have been generally satisfied with the policies which they had in place, and sought to minimize the changes they would have to make to them as a price for WTO membership. The premise of this report is that Syria's chosen strategy will in general place it in the latter category. In this case, a realistic guess as to the length of Syria's accession process may be around 10 years.

Lessons for Syria from other countries' accession experiences

The approach has been to look at all recently acceding countries broadly, at Arabic countries more closely, and at Jordan in some detail. Experiences of other countries which have helped to identify here what substantial changes Syria is likely to have to make in the agricultural and SPS policy areas are reflected in the next section of this summary. Here the "lessons" relate to the **management of the process**. The main ones may be summarized as follows:

- **Preparation:** Much of what has to be done is known in detail now, and doesn't have to wait for the accession process to formally begin with the establishment of the WP. In addition to what must be done, there is a huge scope for discretionary preparatory work which would contribute to strengthening Syria's negotiating position in agriculture. This includes researching WTO and other documents for information about the policies and commitments of other countries to have gained accession, and also the policies and commitments of more established Member countries (particularly those who will join the WP). It also includes exploring optional negotiating positions which Syria might adopt on a range of different agricultural issues, as well as preparing "fall-back" or "bottom line" positions in each case, and thinking through wider policy and institutional ramifications of the trade-related policy changes anticipated. Recognition of the significant financial cost of the accession process, and the need to plan for that, is part of this preparation. Once the process begins, secretariat units will be needed to service both the agriculture and the SPS negotiations (analysis and preparation of: submissions/notifications, decision papers re options, background briefing material for negotiators' use, replies to questions, etc.), and the earlier they are established the sooner the preparation can begin. These units will also have a continuing role after accession in servicing WTO membership and further negotiations.
- **Communication, Coordination, Continuity & Consultation:** All of these are key concepts in the management of trade negotiations. "Agricultural products" include livestock and confectionary, and much in between. The number of ministries and institutions involved in various aspects of the formulation and/or implementation of agricultural and SPS policies is very large. Beyond them are the many stakeholders in the agri-food sector. All of these will be affected by what happens in the negotiations. Policy changes always involve winners and losers, but if the losers are forewarned about the need for change, and given the opportunity to participate in the design of compensatory adjustment measures, they can be led to accept some "ownership" of the outcome, and potential socio-political unrest thus avoided. With so many players, the whole process needs to be managed and coordinated. The establishment of an interministerial committee, and a broader "advisory" committee with stakeholder representation, to deal just with agricultural trade issues, facilitates the necessary consultation and communication. Continuity (as opposed to frequent substitution) of the people involved at all levels (particularly in the negotiations themselves) is extremely important to progress.
- **Negotiating Strategy:** There should be recognition that the more the process is rushed, and fast progress demanded, then the weaker the negotiators' positions. The latter should become as familiar as possible with the relevant WTO Agreements texts,

and recognize that some rules are interpreted somewhat differently among Member countries. Furthermore, some Members have a tendency to make “WTO plus” demands on acceding countries. Syria has a right to ask for clarification and full understanding of WTO disciplines, and should resist being “steamrolled” into concessions by rhetoric of WP members which may go beyond any basis in the actual WTO rules. Recalling that one of the key advantages of the WTO for smaller countries is that under a “rules-based” international trading system they have more chance for equal treatment, Syria should by its actions promote that philosophy and resist economic bullying. Economic power will always be a factor in trade actions, but the more they can be made subject to international rules the better for countries like Syria.

Agri-food policy changes which Syria will have to make

Many Syrian agricultural support policies will be unaffected by WTO accession, and most will be able to remain in place after accession (with small adjustments in some cases). Areas where required commitments by Syria are quite predictable are notably:

- **Export Subsidies:** None will be allowed after WTO accession. This implies a need to avoid government-financed export losses on cotton and wheat.
- **Domestic Support:** “Non-exempt” or “amber” domestic support which exceeds the “de minimis” level of 10% of the value of production will be capped and subject to about 13% reduction spread over a few transition years. Only price support for cotton, wheat, tobacco and sugar beet will be affected by this, and then only collectively. It will not be necessary to reduce support for all of these crops, but, because of their relative size, at least cotton and/or wheat will need to be targeted.
- **Market Access:** All agricultural tariffs will have to be “bound” (made subject to specified upper limits). Some (average) reductions in the levels of these bindings over time will also be required. Furthermore, all import bans and non-automatic license requirements (other than for WTO-legitimate reasons – such as health, national security, or religion) will have to be eliminated. Syria has been reducing these in recent years but several remain. The move towards “tariffs-only” protection favored by the WTO makes the levels of the negotiated tariff bindings crucially important for Syria’s future trade policy flexibility. Also, because tariffs provide less domestic market stabilization than the non-tariff measures that must be foregone, negotiating rights to the use of a “Special Agricultural Safeguard” should be pursued for sensitive products.
- **SPS/TBT:** Laws on animal and plant health, and food safety, will have to be revised to be in conformity with the WTO Agreements. Mandatory standards will have to be dropped (made voluntary) or become “technical regulations”, and be based on objective scientific and risk analysis where they exceed internationally agreed standards or where the latter do not exist. As an example, several Arab countries’ “shelf life” requirements for processed food items have been found inconsistent with WTO rules. Single national “notification” and “enquiry” points will have to be established.
- **TRIPS:** Intellectual property legislation with WTO-conforming provisions covering “plant variety protection” and “geographical indications” will have to be introduced.

In addition to the above, Syria can expect a fairly thorough examination in certain other areas which have implications for agricultural policy, and which could require some changes which are more difficult to predict at this point. These include state trading enterprises (particularly regarding any import or export monopoly status), consumer subsidies, export restrictions and levies, price controls, and trading rights.

Proposed negotiating strategy and policy conclusions

First, Syria should seek “developing country” status in the WTO, to ensure access to the many “special and differential treatment” provisions in the Agriculture and other Agreements. Then it should use the limited flexibility available to it within the existing rules to maximize the notified level of “non-exempt” (“amber”) agricultural support in the base period. Making the reference or “starting point” AMS level as high as possible also maximizes future policy flexibility. For the same reason, the levels of agricultural product tariff bindings (particularly for imported products) should be negotiated as high as possible.

For **products where the removal of import bans or discretionary licensing is anticipated**, consideration should be given to raising applied tariff levels immediately. Although acceding countries have no rights to use the “tariffication” process applied in the Uruguay Round (where countries eliminating non-tariff barriers could replace them with an “equivalent” tariff), it would still pay to calculate “tariff equivalents”, as an objective measure of price protection provided by the outgoing ban or license requirement. This would provide an indication of the level of tariff binding which would be required to avoid disruption. For 10 or so selected sensitive products, Syria should also vigorously seek access to future use of the Special Safeguard (SSG) provisions. In summary, where a quantitative restriction on trade must be removed, the preferred option would be to provide an equivalent level of protection and domestic market stabilization through a combination of an equivalent tariff and use of the SSG (when necessary). If this proves impossible, consideration could be given to introducing deficiency payments support (similar to that provided to strategic crops now) for the affected products.

Wheat and cotton support regimes face adjustments to meet future AMS reduction commitments and to avoid the future use of export subsidies. The main policy options requiring minimal changes from the status quo include (1) managing production to be no higher than domestic needs, thus avoiding exports altogether, (2) implementing a two-price scheme (such as recently announced but not yet implemented for cotton) where only production up to a level not exceeding domestic consumption would receive a price above a world market (export parity) level, and (3) removing all elements of domestic market price support (whereby domestic consumers pay higher-than-export-parity prices) and providing support to farmers purely in the form of deficiency payments (fully funded by government).

Examination of the existing cotton and wheat regimes suggests that they may already conform to option (3) in most important respects, - in particular, that domestic cotton fibre and wheat flour buyers already now pay no more than export-equivalent prices. It is suggested that this option be retained and made explicit for cotton. As wheat is in only a marginal (irregular) net export position, it is suggested that adopting option (1) for wheat would result in a more stable domestic price in future years (at a somewhat higher, import parity level), which would have some cost for consumers but would reduce fiscal exposure for Government. Under option (1), AMS reduction requirements, to the extent it was decided to impose them partly or wholly on wheat producers, could be met by either reducing quantities produced, or by reducing the support price level, or by a combination of the two. Under option (2), this could only be achieved by reducing the support price.

Recommendations

The report concludes with 19 recommendations, - 7 in the field of accession process management, 10 relating to accession negotiating strategy on agricultural issues, and 2 on the broader agricultural infrastructural issue of the need for more market price information – both for producers and for policy analysts and decision-makers.

Introduction

Background

As part of the on-going process of economic reforms, Syria has given increasing emphasis to fostering the integration of its economy at regional and international level. As a result, a number of bilateral trade agreements have been signed, the Arab Free Trade Agreement is currently being implemented, and the negotiation of an Association Agreement with the European Union has recently been concluded. Moreover, Syria applied in 2001 for membership to the World Trade Organization. This application was formally “reaffirmed” in February, 2004. However, a “working party” (the WTO committee, composed of representatives of all member countries interested in the negotiation, that examines the application for accession and makes recommendations to the General Council/Ministerial Conference of the WTO) has not yet been established.

To actively contribute to the on-going process of policy reform, the National Agricultural Policy Center (NAPC) is aiming at enhancing its technical background knowledge to effectively contribute to the negotiations for accession to the WTO with specific reference to the agro-food sector and related trade issues. To this effect the NAPC requested the support of the FAO Project GCP/SYR/006/ITA in pointing out benefits and challenges of the adhesion as well as in clarifying procedures and identifying most relevant issues in the accession process, taking into account the experiences of Arab countries with similar economic and social situation. This paper reports on the findings of a consultancy implemented in response to this request.

Activity Summary

The consultancy took place in the period March-November, 2004. The first mission included a 2-day briefing session in Rome, commencing on 26/04/04, followed by 5 weeks based in Damascus, until 03/06/04. A 4-day side trip to Amman, Jordan, took place in this period. A second mission occurred in the period 15-22/10/04. Additional time outside the missions was devoted to literature review, analysis and report writing.

Interviews with key stakeholders occupied much of the time in Damascus during the first mission. Meetings took place at the Ministry of Agriculture and Agrarian Reform (MAAR; 6 different departments), the Ministry of Economy and Trade (MET: 4 departments), the State Planning Commission (SPC; 2 departments), the Ministry of Finance, the Ministry of Culture, and the Syrian Arabic Standards & Metrology Organisation (SASMO).¹ In addition, the author met with a private sector economic consultant, and with representatives of the Agricultural Chambers, the General Union of Peasants, and the Syndicate of Agricultural Engineers.

This report also reflects the results of consultations with Jordanian authorities about that country’s experiences with WTO accession, which it completed in 2000. In Amman, meetings were held with key people from 3 different units from the Ministry of Agriculture, and in the Foreign Trade Policy Department of the Ministry of Trade & Industry. Additionally, on the

¹ See Annex 2 for full list of people met.

advice of people in the Ministry of Agriculture, the small delegation from Syria met with representatives of the USAID-funded “AMIR” Project, and with a Professor in the Agricultural Economics and Business Department at the University of Jordan.

Over the course of the consultancy, three seminars were held at the NAPC in Damascus, the last being part of NAPC’s “Policy Forum” series. Additionally, under the consultant’s supervision, preliminary indicative calculations of “base period AMS” levels, and of the tariff equivalents of selected existing import bans, were undertaken by NAPC staff.

Analytical Approach

The starting point is Syria’s firm decision to join the WTO. Taking that as a given, the range of **fundamental strategic approaches** which Syria might adopt in pursuing this decision is bounded by **two extremes**.

One extreme is that Syria could **use WTO accession as a means to speed up the pace of Syrian economic reform** towards an open market system fully integrated with the world economy.² Embracing this extreme option would be conducive to a rapid accession process. But it would imply a change from the Government of Syria’s (GoS) approach to date, which has been one of steady but gradual change with a view to minimizing associated social disruptions.

The other extreme would be to seek to **minimize the impact of WTO accession on the pace of Syrian economic reform**, while maintaining the present pace and course as much as possible. Such a choice would imply making the least changes to Syria’s existing policies and institutions necessary to achieve WTO membership. It would also imply a lot of hard bargaining, and a much more prolonged accession process.

On the continuum of possibilities between these two extremes, it appears that the approach adopted by Jordan was closer to the first. In contrast, the majority of government officials interviewed in Damascus gave the clear impression that they believed Syria should or would adopt an approach closer to the second.

Thus the key analytical **premise** underlying this report is that the **GoS prefers the second option**. Accordingly, it is assumed that the present set of agricultural support policies and institutions (and the balance it implies between farm commodities) exists for good reasons, and the focus is put on the identification of policy options only where some change would be necessary to satisfy WTO rules and anticipated support/protection reduction commitments, and then only options which could imply the least possible change to the status quo. Implicitly, the main time-focus of this report is on the period of accession and on the transition years immediately following it. The findings of this report should be of interest to the GoS to the extent that its basic strategic choice does, in fact, approach the second extreme above.

Some other recent studies/reports have taken a different approach, probably with a view to identifying optimal longer-term directions for Syrian agricultural policy. For example, rather than retaining existing domestic agricultural support policies which fall into the “more-than-minimally trade-distorting” (or “amber”) category, and reducing them only by the extent necessary to meet negotiated WTO commitments, some analysts may propose providing support only via policies and programs which would fit into WTO “green” or “blue” or “development”

² It is often observed that the international pressures associated with trade negotiations provide a politically-acceptable justification for governments to make policy changes which they wish to make, but find too difficult in a unilateral context. For examples, there are clearly major theoretical problems with a “cost-of-production pricing” philosophy, particularly in agriculture, and, on economic efficiency grounds, a strong case can be made that a country can improve its economic welfare by unilaterally removing all its trade barriers, even if other countries do not do the same.

(“S&D”) box categories, which are (at present) all “exempt” from reduction commitments.³ To the extent that the basic strategic choice of the GoS in its approach to WTO accession falls somewhere on the continuum between the two extremes identified above (and departs from the second), then the findings of such other studies will also be of interest regarding the management of Syria’s accession process, and the development of its negotiating positions for agricultural products.

³ As an example, see Huff (2004)

Chapter 1– Main Findings and Conclusions

1.1 Summary of the Standard Process for WTO Accession

The following summary is based on information posted on the WTO website and several papers dealing with accessions prepared by the WTO Secretariat and downloadable from that site:⁴

1. Country X makes a formal application to the Director General of the WTO, which is then distributed to all Member⁵ country governments.
2. At the next (normally) meeting of the General Council (GC) of the WTO, this application will be considered and (again normally) a decision taken to form a Working Party (WP). All Member countries have a right to join the WP: normally those with a significant interest in trade with X would choose to do so.
3. The Chair of the GC consults with representatives of Member countries who have expressed an interest in joining the WP, and with country X, about the choice of a Chair for the WP. The Chair will often be a Member country's Ambassador to the WTO.
4. The WP is established and the Chair appointed. WTO Member countries who have chosen to be members of this WP are identified at this point.
5. Country X prepares and submits (in a standard format laid out in WTO document "WT/ACC/1") a "Memorandum" on its Foreign Trade Regime (FTR), which is then distributed to WP members, together with any related documentation which may also have been provided (such as X's existing customs tariff schedule in "Harmonised System" (HS) nomenclature, import data by tariff line and by country of origin, and relevant laws and regulations). It has also become standard practice for the applicant country to submit a "legislative action plan" at, or soon after, this point. Furthermore, there are other informational requirements which, while not necessarily needed at this point, should be provided as early in the process as possible. These are: (1) information on agricultural support, in the standard format laid out in WTO document "WT/ACC/4", (2) information on services, following the guidelines of "WT/ACC/5", (3) information on SPS and TBT measures, following "WT/ACC/8", and (4) information on its intellectual property (TRIPS) regime, according to "WT/ACC/9". The timing of these latter four requirements is not fixed, but, in a recent review document, the WTO Secretariat has stressed that experience has shown that their early submission speeds up the accession process, particularly in the case of the agricultural support information.
6. After consulting with WP members and country X, the WP Chair establishes a schedule for future WP meetings.

⁴ See www.wto.org, and WTO documents in the WT/ACC/1 through WT/ACC/11 series.

⁵In this report the term "Member" or "Member country" is used to mean any country which is currently a full member of the WTO.

7. After studying X's Memorandum on its FTR, WP members submit questions of clarification (in writing) to country X (copied to other WP members).
8. Country X prepares and provides replies to these questions (in writing). These answers are distributed to all WP members. Steps "7" and "8" may be repeated at this point.
9. When an adequate documentary basis is available, the first meeting of the WP is held.
10. (possibly) Another (or more) round(s) of questions and answers.
11. (possibly) More meetings of the WP.
12. When the examination of X's FTR is considered to be sufficiently advanced, bilateral negotiations on market access will begin (between each of those WP members desiring them and country X).
13. X prepares a comprehensive "Draft Schedule of Concessions" – also referred to as an "initial offer". This is not obligatory, but X will be strongly encouraged to do so at this point.
14. Individual WP members each submit market access "requests" to X on products and services of particular trade interest to them, and bilateral negotiations about possible (further) concessions related to these requests take place. The requests relate mainly to import tariff levels, in the case of "goods", including agricultural products.
15. Concurrent with the bilateral negotiations on market access, multilateral negotiations about X's adherence to WTO rules take place in further WP meetings. These will include discussions about the WTO-consistency of any non-tariff measures in X's regime and about commitments to eliminate measures found to be non-compliant. Members will also want to become satisfied that X has brought its relevant legislation into conformity with the TRIPS, TBT and SPS Agreements, and that it commits to a process of changing (within a given time-frame) any technical regulations (mandatory standards) which are not either harmonized with international standards or demonstrably science-based. Other "rules" subjects often relevant to agriculture are price controls, and state trading monopolies.
16. Also concurrent with the bilateral negotiations, plurilateral agricultural negotiations about X's quantitative commitments on domestic support and export subsidies, will take place with interested WP members.
17. After the conclusion of negotiations (which requires each affected WP member to "sign off" on its bilateral negotiations), "Draft Schedules of Concessions and Commitments to GATT '94 and Schedule of Specific Commitment to GATS" are prepared.
18. These schedules are reviewed multilaterally by the WP.
19. The Report of the Working Party, a "Draft Decision" and a "Protocol of Accession" are prepared and submitted.
20. The GC (or a Ministerial Council) "adopts" the Report and "approves" the Decision by a 2/3 majority vote.
21. Country X ratifies its acceptance of the agreement reached, and the Protocol enters into force 30 days later.

1.2 General Experiences of Countries Acceding in the Post-Uruguay Round Period Relating to Agricultural Products

It is worth recalling that, among regional and Arab countries, Egypt, Bahrain, Djibouti, Kuwait, Qatar, Mauritania, Tunisia, United Arab Emirates and Morocco were all founding WTO members; that is, they signed the WTO Agreement at the end of the Uruguay Round of

Negotiations in 1994. Oman and Jordan have both successfully joined the WTO in the period since (both in 2000). Algeria, Sudan, Lebanon, Yemen and Saudi Arabia are currently in the process of accession, with respective Working Parties already established. Saudi Arabia is now close to completing the process, having begun in 1993. Lebanon and Algeria have further to go than Saudi Arabia, while Sudan and Yemen are still in the very early stages (see Table 3.1 below).

Table 3.1. Summary of selected Arab countries' progress with WTO accessions
(figures in months/years, except as indicated)

Country	JORDAN	OMAN	SAUDI ARABIA	LEBANO N	ALGERIA	SUDAN
	Date	Date	Date	Date	Date	Date
Application	1/94	4/96	6/93	1/99	6/87	10/94
WP Established	1/94	6/96	7/93	4/99	6/87	11/94
Memorandum on FTR	10/94	6/96	7/94 5/96 7/96	6/01	7/96 8/01 10/02	1/99
1st Meeting of WP	10/96	4/97	5/96	10/02	4/98	7/03
Tariff Offers	7/98 10/98	10/97 9/99	9/97 6/99	11/03	3/02 9/03	
Agricultural Data	7/98 3/99 9/99 11/99 12/99	9/98 6/00	3/97 5/97 11/97 6/98 9/98 11/99 10/00 1/04	11/03	1/98 4/02	
Draft WP Report	4/99	3/99	1/00 10/00			
Rep. Adopted by WP	11/99	9/00				
Rep. Adopted by Council	12/99	10/00				
Membership	4/00	11/00	(2005 ?)	(2005 ?)		
Total Time	6+ years	4+ years				

Sources: WTO documents (WT/ACC/7/Rev.1, WT/ACC/10/Rev.2 and WT/ACC/11/Rev.2) and WTO website (www.wto.org)

Most recently (July 2004), the GC has accepted Libya's application, and the establishment of a WP for that country's accession is now underway. Requests pending are those of Syria (which

first applied to join the WTO in 2001, and then “reaffirmed” its application in February, 2004), Iran, Iraq and Afghanistan.⁶

In general, there have been large differences between countries in the **time taken** for the accession process to run its course. Oman’s 4 years makes its process one of the most rapid (the Kyrgyz Republic was the fastest in recent years, being completed in just under 3 years). In contrast, Algeria’s WP was established in 1987, its FTR Memorandum appeared in 1996, while its negotiations didn’t really begin in earnest until 2002. So in Algeria’s case, the process will have lasted at least 18 years by the time it is completed.

China’s accession process lasted more than 15 years. Russia’s process has also been dragging on for many years and does not appear to be near to completion at this point (although in May 2004 it reportedly completed a significant hurdle by “signing off” on its bilateral negotiations with the EU). Ukraine, too, has been engaged in the process for many years. A major point of contention in Russia’s case has been its desire to maintain domestic energy prices lower than world market levels. Sometimes political factors also affect the pace of progress: pressure from the US is reportedly holding up both Iran’s and Syria’s accessions at the present time.

“Special and differential treatment” (S&DT) for “developing countries” (DCs) is a long-established concept under the GATT. But there is no strict definition of a “developing country”: it is up to the individual country to choose whether it wants to be considered such for GATT (and now WTO) purposes. South Korea still claims “developing country” status. Both Jordan and Oman chose to do so when they joined. Former Soviet Union countries have generally chosen not to.

In contrast, “least developed countries” (LDCs), which, under the terms of the Uruguay Round (UR) Agreements, are entitled to even more favourable terms than DCs in some respects, are not self-designating. LDC status is based on an objective measurement of income per head of population, and is designated by the Economic and Social Council (ECOSOC) of the United Nations (UN).

New WTO members’ commitments on **agricultural domestic support and export subsidies** are determined with respect to measured levels in a 3-year “base period”. While there is a clear preference for this to be the most recent 3-year period for which the relevant data exist, the choice of base period is, to some small extent, a matter of negotiation. For example, Oman and Jordan both used 1994-96 as their base period, while the 3 other countries which acceded in 2000 used 1996-98. In cases where the accession negotiations drag on over a number of years, there may also be calls for an originally-agreed base period to be revised forward in time.

Acceding countries also have a choice about whether they express their value commitments in their own **currency** or some other. This provision, in the UR Agreement on Agriculture, is designed to provide fairer treatment to countries with a rapidly inflating currency. Among the 18 post-UR accessions which had been completed by mid-2003, 6 countries had chosen the option of taking their commitments in a currency other than their own; 1 using US\$, 2 using SDRs (“Special Drawing Rights” – essentially a “basket” of currencies), and 3 using Euros.⁷

Percentage reductions from base period levels (of non-exempt domestic support and export subsidies) required of recently acceding countries have generally coincided with the depths of cut established in the UR. However, the times allowed to make those cuts have varied (i.e., have been negotiable), and have generally been shorter than the periods Members were allowed to implement their UR reduction commitments (10 years, in the case of developing countries). Jordan was one of only two countries to be allowed 6 years for the implementation of most

⁶ Relevant reference documents are WT/ACC/SYR/1, WT/ACC/SYR/2, WT/ACC/IRN/1, WT/ACC/IRQ/1 and WT/ACC/AFG/1.

⁷ Brink (2003)

commitments, including a 13.5% reduction in its base-period level of “AMS” (“non-exempt”, or “amber” domestic support exceeding “de minimis”); all others had shorter “transition” periods⁸.

With respect to **agricultural export subsidies**, all countries to have completed their accessions since 1997 have agreed to a bound level of zero from day one, even though some had used such subsidies in their base period. In the present climate, with this precedent, and with strong prospects now for an agreement in the current round of multilateral negotiations to eliminate export subsidies, it will clearly be very difficult for an acceding country to be granted any scope at all for their use.

On the **market access** side, acceding countries have been required to **remove all GATT-inconsistent non-tariff barriers (NTBs)**. These include those import bans, import quotas, and discretionary (non-automatic) import licences which are not permitted on grounds of health, safety, environmental, religious or other considerations, - either under one of various Articles of GATT 1994, or under one of several other WTO Agreements. Essentially, NTBs which are in place to provide economic protection for domestic producers are GATT-inconsistent. In the UR, countries had the right to systematically convert such NTBs into “equivalent tariffs”, a process which became known as “tariffication”⁹. Alternatively, developing countries were allowed to nominate ceiling bindings for their (replacement) tariffs which were not the product of any systematic calculation.

Importantly, WTO Member countries are now generally taking the position that **acceding countries do not have an automatic “right” to “tariffication”**, as implemented under the UR Agreement (the term “tariffication” does not appear in any of the documents relating to accession), **nor to the use of the special (agricultural) safeguard (SSG)**¹⁰. Nor can acceding developing countries just nominate their own ceiling binding levels, and expect them to be accepted without question. The binding of tariffs at calculated “tariff equivalent” levels (where some non-tariff barrier is to be discontinued), and recourse to use of the SSG for such products, are **matters which have to be negotiated**.

The foregoing notwithstanding, it is also obvious to everyone that, if the main instrument of protection is currently provided by a non-tariff barrier (NTB) which has to be removed on accession, it could be very disruptive for an acceding country to have to move suddenly to a much lower level of protection such as might be provided by an ordinary tariff bound at the

⁸ The term “transition period” has been used consistently in all the documents relating to WTO accession, - apparently to distinguish and dissociate it from the corresponding “implementation period” agreed in the UR. Jordan had up to 10 years for phasing in a few tariff reductions.

⁹ The Agreement on Agriculture provided (Article 4.2 and Annex 5) for “special treatment” temporary exemptions from the obligation for a country to phase out NTBs required to be converted into ordinary customs duties (tariffs). The “Attachment to Annex 5” provided “Guidelines for the Calculation of Tariff Equivalents” to be used when such exemptions are terminated. Essentially, the calculation involves measuring the difference between internal and external prices. This calculated “tariff equivalent” then provides a “basis” for establishing the level of a tariff to replace the offending NTB. It should be noted that the “equivalence” of the tariff so created, relative to the NTB it replaces, is limited to the sense of “price protection at a given point in time, or averaged over a given period”. But NTBs, by their nature, tend to provide a varying margin of price protection over time, as world market prices fluctuate, while tariffs tend to provide more constant price protection margin over time (in either ad valorem or absolute terms). Thus, a tariff does not allow the maintenance of a stable domestic market price level in the way that most NTBs do, and in this sense the tariff can not be considered “equivalent”.

¹⁰ The “Special Safeguard” (SSG) is the subject of Article 5 in the Agreement on Agriculture. Essentially it allows for the temporary imposition of an additional import duty in response to import surges above, or import price declines below, moving “trigger levels” based on recent past trade and consumption levels using formulii specified in this Article. The use of the SSG is limited to specific products identified in Member countries’ WTO market access Schedules. The advantage of the (agricultural) SSG is that it can be applied much more quickly, under WTO rules, than other generally-available trade remedy measures like anti-dumping duties, countervailing duties and (ordinary) safeguards. In particular, injury or threat of injury to the domestic industry does not have to be demonstrated, prior to the use of the SSG.

currently applied (but ineffectual) rate. The currently applied tariff in such situations should be regarded as irrelevant, as it will not normally be affecting the amount of trade which is taking place, nor the domestic price level. Binding a replacement tariff at the level of protection effectively provided by the old NTB, and then reducing that binding gradually over time, both makes economic sense and is fair (albeit a more stringent requirement than was available to original WTO developing country members in the UR).

In the UR, agreement was reached that essentially **all agricultural tariffs should be bound**. Generally, developed countries' applied and bound tariffs now coincide (albeit that some of these are very high). Developing countries, in contrast, had the opportunity to bind their tariffs at much higher than applied levels. In retrospect, many developed Members have regretted this outcome, and so there has been some pressure on newly acceding developing countries to agree to bind their tariffs at or near recently applied rates. Some countries have agreed to merge their applied and bound tariffs (e.g., Jordan, Albania, Croatia) while others have successfully held out for considerably higher binding levels, at least on some sensitive products (e.g., Bulgaria, Estonia, Latvia).

In general, some **average reductions** have been required in **bound tariffs**, more or less along the lines of the formulii and depths established in the UR, but without a minimum percentage cut being required on all tariff lines. Jordan's schedule, for example, shows immediate reductions in about 20% of its agricultural tariff lines and phased reductions in roughly another 20%. However, the **time periods** permitted in which to make the cuts appear to have been somewhat negotiable, with some countries being permitted longer periods (e.g., up to 10 years in Jordan's case) for some tariff cuts.

Tariff rate quotas (TRQs) have appeared in the schedules of commitments of 9 out of 20 countries to have completed their accessions in the post-UR period up to mid-2004, for at least some products.¹¹ However, only 3 of these countries were successful in negotiating the right to use the "**special (agricultural) safeguard**" (SSG) for some products.¹² That said, it is worth noting that one of the last countries to complete its accession, Chinese Taipei, was able to obtain access to the SSG for 32 tariff lines (it also has 22 products subject to TRQs, on 117 tariff lines).

1.3 Agri-food Issues Arising for Arab Countries in WTO Accession

Jordan and Oman are the only Arab countries to have completed WTO accession in the post-UR period. Unfortunately, neither of these countries' agricultural sectors is particularly similar to that of Syria, nor as relatively important in the overall economy of the country. Information on the experiences of other Arab countries still in the process of WTO accession is relatively scarce, due mainly to the WTO policy of derestricting official documents pertaining to accession of a given country only after the process is completed. However, some information on some other countries was obtained informally through various contacts. This section provides a review of the main specific issues to have arisen as problems during the accessions of Jordan, Oman and Saudi Arabia, in particular.

Import Restrictions

All three countries' import regimes were subjected to considerable scrutiny, and some import bans, import quotas and discretionary (non-automatic) import license and prior approval requirements for agricultural products were identified as being WTO-inconsistent. In general, the WTO allows such restrictions on religious, national security, environmental or health grounds, but not merely as protective measures (to give a commercial advantage to domestic

¹¹ TRQs provide for a limited quantity of imports to enter at a low tariff rate. Imports above that quota must pay a higher rate.

¹² WT/ACC/10/Rev.2 (Table 3b, p.21)

producers). These issues were resolved by the countries removing their unjustified bans and other restrictions, or making the licenses automatic.

Other restrictions on imported meat and live sheep

Additionally, Jordan ran into difficulties with its price restrictions and more stringent inspection requirements for imported meat (the latter applied also to meat derived from imported animals). Furthermore, it had age and sex composition requirements for live sheep imports which were found to be inconsistent with WTO rules. Jordan agreed to drop or change these requirements in order to make them consistent with the “national treatment”, “non discrimination” and “science-based” principles of the SPS Agreement, as they apply to such measures. Saudi Arabia also agreed to phase out minimum import prices which applied to some items.

Use restrictions on imported powdered milk

Jordan agreed to abolish its prohibition on the use of powdered milk by industry.

State trading enterprises

Import monopoly powers and tariff exemptions enjoyed by some of its state owned enterprises were dropped by Jordan. Saudi Arabia had already abolished all agricultural import monopolies prior to the accession process.

Export restrictions

All three countries came under pressure and made changes to their export licensing requirements to bring them into consistency with GATT Article XI. In general, this meant making the granting of licenses automatic for listed items. Saudi Arabia and Oman both retain export bans on certain products, and the former some export taxes, all of which are allowed under WTO rules, when applied in a non-discriminatory manner.

Legislative shortcomings

All three countries were obliged to introduce new WTO-consistent legislation in the fields of Plant Variety Protection and Geographical Indications (both required by the TRIPS Agreement) and Sanitary and Phytosanitary Measures. Typically, the latter have been addressed by new or revised laws in each of the plant health, animal health and human health (food control) areas.

Standards

The WTO-conformity of many mandatory standards in areas covered by the SPS and TBT Agreements was questioned in the cases of both Saudi Arabia and Jordan. Both have made an extensive effort, pursuant to new legislation, to convert these to WTO-consistent “technical regulations”, and to significantly reduce their numbers. Internationally-agreed standards (under Codex Alimentarius, IPPC and OIE) have in most cases been adopted wherever available, while new standards elsewhere have been established more objectively, based on sound science and risk analysis, as appropriate. Both Jordan and Oman agreed to make many existing standards voluntary rather than mandatory, where the latter status was seen as unjustified under the terms of the TBT Agreement.

Shelf-life requirements on imported foods

This was another area of contention for all three countries. Their previously-existing shelf-life requirements, such as that “the use-by date must be at least X months away” or that “the time between production and use-by dates must not have more than 50% elapsed” were found to be unjustifiably arbitrary, and were changed in all cases. In general the acceptable solution was to eliminate such requirements for “shelf-stable” foods, to adopt international norms for “highly perishable refrigerated” foods, and to ban imports of any foods which already exceeded their “use-by” date.

1.4 Lessons for Syria from Jordan

Key additional facts of Jordan's WTO accession:

1. Jordan applied to join the WTO in 1994, but reportedly most of the activity occurred in the 1998-2000 period.
2. A significant injection of funds via USAID's "AMIR" program from 1998 appears to have accelerated progress from that point.
3. Thirty-two WTO member countries joined Jordan's Working Party, of which fourteen requested bilateral negotiations on market access for goods. Ten of these latter sought improved market access for agricultural products.¹³
4. A WTO dispensation was obtained allowing representatives of Jordan's Chambers of Agriculture to attend the Working Party meetings.
5. Jordan's existing bilateral and regional trade agreements did not cause difficulties for its WTO accession.
6. Jordan claimed and was granted Developing Country (DC) status, and calculated base period trade-distorting domestic support to agriculture (AMS) to be above "de minimis" levels. The required rates of gradual reduction in that AMS (13.5%), and in other areas are commensurate with that DC status. Jordan reported no base period agricultural export subsidies and so, like most recently-acceded countries, has a zero binding on their future use.
7. Since accession, Jordan has in general raised its applied tariffs to their WTO bound rates, which are on the whole not very high.
8. Relative to the rather large agricultural and trade policy reforms which Jordan had already undertaken unilaterally in earlier years of the 1990s, the additional commitments of WTO accession in agriculture were less significant.
9. Unlike some other recently acceding countries, Jordan failed to obtain rights to use the Special Agricultural Safeguard (SSG) for its more sensitive farm products, but did obtain limited rights to increase some fruit and vegetable tariffs seasonally.
10. Jordan had to remove its tariff exemptions, but was able to retain differentiated tariffs, with lower values for certain uses such as industrial or infant feeding. That said, in many cases such differentials were reduced, because Jordan lowered its higher rate while at the same time raising its lower rate.
11. Following accession, Jordan has reviewed and revised nearly all of its food, plant and animal health standards in order to either harmonize them with international standards or ensure they are science-based.
12. It has also created a Food and Drug Administration to take over all food-related responsibilities previously dispersed across Ministries of Health and Agriculture, and Municipal administrations.
13. Consumer subsidies in Jordan (notably for standard bread) have been considerably reduced for fiscal reasons and not because of WTO accession.
14. Small farmers in rain-fed areas, and sheep farmers in particular (note shrinking national herd), have suffered most from the lowered subsidies. Increased prices for irrigation water have also caused problems in other areas.

¹³ Information on the Member country composition of the WPs for Jordan, Oman and Algeria is provided in Annex 4.

Key Problems Identified regarding Jordan's WTO Accession:

1. Lack of involvement of the Ministry of Agriculture in the early stages, despite a huge amount of technical agricultural input needed.
2. Lack of a national agricultural negotiation committee (only established after accession completed), resulting in poor communication and coordination between ministries and poor consultation with private sector stakeholders.
3. High level directive that the accession process must be completed rapidly, thus tying the hands of the negotiators.
4. Relatively inexperienced and untrained negotiators on the Jordanian side, facing skilled and experienced counterparts on the Member countries side.
5. Frequent changes in the personnel conducting and servicing the accession negotiations, leading to problems of continuity.

Summary of Advice for Syria received from the Jordanians:

Jordan's officials stressed several areas of the accession process needing particular attention. Their recommendations in each area are listed below. Some of these relate to the overall conduct of the process, while others relate more specifically to agriculture.

PREPARATION

- Become fully familiar with details of all relevant WTO agreements and WTO operating mechanisms as early as possible.
- The same regarding WTO accession requirements and procedures.
- The same regarding the experiences of other (particularly Arab) countries to have recently joined the WTO and the details of their commitments.
- Identify ahead of time (anticipate) the changes to Syrian policies and regimes likely to be required or requested.
- Develop "bottom" (or "red") line positions on all the issues to be negotiated, including tariff levels on a line by line basis in the market access area.
- Identify possible outcome scenarios, and develop alternative policies to cope with the changes or offset their effects.
- Undertake financial/budgetary planning (accession is a costly process).

EXTERNAL FUNDING

- Can be obtained and should be sought early (to be used for such things as (1) sending delegates as observers to WTO meetings, starting immediately, (2) sending delegates to WTO Secretariat training courses, (3) receiving in-country training from WTO Secretariat staff, (4) hiring national and international technical and legal consultants to draft new legislation, and to advise in other areas)
- Preferably, this should be one single large funding source allowing better coordination across all areas.
- Considerable help is available from the WTO Secretariat, and should be exploited to the full. The Secretariat can also assist in finding other donors.
- Other possibilities for this which could be explored are such multilateral and bilateral sources as FAO/TCP (agriculture only), ESCWA and the Government of France.

- Jordanian officials emphasized that the ongoing work involved, in servicing WTO membership after accession is completed, is also very onerous and costly, and should not be underestimated.

ORGANISATION (for communication, coordination, consultation and direction)

- Get MAAR closely involved from the start (even more important in Syria than Jordan, given the importance of agriculture in Syria's economy).
- Set up sectoral inter-ministerial coordination committees to deal with each main WTO area (e.g., one for Agreement on Agriculture matters, another for SPS/TBT matters, and so on). These could also include private sector representatives, as in Jordan, or, alternatively, separate and parallel "Sectoral Advisory Committees", for regular consultation with industry stakeholders, could be established, as is done in some other countries. These committees should be chaired by ministers.
- Establish dedicated units in each affected Ministry to manage and service the accession process in its particular area. In the case of the Ministry of Agriculture, two units will be needed (though could be located together, as in Jordan's case), one to deal with Agreement on Agriculture issues (market access, domestic support and export competition), and the other to deal with SPS issues. Their respective responsibilities should be identified clearly.

NEGOTIATING TEAM

- Early naming of individuals to be chief and deputy negotiators in each main area (Agriculture and SPS could be combined), and of the back-up technical support team in each area.
- The chosen negotiators (at least) should commence traveling to Geneva as observers to all meetings in areas of their responsibility as early as possible to learn how the "game is played". Where possible, it is they who should attend the WTO training courses (rather than junior officials).
- Careful selection of negotiators is important, as their personal attributes can contribute a lot to the degree of success of the outcome. They should be senior and experienced individuals, and mentally tough (they will have to deal with opposite numbers of this caliber who will usually have the advantage of longer WTO experience).
- A single-unit responsibility for **all SPS** matters is important. The negotiators and individual staff must be knowledgeable about animal health, plant health, **and** food health matters. They can not remain as single-area technical specialists.
- In particular, Jordan stressed the need for **continuity** in the teams' compositions, with staff turnover being minimized.

NEGOTIATING STRATEGY

- Do not rush the process. Be prepared to spend several years at it. Allow time for thorough preparation. Do not force the negotiators' hands by demanding rapid progress.
- In order to jump-start the process in Geneva (when Syria is ready), consideration could be given to the possibility of preparing a thorough and detailed Memorandum on the Foreign Trade Regime, in the required standard format, and submitting it to the WTO, - even before the Working Party has been formally established.
- In Agriculture, Syria should aim to get recorded **base period** domestic support (**AMS**) as **high as possible**, and to obtain **binding levels** on agricultural product **tariffs** as **high as possible**, - both in order to maximize future support policy flexibility.

- In order to obtain high tariff bindings, a two-pronged strategy could be used: (1) **raise applied** tariff levels significantly **before** they are notified to the WTO, and/or (2) **calculate “tariff equivalents”** on the non-compliant non-tariff barriers which will probably have to be removed (e.g. bans, non-automatic import licences or prior approvals for other than health reasons), - as an objective **justification** for **bound tariff** levels to be set significantly **above applied tariff** levels (following Uruguay Round procedures)
- Not more than 10 **sensitive** agricultural products should be **identified**, and the right to use the **Special Agricultural Safeguard** sought vigorously for these.

1.5 General Lessons for Syria from the Experiences of Other Acceding Countries

Appropriate Working Premises:

- i. **All existing agri-food sector NTBs** (import quotas, bans, non-automatic or discretionary licensing, etc.) **will have to be converted to tariffs**. There will be pressure from some Members against it, but it should be possible for Syria to negotiate tariff bindings in such cases at levels of effective protection close to what the outgoing NTB had provided, at least for the more sensitive products. In such cases, the introduction of TRQs will be a possibility. If TRQs are used, there will be a requirement that their levels be increased over time. Defining TRQs more broadly at the HS 4-digit and 6-digit levels is a possibility, but usually they will be required to be specified at the 8-digit level.
- ii. **All agri-food tariffs will have to be bound**. The extent to which these bindings will have to be further reduced gradually over time is negotiable, but such cuts can be expected to be required for a significant proportion of tariff lines. There may also be a requirement for a minimum percentage cut, computed as a simple average across all agricultural product lines. The time allowed for the reductions may be longer for a few more sensitive products, but is unlikely to be more than 6 years for the majority.
- iii. **All use of export subsidies will have to be phased out entirely**, and there will be strong pressure for such use to be bound at zero from the time of accession. Losses of STEs on export sales will be considered to be an export subsidy.
- iv. **Notified AMS levels are unlikely to be challenged**. Syria can expect technical questions of clarification regarding the details of existing programs and how they are operated, and the details of how the calculations were made.
- v. **Bound tariffs, export subsidies (if non-zero) and AMS (if above “de minimus”) levels will be subject to reductions at least as great as those applied to developing country Members in the UR**.
- vi. There will be **strong pressure for Syria to do away with all remaining export or import monopolies** among its state-owned enterprises.
- vii. Obtaining **access to the use of the SSG is possible**, but may be difficult to negotiate.
- viii. Existing **bilateral and regional trade agreements** (GAFTA, etc.) and the new EU Association Agreement will **not be impediments** to WTO accession.¹⁴

Regarding the Overall Organisation of the Process:

¹⁴ Article XXIV of GATT 1994 and Article V of GATS specify the conditions under which bilateral and regional trade agreements can be consistent with the WTO.

It is clear that, **in the WTO accession process, several different government ministries must be involved. It is essential that they all work together right from the start** (beginning not later than with the preparation of the FTR Memo), with the **lead ministry** (MET, in Syria's case) providing the **coordination**. Some countries have drawn their Agricultural Ministry into the process much too late, allowing insufficient time for the comprehensive data-gathering and complex analyses required regarding agricultural issues. In haste, serious mistakes have sometimes been made, and important concessions made too readily, with their serious implications being recognized only later when it was too late to be changed. For example, it is clear from its formal negotiating proposal¹⁵ that Jordan is now facing difficulties in providing adequate protection to some of its more sensitive commodities (olive oil, in particular) because of too hastily agreeing to relatively low bound tariff rates, in its accession negotiations. Another example of this occurred in the UR, when Surinam inadvertently agreed to bind its poultry meat tariffs at quite low levels, thus exposing its producers to the dumping of very cheap US product, and creating difficulties for CARICOM countries as a whole as they move towards a common external tariff (which had already been set at a higher level than Surinam's subsequently-negotiated WTO tariff binding, for poultry meat).

Related to the last point, is the need to recognize the critical **interdependence of agricultural border measures and domestic support policies**, particularly market price support policies. The latter can only work if underpinned by appropriate trade restrictions. Typically, however, agri-food **border measures**, such as tariffs or import licences, are the **responsibility of one ministry**, while **domestic support policies** are the **responsibility of one or more others**. When changes are being contemplated in the trade policy area, it is essential that these linkages be recognized, and that all the ministries and other agencies concerned work together in thinking through all the implications involved, and planning the appropriate and necessary accompanying domestic policy changes, before a decision about a trade concession is made.

All policy changes, including those arising from **trade agreements**, will involve **winners and losers**. Countries have found that the political process, and the inevitable fall-out in some areas, can be much better managed if stakeholders are fully consulted from the beginning. If potential losers understand the broader reasons why change is being contemplated, and are given time to make the necessary adjustments and/or to plead their case for compensation, they can be led to accept some "ownership" of the final outcome. In this way, surprises, and associated "knee-jerk" (and sometimes violent) political protests can be minimized. Many countries have **inter-ministerial committees**, and also **sectoral advisory committees** (e.g., one for the agri-food sector, including representatives from private sector organisations like farmers' unions, food processors' unions, consumers' unions, from large public sector enterprises, and so on) which meet regularly during the course of trade negotiations to review progress, discuss issues which have arisen, and generally provide the government with advice and feedback from sectoral stakeholders. Such committees can be sworn to secrecy as the need arises, and the lead government agency always remains in a position of being able to hold back some information which it regards as too sensitive at any given point in time.

It is important to recognize that international trade negotiations are a game of give and take, - good old-fashioned bargaining. A country does not always get what it asks for. It will probably ultimately get more of what it wants, if it asks initially for more than what it is willing to accept. The practical implication of this is that **a successful country will think through carefully what its "bottom line" positions are** – tariff line by tariff line, in the case of market access. This means always going into negotiations with **carefully defined "fall-back" positions**, which are not revealed to the negotiating partner(s) until and unless they have to be. WTO Member countries generally recognize that sometimes, for political reasons, a given country may not be able to make a particular concession, at least at that time. Unless the applicant country

¹⁵ See WTO document G/AG/NG/W/140 dated 22 March 2001.

rejects all or most requests, and providing it is willing to show a spirit of compromise (e.g. by effectively saying “we can yield here and here, but not there”) most Members will be understanding of the political realities and lower their demands. In other words, Member countries expect others to have sensitive areas where they can not yield (most, or all, countries do). But negotiators must go into the negotiation with a clear idea of what their bottom line is, - in each and every one of many different dimensions being negotiated¹⁶. And having that requires **a lot of time-consuming prior work and consultation**, so the earlier this process is started the better.

A strategic overriding choice to be made is **how quickly the country wants to proceed**; - how badly it wants WTO membership. This choice can only be made at the top political level. However, it needs to be communicated to all the Syrian players in the process, because it seems clear that **the more an acceding country is willing to give in to Member countries’ demands, the faster the process will be**. Ultimately, many choices about how hard to push or how long to hold out in specific areas of the negotiation will be determined by such an overall guideline.

The foregoing notwithstanding, now that most countries in the world are Members of the WTO and have accepted its current **rules**, it is only realistic for any remaining acceding country to recognize that it is in a very weak bargaining position with respect to changes in existing rules. In fact, rules can be changed, and new rules made, only by the membership as a whole. A single acceding country must accept what is there, and then work from within later (i.e., in future multilateral negotiations), in cooperation with such other like-minded Member countries as may exist, to seek the rule changes it desires. Obtaining **exemptions** (or derogations), particularly of a temporary nature, to certain aspects of rules is not without precedent, but exemptions are very unpopular among Members these days, and, for a relatively small economy, very difficult to obtain. **What is mainly at stake in the accession negotiation is whether the applicant country’s legislation, institutions and infrastructure are sufficient for it to be able to adhere to the existing rules, and to what extent its levels of support and protection must be reduced.**

Regarding the Agreement on Agriculture

Following on from the foregoing general comment about the need to accept the existing rules, an acceding country must be willing to accept the methodology which was developed (painstakingly, over many years) in the UR for defining and measuring trade-distorting support levels in agriculture. For example, whether the WTO-prescribed method for calculating “market price support” (MPS)¹⁷ is an “appropriate” or “correct” or the “best” approach to measuring that particular kind of agricultural support is beside the point. It was the only approach which many countries (most of whom had some reservations about it) felt they could live with and agree to at the time. The academic debate about appropriate measures of agricultural support will inevitably continue for a long time. But the WTO needed a pragmatic and reasonably understandable methodology at a given point in time, and the “aggregate measure of support” (AMS, which includes MPS as one of its components) is what Members came up with. It is important for aspiring new members not to get hung up on semantics. No country is forced to use the AMS concept for its own internal policy analysis purposes (though, for all its theoretical deficiencies, it is arguably better than nothing).

While acceding countries must now accept the **AMS** framework as is, it is important to recognize that it still contains **some flexibility in interpretation and use**. Depending on

¹⁶ It may also be helpful to have researched and have available selected levels of tariff bindings and AMS levels (from WTO publications) and total agricultural support expenditure levels (e.g., from OECD publications) applying to Member countries participating in the Working Party.

¹⁷ In Annex 3.8 of the UR Agreement on Agriculture. The Attachment to Annex 5 of the same Agreement is also relevant here. See also Annex 3 to this report.

whether an acceding country is anxious to maximize its future flexibility for using “trade-distorting” forms of agricultural support programs, or is content just to have a “de minimis” entitlement for the use of such programs¹⁸ (which includes the risk that the “de minimis” levels could be reduced in future negotiations), it is normally possible to choose between a few alternative 3-consecutive-year “base periods” and to calculate the level of support in each possible base period in different ways¹⁹ to achieve different desired results. The important thing to remember is that the specific methodology chosen will need to be reasonably transparent, and the country will be expected to apply the **same** methodology consistently each year into the future as it calculates and notifies its actual support levels. In general, the experience of acceding countries to date is that, while there have been several questions of clarification about the workings of their various internal support instruments, their **AMS calculations and the levels of commitments they have proposed to take have not been seriously challenged**, once they have been presented in the detail and format required, and providing they are reasonably credible. The domestic support area of accession negotiations has not been particularly difficult for most countries. In general, they have come under much greater pressure with respect to their market access and export subsidy commitments. In the light of this, it would seem **sensible for an acceding country to calculate its base level of trade-distorting support as high as reasonably possible**, in order to maximize its future flexibility for the use of such support.

Domestic price controls involving support at above world price “parity” levels, supported by quantitative import restrictions (QRs, including bans), has in the past been a common feature of many countries’ agricultural support regimes for “strategic” or “sensitive” commodities, including those in middle-eastern countries. Agreement was reached in the UR to bring agriculture into line with other goods sectors with regards to the use of QRs and other non-tariff barriers (NTBs), which means that, except in certain narrowly prescribed circumstances, they can not now be used. As happened to Members as a result of the UR, **newly acceding countries have been required to abolish their WTO-inconsistent NTBs**. Although it is not their right, it is clearly in such countries’ interests to calculate the “**tariff equivalent**” (TE) of the old NTB, and argue that they need to increase the level of their ordinary customs duty (tariff) for that good to the (usually relatively high) level of that TE.

However, while QRs and discretionary import licenses have the effect of isolating domestic prices from fluctuations in world market price levels (thus serving the goal of domestic price stability), the effect of a tariff is merely to drive a wedge between the world price and the domestic price: **changes in world prices can be “transmitted” through to domestic prices with tariff-only protection**. One way around this is to set the tariff of a sensitive good at such a high level that trade in that good is effectively prohibited: many developed countries did that for several products in the UR. To counter such a result, the concepts of

¹⁸ Currently the “de minimis” for developing countries stands at 10% of the value of farm output, for product-specific support, and another 10% of the total value of agricultural production, for non-product-specific support, providing a combined entitlement for “trade distorting” support well in excess of what most developing countries actually provide or can afford. In addition, the WTO poses no limits on developing countries’ use of non-distorting or “green box” support, of “blue box” support, or “development box” (sometimes “S&DT box”) support.

¹⁹ Examples of choices to be made in calculating the AMS include the selection of an external reference price for each product benefiting from market price support; adjusting it for quality differences and freight/insurance margins; selection of an appropriate exchange rate; whether, to what extent and how to allocate input subsidies to specific commodities, or count them as non-product-specific support; whether to count certain input subsidies as “non-exempt”, or to claim that they are “generally available to low income and resource poor farmers”, and therefore “exempt”; choice of interest rates to use in estimating credit subsidy margins; how to handle non-repaid or “forgiven” loans; how to deal with cases of “negative” market price support; how to calculate the subsidy implicit in a low or zero price to farmers for irrigation water; and whether to make adjustments for the (regional) subsidy element implicit in “pan-territorial pricing”. There are many technical questions like this which are not addressed in the methodological guidelines agreed in the UR.

“minimum access” and “current access” were applied, and Members with such high tariffs were obliged to introduce “**tariff rate quotas**” (TRQs) for the products concerned. Under a TRQ a specified quantity of import must be allowed at a much lower or zero tariff level. In another effort to counter the potential price-destabilizing effects of tariffication, countries eliminating QRs in this way were allowed to have access to a new “**Special (agricultural) Safeguard**” (SSG), which gave them the right to rapidly (though temporarily) introduce an import surtax when rapid declines in import price levels or sudden surges in imports seriously threaten domestic price stability.

In the light of this background, it seems obvious that **an acceding country which is obliged to stop its use of GATT-inconsistent NTBs for sensitive products should:**

- **Set its revised or “replacement” tariffs at as high a level as possible²⁰.**
- **Not initially offer TRQs, but bear in mind that they may provide a (compromise) means for getting high tariff bindings accepted in cases where stiff opposition to them arises.**
- **Seek the right to use the SSG for the goods in question.**

Developed Member countries can be expected to negotiate hard on these issues. They will want the tariff bindings set as low as possible, and will not be keen to see more TRQs established²¹. As mentioned above, recently acceding countries have had mixed success in achieving these results. Perhaps in some cases this lack of success was partly because they did not fully understand the significance of the changes and so did not push hard enough on these points in the negotiations.

Regarding **export subsidies**, the recent experiences of acceding countries appear to point to two key conclusions relevant to Syria:

- **There has been strong pressure on the acceding country to commit to using no agricultural export subsidies from the day of accession** (except, in the case of developing countries, those which are permitted under Article 9.4 of the UR Agreement on Agriculture). Latvia, Macedonia and Panama all reported export subsidies in their base periods, but nevertheless bound these at zero on accession or shortly after. Most recently-acceding countries reported no base-period export subsidy use, and so had automatic zero bindings.
- **Export losses by State Trading Enterprises (STEs) incurred because the export sales price was lower than the (supported) domestic market price** (appropriately adjusted for freight/insurance, storage and trading costs) **will be regarded as an export subsidy**. Saudi Arabia’s high levels of grain subsidies and exports in the mid-1990s were well known, and considerable attention was reportedly given to this point in that country’s Accession Working Party discussions. It is believed that Saudi Arabia later reported no base period export subsidies and has subsequently accepted a zero binding in this area.

This means that, **after accession, countries with domestic market prices supported above-export-parity levels may have to take steps to avoid exports, for those products where the production may exceed domestic needs**. At times in the recent

²⁰ In the UR there was an accepted methodology for calculating “tariff equivalents” (TEs). This was spelled out in a “Modalities” document, which no longer has official status, but is also outlined in the Attachment to Annex 5 of the Agreement on Agriculture (the calculation of “market price support”, as part of the AMS, in Annex 3 of this Agreement includes a very similar methodological step). This did not prevent many countries being very creative in the way they did their calculations in order to come up with the highest possible TEs.

²¹ There have been many problems with the administration of these TRQs, including under-fill, since the UR was completed.

past, at least, this appears to have been the situation applying to wheat and cotton in Syria.²² There are several options for achieving this.

One approach is to control supply in some way so as to keep the self-sufficiency ratio safely below 1.0. Another, for non-perishable products, is to maintain a national reserve stock which can be built up in surplus years and run down in deficit years. Another option is to give surplus production away as food aid, or, less palatably, to simply destroy it. The foregoing options are more suited to the situation where export surpluses are irregular and/or relatively marginal, such as may be the case for wheat, in Syria. They are probably not feasible, however, where the product involved is a major export, such as cotton in Syria.

In such latter cases, **the alternative approach is to change the form of domestic support away from market price support.** This implies allowing domestic prices to fall to world-price-equivalent levels, and replacing the price support to farmers with some form of direct payment, and/or input subsidy and/or infrastructure support. The resulting lower domestic raw product price, under this alternative, would have the advantage of boosting the international competitiveness of the domestic processing sector. Over time, this would imply lower exports of cotton fibre, and higher exports of yarn, fabrics and apparels, in the Syrian cotton case.

A compromise alternative is to introduce a 2-price scheme whereby producer prices are supported at higher levels only for a limited (quota) amount of production, with over-quota production obtaining world market equivalent prices. In this case, to avoid export subsidies, the high-price production quota must be set at or below domestic needs.

Consumer subsidies through the market place via price controls do not, in themselves, contravene WTO rules. However, there may be pressure for Syria to **remove remaining export controls.** In this case, another means may have to be found to prevent, for example, standard quality flour from moving out of the country to export, if domestic flour prices were to be set significantly below export parity levels. An example of such an alternative means would be an export tax, which may be seen by other countries as more acceptable than a quantitative export control; - although this would be somewhat of a retrograde step, such taxes having been abolished in 2001. Another option would be to change the consumer subsidy regime for flour to something like that in place for sugar and rice, based on rations. It should be noted that this really only becomes a problem if the domestic price is set significantly below the export parity price, which is not clearly the case at present with standard quality wheat flour in Syria.

Regarding the SPS and TBT Agreements

Recently acceding countries have not had to do a lot to come into conformity with these agreements²³. The main obligation appears to have been the **revision of existing laws and regulations** on things like standards, packaging, food control and hygiene, quarantine, etc., to make sure that their wording is consistent with the principles laid out in these two WTO Agreements. In some cases **new legislation** has also been needed. Many of the acceding countries are already using internationally approved standards such as those established by Codex Alimentarius, OIE, and IPPC, as these WTO Agreements encourage them to do. This is not obligatory, but simplifies things, as only higher-than-international standards can be challenged with regard to whether they are science-based, and supported by appropriate risk analysis. With

²² As is discussed in section 3.6 and 3.9 of this paper, it is not clear that the wheat and cotton supports, as currently applied in Syria, still involve any “market price support” and, therefore, potentially any export subsidies. As presently applied, these schemes appear to be more akin, in effect, to “deficiency payment” support, fully financed from fiscal sources, and not involving any price effects for Syrian consumers.

²³ What a country must do to be in conformity with the SPS Agreement is vastly different from what it should do, particularly as a food exporter, to take advantage of the opportunities which this Agreement and WTO membership opens up. It may be possible to use the accession negotiation process as leverage to obtain more foreign assistance for upgrading the food inspection, certification and the quality control system.

regard to transparency requirements, changes to be made, such as setting up national enquiry points and notification authorities, and publishing/publicizing new laws and regulations with a sufficient lead time prior to implementation, are usually relatively minor, and easy and straightforward to implement.

Regarding State Trading Enterprises (STEs)

Syria can expect strong pressure in the negotiations to **remove any remaining legislated import or export monopoly powers** among its state-owned enterprises. Other than that, state-owned enterprises engaging in trade should be able to remain after accession. The UR Agreement on Agriculture did not introduce any new disciplines on STEs. Their behavior will be, however, regulated by several provisions of Article XVII of GATT 1994, though these should not pose major problems.²⁴ Furthermore, it is possible that the current round of multilateral trade negotiations (MTNs) will result in new rules regarding importing and/or exporting STEs.

Regarding the TRIPS Agreement

The two main agriculture-related elements of the TRIPs Agreement are those pertaining to **Geographical Indications** (GIs), which are the present time relate mainly to wine, and **Plant Variety** (PV) protection. Often, acceding countries seem to have had to write new legislation in either or both of these areas. Such legislation does not usually run counter to existing policies to any significant extent.

1.6 Assessment of Prospects, Benefits and Challenges for the Syrian Agri-food Sector in WTO Accession²⁵

Much agri-food sector support will remain unaffected by WTO accession.

In general, Syria will not have to make many changes to its existing agri-food policies, programs and institutions as a result of accession to the WTO. Many previous trade-related policies which would have caused difficulties have recently been changed. For example, a production tax of 9.5-12 % applied at the export level, and another tax of 9% applied on imports destined for processing which was refundable in the event of export, were abolished in 2001. More generally, recent years have witnessed a considerable opening up of trade, and access to foreign exchange, for the private sector; commensurate with this many state owned enterprises have lost their monopoly trader status. The “unified” or “general import tariff”, which was applied in addition to the product-specific import tariff for production inputs and national industry raw materials, was reduced to 1% in 2001, and subsequently dropped altogether as a separate border tax item. Syria has already switched to the internationally-standard Harmonised System (HS) of customs classification for traded goods. Use of multiple “official” exchange rates for trade regulation and statistical purposes has been greatly simplified and largely phased out in favor of the use of market rates in recent years. Also, some progress has been made in reforming a previously-very-restrictive import regime; with respect to “bans”, a “negative list” has replaced a previous “positive list”, effectively reducing the range of goods affected, and more import licenses are now granted automatically. The “import/export symmetry requirement”, which acted as somewhat of a quantitative restriction on Awassi sheep exports, was dropped in 2001. Prices paid by domestic processors for cotton fibre have converged in recent years towards world market equivalent levels.

²⁴ Also relevant is the WTO “Understanding on the Interpretation of Article XVII of GATT 1994” and Article VIII of the GATS.

²⁵ The assessment of this section is based heavily on the descriptions of present support policies to be found in “Syrian Agriculture at the Crossroads” (FAO, 2003), in “The State of Food and Agriculture (SOFA) in the Syrian Republic, 2002” (MAAR/NAPC, 2004(1)), and in “Syrian Agricultural Trade (SAT), 2003” (MAAR/NAPC, 2003(2)).

Most agri-food sector policies and institutions which exist now will be able to continue unchanged or little changed. There appear to be no explicit/direct export subsidies. Assuming “developing country” status is sought and granted, reduced (subsidized) air freight rates for fruits (e.g., citrus) and vegetables exports will be allowed to continue. State trading enterprises (e.g., for cereals, flour, cotton, sugar, tobacco) will undoubtedly come in for scrutiny by other countries, particularly to the extent that they enjoy monopoly trading status, and may become notifiable on an annual basis, but existing WTO rules only provide some constraints on the way they may behave; such institutions remain legitimate, and many WTO members continue to have them.²⁶

Much support provided to Syrian agriculture will fall into the “green box” category, and be thus unaffected by WTO rules or commitments (e.g., extension/training/education services, veterinary services, plant protection services, research, rural infrastructure developments).

Syria has several types of farm input subsidies; - fuel price, irrigation water price, fertilizer, seeds & seedlings, agricultural chemicals, machinery services, animal feeds, etc. Assuming “developing country” status, certain of these farm input subsidies will also be “exempt”, if they are “generally available to low-income, resource-poor farmers”; also “exempt” would be “generally available investment subsidies” (AoA, Article 6.2). Other credit and input subsidies not meeting either of these criteria will fall into the “amber” category.

Another traditionally-important component of Syrian agricultural support policy has been administered support prices, - particularly for “strategic” crops. These vary in effect from being strictly controlled prices, where the institution offering them has monopoly purchase rights, to being merely “floor” prices which often may be lower than freely determined market prices. Except in the latter event, they have the effect of providing farmers with some degree of either “market price support” (MPS) or direct payments support, and are another form of (product-specific) “amber” support under the WTO classification.

After accession, the total amount of the support in the “amber” category (mainly price support in Syria’s case) would be subject to a single overall upper cap on annual spending. Individual amber programs would not necessarily be subject to change, and collectively the overall limit would be subject to a gradual and small reduction over time only if (and then only to the extent that) any “product-specific” amber subsidies exceed 10% of the value of production of the corresponding product and/or the total of “non-product-specific” support exceeds 10% of the value of all farm production.²⁷ In other words, Syria would retain a flexibility to provide up to 20% of the value of agricultural production in the form of amber policies in all future years without any need for reduction, and conceivably more (subject to marginal reductions) if the base period amber support is shown to be higher than de minimis levels.

In fact, early indications are that non-product-specific input subsidies, even if they were not claimed as “exempt” under Article 6.2, are at no risk of having to be changed because, collectively, they fall well below the de minimis level.²⁸

²⁶ For examples, the Canadian Wheat Board remains the sole legal exporter of western Canadian wheat, and the Canadian Dairy Commission the sole legal importer of within-quota butter (there are no over-quota imports of butter into Canada because the over-quota tariff is prohibitive). Post-accession, Chinese Taipei will retain state trading for sugar, rice, some fruits, tobacco & wine. Similarly, recently-acceded China lists several products in Annex 2A of its Protocol of Accession which remain subject to state trading. Like other acceding countries, China and Chinese Taipei have made some commitments to phase out trading monopoly powers of their STEs.

²⁷ The 10% “de minimis” figure cited applies to developing countries; again, its use here implies an assumption that Syria will seek and be granted “developing country” status. It is possible, though very unlikely in the case of “developing countries”, that this existing “de minimis” percentage could be reduced by agreement in the current “Doha” round of WTO negotiations.

²⁸ While comprehensive AMS calculations remain to be completed for recent years, it seems likely that the levels of product-specific amber support in Syria may have been in the 10-20% range for tobacco, in the 20-30% range for wheat and cotton, and over 50% for sugar beet; for all other farm products receiving it, product-specific support has been well below de minimis levels. Non-product-specific support appears to have been running under 1% of the total value of farm production, and thus clearly below the de minimis level (Ismail, Isam, pers. comm.).

Similarly, WTO rules would not prevent the continuation of quantitative production restrictions (planted area controls for irrigated and non-irrigated strategic crops), the continuation (or reintroduction) of consumer subsidies (flour, tea, sugar), or even the reintroduction of export taxes (phased out in 2001), should Syria wish to consider such.

Important changes will be needed in certain areas

Those adjustments which are necessary will be able to be implemented gradually, and will be in large part in line with the changes Syria has already been planning as part of its steady reform towards a more market/trade-oriented economy since the late 1980s. A review of the areas where it is considered that Syria will be required to make changes follows.

Firstly, with regard to **“amber” domestic support (AMS) reductions**, it appears that wheat, cotton, tobacco and sugar beets are the only products for which product-specific support will be shown to be above the de minimis of 10% of the value of production. This means that, although market price support for these four crops will be able to be continued after WTO accession, the overall total of this support will be subject to some reduction (probably 13.5% spread over a number of years). There would be no obligatory reduction for any one crop; the required reduction could be spread evenly across all 4 crops, or concentrated on just one or more crop. Realistically, because wheat and cotton are relatively more important crops, and therefore account for most of the measured support, some (minor) reduction in price support will be required for one or other or both of these crops, to meet anticipated post-accession amber domestic support reduction commitments

It is important to note that possible future declines in world market prices will not force commensurate reductions in support prices for these crops, in order to stay within WTO domestic support obligations. This is because future “amber” support levels will be calculated using **“fixed external reference prices”** (being, for each crop, the average world market reference price measured in the chosen “base period”). Thus, only changes in domestic support price levels and in quantities of crop production will affect measured post-accession crop MPS levels, for WTO purposes, in the years after accession.

In summary, to meet expected domestic support commitments relatively small reductions will have to be made in the level of support provided to either wheat or cotton or both. The changes required here would not imply any change in the mechanisms for providing that support. Required reductions could be achieved by either lowering the support price, or reducing the crop acreage (and therefore production) through the annual planning exercise, or both. Changes to support levels for sugar beet and tobacco could be used to contribute to reduction commitments, but would probably remain effectively discretionary.

However, wheat and cotton are the two heavily subsidized strategic crops which are also exported. Normally, when market price support exists and exports occur then export subsidies are involved, either via direct payments to the exporter or via reimbursement by government of the losses of exporting institutions. It seems clear that, in recent past years, there have been subsidized exports of both wheat and cotton from Syria, by this definition. And it is reasonable to assume that, post-accession, Syria will not have the right to use agricultural export subsidies. **Does this mean that Syria will have to make further changes to its support regimes for cotton and wheat in order to meet its WTO export subsidy commitment?**

The answer to this question depends on whether these support regimes still constitute (at least some element of) “market price support” or whether they have evolved in recent years to a point

These results are consistent with the earlier calculations by Werheim of the relative subsidization of Syrian crops through market price support reported in FAO (2003), Figure 4.2. His work showed that during the decade of the 1990s, MPS for several crops changed from being positive to negative. By 1999, nearly all the positive MPS remaining was attributable to cereals and cotton. Furthermore, the evidence (see, for example, *ibid*, Table 6.6) suggests that nearly all the cereals support was attributable to wheat.

of being totally “deficiency payments” in effect. **MPS** implies that **domestic consumers have to pay above-export-parity prices for the product**.²⁹ In a ‘purely’ MPS regime, consumer transfers would provide all the economic support to farmers for that portion of the crop which is consumed at home; the only fiscal costs would be for the export subsidies. It is quite possible, of course that a support scheme could be a mixture of MPS and deficiency payments; - where the supported price to farmers is higher than the supported domestic market price, which is in turn above a world market parity price. It appears that the support regime for cotton in Syria may have been such a ‘mixed’ scheme until recently, with domestic users of cotton fibre having to pay above world export-parity prices to their sole supplier (GOCGM), but not to the same extent (at least since 2001) that farmers’ prices for raw cotton exceeded world-equivalent levels; in other words, the fiscal costs of the cotton support regime in recent years appear to have far exceeded the costs of disposal of the export surpluses. In the case of wheat, fiscal costs have been even higher, and it seems possible that there has not been any economic burden on Syrian consumers of flour (and, therefore, not any MPS for wheat/flour) for some years now.³⁰

Table 3.2 below provides a synopsis of the main options for farm product-specific support available to a government in a post-WTO accession era. It is helpful in identifying the **alternatives which the GoS could consider as means to avoiding the use of export subsidies for wheat and cotton**. There are several alternatives, certain of which would require very little change to the existing support mechanisms, while others would require more adjustments. The following options in the former category are compared in some detail as a basis for recommendations in Section 3.9:³¹

- Convert fully to **deficiency payments** (no market price support). All farm production could be supported, and exports could continue. Choosing this option may imply having to demonstrate to WTO Members that prices paid by Syrian consumers of the product (or its first derivative – wheat flour or cotton fibre) were at or below export-parity levels. In other words, MPS could no longer exist. Syria may have already reached this situation with wheat, and be at or close to it with cotton.
- Introduce a **two-price scheme** whereby a certain quantity of farm production (not more than the equivalent of domestic consumption) is paid a higher support price, and remaining production is paid an export-parity price or lower, and may be exported without subsidy. To avoid export subsidies here, the two key criteria are the level of the quota entitled to the higher price and the price for the over-quota production. Such a scheme has been recently announced for cotton in Syria, but not yet applied. Domestic consumer prices could remain above export parity levels under this option. Tariff protection may also be needed, even though the product is an exportable.³²

²⁹ See also Annex 3.

³⁰ It should be noted that the fiscal cost of wheat producer price support has two components – losses on export sales of wheat and losses on domestic sales of flour. The latter could itself reflect the combined cost of both a producer subsidy and a consumer subsidy, but the evidence seems to suggest that domestic sales of standard flour have in recent years occurred at or near world market parity prices, suggesting in turn that any consumer subsidy is now small or zero.

³¹ The theoretical option of switching all support into input subsidies is not considered here on the grounds that there is a practical limit to the amount of support which can be given this way; the total value of subsidisable inputs probably falls well below the levels of support recently provided to wheat and cotton production. Also, Syria has been moving away from the use of farm input subsidies over recent years. The tariff-only option will not work for exportables like wheat and cotton.

³² The conventional use of the term “exportable” here does not mean “able to be exported”. It means that the country is in a net export position for this product. Under free trade, the expected domestic market price in a net import situation is higher than that in a net export situation. Under non-free trade, these expected levels of domestic prices under free trade become “reference” prices, and are known as “import parity” and “export parity” prices. Tariff protection will normally be needed if there is a desire to support domestic market price above its “import parity” level.