

**INFORMATION****COOPERATION-DEVELOPMENT**

E E C - SYRIA

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The Cooperation Agreement signed in Brussels on 18.1.77 marks the start of a privileged relationship between Syria and the European Community. No major difficulties were experienced during the negotiations? This is the first global agreement between Syria and the EEC and opens up a new range of possibilities.

As it includes financial measures, the EEC/Syria agreement can only enter into force after it has been ratified by the national parliaments.

Successful conclusion of 2½ years of discussions

During his first official visit to the European Community on 13 November 1972, the Syrian Ambassador expressed interest in closer cooperation under the EEC's global Mediterranean policy which was being formulated.

Syria had not concluded a preferential trade agreement beforehand with the Community because its main exports, oil and cotton, entered duty free. However technical and financial cooperation, envisaged in the EEC's new policy towards the Mediterranean area, offered fresh possibilities.

On the invitation of the Syrian Government, Mr Cheysson, European Commissioner responsible for Development visited Syria in March 1974. During his visit he received an official request to open negotiations for a global cooperation agreement.

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After preparatory work, the Nine gave the European Commission on 9 December 1975, a mandate to open negotiations. These were started in February 1976 but only covered trade.

In September 1976 the member states extended the mandate to include financial aid for Syria. Negotiations were resumed in mid-October and speedily concluded with the initialling of an agreement on 29 October 1976 in Brussels.

#### A global cooperation agreement for an unlimited period

The main feature of the agreement signed is that it is for an unlimited period. From 1 July 1977 all Syrian industrial exports will enjoy free access to the Community market. The only exceptions are ceilings on the volume of refined petroleum products and certain cotton fabrics. These will be removed by 31 December 1979.

In the agricultural sector the Nine have largely satisfied Syrian demands by granting tariff reductions ranging from 50 - 80%.

Technical and Financial Cooperation is the keystone of the EEC/Syria agreement. However it is only for a limited period and must be renegotiated when it expires.

As regards institutional arrangements the new agreement envisages a Cooperation Council composed of representatives from the Community and its member States as well as Syrian representatives. Its role will be to manage the agreement and will meet once a year. Either side can request extra meetings in case of necessity.

The Council will also encourage contacts between the European Parliament and the Syrian People's Assembly.

#### Contribute to Syria's economic and social development

"In the context of technical and financial contribution the Community will help finance projects contributing to Syria's economic and social development".

This, the first article in the financial cooperation protocol is the most original part of the agreement between Syria and the EEC. The Community has granted 60 million European units of account (1 EUA = \$1.32 approx) which would take effect from signature of the agreement and last until 31 October 1981 when a new financial protocol must be negotiated.

The aid consists of repayable loans and subsidies. The latter will be used mainly to reduce the rates of interest on loans made at normal market rates.

#### The aid is comprised as follows:

- 34 million Eua (£ Syrian 115 million) of loans from the European Investment Bank (EIB). Their duration will depend on the type of project financed. The interest rate will be that currently applied by the EIB when each loan is made, with a rebate of up to 2%.

- 7 million e.u.a. (£ Syrian 24 million) in loans on special terms. They will be for 40 years with a 10 year grace period and a 1% interest rate.

- 19 million e.u.a. (£ Syrian 64 million) in non-repayable grants. They will mainly finance the interest rebates of up to 2% on EIB loans.

Although relatively modest, the aid is ~~considered~~ by both sides to be of particular importance: -

- the aid will be used to finance industrial infrastructure and agricultural projects which will have an important multiplier effect.

- Community aid will act as a catalyst for aid from other sources serving as a kind of guarantee. In addition the agreement envisages the co-financing of projects.

"Community aid in the execution of certain projects can, with Syria's agreement, be in the form of co-financing involving notably Syrian credit and development bodies and institutes, Member States, third ~~countries~~ or international financial organisations."

Technical and Financial Cooperation in the EEC-- Syria agreement should thus encourage joint initiatives not only between the Nine and Syria but also with other countries, notably the Arab oil exporting countries.

Financial aid will thus be a means of concrete cooperation between the two sides. A continuous dialogue will be initiated from the conception to the execution of projects. Community "Know - How" will be used to industrialise Syria and modernise its agriculture. This will be done following Syrian priorities and under Syrian responsibility.

These objectives will start to be implemented immediately following the entry into force of the agreement. Industrial cooperation could take the form of direct Community assistance in carrying out the development programmes. It could also involve Community aid in the exploration, production and processing of Syrian natural resources. This could involve investment by Community businesses.

More traditional means are also envisaged such as the purchase by Syria of patents and other industrial property. However only joint enterprises and the sharing of risks will create the necessary climate of confidence. Thus operators from both sides will be able to understand each other better and the way will be open to develop the agreement further.

In spite of many possibilities for Community enterprises to participate directly in the execution of projects, the agreement insists that Syria businesses be given the maximum advantages. This will allow capital to be used more effectively.

Accordingly the Syrian government will control the granting of loans. These could go to either private or public enterprise taking part in projects under the agreement. They could also be granted to industrial trainees.

Finally there will also be cooperation in the scientific and fishing sectors.

Achieve a trade balance between Syria and the EEC

"In the field of trade the object of this Agreement is to promote trade between the contracting parties, taking account of their respective levels of development and of the need to ensure a better balance in their trade, with a view to increasing the rate of growth of Jordan's trade and improving the conditions of access for its products to the Community market".

This is how the first article in the trade section of the agreement begins. Its relevance is best understood if one examines Syria's trade balance with the Nine Member States.

Syrian External Trade with EEC (1970 - 1975) (million EUA 1 eua = \$1.32 approx)

	1970	1971	1972	1973	1974	1975	%
<u>Imports</u>	91.5	127.7	156.4	210.5	454.9	548	
<u>Exports</u>	95.2	113.1	80.4	104.3	234.4	436	100
Agricultural products						2.2	0.5
Petroleum products						413.6	95
Other raw materials						16.3	3.7
Industrial Products						3.9	0.8
<u>Balance</u>	+3.7	-14.6	-76	-106.2	-220.5	-112	
Rate of coverage of imports by exports	104%	88.5%	51.5%	49.5%	51.5%	79.5%	

Source: EEC Statistical Office

Syria's trade balance with the Nine remains in deficit although the overall coverage of its imports by its exports improved in 1975 compared with the four preceding years.

But the main feature of its trade with the EEC is still the very small share of its agricultural and industrial exports compared with those of raw materials, notably oil.

The conclusion of the agreement should improve this situation in the future. Following the Syrian government's development plan, Community investment and aid should speed up the conclusion of current projects. These concentrate mainly on irrigation in the agricultural sector and on the creation of a modern processing industry.

In restoring the trade balance, Syrian agricultural and industrial exports to the EEC will be encouraged by substantial tariff concessions. On the other hand it will be able to protect its own industries from foreign imports, including those from the EEC. This is foreseen by an article in the agreement which states that in order to encourage its own industrialisation and development Syria can introduce or increase customs duties, equivalent taxes or quantitative restrictions on EEC imports.

In exchange the EEC is granted most-favoured - nation treatment. There are a few exceptions. If Syria takes part in a customs union, free trade area or regional integration of developing countries it will not be obliged to offer the same trade benefits to the EEC.

Unilateral safeguard measures may be applied after consultation with the other side should certain sectors of the Syrian economy or a member state of the Community experience difficulties.

Industrial Products: Temporary quantitative ceilings on 2 products

From 1 July 1977, Syrian industrial exports may enter the Community duty free. The dismantling of tariffs will take place according to the following timetable.

Calendar	
- from date of entry into force of the agreement	80%
- from 1 July 1977	100%

Only two groups of products will still be subject to quantitative ceilings above which customs duties will be applied. These are refined petroleum products (petroleum oils, petroleum gases, petroleum jelly paraffin wax, petroleum bitumen and cotton fabrics).

Description	Tariff Position	Annual Zero duty limits (tonnes)
Refined petroleum products	27.10.to 27.14	175,000 tonnes
Other cotton fabrics	55.09	500 tonnes

The ceilings will be increased annually by 5% until they are removed at the end of 1979.

In case of need the Community may impose quantitative ceilings on the following products: -

Tariff Position	Products
28.40 B IIP	Phosphates including other polyphosphates other than ammonium
31.03	Phosphate mineral or chemical fertilisers
ex. 31.05	Fertiliser compound containing phosphates
55.05	Cotton yarn not put up for retail sale.
76	Aluminium

This restriction will be suppressed by 31 December 1979. Although there may be some temporary tariff quotas on Syrian industrial exports, all quantitative restrictions will be removed on 1 January 1977 at the latest.

One can therefore say that together with technical and financial cooperation the access of Syrian industrial products to the Community market has been greatly improved. This should help fairly quickly to increase Syrian Industrial exports and improve its trade balance with the EEC.

Agricultural Products: Tariff reductions from 50 - 80%

The Syrian agricultural sector employs 50.5% of the labour force and contributes about 20% of the gross national product. Agricultural products represent 12% of total Syrian exports, rising to 40% if raw cotton is included.

Syrian agriculture is handicapped by irregular rainfall causing wide fluctuations in production and making long term planning unreliable. For example production rose by 40% in 1974 compared with a 30% fall in 1973. This is why the government's main aim is to develop irrigated farming.

The volume of Syrian agricultural exports to the EEC varies greatly from year to year (see table) according to the abundance or scarcity of rain. In years of low rainfall nearly all the agricultural output is consumed on the local market and there is very little surplus available for export.

Agriculture caused few problems during the negotiations. This is because Syrian exports are largely complementary to Community production which is another reason why they should be encouraged. Trade promotion, which is one aspect of technical cooperation will encourage the development of these new trade flows.

Customs duties are reduced by 50 - 80% on the following products: Value of exports to EEC

PRODUCTS	Rates of reduction	CCF duty	duty left	1974	1975
Onions ( 1Feb.- 30 April	50%	12%	6%		
Garlic (1 Feb.-31 May	50%	12%	6%		
Dried onions		18%	15% customs duties	644	154
Dried leguminous veg.		4.5%	0.9%		
peas	80%			57	31
lentils	80%	2	0.4		
Watermelons 1 April-15 June	50%	5%	1%		
Dried apricots	60%	11%	5.5%	0	5
Seeds of anise etc	80%	7%	2.8%	4	3
Seeds fruit and spores for sowing	80%	0 - 10%	0 - 2%	28	0
Pyrethrum	50%	10%	5%	2	1
Liquorice roots	80%	3%	0.6%		
Tonquin Beans	80%	2%	0.4%	868	658
Locust Beans	80%	3%	0.6%	68	50
Camouille mint etc	80%	8%	1.6%		
		exception	0%		

Safeguard clauses may be invoked if there is disruption on the Community market following excessive imports of the above mentioned Syrian products. Given the complementarity of Syrian agricultural production it is unlikely that the Nine will need to invoke such clauses.

#### Joint management of the Agreement

A cooperation council will have decision-making power and be responsible for the execution of projects inspired by the agreement. Decisions will be made jointly by the representatives of the Community and its member states and from Syria, who together make up the Council.

In case of need either side can call a meeting of the Council. Normally it will meet once a year and be chaired by the EEC and Syria in turn.

Finally the preamble to the Agreement emphasises the combination of various development methods in the framework of a sufficiently long term agreement between equal partners engaging in a continuous dialogue;

" The partners are resolved, "to establish a new model for relations between developed and developing States, compatible with the aspirations of the International Community towards a more just and more balanced economic order."