

Ministry of Agriculture and Agrarian Reform



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**Of the Agricultural Policy Forum on**

**Social Market Economy  
In the Context of  
National & International Challenges**

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## **Introduction**

The workshop “the Social Market Economy in the Context of National & International Challenges” was the first activity of the 2006 Agricultural Policy Forum series organized by the National Agricultural Policy Center (NAPC) with the support of the FAO Project GCP/SYR/006/ITA. Dr Isam El-Zaim, Director General of The Arab Center for Strategic Studies and Head of the Syrian Economic Scientific Association, presented this workshop on April 13, 2006 at the NAPC premises in Damascus.

The NAPC, a department of the Syrian Ministry of Agriculture and Agrarian Reform, has the mission of shedding light on the most important economic and agricultural issues, aiming to significantly contribute to identifying appropriate policies and strategies promoting sustainable development in pivotal fields, particularly those relevant to the agriculture sector.

In accordance with the recent decisions addressed at the 10<sup>th</sup> Regional Conference of the Al Baath Party for shifting towards a social market economy (SME) system in Syria, this seminar aimed at clarifying the concepts and the substantial components of this system, as well as its essential role in achieving comprehensively the desired socio-economic development goals, the implementation mechanisms, and the challenges that restrict the functioning of this system.

With the intention of showing the right path for transitioning to an SME regime, the lecturer highlighted the historical roots of this system. He also focused on an experience of special importance in one of the developed countries, Sweden, in attaining community welfare and socio-economic prosperity.

## **Synthesis of the Presentation**

Mr Atieh El Hindi, the NAPC Director, opened the workshop welcoming the guests, particularly the Italian Ambassador H.E. Mr Cerulli Francesco, First Secretary of the Italian Embassy in Syria Mr Francovich, and FAO Representative in Syria H.E. Ms Salwa M. Amber, in addition to representatives of the Syrian Agricultural Chambers, universities, national and international organizations and different ministries. He introduced the lecturer pointing to his academic background and his experiences in senior posts, as a State Minister of Planning Affairs and Minister of Industry. Currently, he is Director General of the Arab Center for Strategic Studies and Head of the Syrian Economic Scientific Association. (The list of participants and the presentation are in Annexes 1 and 2).

Dr El-Zaim started his lecture identifying the social market economy (SME) as an economic development using controlled market mechanisms and rules that support social development requirements and goals.

The idea of the *social market economy* has both social and economic dimensions. Basically, it relies on balancing between the market regime resulting from the interaction between supply and demand, and the principles of competition and profit making, on the one hand, and the welfare regime and social development on the other hand. However, this situation is restricted from two sides: the economic side, which is individually profitable, is restricted by the capitalist market; and the social side, governed by the collective interest, is restricted by the priorities given to society over the market.

As for achieving the balancing process, it should be based on strategic planning, management and education that in the long and medium term can affect the factors that connect economy and society. In a truly free market, central state planning is not possible or effective. However, in a social market economy, state intervention is required to set certain balances between private profits and public social development objectives, in addition to rationally ruling and controlling the market mechanism according to the social development targets. That is to say, the state role

is to attain social justice by changing the economic and social consequences of the market system, which discriminates by polarizing profits and welfare.

In another sense, the social market is considered as a socio-economic regime targeting economic and social growth. Thus, balancing both dimensions (the market & society - individual gain & social welfare) is a must to increase gains and social development. High economic growth may not always lead to social development, thus state intervention is needed in planning and managing the economy.

Flexibility of social market economic management is also needed, since the growing pressures for social development increases the economic requirements that support that development, continuously renewing demands for enhanced productivity, value added, and general economic development. Currently, the world problem of balancing wages and profits (the present labor problems in France and Germany are examples) proves the close connection between the market and society and requires balancing the profits and welfare comprehensively and institutionally, taking into account the effects of globalization.

The state role differs in an SME than in a free market economy. In the first, the state regulates the market mechanism, while the market controls the pricing process. As the market is an imperfect system, it is distorted by unfavorable conditions – monopolies, centralization, the merger of large companies, and it frequently has upward and downward stages, which eventually turn into barriers for employment and job opportunities, and many workers lose their jobs. State intervention is needed to alleviate these negative effects of the market.

Principally, the most striking features of the SME is the reliance on society to overrule the market to correct market mechanisms and economic distortions, redistribute income, and dedicate an increasing share of the economic revenues to maximize social care, services, and growth. That is to say, the state's role should be limited just to protect equally the rights of all people under its jurisdiction. It should positively adjudicate among individuals, those who want to maximize their profits and those who seek their rights, to insure insofar as possible equal justice to all. The state should also be responsible for limiting monopolies and other adverse activities in the market.

Regarding that SME system represents a high level of socio-economic development, the queries posed nowadays are about the applicability and relevance of this system to the least developed countries (LDCs) that are economically not growing, and whether this system is possible in developed economic countries only. On the other hand, would this system lead to attaining sustainable socio-economic development?

In fact, the SME has a direct correlation that greatly increases with the development stage of a country. So this regime is achievable in a country that already has high and mounting economic growth, such as the developed ones that can easily devote a great share of gross domestic product for community development. However, this need is more important and critical in the developing countries, as they are referred due to their poor economic resources, which limit the share devoted to social development. LDCs are hardly able to meet the basic needs of the community for attaining this system because they have low investment and are technologically weak, and most of the economic institutions do not adhere to taxes or social services.

Speaking about the historical roots of SME, also called the welfare state, the lecturer indicated that it started in western developed countries ruled by democratic socialist parties, such as the UK, Germany, Italy, Austria, France, and the Scandinavian countries. These parties adopted social regimes to regulate issues related to labor in the frame of a multilateral social dialogue. Consequently, these countries moderated the market taking advantage of its mechanisms and giving due attention to social concerns.

The SME was implemented as an economic, political, and social system combining the interests of various categories of society, as well as using a considerable share of the national net income

for expanding investment, economic growth, and national security; as well as using another good part for social services and development.

The purpose of the welfare state regime mainly was to achieve economic development coupled with easing the burdens of the poor by providing them with basic social services such as health, education, drinking water, and more.

At the beginning, the social welfare state emerged in the industrial developed countries based on two factors:

First, in the nineteenth century, the industrial revolution in Western Europe and the USA was based on workers, women and children being moved away from farming and increasingly being employed in factories with low wages. Laborers voiced concerns, which led to mounting social protests calling to adopt communist principles. After the First World War, the European capitalist countries fueled workers' anger and discontent, as for example in Germany and Italy where Nazism and Fascism joined the capitalists against workers. In that period social improvement began, new cities were built, services and free education were ensured, and general companies were established such as "Volkswagen" for cars and "Amy" for public petrol.

The stagnation crisis of 1929 that occurred in a majority of the European countries threw millions of workers out of their jobs, producing a deep social and intellectual crisis and at the same time driving many workers to adopt communist beliefs. That led to severe conflicts and political disputes between workers and the new capitalists, pushing the government to intervene by enacting new laws and formulating a historical and social agreement between the state, workers, and business owner syndicates.

The stagnation crisis was associated with the emergence of a new economic orientation presented by the British economist the Lord John Maynard Keynes. For the first time in the capitalist history, he called for state intervention to strongly hold a role in investment and the economy, and to set up clear intervention policies to deal with market distortions to resolve its crises, as well as to establish enterprises to create new opportunities absorbing the labor force.

The Soviet model expanded after the Second World War. The communist parties in the Western world and elsewhere raised their voices for forming Communist regimes inspired by the Soviet approach and raising sustainable living standards in the framework of central Communist planning.

Second, the emergence of the social democracy regimes in European countries and America ensured under the guarantee of the state a historic settlement by coupling the interests of workers and capitalists. These incidents led to tertiary cooperation among the (neutral) state, industrialists/capitalists, and workers unions.

The socialist democratic regimes in the developed capitalist countries built strong SME systems, in which society ruled the capitalist market.

In an SME regime, economic activity is not only ruled by market mechanisms, but the state also is involved in a consultative role to correct and rationalize the socio-economic functions of the market to make sure it is in full compliance with social concerns: to reduce market fluctuations; tackle deceit, monopolies, and trade dumping; create job opportunities to eliminate unemployment; set workers' insurance; provide retirement salary; ensure habitation for all people; and of key importance, to prevent workers involvement in the communist party. In order to achieve all this, the state closely monitored market operations and applied reform actions to deal with fluctuating incomes and wages.

It was easy to apply such social reforms because these countries were well-developed industrially and possessed mass production capabilities generated from high productivity, and were gaining increasing value-added from transitioning industries and developed services. As a

result, the state was able to spend a valuable share of the economic overflow to help the social development system function effectively.

The lecturer also explained the Swedish model of the welfare state that started in the 1960s. The democratic communists called for indigenous peace and categorical agreement based on a developed economic and democratic system, and to apply a multi-sectoral negotiation protocol joining workers unions, the democratic communist parties, and the capitalists (owners of companies, firms, etc) working together to set and put into force the state of social welfare and economic prosperity. They also agreed to annually revise prices and wages to address different desires and the interests of different categories in the community.

The first cornerstone of the success of the Swedish model was based on the fundamental role of the state, which had two primary roles: interventional and organizational. The central role of the state was to ensure a growing rate of economic development, which is the first condition to attain a sustainable SME. The state promoted an effective participatory approach among production partners (workers and owners) maintaining stable relations among them. The interventional role of the state had multiple dimensions: effectively governing labor policies in the production process; improving worker conditions; strengthening the workers' role; and applying social policies for housing, health, education, etc.

The other cornerstone of this model was attaining a thorough welfare regime and social insurance for all people by adopting an approach to redistribute the national income equally among social categories. As part of this effort taxes were imposed that might reach 70%, depending on the various income levels, and designed to ensure a fiscal base for equal distribution of monetary wealth.

Dr El-Zaim moved on to highlight the impacts globalization has on the SME system, and the difficulties in applying the system to be sustainable and flourish along with the market system, which has extensive trade competition at the national, regional and international levels. However, as he addressed, the clear opposition induced by new globalization to the social welfare system makes this combination impossible even in the capitalist countries.

Apparently, the world economy in general, particularly in the well-developed and industrial countries (even the newly industrialized countries), is characterized by great productivity generated from the accelerated revolution in technology. That allows increasing expenditures for community improvement at a rate appropriate to the rapid growth in profitability of firms and companies aiming to deepen and expand the social support. These institutions increasingly invest their huge profits in the monetary and real estate stock markets, and at the same time they avoid paying their fair share of taxes by cheating the local management and taxation bodies in the countries where they hold their businesses. This illegal activity affects LDC growth, depriving them of the resources needed to meet their social needs, and increasingly weakening their economies.

Under the umbrella of increased global mobility and free movement of capital and investments across the world, LDC economies have become more vulnerable, threatened by the variable interests of international investors to an extent that negatively hampers their economies.

On the other hand, the collapse of the Soviet Union and international socialism shifted the whole world into a single regime - the "new capital globalization" - under the rule of the multinational financial institutions for development. They include the Great Eight Countries (G8), the Organization of Economic Cooperation and Development (OECD) of developed countries adopted the social market; the International Monetary Fund (IMF); and the World Bank.

The lecturer pointed out the current vital role played by these institutions in preaching for the new globalization, absolute market, and for the same liberal regulations and laws joining the whole world.

These changes have been reflected at the national level, with political settlements and socio-economic alternatives generating an economic ideology calling to free trade and eliminate the government's interventional role, market control, and the systematic planning adopted in the development process.

This ideology depended on the new liberal policies and privatization, which widely spread in the economically developed countries, particularly in the USA and the UK, followed by the developing countries and the past communist countries. As a result, the disadvantages of the welfare state regimes started to appear increasingly in the whole world because of the spread of globalization.

The above-mentioned circumstances led to several socio-economic challenges that depressed the Swedish model. When the liberals ruled Sweden, they diminished the state role, and reduced taxes on profits, wages, social insurance, and worker compensation. In addition, they increased taxes on wages proper to income levels and the standardized taxes such as consumption and value-added taxes. These procedures caused dramatic changes in the social welfare state. However, this regime was reactivated with the return of the Swedish socialist party to power in 1994.

In order to face the internal and external challenges in Sweden presented by globalization, it is of significance to mention the recent ongoing disputes aiming at having rational and flexible solutions based on the Swedish SME model to balance three basic strategic objectives: First, insure high and sustainable rates of industrial and economic growth with modernized technology; second, keep sustainable high rates of job recruitment; and third, maintain, rationalize, and expand the social insurance system to guarantee an increasing social wellbeing. These objectives are designed in accordance with sustained national unity and harmony between the social, economic, and political grounds through a multi-sectoral and transparent approach.

About the European standing from the welfare and social concern, the lecturer indicated that the right to employment is being dismantled in most European countries, both limiting guarantees of employment and easing restrictions on lay-offs. In addition, the civil and trade regulations interfere in work conflicts, especially to prohibit work stoppages and strikes. The current argument in Europe, launched by the business owners association, is that life, health, and love are temporal cases, so why should work not be the same.

However, the western and northern European states are still heavily holding social improvement and welfare as priorities. They still devote a valuable share of their national income for social expenditures, and they apply policies encouraging the employment market. In particular, the northern European countries have the best indicators of the most equitable distribution of income and wealth within the EU and the USA.

The lecturer stressed on the multiple adverse changes induced by the new globalization system. The first paradox is that unemployment reaches high levels compared to the period before universal capitalism, which most likely due to reductions in state budgets and the fall in ongoing investment expenditures.

The second dramatic paradox is the stagnation of wages in the DCs despite the rapid rise in productivity and efficiency, largely due to the growing competition and to the growth of modern technology massively increased output leading to very high business profitability. For example, productivity in America, which is the major engine of globalization, considerably raised and doubled in the last twenty years of the last century, while the wage rates remained approximately constant, or even tending towards a reduction in wages and salaries.

The third negative effect is the steady contraction of social services, social care and insurance in a majority of the well-developed industrial countries. In Germany, the wages have declined

recently, even though the country has a strong, stable and renewable economy that helps repel a depression in social development, and helps maintain high social standards.

In addition to the extended unemployment in these countries, another key negative impact of globalization is the shift towards temporary work instead of a system where permanent contracts are granted to workers after a trial period. These changes potentially have serious obstacles affecting the essential rights of the citizens such as learning, getting housing credits and other difficulties that reflect on the living conditions of workers and their families.

Another interesting component of globalization has been the appearance of borderless trade and the free movement of capital around the world, and the emergence of multinational corporations. These factors have led to a strong increase in competition between the developed *northern* and the less-developed *southern* countries. In addition, the use of advanced technology and at the same time the worst competition for reducing wages and exploiting labor, especially women, children, and rural labor, mainly in the LDCs. These are the striking features positioned in the context of globalization.

Seen from those perspectives, the contradiction between market globalization and social development represents the contradiction between globalization and the social market system.

The lecturer moved on to clarify the three main axes of the market economy: the availability of a liberalized labor force; the use of the supply and demand mechanism to determine prices; and the availability of the conditions necessary for growth.

The market provides a pricing mechanism that works by finding the compromise between demand and supply, giving a chance to individuals to act strongly. However, the pricing mechanism becomes largely distorted when monopolistic powers appear in the market, in several shapes, such as the localization, the mergence among companies, as well as the possession of one company to another.

The market also creates new job opportunities without ensuring continuity, and it frequently threatens stable jobs when the capitalist market enters into stages of over-supply or declining demand stages and in periods of economic deflation. Noticeably, the market economy under the current system of globalization is discriminated by canceling tens of thousands jobs as a result of mergers between major enterprises and large cartel companies aiming at gaining additional massive profits, such as the merger between Exxon and Mobile Oil.

The job-loss phenomenon is different under the ongoing process of globalization than during the various stages of the evolution of capitalism. In the earlier stages of global capitalism, particularly in the stagnation crisis of 1929, it was largely the ordinary workers (*blue-collar workers*) who lost their jobs. In the current context of globalization, the professional workers (*white-collar workers*) are being dismissed from work.

The lecturer followed by summing up some of the social impacts brought by the new globalization and by the reduction in productivity costs across the LDCs. Among all, the growth of rural women and children labor is caused by the increase of direct transnational corporations investing in lower-cost LDCs to benefit from the low wages there. In addition, these workers are not organized into unions and do not have social or health insurance. Moreover, seeking more profits is the key reason behind the priority given to women over men in work in both LDCs and DCs, since they are given lower wages. For example, in Tunisia women are largely used in labor-intensive industries, such as in textiles.

As a result, another paradox has appeared whereby industries relocate from the northern countries, especially the technically old and environmentally unfriendly industries, to the low-cost countries in the south, exploiting rural women and children there by using them in illegal temporary and part-time work with minimal wages. In fact, the United Nations declarations about preventing child labor are used as a cloak to boycott the LDC industries and to protect against their competition, not to protect the child workers.

Speaking about SME status in LDCs within the context of modern globalization, the lecturer indicated that the most striking features in these countries are the lack of development, weak economic performance, low and fluctuating productivity, and a lack of investments. These features have contributed to reducing economic resources to the point of being insufficient to absorb the labor force, reduce poverty, and to increase personal incomes. As a result, it is hard to balance between poor national income, wages and social equity requirements.

Dr El-Zaim moved then to talk about economic and trade liberalization in Syria and its impacts on the development of an SME. The current process, of eliminating trade obstacles to international and regional trade, is pushing to abolish protective barriers. That is to say, the threat from international trade is direct and constant on Syria's economy.

This fact implies that Syria should accelerate progress towards competitiveness by reducing the costs of production and tending towards greater productivity of labor and the national economy. Additionally, it should seek to expand real economic growth, create job opportunities, increase incomes, and alleviate poverty and unemployment.

The lecturer added that Syria has guaranteed many social services for a long time, but in the current decade, the state has become unable to provide most of these services any more, such as free student registration in universities and free medical services. The SME system should also be accompanied by appropriate and sustained social services, which requires devoting a portion of the economic resources to enabling the provision of these services.

To improve economic resources and achieve socio-economic development, it is necessary to set appropriate policies to use and benefit from the market mechanism to improve the efficiency of the economy. In addition, it is needed to regulate and control the market mechanisms aiming at reducing its fluctuations and deformations. Lastly, it is important to apply basic reforms to achieve effective economic growth coupled with social development.

The major challenge Syria is now facing is how to manage the economy in order to balance growth, improve productivity, and reduce costs in an effort to increase revenues and profits and to improve wages.

The lecturer noted that Syria's transition to SME is a substantial and advanced process, but conditional on having appropriate economic, social and political policies applied to support this regime.

He confirmed that achieving this system in Syria will be a difficult and complicated process. Syria as a developing country and has experienced low and negative growth, which is referring to the lack of transformative industries, negative productivity and low value-added production, resulting in lower revenues. In addition, the lack of private and public investments due to the complicated judicial, bureaucratic, and procedural obstacles leads to slower and reduced economic growth.

There are other unresolved matters, as well, such as the public solidarity and the inappropriate taxation system; the depletion of the Syrian oil leading to decreased revenues from oil exports; as well as the increasing imports not only for the consumable or durable goods, like cars, but also intermediate and capital materials.

Another important issue is food security, which is crucial to be achieved considering the fast-growing population in Syria, and the growing need for food, education, health and jobs.

In light of the challenges mentioned above, the lecturer said that the basic factors needed to balance the market system with socio-economic growth in Syria are likely not enough to support the social development policies of a successful SME system.

As the lecturer clarified, for Syria to move towards an SME regime, there must be a serious commitment to change procedures to create a better regulatory framework stemming from a careful analysis of sectoral needs, within which multi-sectoral investments can flourish and

involving the public, private, and cooperative sectors. In addition, to improve real growth the share of value-added of Syrian exports must be increased in order to gain considerable economic returns needed to ensure economic and social development and national defense.

Settling disputes between those three sectors entails state intervention to find agreement, giving a major role to the private and public workers unions to develop relations with the business owners and to enhance national and multi-sectoral debates. In addition, activating economic pluralism and investment in the public, private, corporate and cooperative sectors are necessary to activate growth and develop technological, industrial and the economic capacities and to improve international opportunities for the Syrian economy.

It is worth mentioning that the economic and industrial revolution in most countries is essentially based on multi-sectoral investment (e.g. in Asia). Syria also needs a technological and industrial revolution to achieve the SME system based on the effective participatory role of the state in this revolution. The state also should function actively the public investment and provide an enabling environment to encourage private investment too, in addition to adjust the current banking policies. One key issue in this regards is to adopt a new long-term credit policy with a moderate and encouraging interest rate, since current interest rates on credit from Syrian banks are very high, sometimes double the rates seen in the USA.

The recent Syrian 10<sup>th</sup> five-year plan set as a goal to actively boost economic growth to reach out to 7% at the end of this plan. Reaching this object requires doubling the average of the aggregate investments of the all-economic resources to reach 40% of the current gross domestic product. It is a very admirable target, but also very difficult to achieve unless the state makes some critical policy adjustments.

In order to have more equal income distribution, the state has to apply a mobile flexible wage scale to be increased in relation to price increases, with the aim of enhancing the purchasing capacity of the people, and subsequently the social welfare.

Moreover, seeking new sources of energy and revenues is urgent to face the depletion of Syrian oil and its declining revenues. That situation could be helped by taking advantage of and gaining high revenues from the strategic location of Syria by allowing pipelines from neighboring countries to pass through Syria, such as Egyptian gas, Iraqi oil, and both gas and oil from the Arabic Gulf countries.

Regarding the above-mentioned arguments and in order to increase productivity and double the overall economic surplus to achieve the development goals, it is important to develop the state in several socio-economic areas, to enhance administration, arrangement, and monitoring; as well as to shift towards electronic government. The state could better plan, invest, and improve the public sector, and therefore better support long-term private industrial investment.

Eventually, Dr El-Zaim tabulated the main clusters of challenges and obstacles that face Syria in the path to achieving a functioning SME system:

1. Retardation, low economic growth and shortages in surpluses;
2. Weak consistency between the population and economic growth;
3. Alleviation of poverty and unemployment;
4. Modernization of technology and industry to increase productivity;
5. Modernization and development of a multi-sectoral approach in economic, social, political fields to comply with SME system and the new incorporation in the international market based on the need for Arabic integrated growth;
6. Regulation of legal, procedural, and institutional systems to meet social needs;
7. Attaining sustainable food security;

8. improvement of human resources;
9. Depletion of Syrian oil and the related financial and economic consequences;
10. Economic obstacles;
11. Social obstacles;
12. Political obstacles including plurality, transparency, and accountability;
13. Promoting independence of unions and activating their role;
14. Application of management reforms regularly updated and coupled with a trimming of the bureaucracy.

## **Summary of Discussion**

The participants focused on several key issues in the discussion that following the lecture. The following topics of the argument are summarized as the lecturer addressed.

### ***Free Market in the Developed Countries***

Dr El Zaim explained that there is no completely free economy, but there are more liberalized economies. From an economic standpoint, this system should generate substantial income for society. The free market is ruled by developed economies and the rule of competition-based profit. However, there are special institutions limiting the emergence of monopolies in Europe and the USA and correcting market distortions.

In Europe, the state intervenes to establish enterprises needed for social development. However, the current world market economy is far from improving society. For example, the job fluctuations that result from the system of temporary work wastes human resources when people are dismissed from work even if they are still energetic and capable.

In the meantime, the reduction in social support is expanding universally in developed and developing countries, and is closely correlated to new globalization and multinational companies. As globalization deepens, it increasingly presses on the declining shares of expenditures devoted to social development. At the same time, the portion given to technology and investments is much higher.

The rapid global movement towards economic liberalization has a weak social side, despite international attempts to limit the negative social impacts of this system. For example, the international social security network triggered by the World Bank to compensate the citizens of countries applied to privatization by either offering compensation or providing new jobs.

### ***Applying Free Economy System in Syria***

Lately, Syria has been applying the process of economic liberalization, and started a multi-sectoral economic reform approach. However, the reform adjustments have been moving slowly because of the difficulty of economic planning under globalization.

### ***Transition to SME System in Syria***

Applying this system in Syria requires setting comprehensively, timed and related reforms in the political, administrative, and economic sectors. The most sensitive reforms are those that relate to political and judicial issues.

Administrative reforms should applied restrictive laws in work and grant workers privileges on the basis of qualifications and work commitment, and support transparency.

Economic reforms should guide people toward work in the national interest and obligations to pay income tax, which are essential to generate the financial resources needed to achieve the SME system. In fact, a big gap exists between people who pay income tax (those with limited income, e.g. governmental employees) and people who do not pay it (those with high income, such as traders, industrialists, big farmers and business owners).

Moreover, revising and modernizing Syrian regulations and laws to comply with SME system requirements is also needed. It is urgent to create a better regulatory framework stemming from a careful analysis of sectoral needs, as well as to improve the coherence between different policies appropriate for the private sector, such that multi-sectoral investments can flourish into high rates, taking as an example the Asian industrial revolution that was based essentially on economic pluralism.

About the expected duration to achieve this system, the lecturer said Syria will hardly be able to attain an SME in a short time, but possibly in the medium or long term depending on the international obstacles.

### ***Self-Sufficiency or Food Security***

Self-sufficiency means to produce strategic food crops in a country in order to secure sufficient food for people for a period of time. Food security is to ensure that people are provided with food either locally produced or imported from other countries, and that they have the ability to buy this food.

The question is whether the Arabic countries are able to produce the food they need, and actually, the answer is no. However, these countries need to become self-reliant for political, national security, and economic reasons. In this regards, they are able to benefit from the human and economic resources they have.

### ***Visibility of Strategic Crops***

The current prices for Syrian strategic crops (wheat, cotton, and sugar) are higher than world prices. For example, the price for imported sugar is less than the price for locally-produced sugar, since the cost of production is higher in Syria.

Generally, the low international prices for these products are resulted from the huge support given by the developed countries to maintain their competitiveness and domination of the world market. That is to say, the farmers of these countries are not affected by reducing their product prices, since they receive compensation through several Support Boxes of the EU & WTO to cover the difference between real and market prices of such products.

Critically, the DCs completely control the world pricing system. For example, the world sugar price goes up in response to a decline in support given by the EU to this product and others.

However, any attempts to reduce local prices of strategic crops in Syria should be coupled with providing farmers with other income resources in order to keep producing these products.

The Syrian agricultural policies insist on having self-sufficiency of wheat to guarantee food security, and of cotton to obtain hard currency, while the other crops are produced based on their comparative advantages.

### ***Investment in Syria***

Until today, Syria has suffered from a shortage in public investments. Most ministries do not spend their annual budget, which is supposed to be spent on improving management and enhancing staff capacities.

A big priority should be given to regulating new structural adjustments in order to create an enabling environment for triggering public and private investment, such as reducing the high interest rates on enterprise credit for development, and providing long-term credit for local investments.

In addition, activating the cooperative housing sector will contribute considerably to the economic development process in Syria. The current housing crisis that is greatly increasing all over Syria urgently needs to be solved, a key part the state's commitment to provide people with adequate housing at proper prices.

A greater role should be given to the private sector to be more involved in economic growth. As the lecturer stated this sector plays a significant role in Syria's aggregate investments, reaching about 10 of 22 shares of all investments, almost the half.

### ***The Private Social Fund Boxes***

The private social fund boxes play a very important role in development. They effectively operate to alleviate social burdens in Syria, such as unemployment, low income, and poverty. However, these boxes cannot work alone to address these concerns. The best solution is to achieve effective economic growth while giving priority to social development.

## **Annex (1) List of Participants**

### **Agricultural Cooperative Bank**

Altaleb, Riad, Deputy Director of Credit

Yazagi, Elias, Director of Training and Qualification Center

### **Agricultural Chamber of Damascus**

Alshalet, Omar, Chief of Agricultural Chambers

### **Agency for Combating Unemployment**

Alsalam, Obeid, Deputy Director

### **ARCADSAK**

Bakor, Yahia, Consultant

### **Arab Center for Strategic Studies**

Hadad, Maher

### **Center of Economic Studies**

Abu Fakher, Shibly, Consultant

### **Food and Agriculture Organization (FAO)**

Amber, Salwa Mobarak, FAO Representative in Syria

Zahoueh, Salim, FAO National Programme Officer

### **General Commission for Agricultural Scientific Research (GCASR)**

Al-Shalek, M. Bashar, Researcher

Genadi, Osama, Economic & Social Studies Department

Mansour, Fayez, Researcher

Kamal, Kinana, Chief of Economic Department

Talab, Tony, Green Houses Department

### **Italian Embassy**

Cerulli, Francesco, Italian Ambassador in Syria

Francoigh, Damiano, First Secretary of the Italian Embassy in Syria

### **Indonesian Embassy**

Sunarko, First Secretary of the Indonesian Embassy in Syria

### **International Business Links**

Takieddin, Riyad, General Manager

### **Institution of 8 March Farms**

Safi, Safi

**Japanese Embassy**

Baba, Sanoushi, First Secretary of the Japanese Embassy in Syria  
Alhabal. Gasem

**Ministry of Agriculture and Agrarian Reform**

- Agricultural Affairs Dept

Abou-Assaf, Haiat, Horticulture Division

Kabane, Ahmad, Crop Division

Libizo, Zora, Horticulture Division

Izak, Yusra, Horticulture Division

- Agricultural Economics Dept

Abaza, Biberse

Al-Kassar, Husam

Kabani, Falak, Marketing Division

Sewar, Hassan, Cost Division

Al Sahnawi, Ali, Journalistic Office

- Agricultural Extension Dept

Al-Shami, Ebtisam, Rural Woman Division

Al-Amiri, wafae, Rural Woman Division

- Center of Training

Khoray, Hazar, Training

- Planning & Statistics Dept

Almadani, Abedalhamid

- Transportation Dept

Naji, Diaa

- Project of Fruit Trees Development

Izo, Adnan, Director General

Alkhouri, Sahar, Planning Division

- Project of Albadia Development

Alnasma, Abed Ruhman, Planning Circuit

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Al Hamwi, Bashir

Al Saadi, Usama

Al Shareef, Mahmood

Al Mojahed, Hassan

Alzoughbi, Samira  
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Babbili, Mahmoud  
Baghasa, Hajar  
Dahash, Yahia  
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Grad, Samir  
Hamza, Raid  
Hayder, Firas  
Husni, Wafica  
Ismail, Isam  
Karkout, Me'dad  
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Nehme, Nawal  
Saadeddin, Ahmed  
Salameh, Arowa  
Shehadeh, Widad  
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**University of Damascus**

Al Freihat, Bawaf, Professor, Faculty of Agriculture

## Annex (2) Slides of the Presentation

<p><b>Social Market Economy In the Context of National and International Challenges</b></p> <p><b>Dr Isam Al Zaem</b></p>	<p><b>Questions</b></p> <ul style="list-style-type: none"> <li>• What is the difference between market economy and social market economy?</li> <li>• Definition of Social market Economy</li> <li>• Relation between the economic development and social market economy</li> <li>• Difference between social market economy within the welfare society in developed countries and social market economy within the drive towards economic liberalization in developing countries</li> <li>• Role of the state in the social market economy</li> <li>• Is it appropriate to exclude State intervention from economic activities?</li> <li>• What is the role of the State in the economy?</li> </ul>
<ul style="list-style-type: none"> <li>• Will the exclusion of State intervention in economy allow that the requirement of social market economy are complied with?</li> <li>• What is the identity of social market economy?</li> <li>• Will the social market economy have its own identity?</li> <li>• How is it possible to balance between the social and economic dimensions in the social market economy?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the conditions and requirements needed for to achieve this balance?</li> <li>• Does the social market economy have a double identity based on interaction and harmony between economic growth and social development?</li> <li>• Is economic growth a pre condition for the success of social market economy?</li> <li>• Does the social market economy require economic growth as a pre condition?</li> </ul>
<ul style="list-style-type: none"> <li>• Will the balance between economic growth and social development be achieved based on two separate planning and management processes? Does it require a theoretical model based on a planning system that gives priority to social development over economic growth?</li> <li>• Does the latter model imply the achievement of the maximum possible level of social equity?</li> <li>• Is the social market economy a theoretical concept that needs to be applied?</li> <li>• Is the market economy a theoretical concept or an economic system?</li> </ul>	<ul style="list-style-type: none"> <li>• Can the social market economy be addressed to the features of the economic situation in various developing countries?</li> <li>• Does this concept apply to developed economies?</li> <li>• Is the social market economy an approach to achieve economic development taking into account the requirements of social development?</li> </ul>

<p style="text-align: center;"><b>What is Social Market Economy?</b></p> <p>It is a systemic concept with social and economic dimensions based on market economy resulting from the interaction between supply and demand and on competition and profit making on the one hand and welfare and social development on the other</p>	<p style="text-align: center;"><b>Historical Roots of Social Market Economy</b></p> <p>Started in the western developed economies ruled by democratic socialist parties such as UK, Germany, Italy, and France</p>
<p style="text-align: center;"><b>Market Rationalization and Achievement of Social Advantages</b></p> <p>It is an economic, political, and social system that takes into account the interest of various social categories.</p> <p>Adopting a social market economy means taking advantage of the market mechanisms and giving due attention to social aspects</p>	<p style="text-align: center;"><b>Introduction</b></p> <p>Evolution of capitalist system and the role of the State</p> <p>Social conflict and political dispute on the role of the State</p> <p>Emergence of Fascism and Nazism in Germany</p> <p>Establishment of the first socialist state</p> <p>Establishment of the democratic socialist state for social welfare</p>
<p style="text-align: center;"><b>Chapter one</b></p> <p style="text-align: center;"><b>Historical Origins of the Welfare State and Social Market Economy</b></p>	<p style="text-align: center;"><b>Chapter one</b></p> <p style="text-align: center;"><b>Historical Origins of the Welfare State and Social Market Economy</b></p>

<p><b>The Swedish Model</b></p> <p>Historical experience and Swedish model of welfare state</p> <p>Role of the State in the Swedish model</p> <p>Pressures on employment and social support</p>	<p><b>Chapter Two</b></p> <p><b>Conflict between new globalization and social welfare system</b></p>
<ul style="list-style-type: none"> <li><input type="checkbox"/> Is the social market economy applicable and sustainable?</li> <li><input type="checkbox"/> The emergence of severe competition after trade liberalization followed the collapse of the Soviet Union</li> <li><input type="checkbox"/> Impacts of free movement of capitals</li> <li><input type="checkbox"/> Big monopolies control the major share of markets</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Victory of new liberalism and the tendency to eliminate the role of the State role and collapses of social welfare systems</b></li> <li>• <b>Contraction of the role of the State role, reduction of profit taxes and increase of wages and consumption taxes</b></li> <li>• <b>Swedish socialist party back to power</b></li> <li>• <b>Role of the ruling party and power in the hands of liberals during the 90s</b></li> <li>• <b>How does the welfare state face current domestic challenges now?</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Where does Europe stand?</b></li> <li>• <b>Contradiction between productivity increase and freezing of actual wages</b></li> <li>• <b>Warning of the OECD to Tony Blair government increases in health and education expenditures</b></li> <li>• <b>The contradiction between market globalization and social development summarizes the contradiction between current globalization and the social market economy</b></li> </ul>	<p><b>Components of Market Economy</b></p> <ul style="list-style-type: none"> <li>✓ <b>Availability of free labor force</b></li> <li>✓ <b>Availability of supply and demand mechanism to determine prices</b></li> <li>✓ <b>Availability of growth factors</b></li> </ul>

<p style="text-align: center;"><b>Market Advantages and Disadvantages</b></p> <p>Prices determined based on demand and supply  Pricing is distorted when there is a supply monopoly  Market generates more employment but doesn't ensure continuity  Elimination of many employment opportunities as a result of fusions between enterprises  Tens of thousands of employment opportunities are eliminated due to the fusion of major enterprises, eg. Exxon and Mobile Oil</p>	<ul style="list-style-type: none"> <li>✓ Impact of globalization on employment and wages</li> <li>✓ Reduction of employment opportunities as a result of technological advancement</li>   <li>✓ Minimum wage.... Many exceptions</li>   <li>✓ Difficulties of harmonizing market economy and social needs in China</li> <li>✓ Drawbacks of the role of the welfare state in the North and the South as a result of globalization</li> <li>✓ Increase of structural unemployment</li>   <li>✓ Dismissal of labor force</li>   <li>✓ Shift from permanent employment to casual employment</li> </ul>
<p style="text-align: center;"><b>Social aspects of the applied policies</b></p> <ul style="list-style-type: none"> <li>✓ Increase of rural women and children labor</li>   <li>✓ Reduction of wages as a result of giving preference to women</li>   <li>✓ Globalization based on harmony and conflict between free market economy and social market economy</li> </ul>	<p style="text-align: center;"><b>Chapter Three</b></p>  <p style="text-align: center;"><b>Social market economy in developing countries within the context of modern globalization</b></p>
<ol style="list-style-type: none"> <li>1. The economic surplus is little and unutilized</li> <li>2. The economic surplus is insufficient to absorb the labor force</li> <li>3. Weak economic performance on the first hand and requirements of social equity on the other</li> <li>4. Difference between social market economy and welfare state in terms of social surplus and balance between profits and wages</li> </ol>	<p style="text-align: center;"><b>Economic Liberalization in Syria and its Impact on the Social Market Economy Approach</b></p> <p><b>Elimination of trade constraints</b>  <b>Weak competitiveness</b>  <b>Need to increase production and labor force productivity</b></p>

<ul style="list-style-type: none"> <li>✓ <b>Prospects of economic development, unemployment elimination and poverty reduction</b></li> <li>✓ <b>Prospects of productivity and national income increase</b></li> <li>✓ <b>National challenges</b></li> <li>✓ <b>Globalization challenges</b></li> <li>✓ <b>Social Market Economy as an aim and objective and a development process</b></li> </ul>	<p><b>Reform and Development Challenges</b></p> <ul style="list-style-type: none"> <li>• <b>First challenge</b> Backwardness and weak growth</li> <li>• <b>Second challenge</b> Mismatch between population growth and economic growth</li> <li>• <b>Third Challenge</b> Unemployment and poverty reduction</li> <li>• <b>Fourth Challenge</b> Technological innovation and productivity increase</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Fifth Challenge</b> Economic, social, and political diversification</li> <li>• <b>Sixth Challenge</b> Establishment of a legal and institutional system for social negotiations</li> <li>• <b>Seventh Challenge</b> Sustainable food security</li> <li>• <b>Eight Challenge</b> Economic challenges</li> <li>• <b>Ninth Challenge</b> Lack of skills and the need to improve human resources</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tenth Challenge</b> Depletion of oil and its financial and economic impact on oil revenue</li> <li>• <b>Eleven</b> Social challenges</li> <li>• <b>Twelve</b> Political challenges</li> <li>• <b>Thirteen</b> <b>Reinforcing labor unions</b></li> <li>• <b>Fourteen</b> <b>Administration reform</b></li> </ul>