

X JPRS-NEA-85-094
23 July 1985

SYRIA

ECONOMIST ANALYZES AGRICULTURAL DEVELOPMENT FINANCING PROBLEMS

Damascus TISHRIN in Arabic 6 Mar 85 p 4

[Article by 'Ali Ma'ruf: "Financing Development in the Light of Surplus Production, Existing Agricultural Relationships and Future Horizons"]

[Text] "Financing agricultural development" was the second from the last subject before the fourth Tuesday Economic Seminar on agriculture and agricultural development in Arab Syria.

In it Dr Sa'id Nabulusi dealt with a number of matters that together constitute the basis of this subject. Basically, this included a general elucidation of the agricultural problem presented in the lecture. This was accomplished by the lecturer's moving from the particular to the general by way of detailed figures to progress gradually from "the agricultural surplus" to "accumulation in the agricultural sector" and "financing -- self-financing, governmental financing, and bank financing."

The Agricultural Surplus

At the outset the lecturer referred to the special importance of the agricultural surplus in economic thinking, since it constitutes the material basis of the development of societies, the social division of labor, and the historic appearance of money and trade. Its realization is important not only for supplying the necessary work force for other economic sectors, but also because as an agricultural product it constitutes the material basis for expanding the basis of the social division of labor and economic development as well in the developing countries. Such countries are characterized in general by the small size of the agricultural surplus, which is due to the backwardness of the producing forces and to the ways in which the surplus product is owned. This is a problem that is not confined to the smallness of this size, the slow rate of its growth in these countries, and its unproductive use in parasitical consumption fields. Rather, it is due more importantly to the conditions surrounding the production of the surplus -- conditions that do not permit its size to exceed a certain limit because the prevailing level at which the surplus is formed does not basically permit a change in the relationship between the time necessary to produce the requisite product to renew the labor force and meet immediate needs, and the time necessary to develop and increase the size of the surplus agricultural product.

Accumulation in the Agricultural Sector

From some economists' point of departure in classifying the developing countries on the basis of the economic formations prevailing in those countries and the economic and demographic status of the agricultural sector in them, the lecturer believes that this sector, which continues to constitute the point of departure for development and accumulation activity, naturally incorporates opportunities that are tangible and that are afforded by the surplus that it produces. He believes also that any attempt to examine the subject of financing agricultural development activity must focus primarily on this frame of reference, and the program followed in this study does not proceed from the assumption that accumulation is solely a financial problem. For accumulation, like any economic phenomenon, cannot be studied apart from the production relationships prevailing in the society during a given stage of history. To point this up, the lecturer went back to the period before the changes that began in the 1960's. He referred specifically to the year 1958, when 8,000 big landowners controlled 70 percent of the land, including water sources, so that it could be said that there was a twofold monopoly: one of land and one of water. Against this, 66 percent of the fellahin in the rural areas did not possess any form of land ownership except for a minority who owned small plots the combined yield of which, despite the effort exerted by all the members of the family, was not sufficient to provide the requirements necessary for survival. In the conditions of the political system prevailing at that time, agricultural relationships were most frequently based on sharecropping, whereby the proprietor supplied only the land, along with part of the means of production, in return for the lion's share of the crop in addition to this share of the price of the water.

This kind of agricultural relationship provides an opportunity to achieve a kind of accumulation through the existence of an agricultural surplus since it clears the way for a gradual shift away from the sharecropping system to the system of renting land and exploiting it by capitalist methods. It is similar to what happened historically in the development of agriculture in certain European countries such as England since the beginning of the second half of the 18th century. However, the lecturer said, there is a difference from what happened in England and it is due to two basic factors that have hindered the development of capital for agriculture in the developing countries:

The first factor, in essence, is the ownership of the lion's share of the surplus agricultural product by the landowners, which amounts to ownership of all the surplus product. The second factor is the one that is manifested in the imperialist policy toward the developing countries that aims at preserving the status quo and hindering any development of capital in these countries. In them the agricultural sector continues to be a traditional and a stagnant one the mission of which is to satisfy the increasing parasitical requirements of the landowners. The lecturer added that one must refer to the laws on agricultural reform and agricultural relations respectively in the matter of the possibilities for agricultural financing and accumulation -- possibilities that result from the application of these laws. These possibilities necessarily require that there be made available conditions for the growth of the agricultural product and an achievement of an increased surplus agricultural product, the effects of which extend to include other economic sectors as well, especially the industrial one. One must also consider the failure to achieve the aims of these two

laws, particularly those relating to the obligation of the fellahin to form cooperative societies, along with the existence of a disparity in the ownership of agricultural land, which in general is divided into three degrees of possession. Of these, 74.6 percent own 10 hectares, 24.7 percent own from 10 to 100 hectares, and 7 percent own 100 or more hectares. This distribution shows that small and medium-size proprietorship represents the most widespread type with respect to the agricultural product. This ownership is associated with a number of matters that are considered to be investment problems. The most important of these are:

1. The scattered nature of (mutalazimah) proprietorship, along with the dispersed character of the means of production and the labor force.
2. The impossibility of using modern technology.
3. Shrinkage of the possibilities for accumulation as a natural result of the decline in the level of the productivity of labor, along with the shortage of self-financing and the search for various sources of financing like (seed) capital and bank loans.
4. Failure of production capacity to keep pace with the growth of the population and the latter's increased consumption needs.
5. Weakening of the country's ability to export and its being driven at times to import foodstuffs at the expense of products necessary for development.
6. The subjection of a major proportion of products to the workings of the marketplace and distribution channels, particularly in the absence of planning in the field of cost and pricing.

Over against these problems are the positive results of distributing proprietorship. They are represented on the one hand by the partial or total abolition of the concentration of the surplus product and land, as a source of this product, in the hands of a few proprietors and on the other by a reduction in the growing demand for land and an increase in the income of the fellahin class.

Self-Financing

The lecturer continued by elucidating the matter of self-financing as follows:

The participation of the private sector still averages 70 percent of investment in agriculture and in some years it reaches 75 percent. Investment by the cooperative sector varies from 24 to 29 percent, while investment by the governmental sector has declined to the point where at times it reaches 1 percent of the crop area. In the case of the three principal crops -- wheat, cotton and sugar beets -- the participation of the private sector may come to 3.2 [percent] of the total product, the cooperative to between 2.1 and 3.1 at times, while participation by the governmental sector varies from 1 to 12 percent of the total production of these crops. With reference to the share of the agricultural product in the gross domestic product for the years 1963 - 1970 - 1973 - 1983, we find that this share represents 25 - 16 - 13 - 12 percent, indicating a decline in the agricultural sector's share of the gross product. This is so despite the

fact that in 1983 the rural labor force constituted 52 percent of the country's labor force. It is noted also from the statistical data that the value of the net agricultural product has fluctuated owing to weather factors that put it next to the commercial sector in net yield. It is followed by the role of the building and construction sector and then by the industrial sector, so that the average income of a person working in the agricultural sector was 54 percent less than the average income of those working in the other sectors in 1979 and 64 percent in 1983, when it amounted to LS8,739 per year. This does not permit the attainment of any savings to speak of that could be used to provide the necessary possibilities for financing agricultural development.

In addition to the above, the pricing and marketing policy constitutes another negative factor because it does not attempt to calculate cost on accurate bases. The greater part of the products remains subject to the workings of the marketplace, particularly in the case of small producers. Also, there is the rise in the prices of materials required for production, such as fertilizers, seed, machinery, fuel, etc. In general, the percentage of the value of the materials required for production that are used in agriculture constitutes a tiny percentage of the value of such materials that are used in the country. This percentage is disproportionate to the position of the agricultural sector in the national economy and it is not consistent with the requirements for agricultural development, which should occupy the first place in the size of national investment since we know that the rise in the cost of needed materials from time to time does not mean that we are getting more of them, because it is a cost resulting from the rise in the price of them. This is another factor that complicates the problem of investment, especially since it is not accompanied by an increase in the price of the product -- an increase that is based on an accurate examination of the cost. One gathers from this that self-financing in agriculture is insignificant compared with the other economic sectors as well as in comparison with the country's total investments. This is due to causes the most important of which are:

- A. A decline in productivity.
- B. The middleman's domination of pricing and marketing and the absence of any effective channels with regard to them.
- C. The steady rise in the price of materials needed for production, most of which are dependent on imports from abroad.

Governmental and Bank Financing

The lecturer said that the governmental public sector participates in the financing of eight agricultural establishments in the country's governorates and six economic organizations belonging to the Ministry of Agriculture and Agrarian Reform. They are the General Poultry Organization, the General Cattle Organization, the General Fish Organization, the General Seed Increase Organization, the General Agricultural Mechanization Organization, and the General Fodder Organization.

The areas of the state's fields varies from 45 to 68,000 hectares suitable for agriculture. During the period 1979-1983 governmental investment focused

basically on projects for reclaiming land for agricultural purposes, increasing the sown area, reforesting rainfed land, producing fruit-tree seedlings, and completing stations for servicing mechanical equipment and poultry and cattle stations. Government expenditure on agricultural investment projects during the aforementioned period was LS5.1 billion, constituting 10.1 percent of the total government expenditure on development projects in the country. This was despite the fact that the most recent 5-year plan gave priority to the agricultural sector and rural development in general. The greater part of these investments was devoted to irrigation and agricultural reclamation projects, so that the share of these projects came to two-thirds of the government's total investment in the agricultural sector for that period. At the same time, the remaining third was concentrated on the rest of the agricultural activities, such as animal production, agriculture and forest services, and the raising of fish. Thus governmental investment in horizontal expansion accounted for 78 percent of total investment and the other part, or 22 percent, was allocated for investment in vertical expansion projects.

Another thing that we note is the decline in the ratio of agricultural loans, which during 1979 amounted to only LS710 million, while in the same year commercial sector loans came to LS6,235,000,000 or a ratio of about 9 to 1. This ratio increased in the period 1979-1983 to the point where commercial loans were 12.8 times greater than agricultural loans. On the subject of the financing of agricultural development the lecturer proposed:

1. The taking of measures to deepen the process of agricultural reform and to move on to a higher stage of cooperative production characterized by centralization of the means of production and the division and organization of the social labor force in the agricultural sector.
2. A shift to cooperative methods of production and the complete liquidation of the remnants of feudal relationships in the rural areas so as to form the substantive basis for increasing the productivity of labor and increasing sources of financing to meet the country's growing requirements for agricultural products and to achieve some degree of independence in the world market.
3. A reexamination of the method by which the prices of agricultural products are set.
4. A shift over to types of production cooperation to pave the way for employing modern technology and training common-labor cadres and skilled-labor cadres.
5. The use of customs policy to protect national plant and animal products from competition on the part of imported goods if national products do not meet the country's needs.
6. An increase in bank capital for the agricultural sector and an increase in the volume of loans to the cooperative sector and the small producers. It should be seen to that they are properly used and are economically effective. Action should be taken also to expand bank-monitoring operations so as to embrace all forms of agricultural investment.