



SME SUPPORT PROGRAMME

Project No. (SSP) MED/2005/17542



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PROPOSED NATIONAL EXPORT STRATEGY

ToR No.: AWP2/102 & WP3/084

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PHASE 1

AN ANALYSIS OF EXISTING SITUATION AND IDENTIFICATION OF MAIN COMPONENTS FOR STRATEGIES TO BE FURTHER DEVELOPED

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1. Executive Summary

Syria is endowed with a population that has for years been recognized for its craftsmanship and trade skills, two important elements in the construct of a competitive economy and export culture. Furthermore, the Syrian economy has undergone significant and successful reforms over the past five years with a view to maintaining economic stability while improving socioeconomic conditions across the country. However, the performance of exports in past years has been based on raw material and agricultural exports. With both being highly exposed to world market fluctuations, oil reserves are dwindling and agricultural exports subject to weather conditions, a new focus on manufacturing exports with high value added should be underscored.

It is clear from the analysis that Syrian traditional exports are neither sustainable nor competitive; the value added in exports is low relative to comparators in the region; level of information on market access is very low and individual exporters have to rely on their own resources or the help provided by SEBC and few other donor supported programmes; the business environment is badly in need of improvement; sector and cluster studies are few and not widely available; current suggestions to enhance exports are much less in scope and sophistication than the efforts of regional comparators; there are almost no consortia in the private sector and business cooperation while competing is hardly existent; and the institutional support provided to exporters is well below state-of-the-art and much less than that provided by regional comparators.

It is recommended herein that

- Syria has to increase and place greater emphasis on upgrading present skill levels.
- Study tours should be conducted for stakeholders to leading export countries such as Turkey, Tunisia, Malaysia, Ireland among others to facilitate fast learning and first hand experience of best practices.
- There is a dire need to considerably improve the business environment if exports are to become competitive.
- At least ten sectors should be properly mapped and detailed in terms of competitiveness and supply and value chain.
- Greater Competition must be encouraged among business firms.
- Export promotion legislation has to be revised and export promotion activities have to be greater than those of Lebanon and matching the level of support provided by Tunisia.
- The efforts of government could be buttressed by a donor funded programme similar to those available in other countries such as an expanded SEBC, EJADA of Jordan and the IMP in Egypt or Tunisia.
- A fund must be established to help provide export guarantees to exporters and SMEs.
- Upgrading and modernization schemes based on technical diagnostics, followed by upgrading plans that are funded on cost sharing basis between the programme and the recipient enterprise or cluster or consortia.
- Linkage programmes should be established locally and with international firms.
- Policy support and institutional strengthening should be included as a component in the export promotion drive. Legislation will need to be upgraded and modernized to match the level of legislation in competing countries.
- Demand driven business, export and vocational training should be provided as a component of the export promotion strategy.
- Standards must be upgraded to levels commensurate with those of the EU, which is the set of standards that are benchmarked by leading comparator economies (Turkey, Tunisia and Jordan).
- Matching traders from Syria and other traders across the borders has to be done with focus i.e., through proper research regarding importers and exporters in both countries and their needs.
- Trade fairs must be funded and so are visits by delegates. Syria can take part in international markets of products through a steady effort to introduce Syrian firms in the world marketing chains.
- Empower and assist the current drive to establish the EPDC. This includes assistance in staffing with the commensurate skills required for implementation of all the above.

The assistance may be provided in a four-component IMP that co-locates with the EPDC or in close proximity thereof in order to transfer know-how to local talent and ensure sustainability. The IMP will focus on four core components: technical upgrading, policy and institutional strengthening, financial support to SMEs and exports, and training.

About the issue

The mission (35 working days) commenced on July 13 2008 and concluded on 17/9/ 2008. The Draft Final report was submitted on 16/8/ 2008.

Upon review/ analysis, the following recommendations emerge:

- A second mission should be conducted in the near future, whereby the conclusions of this mission become the starting point for the second mission. In this mission, a framework for export promotion is presented to stakeholders and stakeholder focus group (representation from the private and public sectors) meetings are conducted to establish consensus on the steps and tools to be used in the strategy.
- It is vital that the mission assists the EPDC in the revising and redrafting of draft laws that have not been passed yet.
- The mission would start with preparation of a meeting schedule with the stakeholders. Presentations are prepared beforehand and discussed with the focus groups to establish awareness and create a sense of urgency regarding the issue.
- The design of the Export Promotion Strategy, including objectives, mission, vision, market analysis, and procedures and processes for implementation with time schedules and allocation of responsibilities.
- All issues of the intervention will have to be agreed with the stakeholder focus groups.

- **Introduction**

The following is an expert service provided to the Syrian Enterprise Business Centre (SEBC). The SEBC was formally constituted as an independent national organisation to promote the development of the private sector, and in particular, SMEs, in March 2006, following ten years of support from the EC. The SEBC is a nationally managed organisation in Syria, with a range of programmes to help the country in its overall reform and modernisation programme.

One of the activities managed by the SEBC is the SME Support Programme (SSP), which is receiving EURO 15.0 M funding from the EC under a 3.5 year agreement scheduled to conclude in February. The SSP focuses assistance on six areas: improving the efficiency and competitiveness of SMEs; development of local consultancy; access to medium and long-term finance; promotion of exports; institutional strengthening; and promoting the sustainability of the SEBC. The service provided herein is facilitated by a consortium of consultancy companies headed by GOPA GmbH, providing experts to the SEBC, under approval of the EC Delegation in Syria.

The gradual shift of the Syrian economy to an open market economy created considerable challenges that the government will need to address to continue effective economic liberalisation. Within the objective of assisting the Syrian Government in its shift towards an open market economy, SEBC/SSP is undertaking a series of activities to secure a strong position in the new global competitive environment.

To secure a strong position in the new global competitive environment, it is generally accepted that Syrian companies need to increase international competitiveness in order to be able to export successfully to international markets. Over the past years, many efforts were undertaken to develop Syrian exports, but unfortunately, these efforts have primarily taken the form of facilitating direct business on an individual basis.

The Syrian Government, cognizant of the importance of export in terms of generating income, facilitating trade, know-how transfer, and job creation, has signed and is in the process of signing various trade agreements. Within this context, it was determined that an overall export strategy for the country as a whole was required. As a result SEBC/SSP in co-operation with the Syrian Government has launched this assignment which aims to assess the export climate in Syria, create a strategy to promote and develop Syrian exports.

3. Objectives of the Assignment

Global objective

The global objective of the assignment is to boost Syrian export performance, enhance export skills, facilitate export trade and assist in increasing the competitiveness of the economic sectors in Syria, as the country moves to an open market economy.

Specific objectives

The specific objective to be achieved is to develop and propose a strategy that can be adopted by the Government as an 'overall and comprehensive' policy for the development of Syrian export.

Requested Services from the Expert

The objectives of the assignment will be achieved through the following activities:

- Review reports and statistical data produced by the Syrian Government, SEBC and others
- Review and consider all existing trade agreements and future planned agreements
- Undergo research on the export climate in Syria considering past, current and future forecasts
- Identify the mechanism to push the export climate in Syria, the role of the government, support institutions and productive enterprises
- Review taxation policies with regards to imports and exports

- Study the current positioning of export financing support systems institutions (if any)
- Meet with relevant governmental officials, key players in the Syrian economy, experts, enterprise representatives and stakeholders
- Study required import and export procedures in Syria and compare those with international best practice in order to identify areas for improvement
- Analyse international best practices for export development and identify existing or new areas to be developed in Syria
- Ensure a comprehensive coverage of the subject through the use of the consultant's professional skills and expertise to utilise other such resource and undertake activities as necessary to fulfil the objectives and intention of the assignment.

An International Expert, Yusuf Mansur, was recruited to conduct the above activities and mobilized on 13/7/2008. The mission lasted 35 working days from 13/7/2008 to 16/9/2008. The following is expected as an output of this assignment:

- Evaluate and assess the export climate in Syria (past, current and future prospective)
- Based upon an analysis of all findings and the experts professional skills and expertise, develop and propose a strategy that can be adopted by the Government as an 'overall comprehensive' policy for the development of Syrian export.
- Identify further important areas for strategic development to satisfy a comprehensively developed export strategy meeting international best practice
- Benchmark the performance of Syrian exports v/s that of regional economies, e.g. Jordan, Lebanon, Turkey and Egypt.
- Prepare a Power Point Presentation (PPP) for a group of key stakeholders.

4. Description of Progress and Activities – Status

During the mission, the expert conducted the following activities:

Researched and reviewed existing data and literature on the Syrian economy and exports, which also included past work done by SEBC experts. In addition, the following meetings were conducted.

Name of Interviewee	Institution	Date
Mr Poul Gadegaard, Team Leader, SSP	SEBC	13/7/2008
Ms Maya Al Ramli	SEBC	13/7/2008
Dr A. Haytham El-Yafi, Vice Minister	Ministry of Industry	14/7/2008
Mr Hussam Al-Yousef, General Manager	Foreign Trade Centre	20/7/2008, 14/9/2008
Mr dyad Ali	State Planning Commission	20/8/2008
Mr Louai Al Munajed	Planit Consulting	20/8/2008
Dr nail Sucker, CEO	SCB	20/8/2008
Dr Ghassan Al Habash, Deputy Minister of Economy and Trade	Ministry of Economy and Trade	3/9/2008
Dr Marwan Al-Fawwaz	General Organization for Foreign Trade	9/9/2008
Mr Mohammad El Shaer, CEO	Shaer Chemical Group and member of the Board, Chamber of Industry	16/9/2008

5. The Analysis

5.1 The Economy and Reforms: A Brief Overview

Syria is a low middle-income developing country with a population of 19.5 million people and an economy that is based on agriculture, industry and energy. GDP was US\$34.9 in 2006; agriculture contributed 24% to GDP, industry 18%, and services 58% (according to 2005 estimates). The labour force of 5.5 million is employed primarily in services (60%), followed by agriculture (26%) and industry (14%). Major industries include petroleum, textiles, food processing, beverages, tobacco, phosphate rock mining, cement, oil seeds crushing.

The GDP per capita in current prices expanded by 80% in the 1960s, when major enterprises were nationalized and the government adopted economic policies designed to address regional and class disparities. The economy continued to grow by a total of 336% during the 1970s; however, the growth proved unsustainable and GDP shrank by 33% during the 1980s. In the 1990s the economy grew at a modest total growth rate of 12% (1.1% per year) as a consequence of successful efforts aimed at economic diversification. With the onset of reforms, GDP in current prices grew by 13% while trade grew by 21% annually during 2000-2007.¹ The peak growth years in the GDP and trade were 2004 and 2005, a direct consequence of the Iraqi War in 2003.

Of Syria's 72,000 square miles (186,000 km²), roughly one-third is arable, with 80% of cultivated areas dependent on rainfall for water. Most farms are privately owned, however, there are significant controls on elements of marketing and transportation. Syria, due to a concerted effort by the government and investment in huge irrigation systems in northern and north eastern areas of the country, has transformed the country from being a net importer of many agricultural products to an exporter of cotton, fruits, vegetables, and other foodstuffs.

Heavy-grade oil production commenced in the late 1960s from fields located in the northeast of Syria. In the early 1980s, light-grade, low-sulphur oil was discovered near Dayr al Zawr in eastern Syria. Recently, Syrian oil production in 2006 averaged about 530,000 barrels per day. Although oil reserves are small compared to those of many other Arab states, Syria's petroleum industry accounts for a majority of the country's export income; however, the reserves will run out in a few years and Syria will become an importer of oil.

The government has begun to revisit many of the old interventionist policies and its controls on price, trade, and foreign exchange especially in the financial sector, and Syria's trade regime. However, despite a number of significant reforms and ambitious development projects of the early 1990s, as well as reform efforts currently underway, Syria's economy is slowed by the large number of poorly performing public sector firms, relatively low investment levels, and comparatively low industrial and agricultural productivity.

The Syrian economy has undergone significant and successful reforms in the past five years with a view to maintaining economic stability while improving socioeconomic conditions across the country. The government, at the beginning of the new millennium, instituted an Economic Reform Program (ERP) to overhaul the economy with a number of objectives to be achieved within a five-year period. The objectives included financial reforms like freeing interest rates, free transfer of funds, unification of exchange rates, full convertibility of the Syrian Pound, independence of Central Bank, revision of income tax, revision of trade laws, modification of custom tariffs, setting up of a Stock Exchange and reform of the judicial system.

Many of the reforms have been initiated already. In the field of monetary policy and banking, a Credit & Monetary Council (CMC) was set up in the year 2002 as the focal point for regulating the monetary policy in the country; the CMC took its first significant decision in 2003 by reducing interest rates on deposits and loans by 1% from 8 and 12%, respectively. A new money laundering law was approved in 2003 to set up an agency for combating money laundering and

¹ Real GDP only grew by 3.1% during 2003-2007 with CPI sustaining an average annual increase of 6.9%.

prescribe offences and punishments. In 2001, Syria legalized private banking and in 2004 four private banks began operations.

Other financial sector reforms have been instituted. In August 2004, a committee was formed to supervise the establishment of a stock market, which is currently underway. The latest changes in the investment environment came in the form of Decrees 8 and 9, issued in 2007. Decree 8 replaces Law 10, the foreign investment law, in effect since 1991.² Decree 9 relates to Syria's investment policies and describes the role of the Syrian Investment Agency.³ Beyond the financial sector, the Syrian Government has enacted major changes to the companies, rental and tax laws, and is considering similar changes to other laws, which impact property rights.

Consequently, the overall ranking of Syria in terms of development indicators and competitiveness improved markedly; the banking and financial sector witnessed significant reforms culminating in the entry of several foreign banks; foreign direct investment increased 12 fold in 2006 compared to 2001, exports generated by the private sector contributed 55% of total exports in 2006 almost three times their share (18.5%) in 2000.

5.2 Syrian Economic Challenges

In spite of marked recent improvements in the growth rate of the Syrian economy, economic growth suffers from severe fluctuations affected, and at times accentuated beyond the normal business cycle gyrations, by external factors such as the political upheavals of the region, climatic changes, internal policies related to the business climate and the relatively small share of the private sector in the GDP (on average private sector contributes about 50% of the GDP).

Among Syria's foremost challenges is the rate of growth of the labour force (4.4%), which far exceeds that of the population (2.5%). In addition to the job creation challenge, for a young population where literacy rate is relatively high (81%), there is a need to maintain sustainable high growth rates of the per capita GDP. However, the per capita growth rate of the GDP over the last 20 years has fallen from a high of 3% during 1986-96 to a low of 0.6% during 1996-06 and a growth rate of 2.6% in 2006.⁴

On the external side, the trade deficit has been falling over the last 20 years as the prices of exports rose beyond those of imports and the value of oil started to rise in 1999 making oil exports, the largest component (36%) of Syrian exports, more valuable. However, oil reserves are expected to last for only a few more years; the oil trade deficit reached 3.5% of the GDP in 2007, and oil production in 2008 is expected to fall 370000 barrels per day, a fall of 7.8% from the production level of 2007.⁵ Progress in Syria regarding trade, however, remains less than the level of progress made in the region; thus, placing Syria among the most restrictive economies in MENA in terms of trade.

5.3 Trade Reform in the Region

Over the last several years, bilateral and regional trade accords have proliferated in MENA as the primary vehicle for pursuing expanded trade. Starting in the mid 1990s, the region sought to strengthen trade ties with Europe through the Euro Med and Barcelona Declaration of 1995 and eventually through the EU Association Agreements on preferential trade (currently in force in Jordan, Egypt, Algeria, Lebanon, West Bank and Gaza, Tunisia, and Morocco) which was initialled in 2005 but is yet to be signed and ratified.

The region has also aimed to heighten regional trade through various agreements, including the GAFTA, the Agadir Agreement (signed by Morocco, Jordan, Tunisia, and Egypt in 2004), and the GCC's customs union implementation in 2003 pursuant to a long-standing unified economic

² Freeing Syria's economy, *The Economist Intelligence Unit ViewsWire*, Jan 31st 2007.

³ Legislative Decree (9 / 2007), Syrian Investment Agency (SIA), www.damascusbar.org.

⁴ World Bank database

⁵ *The Report: Emerging Syria 2008*, Oxford Business Group, www.oxfordbusinessgroup.com.

agreement. In addition, several countries have signed bilateral free trade agreements with the United States, including Jordan in 2000, Morocco in 2003, and Bahrain in 2004 (the first among the GCC). Other GCC countries are due to start talks with the United States this year, including Oman and the UAE.⁶

Syria has been a full member of the Greater Arab free Trade Area (GAFTA) since 1997. In late 2001, Syria submitted a request to the World Trade Organization to begin the accession process; Syria had been an original contracting party of the former General Agreement on Tariffs and Trade but withdrew in 1951. Syria also signed a free trade agreement with Turkey which went into force at the beginning of 2007 and boosted trade between the two countries by at least 50% during the year, with the running total at \$1.1bn by the end on November.⁷

Motivated in part in the context of the association agreements, several MENA countries have made notable progress in trade and tariff reform. Since 2000, there has also been progress in several countries with the dismantling of non-tariff barriers to trade (including Egypt, the Islamic Republic of Iran, Morocco, and Tunisia). Observable declines in simple and weighted average tariffs have occurred in Algeria, Egypt, the Islamic Republic of Iran, Jordan, Lebanon, Morocco, Tunisia, and Saudi Arabia.⁸

The most significant tariff reforms occurred in Egypt and Iran. In July 2004, Egypt reduced the number of tariff bands, annulled import fees and surcharges incompatible with the GATT, and instituted strong tariff rate cuts on most imports, resulting in a decline in average tariffs from 21 percent to 9.1 percent. Strong tariff reform efforts in Iran resulted in simple average tariffs declining from over 40 percent to about 20 percent between 2000 and 2004. Simple tariffs in the region declined from an average of 22 percent to slightly more than 15 percent, a 30 percent decline in the tariff rate and well above the 19 percent decline observed in the developing world.⁹

In addition to tariffs, non-tariff barriers (NTBs) are an important feature of trade policy in MENA. NTBs are not transparent or predictable, and therefore strongly suppress trade and investment. However, once these NTBs are accounted for, the effective tariff rate is tripled.¹⁰

5.4 Syrian Trade

Commerce has always been an important element of the Syrian economy. Benefiting from Syria's location along major east-west trade routes, trade played a major role throughout its history, and Syrian traders traversed the globe and developed a well respected mindset and reputation regarding trade within the region and the basin of the Mediterranean. Furthermore, Syrian cities boast both traditional industries, such as weaving and dried-fruit packing, and modern heavy industry.

The bulk of Syrian merchandise imports (US\$10.325 billion in 2006) have been in machinery and transport equipment, electric power machinery, food and livestock, metal and metal products, chemicals and chemical products, plastics, yarn, and paper. Major merchandise exports (US\$7.205 billion in 2006) include crude oil, petroleum products, fruits and vegetables, cotton fibre, clothing, meat and live animals, and wheat.¹¹

In the early 1990s, two major factors contributed to the increase in exports: the increase in oil production and oil exporting capacities due to state investments; and the introduction of new investment legislation, including Investment Law No. 10 of 1991, which heralded the

⁶ Filiztekin, Alpay, "The Evolution of Trade in MENA countries", Sabanci University, Dec 2005.

⁷ Oxford Business Group, *Emerging Syria 2008*.

⁸ Filiztekin, Alpay, "The Evolution of Trade in MENA countries", Sabanci University, Dec 2005.

⁹ Ibid

¹⁰ This is particularly relevant to Syria, see: Mohamed Abdelbasset Chemingui and Sebastian Dessus, "Assessing No-Tariff barriers in Syria", draft, World Bank Group, December 2003.

¹¹ In 2006, imports and exports of goods and services were US\$11.481 bn, and US\$10.924 bn, respectively. In other words, even when the services are included, Syria still has a trade deficit. (Source: The World Bank Group, World Development Indicators database.)

development of private investment in tradable goods and services of the economy. The focus of trade was with Eastern Europe and Russia, which had agreed to a debt repayment scheme with Syria through exports following the 1986 financial crisis in Syria. Upon the collapse of the Soviet Union, exports shifted to the Arab world and later Iraq.

The Investment Promotion Law of 1991 exempted imports of the investment projects from customs duties thereby encouraging the growth of imports from SYP26 billion in 1990 to SYP61 billion in 1994. However, ensuing restrictions on imports that followed this period and a policy of tying imports to exports, whereby importers had to export compensatory amounts in order to compensate for foreign currency leakages, caused a decrease in imports that reached SYP43 billion in 1999, and a moral hazard. Many exporters and importers resorted to inflating their exports and deflating imports in order to obtain the necessary currency required for trade. The upshot must have been also that foreign trade activities were heavily curtailed.

Investments in trade activities assisted in developing the tourism sector, viewed by many as an export activity;¹² thus enabling Syria to better capture some of the Arab tourism regional market. While non-oil exports remained high and Syria enjoyed current account surpluses for almost ten years, the growth trend declined after 1994, and it was not until 1999 that the positive trend recommenced as the whole region started to witness unprecedented inter- and intra regional flows of cash surpluses as a consequent of the repatriation of Arab deposits from the US and later the EU in the aftermath of 9/11, the rise in the price of oil coupled with a falling US\$ vis-à-vis other major currencies such as the Yen, Pound Sterling and the Euro; and an era of “easy money” where incomes of the oil exporting countries were rising.

At the start of 2007, exchange rates were unified, eliminating the difference between the official government exchange rate, the fixed market rate applied by the Commercial Bank of Syria and floating rates in neighbouring markets. The pound was also de-pegged from the US dollar and pegged against the basket of currencies that make up the IMF's special drawing rights (SDRs). Additionally, a managed flotation was conducted, permitting the Syrian pound to trade within two bands.

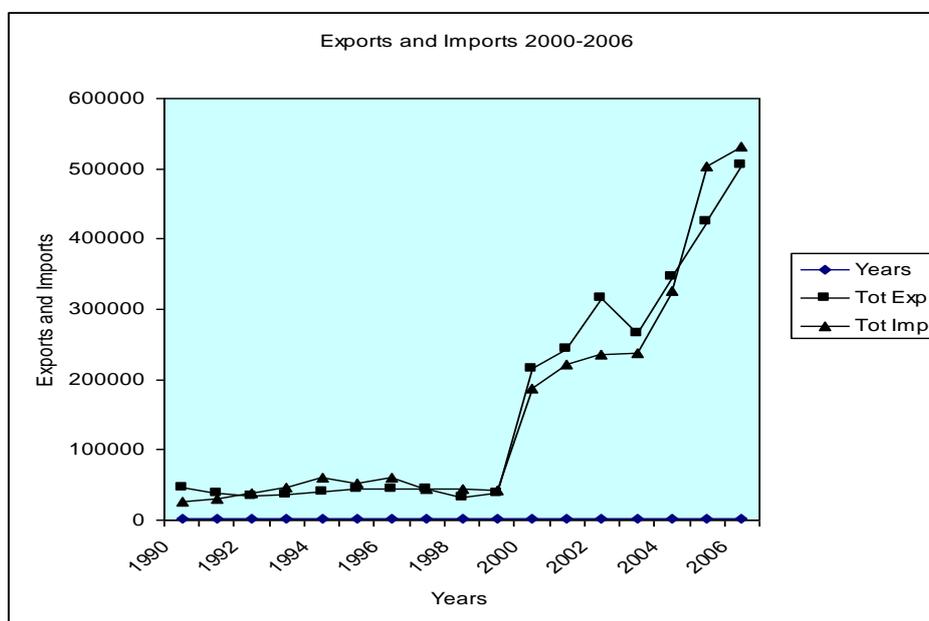


Figure 1: Syrian Trade with the World 1990-2006

¹² Tourism is globally considered an export activity and falls under the purview of the general Agreement of Trade in Services (GATS) of the World Trade Organization. The difference between it and other types of exports is that the importer consumes it within the boundaries of the exporting country.

Source: Compiled from study by the Foreign Trade Centre

Figure 1 tracks the history of Syrian imports and exports since 1990. Note that foreign trade activity increased markedly after 1999 with trade liberalisation. Heavy centralization of external trade led to a practice of reporting unrealistic export figures during 1989-1991 that far exceeded actual exports as exporters inflated their exports in order to garner more foreign currency. The reverse was practiced in the case of imports whereby import figures were artificially deflated to bypass foreign exchange hurdles. The upshot is that the government did not see a need to support export efforts during the period.

In spite of efforts aimed at enhancing commodity exports, such as decreasing the exchange rate of the SYP, improved cooperation between the public and private sector, allowing private sector exporters to retain 75% instead of the previous percentage of 25% and permitting public sector exporters to retain 100% of their foreign currency earnings, and removing the agricultural tax on exports, the level of such exports decreased from SYP47 billion in 1990 to SYP38 billion in 1999.

As oil prices started to rise in 1999, Syrian exports started to rise to reach SYP265 billion in 2003 and Syria sustained a trade surplus. Contributing to this rise, albeit to a much lesser extent, has been additional improvements in trade policy such as exempting originating exports from export licenses and approvals, and the removal of the required commitment and guarantees that foreign exchange be returned to the same bank from which it was secured.

Oil exports made up a significant 67%, exactly two thirds of exports of goods in 2004, while agriculture (food products, both processed and raw) exports came in second place at 15%, and manufacturing at 13%. With the exception of a few years in the mid eighties, the non-dominance of non-oil exports has been true for almost three decades; non-oil exports rarely made up more than 40% of total exports. In the same time period, exports of manufactures rarely exceed 10% of total exports or 35% of non-oil exports. Therefore, when oil exports decline, Syrian non-oil exports have to rise many fold to compensate for the loss of exports and enable Syria to avoid a deficit in the current account. This did not occur in 2004 and more recently in 2007, oil exports made up 8% of total exports, while exports of non-oil goods rose. However, the rise did not compensate for the loss of revenue from oil exports.¹³

With the exception of the surplus years 1990, 1991, 2000, 2001, 2002, and 2003, the Syrian economy suffered until 1999 an enduring trade deficit. During 2000-2003, as oil prices rose to US\$31.5 in 2003 (OPEC weighted average), the trade surplus reached SYP28 billion as Syria reduced oil exports from 500000 barrels per day to 200-220000 barrels per day in 2003, and imports increased significantly as import restrictions were reduced.

The trade surplus of 2003 turned into a deficit of SYP45.8 billion in 2004 and SYP 78 billion in 2005. In 2006 the deficit remained but decreased in size to SYP26.3 billion, only to rise to a significant size at SYP145.6 billion in 2007. The main contributor to the trade deficit has been the declining level of oil exports and the rise of oil imports.¹⁴

Trade liberalization, the removal of technical barriers to trade, the reduction of customs duties, and the availability of foreign exchange through private banks have lagged behind the rise in imports. The rise of the SYP vis-à-vis the US\$, *inter alia*, limited the size of Syrian exports. However, on the positive side, reforms have improved export diversification in terms of the source (more private sector than public sector participation in exports) and the quality of exports as non-oil exports grew to 76.3% of total exports, compared with 59.6% in 2006 and 29.9% in 2002. Machinery exports grew from SYP3 billion in 2003 to SYP23.3 billion in 2006. Textile and garment exports grew from 26 billion in 2005 to 87 billion in 2006, an increase of 232%.

In 2006, Italy was Syria's largest trading partner with 12% of the total, followed by Saudi Arabia with 7%. Trade with Russia increased by 299% in 2006 and by 584% since 2001, mainly due to

¹³ Foreign Trade Statistics (2000-2008).

¹⁴ Source: Study by the Foreign Trade Centre.

increased Syrian imports as relations between the two countries strengthened. Similarly, imports from India increased by 308% since 2001. The largest increases in trade in recent years, however, have been with the Arab world. Trade with Iraq in 2006 had increased by 813% since 2002, 97% of which was exports. Trade with Jordan increased nearly 635% over the same period.

The share of the public sector in exports only rose by 6% in 2006 compared to an overall rise in exports of 22% and its imports decreased by 58% while overall imports grew by 30%. However, the public sector imports declined as a percentage of total exports from 82.7% in 2000 to 42.4% in 2007. Meanwhile, the public sector share of imports rose from 25% in 2000 to 42% in 2007, which shows that the public sector is more of a contributor to the trade deficit than the surplus.¹⁵

5.5 Analysis of Exports

Merchandise exports grew at an average of 7% per year over the past three decades due to rising global demand and Syrian comparative advantages in oil and agriculture. The manufacturing sector never really took off as a competitive export and a contributor to growth and development. Syria may have suffered from a case of the Dutch Disease as investment in oil decreased the competitiveness of the non-oil sector. Geographic and commodity concentration are a strong indication of the lack of diversification of Syria's exports. Food, agriculture and oil represented 82% of total export in 2004 which made Syria vulnerable to price fluctuations of commodities on the international market.

The industrial sector in Syria consists of manufacturing, mining and quarrying, and the provision of electricity and drinking water. Excluding such sub sectors, manufacturing contributes only an estimated 5-7% to GDP, which is relatively low when compared to other countries in the Middle East and North Africa region.¹⁶

While mining and power generation are 99% state-run activities, Syrian industry is characterised by an almost equal participation of the public (52%) and private sectors (48%). Many observers believe the private sector's stake in manufacturing is in reality even higher when taking into account Syria's significant informal sector, which is ranked among the highest in the region.¹⁷ Moreover, almost 70% of public manufacturing is focused on oil refining.

It is well established in the competitiveness literature that the content of manufacturing in the GDP and exports are considered indicators of the success of government development efforts in a country.¹⁸ Manufacturing, unlike services, is a generator of externalities due to labour-saving technologies inherent in the production process. Positive externalities lead to enhanced welfare in the nation. The significance of manufacturing as a contributor to the living standard of citizens for several countries is shown in the Figure below.¹⁹

Figure 2: the Relationship between manufacturing exports and living standard

¹⁵ Calculated from a Study by the Foreign Trade Centre.

¹⁶ The Oxford Business Group, *Emerging Syria 2008*.

¹⁷ ILO, "A Study of the Informal Economy in MENA", 2002.

¹⁸ Michael Porter, *the Competitive Advantage of Nations*, Free Press, 1990.

¹⁹ IBRD World Development Report 1993.

Furthermore, reliance on oil exports as a source of export revenue is at best a short term strategy and hence a non-optimal approach; Syrian oil reserves are running out. Syria is expected to become a net importer of oil by 2010.²⁰

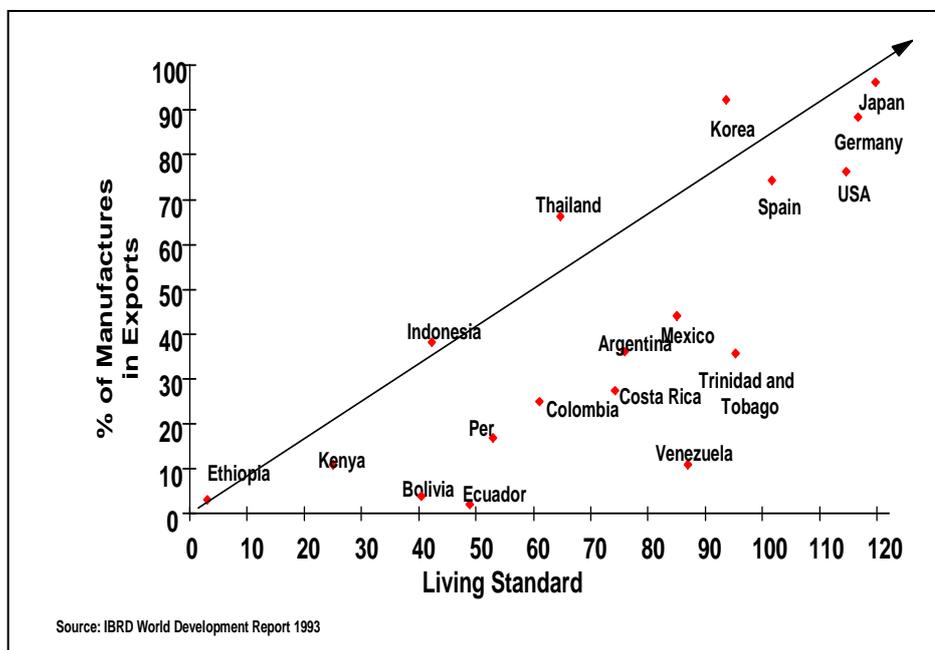
Agriculture exports are affected by weather fluctuation and are characterized by low value added since the sector; and in spite of the development of irrigation, rely on rain-fed crops. Syria receives 14bn cu metres of water per year from natural resources but the country's total demand and usage is 16bn cu metres. Agriculture is by far the biggest toll on this already overstrained resource, using more than 85% of the total. Syria's total demand for water is 2bn cu metres in excess of the water supply from natural local resources. Weather conditions negatively affected some crops in 2007, most notably wheat as a result of late rainfall during the growing season and heavy rains in May.

As to geographic distribution, exports are concentrated (80%) in the EU and Arab countries. The EU received 52.5% of Syria's exports in 2004, including 82% of oil exports. The Arab countries absorbed 295 of Syrian exports and 60% of non-oil exports—mainly food and agricultural products, and almost all exports of services. Exports to Arab countries depend on oil prices: Oil exports are decreasing due to declining production capacities and rising domestic demand.

Moreover, a review of Syria's exports during 1974-2003, as shown in Table (1) below shows that the growth rate in oil exports far exceeded the growth rate in non-oil exports and that oil exports have a far better share in world oil exports than do Syrian non-oil exports in comparison to the world non-oil exports. Furthermore, the non-oil exports share has declined over the thirty year period from 0.05% to 0.02% of world non-oil exports indicating that growth in non-oil exports did not keep pace with that of the rest of world.

Table.1: Syrian Exports Relative to the World (1974-2003)

	Oil exports	Non-oil exports	Total exports
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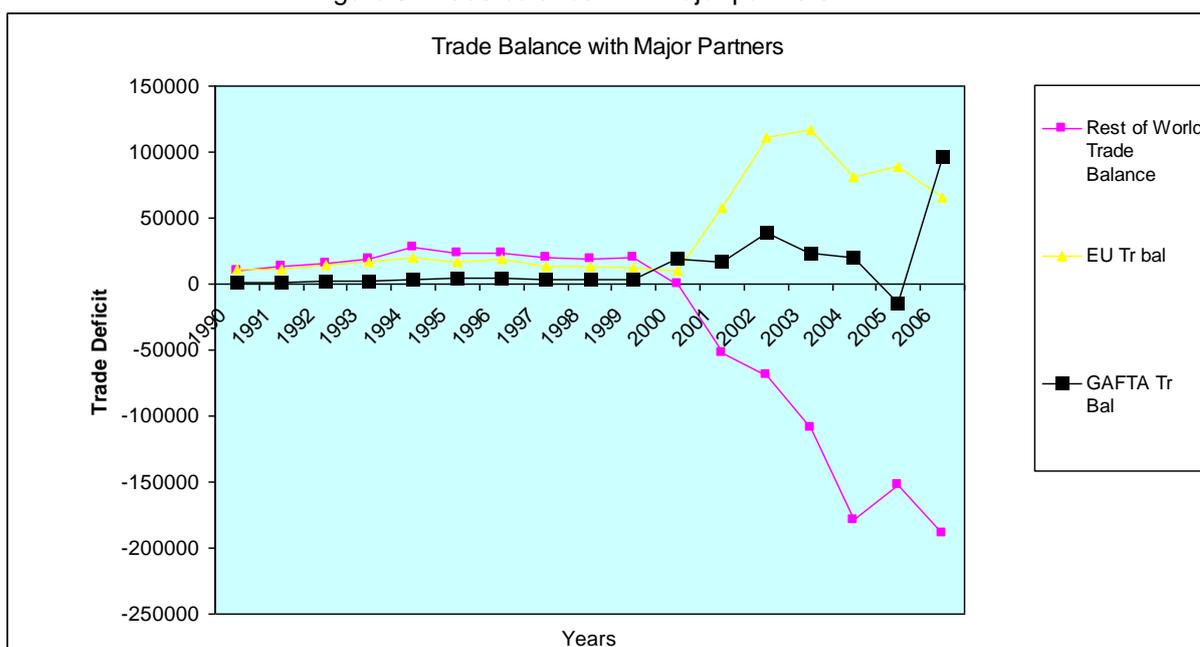
Share in world exports- 1974	0.5%	0.05%	0.09%
Share in world exports- 2003	0.9%	0.02%	0.08%
Average yearly change- Syria	8%	5.6%	7.1%
Average yearly change- World	7%	8%	7.9%

Sources: WB-WDI, author's calculation

²⁰ The Oxford Business Group, Emerging Syria 2008.

In terms of trade between Syria and its major trade partners, it is clear from Figure (3) below that Syria, while currently witnessing a rising trade deficit with the world, is enjoying a trade surplus with the EU and GAFTA member countries. The Figure shows a period of rising imports and exports where growth in trade has climbed significantly since 2000. Furthermore, unlike previous years, the size of the trade deficit or surplus is now more coherent than before 2000. With trade liberalization, unless reforms are conducted at the enterprise level, such surpluses could turn into deficits over time.

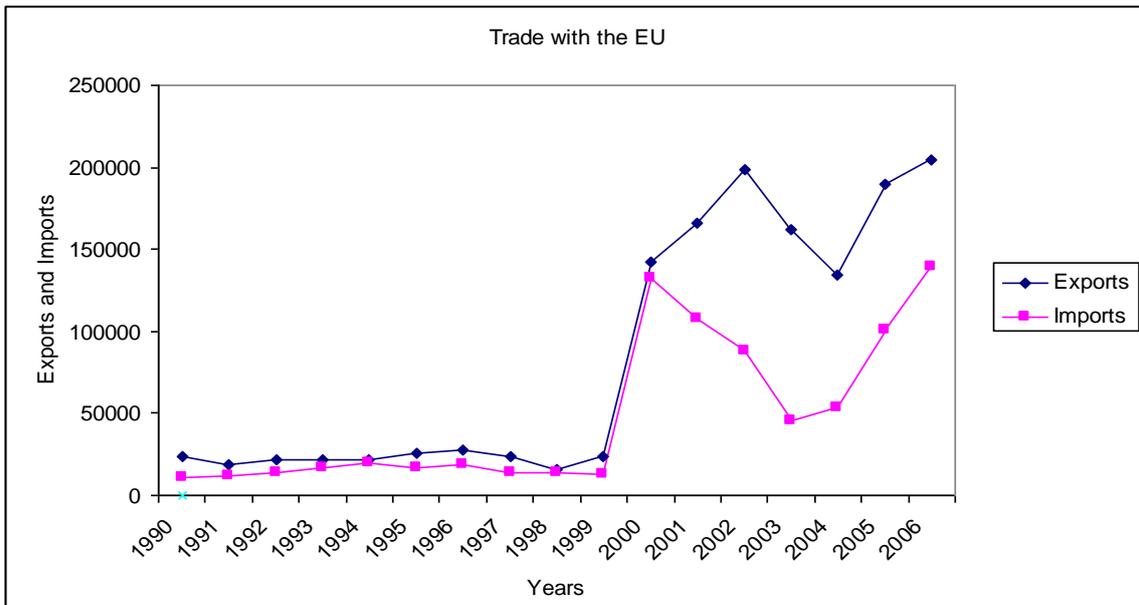
Figure 3: Trade balance with major partners



Source: compiled from foreign Trade Centre studies.

Considering the volume of trade with each of Syria's major trade partners separately, Figure (4) below shows that both imports and exports have risen significantly in the trade with the EU as shown. The EU represents the most important trade partner of Syria in terms of the volume of trade. Over 52% of exports go to the EU; however, 90% of exports to the EU are in the form of oil and raw materials.

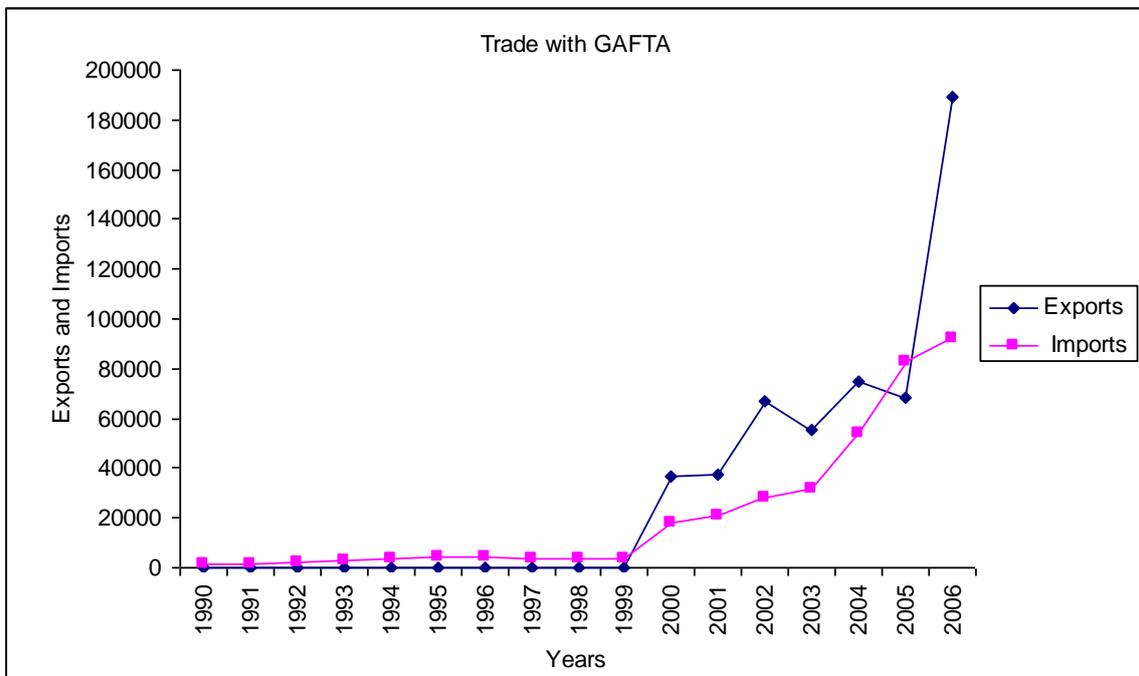
Figure 4: Syrian Trade with the EU (1990-2006)



Source: compiled from Foreign Trade Centre studies.

Syrian trade with GAFTA has been greatly enhanced since 1999. Following the period 1990-1999 in which a slight steady deficit was exhibited, Syria sustaining a trade surplus in almost all years since 1999. Only in 2005 did imports exceed exports, however, the greatest jump was achieved in 2006. However, once oil is excluded from exports, the GAFTA countries become Syria's largest export destination (55% of non-oil exports) with 80% of non-oil exports to GAFTA being agricultural products.

Figure 5: Trade with GAFTA



Based upon these figures one is led to believe that trade truly took off as of 1999; however, one should recall that trade data was heavily distorted by attempts of traders to gain foreign exchange at the government rates, and benefit from the black market that ensued in currency trading whereby businesses benefited from the exchange rate differential between the official rate and black market rate. Notwithstanding, one still concludes still that exports have improved, albeit at a more conservative rate than shown above.

5.6 The Content of Exports: A Comparison

It is important when reviewing trade data to determine the content of exports. Countries that export raw materials such as oil usually add very little in terms of value to their exports, and hence their gross export figures may be deceiving in determining the success of export promotion efforts.

Table (1) shows an analysis of exports from various countries in the region. Based on WTO classification, sectors are grouped into three broad categories: agricultural products, raw materials and manufacturing. Furthermore, manufacturing is also split into four groups as suggested by Pavitt (1984)²⁰: scale-intensive industries, traditional industries in which innovative activity is limited to the adoption of new capital equipments, specialized industries that produce goods embedded with specialized knowledge, and high-tech industries that are more innovative. In Pavitt's classification, food, beverage and tobacco manufacturing comes under the heading of traditional industries. Here they are classified as agricultural products.

Table 1: Share of Main Categories in Exports

Country	Agriculture	Raw Materials	Manufacturing	Scale Intensity	Traditional	Specialized Industries	High-tech industries
Egypt	9.9	54.3	35.7	10.9	20.3	2.2	2.3
Morocco	21.4	13	65.6	24.5	39.1	0.7	1.3
Tunisia	7.4	11.2	81.3	26	51.1	2.7	1.5
Jordan	14.9	15.2	69.9	23.6	27.8	6	12.5
Syria	13.7	77.1	9.2	0.7	7.6	0.5	0.4
Turkey	11.1	4.8	84.1	28.9	48.6	4.8	1.8
Malaysia	7.5	12.8	79.7	43.5	11.1	5.1	20.1
EU-15	8.4	6.9	84.4	40.8	16.9	14.2	12.5
Average	10.5	32.6	56.9	22.2	24.8	4.0	5.8

Source: Compiled from "The Evolution of Trade in MENA Countries", Alpaz Filiztekin, Sabanci University, Dec 2005

As shown in Table 1, Syria comes third to Morocco (a high producer of olive oil and other agricultural items) and Jordan (a low volume exporter that mainly exports agricultural goods) in agricultural exports. In terms of raw material content in exports, Syria is the highest in the sample and in the manufacturing content of exports; Syria is the lowest among all countries of the sample.

Further, Syrian exports are the lowest in terms of benefiting from scale economies, which indicates that the cost of production is not competitive due to the size of firms being small—diseconomies of scale. As for traditional industry exports, Syria is also among the lowest, which indicates that it is not competitive even in traditional industries. Syrian industrial exports are lowest in terms of specialized industrial content. Similarly, Syria is the lowest in the sample in terms of high tech exports.

Most recently, raw material content of exports has declined from 70% in 2005 to 44.3% in 2007; the share of semi finished products rose from 8% in 2005 to 5.1% in 2007; and finished products increased from 22% of total exports in 2005 to 40.6% in 2007.²¹ The reason for such improvements has been the onset of reforms and the declining role of the public sector.

Any export promotion strategy must target the enhancement of firm size or encourage cooperation among SMEs and linkages with large firms at home and abroad to garner economies of scale; and address specialization and high tech content in exports. Such a

²¹ Centre for Foreign Trade statistics.

strategy would need to address weaknesses in the supply chain of the whole economy and those in the supply chains of targeted sectors for export development and promotion.

Currently, Syria's comparative advantages vis-à-vis other countries such as Lebanon, Egypt, Turkey and Jordan is shown in Table (2) below. Syria has a comparative advantage in arable land and fresh water compared to all other MENA countries aside from Turkey and therefore is expected to be a net exporter of agricultural goods to all these countries. On the other hand, Syria's capital endowment is low; it is expected to be a net importer of capital intensive goods. Syria also suffers from a relatively small endowment comparative disadvantage in R&D compared to Egypt and Turkey and can become a net importer of high-tech goods from these countries.²²

Table 2: Syria's Comparative Advantage vis-à-vis other regional Comparators

	Labour force	Scientists and Engineers in R&D	Commercial Energy Use	Motor Vehicles	Arable Land	Fresh Water
Egypt	Equal	Deficient	Equal	Deficient	Positive	Positive
Jordan	Deficient	Indeterminate	Equal	Deficient	Positive	Positive
Lebanon	Equal	Indeterminate	Deficient	Deficient	Positive	Positive
Turkey	Positive	Deficient	Positive	Deficient	Equal	Equal

Furthermore, given the established principle that successful exports emerge as a direct consequence of well developed enterprises and business environment, it is important to underscore that the business environment in Syria still suffers from institutional and bureaucratic hurdles. Unless such hurdles are properly addressed and benchmarks are established to upgrade and modernize the business environments for enterprises, an export promotion strategy will have little value. In other words, in addressing export promotion, upgrading and modernizing enterprises in Syria and the environment they operate within is a necessary condition.

According to the Doing Business Report of the World Bank, which shows the ease of conducting business related activities in 10 areas in addition to the overall rank of a country among 178 countries, Syria ranks in the fourth quartile of countries. Moreover, it has regressed overall in 2007 (Doing Business Report 2008) by 3 positions relative to its position the previous year. Note that a rank of 1 is the best and a rank of 178 is the worst.

A comparison between the rank of Syria in the 2007 and 2008 Reports is shown in Table (3) below. Please note that rankings and calculations have been adjusted to the increase in the number of countries evaluated by the Report. It is worthy of note that the Report is considered the topmost reference for comparing business environments among countries.

Table 3: Ease of Doing Business in Syria 2007-08

	Doing Business 2008 rank	Doing Business 2007 rank	Change in rank
Doing Business	137	134	-3
Starting a Business	169	148	-21
Dealing with Licenses	86	83	-3
Employing Workers	126	98	-28
Registering Property	89	87	-2
Getting Credit	158	156	-2

²² Alfred Tovas, "Economic Cooperation Potential between the Mashrek Countries, Turkey and Israel," FEMISE Conference, 4-6 Dec 2003, Marseille, www.femise.Org.

Protecting Investors	107	105	-2
Paying Taxes	98	97	-1
Trading Across Borders	127	119	-8
Enforcing Contracts	171	171	0
Closing a Business	77	77	0

Note: Doing Business 2007 rankings of 175 countries have been recalculated to reflect changes to the methodology and the addition of three new countries.

Based on the above, significant improvements are needed in the areas of “Enforcing Contracts (171), “Starting a Business” (169), “Getting Credit” (158), and “Employing Workers” (126). Both the “Starting a Business” and “Employing Workers” categories have seen the most regress in terms of rank. Further, the rank of Syria in all categories needs to improve considerably.

Additionally, even though the Tenth Five Year Plan is considered a comprehensive reform agenda with detailed recommendations at the sectoral level, it is widely believed that the level of implementation of the recommended reforms is still below potential. However, it is also believed that the level of implementation of the Plan has been greater and further reaching than in previous plans.²³

5.7 An assessment of the Business Environment in relation to Export Promotion

Syria has two nascent industries that can prove to have significant potential, the garment industry and the food manufacturing industry.²⁴ Both industries are underpinned by Syria’s long tradition of being a producer of garments for thousands of years; Damascene silk was known through out history as a quality product and Syria produces high quality cotton. Furthermore, the nation is renowned for its refined taste and crafts people. Additionally, the agricultural component in the GDP is significant and tremendous reforms have been provided to the agriculture sector.

Syria is already an exporter of food stuffs. Its sweets are well known throughout the region and it is considered the kitchen of the Arab world. It is also famous for fruits and vegetables and is most likely the only country in the region that has made an industry of sugar glazed fruits.

Syrian crafts, such as furniture, already have an established name and are coveted by households in the Arab world. Success stories in the craft industry are individual and sporadic. Tourists visiting Syria are almost constantly in search of these prized Syrian pieces of furniture inlaid with mother of pearl, copper and silver, which showcase a craft that has been cultivated in Syria over almost 4000 years. One shop in Bab Sharqi, a tourism hub in old Damascus, already exports to the UK and the EU. It has its products displayed in homes and hotels in Jordan, Kuwait, Dubai, Qatar and other MENA countries. But it too had to operate alone and overcome obstacles.

These advantages could be parlayed into exports that produce significant returns to the Syrian economy if properly packaged and enabled to access with greater depth the traditional and non-traditional markets, such as those of the north. Few manufacturers, primarily through individual efforts, have been able to export their products abroad such as Muhanna Sweets and Ghrawi, however, performance is well below potential.

However, these successes remain mostly individual efforts that, through sheer determination and entrepreneurship, survived the many bottlenecks that thwart the growth of a national export industry. One entrepreneur spoke of the hardships faced by his company when exporting

²³ Interviews by the consultant with various officials.

²⁴ The World Bank, “Syria: integrating with Global markets, Trade Competitiveness and Logistics Assessment”, June 2004.

electric circuits that caused him tremendous delays that almost cost him the deal. Best practice has to be underscored, adopted and applied every time.

The idea of establishing consortia among producers whether in exports or imports seems also novel and non-existent. Consortia in exports not only garner the participants scale economies and resultant savings which translate to lower production costs but also enables the sharing of large contracts that would not have materialized with some large buyers if it were not for a group of firms joining a consortia. International best practice underscores that consortia enable timely delivery of large scale quantities in agreed qualities is still not developed among exporters; the prevalent mindset, particularly among the family-owned enterprises is to work alone and maintain the status quo in order to safeguard gains and monopoly rents.

In order for Syrian firms to be able to compete with exports from other countries to target markets, the enhancement of the supply chain is an essential pre-requisite. The saying that the weakest link in the supply chain leads the chain can not be truer for exporters.

Hurdles to enterprises must be removed and support, similar to that provided by the star exporters in the region, must be availed at the enterprise, sector and consortia level. As a rule, the more specific and targeted the delivery, the greater the direct benefit of the intervention.

In Syria, although several singular initiatives exist, there is not yet a full fledged enterprise policy in place. Responsibilities over broad private sector development issues are spread across a number of ministries. Effective co-ordination is difficult and no formal inter ministerial co-ordination mechanisms are in place to deal with specific private sector development issues. The Deputy Prime Minister acts as coordinator of the overall programme of economic reforms. The Ministry of Economy and Trade has made a proposal to establish and chair a national committee for SMEs composed of representatives of the relevant ministries – the proposal was recently adopted and the committee was formed. However, a proposal to create an Export Promotion Agency is pending approval from the Prime Minister's Office. The Syrian Enterprise Business Centre (SEBC), a non Governmental organization, which emerged from the EU-funded Syrian European Business Centre, is assisting in the formulation of an enterprise policy and has recently produced a draft SMEs policy strategy.

Although no explicit enterprise development strategy exists in Syria, the Five Year Plan, which structures industrial policy from 2006-2010, also sets the policy guidelines for the private sector and provides an agenda for economic reform. The targets are time-bound and implementation of the reforms has started.

The following analysis is based on the Assessment Grid of the Euro-Mediterranean Charter for Enterprise, an exercise conducted by the OECD in the MENA countries.²⁵ The analysis covers several dimensions related to enterprise including market access. The underpinning doctrine of the analysis is that the level of institutional support provided to enterprises within a country is vital for enhancing its competitiveness, which is also measured by the level of exportable goods and services in an economy.

As evidenced below, the analysis not only serves to show areas in need of improvement but also highlights the complexity of developing an export industry where export promotion is only one of a set of activities required to achieve the desired growth in exports. Furthermore, the analysis is based on interviews, electronic and documented publications, and the World Bank Doing Business Report 2008, which is also based on field research.

5.7.1 Procedure simplification for enterprises

²⁵ The model used in the OECD Assessment GRID of the Euro-Mediterranean Charter for Enterprises, from which the following analysis has been compiled has been successfully used, with minor adjustments, by OECD in Central and Eastern Europe. In order to prepare the report, interviews were conducted with the Ministry of Economy, Ministry of Industry, Ministry of Social Affairs and Labour, Central Bank of Syria, General Directorate of Real Estate, Syrian Commission on Financial Markets and Securities, Ministry of Transportation, Syrian Enterprise Business Centre (SEBC), State Planning Commission, Chambers of Commerce & Industry, World Bank (Doing Business Report , 2008),

Delegation of responsibility for formulating and administering enterprise policy: Several institutions are simultaneously responsible for different areas of enterprise policy elaboration, which does not encourage responsibility for such a policy. The Ministries of Economy, Industry, and Social Affairs and Labour have responsibilities for enterprise policy with Ministry of Economy having the prime responsibility. No mechanisms are in place to identify overlapping and inconsistencies.

Co-ordination with other ministries, stakeholders, and civil society: Enterprise policy co-ordination meetings and information exchanges occur on an ad-hoc basis and only when specific issues arise. The Ministry of Economy has been entrusted with the job of setting up a mechanism for co-ordinating actions and responsibilities of relevant Ministries and other stakeholders. There are plans to introduce co-ordination mechanisms.

Enterprise development strategies: Enterprise development strategies, including sector strategies, are under elaboration. Review of expired enterprise strategies is currently under way. The Ministry of Economy and SEBC are taking the lead in elaborating an enterprise policy, improving business environment, and upgrading enterprises.

Clear task assignment to legislation drafting and implementation: The SEBC, supported by EU funding, is taking the lead in enterprise policy implementation and in supporting SMEs. It is active mainly in upgrading, training and export promotion. The steering committee of SEBC committee consists of representative of the Government and the Private Sector.

Delegation of responsibility for regulatory reform and the simplification of administrative procedures: Several institutions are simultaneously responsible for administrative simplification. The Ministry of Economy is responsible for the administrative simplification, but the activity is not fully functional. Also, there is a joint EU-Syria program (Business Environment Simplification Program) that has been designed for this purpose that has recently been bid and is expected to commence operation in 2008.

Strategy for the simplification of legislation, and administrative procedures: A strategy for the simplification of legislation and administrative procedures is currently under elaboration. The Ministry of Economy is entrusted with simplifying the legislation and administrative procedures. The Ministry will be assisted by the EU in terms of funding and technical assistance, but no strategies have been elaborated yet.

Review and simplification of current legislation: There have been ad-hoc activities to simplify current enterprise legislation and the government has plans for a systematic review of current legislation related to enterprise policy. During the past few years there have been ad hoc reviews of legislation, especially with respect to taxes, trade, property rights and competition, but there are no plans for a systematic review of legislation pertaining to business enterprise policy.

Elimination of redundant legislation and regulations: There has been ad hoc activity to carry out elimination of redundant legislation and regulations. The government is planning to carry out this exercise as in the previous point.

Cost-benefit analysis of new enterprise legislation and regulation: No systematic cost-benefit analysis targeted at draft enterprise legislation and regulation exists or is being carried out. Thus, legislation emerges with no systematic analysis of its impact in terms of costs and benefits to enterprises.

Number of days for obtaining a company registration certificate: Registration requires 43 days of follow up.

Number of administrative steps for obtaining the company registration certificate: Registration requires 13 administrative steps.

Official costs for obtaining the company registration certificate: According to the World Bank Doing Business Report 2008, the cost for obtaining a company certificate is more than 55% of GNI per capita (US\$1570).

Administrative identification numbers: More than 5 registrations and identification numbers in dealing with: Ministry of Economy, Chambers of Commerce/Industry, Syrian Customs, Ministry of Industry, and municipalities.

Number of days required for obtaining compulsory company identification number(s): The number of days is 21 days divided as follows:

- 5 days in the General Authority for Investment;
- 3 days in the Ministry of Industry;
- 3 days in the Ministry of Economy;
- 3 days in the Custom's Department; and
- 7 days in the Municipality.

Number of days for completing the overall registration process, including compulsory licences for standard business activities: Registration requires a total of 128 days.

Number of steps for completing the overall registration process, including compulsory licences for standard business activities: Registration requires 21 administrative steps.

Silence is consent applied to company registration procedures: The rule, "Silence is Consent" which implies that if registrants do not hear from a certain authority, consent of the authority is considered automatic, is not applied anywhere in the implementation of legislation relating to enterprises.

Costs connected with registration for limited liability companies as % of GNI per capita: The registration cost of a limited liability company is 55.7% of the GNI per capita.

Minimum capital requirements for limited liability companies as % of GNI per capita: The minimum capital requirement for establishing a limited liability company is SYP 3 millions which is more than 40% of the GNI per capita.

One-stop-shop (regional investment centres, etc ...): The one stop shops system is applied in the industrial cities only.

On-line registration: The government has not taken steps towards the introduction of on-line registration; on-line registration as a service does not exist in Syria so far.

Time required for closing a business: The required time for closing a business in Syria is 4.1 years.

Cost required for closing a business: The cost required for closing a business is 9% of the GNI per capita.

5.7.2. Education and Training for Entrepreneurship

This component is extremely important for generating entrepreneurs and an entrepreneurial mindset. There is very little entrepreneurship training in Syria. Training is conducted at SEBC for entrepreneurs and SMEs on the various aspects of business including entrepreneurship skills. However, school curricula have no inclusions or provisions for encouraging entrepreneurship. Universities have no degrees in entrepreneurship or entrepreneurship courses.

5.7.3. Access to Finance and Investment-Friendly Taxation

Without proper financing entrepreneurs wishing to export their products face disadvantages relative to their counterparts in other countries. The existence of business financing and export guarantee programmes is vital in promoting exports.

Credit Guarantee Schemes/facilities: Credit Guarantee Scheme is under preparation; the stakeholders are the Central Bank of Syria, private and public banks, the Ministry of Finance. The scheme will be funded by the Ministry of Finance and Banks.

Collateral and Provisioning Requirements: Collateral requirement ranges between 150% to 200% of the loan amount, which is extremely high. There are restrictive collateral definition and/or rigid provisioning requirements for uncollateralized loans. However, there are more flexible collateral requirements for small loans (under € 20,000). The Central Bank of Syria forced the commercial banks to hold provisions for non-performing loans.

Cadastre Property titles on the real estate assets have been fully documented: Syria enjoys easy, low-cost access to registration and information. Property titles are documented at the General Directorate of Real Estate which operates under the auspices of the Ministry of Agriculture).

Property titles, however, are not easy to obtain.

Laws and procedures on distressed companies, receivership and bankruptcy: Distressed company receivership and bankruptcy laws and/or procedures are formally in-place. Legislation not systematic and is at an early stage of implementation. Bankruptcy procedures are in place, but not in line with international standards.

Availability of Risk Capital (e.g. venture capital, private equity funds): No venture capital, private equity, or investment fund legislation are under consideration.

Registration systems for moveable assets: There is no functioning registration systems for movable assets, except for cars and some other movable assets.

Credit Information Services: A credit information system just put in place at the Central Bank of Syria, but access to it is not availed to the public; only to financial institutions.

Access to capital markets: Stock exchange is in place with low capitalization. The legal framework is in line with international standards, and the stock exchange is expected to start operation in late 2008.

Micro-finance facilities: Micro-credit facilities (either small credit lines or microfinance) exist at the level of pilot projects with limited impact. Pilot micro-finance credit institutions such as the Agha Khan, Fardos, and Mawred are at the pilot-project level with limited impact legislation. New Decree no. 15 2007 regulating development of a micro finance institution was issued last year.

Leasing: Leasing law is under preparation at the Central Bank of Syria.

5.7.4. Better Market Access

Export Promotion Strategy: No formalized export promotion strategy exists. Only ad-hoc initiatives (trade missions, trade fairs, etc.) The government has approved in February 2005 a draft law establishing an export promotion body (The National Commission for Developing and Promoting Exports) with an initial budget of US\$ 6 million.

Intra-MED Trade Agreements: No bilateral trade agreements with at least three MED trading partners. Bilateral Free Trade Agreement with the EU has been negotiated and awaiting ratification by EU member states.

Level of computerization of procedures for foreign trade: A concrete plan for the computerization of procedures for foreign trade has been put into place. Action plans with precise objectives and a timetable have been drawn up for all concerned documents. A project to computerize customs procedures has been prepared but it is not put in place yet. It will be hosted at the General Department for Customs with assistance from UNDP and UNCTAD.

Quality of access to regulatory and procedural information relating to foreign trade: Measures have been adopted to facilitate access to information on procedures for and regulations on foreign trade. Actions remain incongruent. The General Foreign Trade Organization (Belonging to Ministry of Economy) and The Chamber of Commerce provide information on procedures and regulations on foreign trade, but no concrete measures have been taken to facilitate access to information.

Virtual one-stop shop to deal with the formalities of foreign trade: There is no plan to set up a virtual one-stop shop to deal with the formalities of foreign trade.

Agreement on Conformity and Acceptance of Industrial Products (ACAAs)

Adoption of EU technical regulations No transposition of EU sectoral legislation in priority sectors: The Syrian Arab Standards and Metrology Organisation (SASMO) is discussing with the EU a project (Quality Program) to harmonize technical legislations between the EU and Syria in priority sectors.

Adoption of EU technical standards No EU standards adopted in priority sectors: No EU standards yet, pending implementation of above project.

Accreditation: There is no legislation that is currently aligned with the EU an accreditation body that is in conformity with EU requirements..

Conformity assessment: No legislation aligned with the EU. But the results of the quality program are expected to establish the legal framework for the quality assessment infrastructure ensuring institutional separation of the regulatory functions (standardisation, accreditation, and conformity assessment).

Metrology: No legislation aligned with the EU.

Market surveillance: No legislation aligned with the EU.

5.7.5. Innovative Firms

Enhancing enterprise innovation: There is no innovation strategy in Syria. Recently, there has been an initiative to establish a centre for the transfer of innovation funded by the EU.

Establishment of innovation and technology centres and networks fostering co-operation among universities, research centres and enterprises: Pilot projects to establish innovation networks, centres or schemes to promote cooperation on innovation have been launched. The Higher Commission for Scientific Research (HCSR) was established in 2005, and its objectives are:

- Elaborate a comprehensive national policy for scientific research and technological development;
- Provide full coordination among the scientific research bodies.
- Support scientific research organizations to achieve their purposes at all levels.
- Strengthen the channels and mechanisms linking scientific research organizations with public and private production and service sectors

Support for innovative enterprises: No support scheme for innovative enterprises is in place. Ad-hoc initiatives in place. There is no strategy or scheme to support innovative enterprises yet.

Business incubators: Strategy on incubators is under discussion. Pilot incubator projects in operation, publicly funded, funded by donors and/or other organisations. Several incubators operating such as:

- Information Technology Incubator in Damascus.
- SYEA Ventures project
- Syrian Young Entrepreneurs Association)
- 40 incubators in the rural development centres.

Intellectual Property Rights: Legal and regulatory framework on intellectual property rights under preparation. Property protection law is under preparation. Currently, commercial and industrial property, figures and samples, patents and inventions are legally protected.

5.7.6. Strong business associations

Framework of the consultations: A framework for public/private consultations has been established but the range of issues discussed is limited. Meetings have a predominantly informational purpose and are held at a late stage of the policy drafting process. Semi regular meetings between senior policy makers and private sector representative, (the Federation of Syrian Chambers of Commerce/ Industry) but do not involve civil society and social partners.

Frequency: Consultations take place only on the occasion of the passing of major reform/legislation-

Openness and transparency of the consultation process: The public sector has preferential dialogue with few private sector counterparts from of the largest companies and with representatives of chambers- Syrian Enterprise & Business Centre, Chambers of Commerce, Chambers of Industry, and Ministry of Social Affairs and Labour.

Advocacy function and governance rules of private sector representative organizations and professional associations: Basic internal governance rules are applied. Chambers of Commerce and Industry present the nation at large in this respect. The Syrian Business Council has just started operations. They both engage the Government in dialogue on ad hoc basis. No scrotal associations yet.

Provision of services by private sector associations and professional organizations: The chambers of commerce and industry provide a set of services to their members such as:

- Regular publications and bulletins
- Export opportunities
- Training courses

5.7.7. Quality business support schemes and services

Range of business support services: Syria has a combination of public funded and private business support service providers. such as:

Public:

- Syrian Investment Agency.
- The General Establishment of Free Zones.
- The National Commission for Development and Promotion of Exports.
- Syrian Arab Standards and Metrology Organization.

Private:

- Chambers of Commerce
- Private Consulting and Training Institutions.
- SEBC

Availability of information on business service providers: Data base(s) are available to enterprises for limited set of business services by the Consultants' Association, Chambers of Commerce, and SEBC.

Access to business services: Financial and technical support schemes introduced as pilot projects for a targeted group of enterprises (example, start-ups, enterprises located in least developed zones, etc.) Several schemes provide financial and technical support as pilot project for young enterprises such as:

- -Syria Trust for Development
- -Fardos
- Shabab
- Mawred
- SYEA

Business establishment support services: Limited resources available and restricted geographical spread. Programs focus on the provision of basic establishment services, there are

- Six industrial zones in various parts of the country; and
- Several incubators (40 incubators in the rural development centres).

5.7.8. Strengthening euro-Mediterranean networks and partnerships

Euro-Med Inter-firm clusters and partnerships: There is no strategy in Syria to create a wide range of Euro-Med inter-firm clusters and networks covering a wide range of sectors, including internal market, and making full use of virtual networking.

Euro-Med networks of business support services: Euro-Med networks of providers of business support services operate with donor or government support for a limited period of time, in a small number of sectors, and cover a small range of services. EU-MEDA projects executed through Euro-Med networks of providers of business support services.

Linkage programmes between Euro-med enterprises: No government or donor financed schemes in place to promote linkages between Euro-med enterprises. There is no scheme in Syria to promote linkages between Euro-med enterprises.

5.7.9. Clear and targeted information

Collection, handling, analysis and dissemination of information for enterprises through traditional channels: Information is not systematically collected, handled and analysed and it is sporadically disseminated, with inconsistencies among different ministries. The following institutions analyze and disseminate information:

- The Central Bureau for Statistics
- Relevant Ministries; and
- The Chambers.

On-line information for enterprises: Some specific information for businesses can be found on-line, but on different portals. Limited information about enterprises and business is available online, Ministries and Chambers of Commerce and Industry websites.

Based on the above, there is a significant amount of work to be done in order to enable Syrian enterprises to become competitive. Enterprises that desire to export have to face many challenges to overcome institutional hurdles. In addition, they have to receive levels of support that are commensurate with those enjoyed by producers in other countries. The following is a comparison of Syria and other countries in 8 categories.²⁶ As shown below, Syria needs to improve relative to its comparators in all areas of doing business.

²⁶ Source: World Bank Doing Business Report 2008.

Table 4: Ease of Doing Business (Syria, Egypt, Jordan, Lebanon, Tunisia, and Turkey)

Economy	Syria	Egypt	Jordan	Lebanon	Tunisia	Turkey
Ease of Doing Business Rank 2008 *	137	126	80	85	88	57
1. Starting a Business (Rank)	169	55	133	132	68	(43)
Procedures (number)	13	7	10	6	10	6
Time (days)	43	9	14	46	11	6
Cost (% of income per capita)	55.7	28.6	66.2	94.1	8.3	20.7
Min. capital (% income per capita)	3673.3	12.9	795.4	60.4	25.3	16.2
2. Dealing with Licenses (Rank)	86	163	71	113	96	(128)
Procedures (number)	21	28	18	20	20	25
Time (days)	128	249	122	211	93	188
Cost (% of income per capita)	258.5	474.9	486.1	229.5	922.1	369.9
3. Employing Workers (Rank)	126	108	45	53	113	(136)
Difficulty of Hiring Index	22	0	11	44	28	56
Rigidity of Hours Index	40	20	20	0	40	40
Difficulty of Firing Index	50	60	60	30	80	30
Rigidity of Employment Index	37	27	30	25	49	42
Non-wage labour cost (% of salary)	17	25	11	22	22	22
Firing costs (weeks of wages)	80	132	4	17	17	95
4. Registering Property (Rank)	89	101	109	92	66	(31)
Procedures (number)	4	7	8	8	5	6
Time (days)	49	193	22	20	49	6
Cost (% of property value)	28.1	1	10	5.9	6.1	3.1
5. Getting Credit (Rank)	158	115	84	48	97	(68)
Legal Rights Index	3	1	5	4	2	3
Credit Information Index	0	4	2	5	4	5
Public registry coverage (% adults)	0	1.6	0.8.	4.7	13.7	10.3
Private bureau coverage (% adults)	n/a	n/a	n/a	n/a	n/a	2.7

6. Protecting Investors (Rank)	107	83	107	83	147	(64)
Disclosure Index	6	7	5	9	0	8
Director Liability Index	5	3	4	1	4	4
Shareholder Suits Index	2	5	4	5	6	4
Investor Protection Index	4.3	5	4.3	5	303	5.3
7. Paying Taxes (Rank)	98	150	19	33	148	(54)
Payments (number)	21	36	26	19	46	15
Time (hours)	336	711	101	180	268	223
Profit tax (%)	26.2	13.2	15.1	11.4	13.9	15.9
Labour tax and contributions (%)	19.3	28.8	12.4	24.1	24.6	24.5
Other taxes (%)	1.3	5.8	3.6	0	22.5	4.7
Total tax rate (% profit)	46.7	47.9	31.1	35.4	61	45.1
Trading Across Borders (Rank)	127	26	59	83	28	(56)
Documents for export (number)	8	6	7	5	5	7
Time for export (days)	19	15	19	27	17	14
Cost to export (US\$ per container)	1,300	714	680	1027	540	865
Documents to import (number)	9	6	7	7	7	8
Time for imports (days)	23	18	22	38	22	15
Cost to import (US\$ per container)	1900	729	1065	810	810	1,013
8. Enforcing Contracts (Rank)	170	145	128	121	80	(34)
Procedures (number)	55	42	39	37	39	36
Time (days)	872	1010	689	721	565	420
Cost (% of debt)	29.3	25.3	31.2	30.8	21.8	18.8
Closing a Business (Rank)	77	125	87	117	30	112
Time (years)	4.1	4.2	4.3	4	1.3	3.3
Cost (% of estate)	9	22	9	22	9	15
Recovery rate (cents on the dollar)	30.8	16.6	27.8	19.1	51.5	20.3

* All rankings range from 1-178 with 1 being the optimal.

Table (5) below lists the procedures necessary to import and exports a standardized cargo of goods in a country. Costs in US\$ and durations in days. Syria is the most expensive in terms

of exporting among the comparable economies. While the export duration is lower than that of Lebanon, it is higher than those of the rest of the countries.

Table 5: The Ease of Trading Cross Borders: Syria, Lebanon, Egypt, Jordan, Tunisia, Turkey (all costs are in US\$)

Country	Syria		Lebanon		Egypt		Jordan		Tunisia		Turkey	
	No. days	Cost	No. days	Cost	No. days	Cost	No. days	Cost	No. days	Cost	No. days	Cost
Nature of Export Procedures												
Documents preparation	11	400	12	290	9	85	12	110	11	163	6	220
Customs clearance and technical control	4	300	5	155	1	182	2	70	2	100	3	200
Ports and terminal handling	2	150	4	122	2	170	3	100	2	230	3	220
Inland transportation and handling	2	450	6	305	2	300	2	450	2	240	2	300
Totals:	19	1300	27	872	14	737	19	730	17	733	14	940
Nature of Import Procedures												
Documents preparation	12	600	19	255	11	183	13	280	15	168	8	280
Customs clearance and technical control	7	700	11	155	1	90	5	50	3	200	3	200
Ports and terminal handling	2	150	6	400	1	200	2	110	3	250	3	183
Inland transportation and handling	2	450	2	263	2	350	2	850	2	240	1	400
Totals:	23	1900	38	1073	15	823	22	1290	23	858	15	1063

Source: Compiled from the *World Bank Doing Business Report 2008*.

The documents required to export and import goods for all the comparator countries are shown in Table (6) and (7) respectively.

Table 6: A comparison of export documents required in Syria, Lebanon, Egypt, Jordan, Tunisia and Turkey

	Syria	Lebanon	Egypt	Jordan	Tunisia	Turkey
Bill of lading	√	√	√	√	√	√
Cargo release order				√		
Certificate of origin	√	√	√	√	√	√
Commercial invoice	√	√	√	√	√	√
Consular invoice				√		
Customs export declaration	√	√	√	√	√	√
Export license	√					
Packing list	√	√	√	√		√
Preferential certificate	√					√
Pre-shipment inspection, clean report of findings	√					
Technical standard/health certificate	√		√		√	√
Number of Documents	9	5	6	8	5	6

Clearly Syria requires of exporters more documents for clearing exports than any of the comparator countries. It is the only country among its comparators that requires an export license and pre-shipment inspection. It also requires a preferential certificate which is only required by Turkey among the comparator countries. Improving export potential requires that a study be conducted to eliminate those certificates. Also, although not shown here, Tunisia has moved to the one-stop-shop in terms of trade processing of documents whereby all paperwork is done on a portal, reducing the time to complete documentation to two hours. Jordan has initiated steps in that direction.

Table 7: A comparison of Import documents required in Syria, Lebanon, Egypt, Jordan, Tunisia and Turkey

	Syria	Lebanon	Egypt	Jordan	Tunisia	Turkey
Bill of lading	√	√	√	√	√	√
Cargo release order		√		√		√
Certificate of origin	√	√	√	√	√	√
Commercial invoice	√	√	√	√	√	√
Consular invoice	√					
Customs import declaration	√	√	√	√	√	√
Foreign exchange authorization					√	
Import license	√					√
Inspection report			√			
Packing list	√	√	√	√		
Technical standard/health certificate	√	√		√	√	√
Terminal handling receipts	√				√	√
Number of Documents	9	7	6	7	7	8

Syria requires more documents for import processing than any other country in the sample. It is the only country among its comparators that requires a consular invoice. It, with Turkey, are the only two countries that require an import license.

5.8 Current Mechanisms for Supporting Production in Syria

While Syria provides significant support to productive entities, the support does not target export activities or efforts aimed at the upgrading and modernization of Syrian enterprises. The subsidies, which reached almost US\$4 billion in 2005 with a 10% increase over that of 2004 as shown in Table (8) below, are basically provided for the support of the operations of production units in the various sectors that are owned and managed by the public sector.

Table 8: Net Subsidies (subsidies less taxes) by Sector (2004-2005)

Net Subsidies per Sector	2004 (SP millions)	2005 (SP millions)
Mining	54	39
Agriculture	7778	17639
Manufacturing Industries (Petroleum)	121050	76852
Other Manufacturing Industries (Wheat Mills, Sugar, Yeast)	36368	21430
Electricity	2526	12993
Water	1681	3490
Construction	0	447
Retail and Wholesale Trade, Hotels and Restaurants	-8656	41421
Transportation, Telecom and Storage	-2113	-2889
Social Services	-328	-341
Non Profit Organizations	0	0
Government Services	310	3695
Total Net Subsidies	158670	174776

Source: Compiled from "Mechanism for Providing Subsidies to Economic Units in Syria," Centre for Foreign Trade

There have been several attempts by the Ministry of Finance to compile data on the level of annually required subsidies; however, such efforts have only been partially successful. Compounding the difficulties faced in administering this support, has been the non periodicity of payments (some times payments are lagged) and the initiative in recent years to direct these entities to approach the National Credit Fund. Furthermore, several of these entities do not report beforehand the required annual level of support. In addition, some of these entities report only the losses they accrue due to administrative prices that are stipulated by the central government without delineating the profits achieved from their other products or the cross subsidies that ensue.

Moreover, under the stipulations of the agreements of the World Trade Organization (WTO), such subsidies are only allowed when there is severe economic distress, expectation of social unrest and are only permitted for a specific period of time. As Syria gains membership of the WTO, all these subsidies will have to be revised downward.

International best practice and experience have shown that the best approach in subsidies is to target the quality of products, not the enterprise or the sector. Thus, the government would be assisting in the development of a certain product by enabling the enterprise to enhance its quality and strengthen the supply chain. This is the method used in neighbouring countries such as Jordan, Egypt, Tunisia and Morocco.

Such an approach requires that enterprises, usually owned by the private sector with emphasis being on SMEs, be evaluated according to a diagnostic model. Based on this diagnosis the enterprise is provided with partial funding for its efforts to upgrade its products. The percentage of the funding provided by the public sector is usually higher when the upgrading is of the software side of the enterprise such as training of management, R&D, administrative skills (cost accounting, motion studies, HR policies and manuals, strategic plans, marketing strategies and research, market access activities and information). Machinery and equipment, although subsidized, receive a lower percentage subsidy. The underlying premise is that modernization of machinery is an absolute minimum. Computer software that is required to modernize the equipment and enhance its performance is included among the soft skills and is therefore heavily subsidized.

Interestingly, governments that provided such support, unlike the Syrian type of subsidies, have been able to recoup their expenditures several folds within a few years. Furthermore, the leading model in the region has been that of Tunisia, followed by Turkey, two successful exporters of manufactured goods.

5.9 Most Recent Developments in Export Promotion in Syria

Current state of Legislation: A decree for creating the Higher Council for Exports has been issued. A Draft Law establishing the Export Promotion and Development Commission (EPDC) has been approved by the Prime Minister and is pending the approval of H.E. the President of Syria. The creation of a Fund for Export Development is still pending approval. Also, there is a Draft Decree for establishing an Exporters Union, which is still pending approval.

The following are comments on each of these pieces of legislation:

The Higher Council for Exports: Meets upon demand and as issues arise, can invite experts from outside the Council, meets at least twice a year. Scope of work: design the strategy and general policy for exports in Syria, studies the laws and regulations that pertain to exports, supervises the work of the Export Promotion and Development Commission (EPDC), and issues that are raised by Board of the EPDC.

Members of the Higher Council for Exports

- Prime Minister
- Deputy PM for Economic Affairs
- Minister of Finance
- Minister of Economy and trade

- Minister of Agriculture
- Minister of Industry
- Minister of Transport
- Governor of the Central Bank of Syria
- Head of State Planning Commission
- Head of Union of Chambers of Trade
- Head of Union of Chambers of Industry
- The General Manager of EPDC

Such a high powered commission is a tier above the EPDC. In most countries, tiers are removed to encourage the passing of strategic decisions and resolve problematic issues. For practical purposes this Council is unnecessary.

Since by law it is required to meet at least once a year, and given that various turfs have to be addressed in the making of policy related to enterprise and export promotion and development, the Council creation may be justified. Although one always has to keep in mind when addressing the promotion and development of enterprises and exports that less bureaucracy and more muscle (funding and availability of technical skills) is the proper approach.

Export Promotion and Development Commission (EPDC): There are several issues to be considered

1. According to current draft of Law, no branches of EPDC can be opened outside the country.
2. The EPDC, according to the current draft Law is only one player of many; it does not have total purview over exports or enterprise policy and implementation. Not having one body in charge of a task leads to weak responsibility for implementation, lax incentives to achieve and turf wars.
3. There is very little presence for the private sector: the Board of EPDC has nine members from the public sector and only five from the private sector who represent the Labour Union, Farmers Union, Chambers of Trade, Industry and Agriculture. However, the draft allows expansion of the Board of EPDC to include other members. Their inclusion should be based on own ability, not organizational representation. The number of private sector representatives should be equal to the public sector if not more. Furthermore, there is no need to have the deputy of the general manager and two managers and one worker from the EPDC represented on the Board. Only the manager should be able to speak on executing the directives of the Board. Experts from EPDC and outside can be invited as non-voting members.
4. Does not specify support to enterprises to enable exports.
5. Current draft Law seems more oriented toward collecting fees from companies instead of helping them.
6. EPDC is established by a temporary loan until it secures funding. Such a body should start strong and with funds. It is not a fee generating body.
7. a programme has been submitted detailing the activities that the EPDC will partake in. This programme emphasizes trade fairs and trade representation at conferences in addition to establishing a permanent trade exhibit in Syria. It also makes the organization a collector of fees. All this without properly detailing the activities that relate to enterprise strengthening or underscoring the modern export support, particularly market access activities, that it should offer.

Overall, this body as stipulated within the draft Law falls short of what the competition within the region is already offering. In addition, the programme suggested so far to support the EPDC and further details its activities lacks reference to upgrading and modernization of enterprises to enable exports; does not refer to establishing linkages at home and abroad to improve vertical and horizontal integration of firms, particularly SMEs; and seems to focus basically on sector studies and participation in fairs and exhibits.²⁷ Countries around the world offer much more assistance to their exporters that is designed and addressed via sophisticated tools.

²⁷ These comments are based on a draft of the Programme for Supporting and Promoting Exports (in Arabic).

Technical assistance in drafting and properly designing the EPDC activities and structure is required. This is specifically important in designing annual and five-year business plans detailing number of interventions, types of interventions, target companies, strategy, type of studies, number of consortia to be established, number and type of incubators and the level of support and cost sharing in each type of intervention.

Fund for Export Development: The Fund is managed by the General Manager of the Foreign Trade Centre, not EPDC; however, EPDC, as stated in its Draft Law, is to inherit all rights and obligations of the Foreign Trade Centre. The Draft Law of the Fund does not specify financial assistance but alludes to “helping” producers to increase their ability to export, work on improving the capacities of exporters, aspire to decrease the financial burdens of exporters, and a detailed by-law specifying incentives for exports will be designed later by the Fund. Additionally, the Fund can suggest means for developing exports and methods of implementation. The Fund is allocated a budget each year from the general budget of the government.

Issues to Consider:

- Make the Fund an instrument of EPDC, not managed by another organization.
- Specify funds at the outset and detail their purposes, benchmarking Tunisia or Turkey.
- Avoid enabling the Fund to set fees on basis of value of exports and imports, which could become a major obstacle to the development of exports.

Overall, the Fund as specified herein falls short of the efforts of regional competitors. Star performers such as Turkey and Tunisia tend to have specific funds for specific purposes related to the promotion and development of exports. Further, given that both the EPDC and the Fund laws are in the drafting stage, a major revision is advisable. Finally, of the above efforts, only the Higher Council has been officially decreed. All others are yet to be officially sanctioned even though the draft laws have been submitted in 2007.

Exporters Union:

Several of the articles and stipulations of this piece of legislation overlap the work of the EPDC. Revision is vital at this stage in order not to undermine the effectiveness of the role of the EPDC.

5.10 Export Promotion Efforts in Other Countries

5.10.1 Tunisia’s Export Promotion Efforts

The industrial sector in Tunisia is made up of 5702 enterprises employing ten or more employees. Almost half of these enterprises (2670) are totally exporting enterprises. These enterprises account for the employment of 477,825 persons. The number of enterprises with foreign participation reached 1,874 of which 1,570 are totally exporting enterprises.

The services sector took over as the leading development stimulant in Tunisia's economy. It contributed to 43% of the gross local production in 2007, benefiting from the over-average growth of the transport sector of more than 14%. Foreign investment amounted to TD 2157.9 million in total in 2007 (and TD 1404 in the first seven months of 2008), down from TD 4518.9 million in 2006. The high figure in 2006 was due to the privatization of 30% of Tunisie Telecom. The energy sector had the biggest share at TD 1359 million, with 63% of foreign direct investments that financed oil and gas production. The investments into the energy sector grew by 250% between 2005 and 2007.²⁸ Of direct investments, 23% went into the manufacturing industry.

²⁸ Foreign Investment Promotion Agency FIPA, German Office for Foreign Trade bfai

The value of the manufacturing industries exports have risen steadily from TD 6,885 million in 2000 to TD 14,349 million in 2007. The imports of the manufacturing sector increased as well from TD 9.973 million in 2000 to TD 18,003.3 million in 2007.
(Industry Promotion Agency)

Tunisian Support to Exports: Tunisian export promotion policy is mainly the responsibility of two ministries:

1. **The Ministry of Industry, Energy and SME**, which is in charge of the Industrial Upgrading Programme PMI. The main objective of this programme is to strengthen the competitiveness of manufacturing firms and related services. Among the various programs and incentives promoted by the Ministry of Industry, Energy and SMEs, the two main sources of financial incentives in relation with export promotion are:
 - FODEC (Competitiveness Development Fund) and
 - FOPROHOC (a new fund for the promotion of conditioned and packed olive oil).
2. **The Ministry of Trade and Crafts**, which is in charge of the Export Development Programme (PDE), the agency in charge of export promotion in it is CEPEX (Centre for Export Promotion), and the main sources of incentives and subsidies are FOPRODEX (Export Promotion Fund), a public fund, and FAMEX (Market Access Facilitation Fund), which is financed through a World Bank loan. In addition to these schemes, there is FGEAE, a guarantee fund for exports.

Governmental institutions collaborate systematically with employers' associations when formulating and executing policies and strategies. These include the general and sector federations, the Exporters' Federation, the Association of Export Advisers, the Inter-professional Grouping¹ in the agro food sector and the regional chambers of commerce and industry.

Business is represented on the steering committees for strategic studies and structural programmes such as the Industry Upgrading Programme PMN, the Industrial Modernization Programme PMI, and PDE, as well as on the administrative committees of incentive funds such as FODEC, FOPROHOC, FOPRODEX and FAMEX. Inter-professional groupings are public-private sector associations for a complete value chain. Their motto in the case of food processing is "from earth to fork". They are important support institutions; for example, they can propose policies and export development subsidies.

In comparison with other Arab countries, including those in the South Mediterranean, **Tunisia has the highest density of export support institutions**. The more important ones are:

1. BMN, the Industrial Upgrading Office of the Ministry of Industry, Energy and SMEs. This office assesses strategic business plans of industrial companies for funding under FODEC. BMN has been designated by the Ministry to implement technical assistance to the export consortia programme with UNIDO.
2. CEPEX, the export promotion agency, providing training, information and incentives and organizing grouped participation to international exhibitions;
3. Regional CCI, the Chambers of Commerce and Industry. There are 8 regional chambers providing advice and support for the export operations at the local level;
4. CTS, the Sectoral Service Centres: Eight of these provide support to existing companies, including technical information, training, productivity coaching, laboratory services, technical support for standardisation of products and certification of management systems, and the formulation of business and technology development plans;
5. Business Centres promoting and guiding the creation of new companies
 - "Pépinières" which are incubators lodging and coaching enterprises creators
 - UTICA, the employers union active in managers training

- PMI, which is financed by the European Union. It supports the development of productivity, economic and technical studies and the institutional development of private sector companies. Consortia can also be supported by this program.
6. FIPA, the Foreign Investment Promotion Agency;
 7. API, the Industrial Promotion Agency. It supports enterprise creation, industrial investments, strategic studies, training, and coaching of promoters.
 8. In addition, since 2000, UNIDO has been supporting the Tunisian Government in the promotion of export consortia through a technical assistance project funded by the Italian Development Cooperation. The project aims at:
 - Creating export consortia in different sectors;
 - Training national promoters of export consortia in the public and private sectors;
 - Creating a good institutional and regulatory environment for the development of export consortia; and
 - Benchmarking international practice.

Table 9 below summarises the institutions and their roles in supporting enterprises and business consortia. Evidently this level of support has occurred and progressed over a number of years and is considered a best practice among countries in the region. It is important to note that when designing an export promotion strategy for Syria there is no need to reinvent the wheel. Such best practices already exist within the region and no country needs to re-learn the process; instead it should adapt it to its own peculiarities, characteristics and aspirations.

Table 10 delineates the various consortia that operate within Tunisia, which encourages the creation of consortia as a means of empowering SMEs via the creation of linkages, market access as a group to benefit from export opportunities with mega importers in destination countries, and importing large quantities of imports to garner quantity discounts. Note that the consortia are regionally distributed. Their types demonstrate the strategic drive of Tunisia in terms of developing exports. Products that are considered of strategic significance are assisted by creating consortia. The level of support received by such consortia as a percentage contribution is higher than that received by individual firms.

Table 9: Roles of institutions and private sector in supporting export consortia

Type of Activities	FODEC		FOPRODEX		FAMEX		FOROHO		
	Individual companies	Consortia	Individual companies	Consortia	Individual companies	Consortia	Individual companies	Consortia	
Promotional materials (catalogues, CD rom, films) multi-media publicity, publication on internet			Subsidy 30% + loan 50% or 35% subsidy	Reform in progress	50%	70%	50%	70%	
Creation of label, design and recording of trade marks	70%	70%	Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%	
Fashion collections and other collections	70%	70%	Subsidy 40% + loan 40% or 45% subsidy		50%	70%	50%	70%	
Participation in international tenders			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%	
Invitation of foreign clients			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%	
Foreign representation			Subsidy 40% + loan 40% or 45% subsidy		50%	70%	50%	70%	
Market research			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%	
Design and construction of stand at trade fairs			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%	
Assistance for the Design & Implementation of a marketing strategy	70%	70%			50%	70%	50%	70%	
Installation of a web site	70%	70%		50%	70%	50%	70%		
Maximum amount of subsidies	No limitation	No limitation	No limitation				70%		
Technical aid for the consortium or for the companies as a group	70%	70%					70%	70%	
Modalities for accessing incentives and required documentation	Companies must be 2 years old	No age condition	Companies must be 2 years old, no age condition for the consortium members can be from any economic sector				One of the members of the consortium must have at least once exported packed olive oil		

	Manufacturing, IT and engineering companies only		Packed Olive Oil Producers & Exporters only
	Documents: an exhaustive strategic diagnosis and a business plan	A 3-5 page argumentation only	5 pages Marketing strategy and Action Plan

Table 10: Registered and operational export consortia in March 2007

	Name	Number of firms	Region	Sector	Legal form	Year of incorporation	Mission	Target markets	Exported products	Buyers: large retail, importer, large companies, etc.
1	C8	8	Tunis	Car components	SA	2000	Promotion	Sub-Saharan Africa & Algeria	Filters, blade springs, batteries, tyres, telescopic shock absorbers, windscreens, exhaust systems	High standard specialized retailers, distributors, central purchasing agencies
2	TEC	12	Tunis	Engineering	SA	2001	Sales & Promotion	Sub-Saharan Africa & Algeria	Engineering services, project management, consulting	Construction market (public and private customers)
3	ACT-International	4	Sfax	Food	SARL	2003	Promotion	France, UK, Gulf Countries	Pasta, Olive Oil, oriental pastry and confectionary, olive oil, chewing-gum	Large and traditional retail
4	GMC	9	Tunis	Garment	GIE	2005	Promotion & Sourcing	Spain, UK	Garment (casual-wear, jeans, corsetry, professional clothing, sportswear,..) Labels and accessories	Subcontracting and co-contracting customers

5	Global Consulting	5	Tunis	Engineering	GIE	2005	Sales & Promotion	Sub-Saharan Africa & Algeria	Engineering services, project management, consulting	Construction market (public and private customers)
6	GET-IT	8	Tunis	ITC	GIE	2005	Promotion	Europe & French-speaking Africa	ERP, Web design CRM, Software development and maintenance, Infrastructures, Networks and Security Remote Management	ICT European companies and business clients
7	CIC	3	Tunis	Engineering	SARL	2005	Sales & Promotion	Sub-Saharan Africa & Algeria	Engineering services, project management, consulting	Construction market (public and private customers)
8	CAJAD	5	Nabeul	Furniture & handicraft	GIA	2005	Promotion	Europe, USA & Gulf Countries	Interior furniture, haberdashery and garden items	Large and traditional retail
9	ZAYATINE	20	Sfax	Food	SA	Joined the programme in 2005	Sales & Promotion	Europe	Extra virgin olive, organic and biodynamic	Importers
10	CMC	3	Tunis	Leather & shoes	SARL	In process	Design Collections & Sales	Europe	Finished shoes collection with common brand	Store chains, Large and traditional retail central purchasing agencies
11	CPA	4	Sfax	Car components	GIA	2007	Promotion	UE & Algeria	Filters, batteries, telescopic shock absorbers, exhaust systems	High standard specialized retailers, distributors, central purchasing agencies
	Total	81								

5.10.2 Export Promotion in Turkey

Turkish Exports

Between 2002 and 2007 Turkish exports increased 197% and reached 107 Billion USD in 2007, foreign trade increased 216% and export to neighbouring countries increased 478%. The real GDP growth rate was 7% between 2002 and 2007 as a result of structural reforms, which were accelerated along with the EU accession negotiations, and successful macroeconomic policies. Private sector investments supported by high export performances have driven this growth.²⁹

Turkey has announced a mid-term economic plan in June 2007 for the years 2008-2010. Among other objectives it includes an expected foreign trade volume of \$340 billion in 2010. The volume of imports is expected to increase by a three year average of 9.5% annually, reaching \$200 billion for the first time. Exports are expected to increase by 11.1% annually. Due to the intensive import activities of Turkish firms, a further deficit is expected in the trade balance. This is because Turkish firms are largely dependent on raw materials, energy and semi-finished products from foreign sources. The inflation rate in the first half of 2008 was above expected at 9.3%.³⁰

Authorities That Deal with Export Promotion

The Under Secretariat of Foreign Trade is the government body in charge of export promotion. The primary legislative framework for export regulation is the "Export Regime Decree" published in 1996 when the export regulations were changed to meet the obligations of the WTO and the Customs Union with the EU.

There are a number of export promotion mechanisms in Turkey. Due to the WTO obligations and Customs Union with the EU, Turkey provides indirect incentives, which have been reshaped to meet these obligations as they had the shape of direct subsidies before, granted to exporters and manufacturers of exporting goods.

The most important export promotion bodies in Turkey are the Turkish Export Promotion Centre (IGEME), the Turk Eximbank (the export credit bank of Turkey), the General Directorate of Exports, the Turkish Exporters Assembly (TEA) and the Exporters Union, just to name a few.³¹

The Under Secretariat of Foreign Trade (DTM)

Main tasks of the Under Secretariat of Foreign Trade are to assist the government in developing foreign trade policies and to develop trade relations abroad in order to help exporters make their potential known. Most importantly, the Under Secretariat of Foreign Trade is involved in various promotion campaigns to raise the interest of SMEs in the incentives provided by the state.

Part of these promotion activities is the provision of certain advantages to firms exporting for the first time, as well as support in participating in international trade fairs and exhibitions. Assistance comes in the form of aid in transporting company materials to the country of the fair, as well as paying the costs of hotel and tickets for two representatives of the company. Furthermore, DTM provides 75% of the employment costs of the CEO and two staff members for SMEs and is working on providing support for consultancy services as well.

The DTM also provides overseas office support for firms wishing to further expand internationally, as well as support to companies for brand publicity and brand support. Both of these support incentives are on a 50% basis, whereby the company pays 50% and the government the rest. As of 2006, when the support by the state of fair expenses paid by the firm

²⁹ Microeconomic Indicators, Investment Support and Promotion Agency, www.invest.gov.tr

³⁰ "Turkish Economic Trends in Brief Mid-Year 2008"; "Wirtschaftstrends Kompakt Tuerkei Jahresmitte 2008": German Office for Foreign Trade (bfai).

³¹ IGEME (Export Promotion Center of Turkey): <http://www.igeme.org.tr/indexe.cfm>

could reach 80%, fair expenses are supported on a 50-50% basis; an additional 10% is granted by the state to the firm when the fair is taking place in a target market.

The Turkish Export Promotion Centre (IGEME)³²

The Turkish Export Promotion Centre (IGEME) was established in 1960, and is a subordinate institution of the Under Secretariat of Foreign Trade and the only non-profit public organization of its kind in Turkey. It aims at promoting Turkish products in international markets. With its headquarters in the capital, it offers a variety of services to exporters and foreign importers interested in Turkish products by making information on marketing methods, products and foreign contacts available. It acts as an intermediary between both parties, introducing Turkish businessmen to potential importers or investors and offering information on the Turkish market prospects, Turkish products and regulations to foreign businessmen.

The IGEME has five main areas of activity being research and development, training, trade information, publicity and promotion and international relations. In the area of research and development, the IGEME provides exporters surveys of selected markets as well as of agricultural or industrial products with export potential. Information on rules and regulations surrounding export procedures as well as advice and consultancy services are mostly directed to small and medium size businesses.

As a member of IATTO (International Association of Trade Training Organizations), the IGEME offers seminars and workshops directed at export managers and staff involved in export of small and medium sized businesses. Also, the IGEME cooperates with the International Trade Centre (ITC) in developing training programs especially for SMEs which constitute 99,8% of Turkish companies.

Publications of IGEME

IGEME has a web presence and releases publications that make information such as Turkish trading company registers, product profiles, trade regulation, changes in market situations and commodity stock exchanges available to Turkish and foreign parties.

In the publicity and promotion area, IGEME supplies Turkish exporters and interested foreign importers with informational publications. Furthermore, it organizes the participation of Turkish companies in international trade fairs and exhibitions and represents at its information stands Turkish firms that cannot participate.

To strengthen international trade relations and promote Turkish products abroad, the IGEME cooperates with other trade promotion organizations in other countries in the field of integrated export promotion projects and export marketing management programs. It is the liaison office of the ITC in Turkey.

- Turkish publications of the IGEME include:
- Foreign Trade Bulletin, a daily which provides Turkish exporters with information about foreign markets and foreign demand.
- Foreign Trade and Investment Legislation, provides the rules and regulations governing foreign trade as well as changes to these regulations.
- Product and Country Profiles, which cover the findings of the research and development activities, provides information and advice regarding marketing of products, labelling and quality standards, customs legislation, distribution methods and foreign trade regulations in different countries.

³² All information in this section, unless otherwise denoted, is from following source: IGEME, Export Promotion Center of Turkey, <http://www.igeme.org.tr/indexe.cfm>.

- Practical Information on Exports: handbooks that offer exporters information on export procedures, pricing and necessary documents for customs.
- Trading Highlights from Turkey (English): includes information on Turkish products, trade statistics and news in brief about Turkey. It is distributed abroad free of charge.
- Turkey, a yearly magazine that introduces all relevant aspects of the country.
- Guide for Businessmen, which offers information to foreign businessmen visiting Turkey.
- Turkish Export Directory, which lists all exporters classified according to the harmonized system.

Turk Eximbank (The Export Credit Bank of Turkey)³³

Turk Eximbank is the official state-owned export credit agency in Turkey. It is the Turkish government's major export incentive instrument and acts within the framework of five-year development plans and annual programs. Representatives from Eximbank take part in the preparatory development of these plans and influence foreign trade policies. It began its activities in 1988 and provides export credits to exporters or manufacturers of exporting goods in YTL or foreign currency. It has branches in Istanbul, Ankara and Izmir.

Turk Eximbank has fully harmonized its credit conditions according to the customs-union agreement with the EU and is in accord with the OECD regulations. The bank also insures receivables of exporters derived from export proceeds against commercial and political risks, and is a member of the Bern Union of export credit insurers.

The Supreme Advisory and Credit Guidance Committee of the bank fixes upper limits of credits to be extended, guarantees to be issued and insurance transactions to be effected as a total amount or by country, sector or program on basis of the annual program forwarded by the bank. The Committee meets at least once a year and the Board Of Directors has to observe the limits it has set.

The main sources of funds are direct funding from the Turkish treasury through capital increases and transfers from extra-budgetary funds as well as borrowing from commercial banks and international financial markets. Losses in the bank's credit, insurance and guarantee transactions as a result of political risks are covered by the Turkish treasury.

Since the implementation of the Customs Union with the EU, Eximbank has concentrated more on helping SME's, as the mostly experience difficulties passing the rigid qualification tests for loans while being able to comply with the terms of their export contracts.

Having concentrated on short-term trade financing so far; in the long run, Eximbank intends to concentrate more on insurance and guarantee programs and on medium and long-term trade and project finance while leaving short-term trading finance to Turkish commercial banks. Furthermore, Eximbank tries to improve international relations with other export credit agencies and international financial institutions.

The executive and supervisory organs are: the General Assembly, the Board of Directors, the General Directorate, the Credit Committee and the Board of Auditors. The bank is managed by the General Directorate according to principles agreed upon by the Board of Directors. Loans provided in 2007 amounted to US\$3.7 billion USD, while insurance/guarantees amounted to 4,7 billion USD for the same year.

The General Directorate of Exports

³³Turk Eximbank: <http://www.eximbank.gov.tr>)

As a subordinate institution of the Under Secretariat of Foreign Trade, the General Directorate of Exports has the task of developing export regulations as well as off-shore and border export, holding exporter unions and their umbrella organizations, promotion of export and providing state aids for exporters.

The state aid includes exemption from taxes for all export credits and export related transactions. Exemption from customs duties and VAT for raw materials and intermediary goods include packaging to be used in the production of export goods. And as mentioned, support for the establishment of foreign offices, prestigious brands, and also registration expenses for patents and other industrial property rights in addition to training and employment assistance provided by IGEME.

The Turkish Exporters Assembly (TIM)³⁴

The TEA represents the 57 exporter associations that have over 30,000 members in Turkey. It provides a platform for negotiating problems of export and possible solutions and tries to strengthen the ties between the institutions the private and the public sector as well as between exporters and official authorities. It released figures of exports in May 2008 in which exports reached 12.3 billion Euros, an all-time monthly high. No English version of the website available.

Exporters Unions

The exporters unions operate under the auspices of the Under Secretariat of Foreign Trade. The members are grouped according to regional activity and similar products. The Council of Presidents is a governing organ enhancing cooperation among unions from one region, while the Common Board of Directors unites all unions countrywide that export similar products.

Foreign Economics Relations Board (DEIK)³⁵

A non-profit private sector organization founded by the nine principal private sector institutions in 1986. It consists of 66 business councils, and has 1257 representatives of 490 member companies. Its main objective is to pave the way for the development of Turkey's economic, commercial, industrial and financial relations with foreign countries as well as international business communities and to contribute to the integration of the Turkish economy into the global economy through bilateral business councils established with various countries.

Business councils have been established with 66 countries by companies who already have business relations with those countries, or who plan to form them. The DEIK collects trade and economic information and investigates the possibility of economic cooperation with different countries. This task is undertaken in cooperation with various academic and research institutes in Turkey and with the counterpart organizations of partner countries, the UN, WTO and universities in the related countries. DEIK acts as an intermediary between the public and the private sectors due to its close working relations with all governmental bodies and private sector institutions in Turkey, as well as relevant public authorities and private sector institutions in foreign countries.

The organizational structure of DEIK consists of the General Assembly composed of representatives from the founding private sector institutions, chairmen of the existing business councils, representatives appointed by the Executive Board of TOBB (Unions of Chambers and Commodity Exchanges of Turkey) as well as honorary members. The Board of Directors is responsible for ensuring coordination among the business councils, as well as supervising DEIK's activities. The Board of Auditors consists of five members elected by the Board of Directors for two years and is responsible for auditing DEIK's activities.

³⁴ <http://www.neurope.eu/articles/87536.php>.

³⁵ <http://www.deik.org.tr>

5.10.3 Jordan Export Promotion Efforts

The Jordanian economy is considered the most liberal economy in the region and the earliest to start reform. In the last four years, GDP growth rate averaged 6.7% annually. In terms of exports, Jordan exported US\$5 billion in 2007, however the trade deficit represents 53% of the GDP due to rising oil prices, which Jordan imports.

The body in charge of promoting exports is the Jordan Enterprise Development Corporation (JEDCO), which was established by a law on 12 June, 2003 to legally replace the Jordan Export Development and Commercial Centres Corporation, established in the early 1990s. The overall goals are trade promotion, export development, and enterprises and companies' development by adopting high technical methods.

JEDCO receives funding from the EU for several of its activities; it has recently been approved for a Euro15 million grant to upgrade and enhance the services sector. The grant is for two years, complimented by another tranche of Euro15 million for the following two years. The project is to commence within weeks of writing this report. It also received support for several projects including the Jordan Upgrading and Modernization Programme (JUMP) started by EJADA, an EU funded project for the development of Jordanian enterprises. JUMP is hosted and integrated within JEDCO to provide support to industry to modernize and upgrade. It is believed that with the upgrade and modernization efforts targeting industry and services, JEDCO should be able, with the funds it receives from the government and the donor community, to assist the development of exports.

In addition to JEDCO there are 25 other programmes that support businesses and provide them with subsidies and technical assistance, in addition to the services provided by the chambers of trade and industry, the Businessmen association, Exporters Association and the Young Entrepreneurs Association among others.

JEDCO's Objectives

- Develop a comprehensive trade promotion & export plan.
- Regulate and manage export strategies.
- Participate in international trade fairs & road shows and organizing trade delegations.
- Increase the Volume of exports through enhancing the competitiveness of enterprises.
- Establishing trade centres abroad.
- Enhance ties with international trade related organizations and broaden export benefits through new trade agreements.
- Increase companies' productivity and improve the quality of production.
- Carry out JEDCO's mission within its new legal and institutional framework.
- Improve the efficiency and effectiveness of JEDCO by adopting modern administrative and technical methods.
- Improve JEDCO's human resources management practices to enhance staff efficiency and performance.

JEDCO's Role

JEDCO plays an important role in implementing government policies to further develop Jordanian exports. JEDCO also assists in expanding the geographic distribution of exports, and improving the quality and value-added of Jordanian goods and services.

In recent years, JEDCO has been actively involved in assisting Jordanian exports through its participation in international trade fairs and exhibitions, along with organizing promotional weeks and trade delegations. In addition, JEDCO has been implementing successfully, technical support programs for manufacturing and service industries, and has been providing up-to-date trade and export related information to companies.

JEDCO's Main Strategies

- Enhance world market shares of the core product categories.
- Value addition.
- Export diversification: pursue with national alignment and focused resource application, selected developmental export opportunities where Jordan currently enjoys, or can achieve, a strong competitive edge.
- Geographic expansion: pursue in the less explored geography, exports of our core products categories and services and any other, but significant opportunities.
- Traditional partner countries: bilateral trade enhancement would be achieved with countries where Jordan traditionally/potentially enjoys close relationships.
- Leverage international trade blocks / agreements: enhance market access based on proactive and innovative management of current or emerging world economic / trading blocks and bilateral trading arrangements.
- Adopt the national export strategy
- Coordinate efforts of all organizations involved in implementing the strategy.
- Monitor the implementation of strategy.
- Selection of most appropriate specialized trade fairs, based on sectors.
- Organize trade shows in selected countries.
- Organizing trade delegations in selected countries.
- Participate in international trade fairs.
- Pursue enhancement of manufacturing and marketing capabilities.
- Pursue efficiencies with a view to achieve value addition and increased competitive strength.
- Promote Jordanian products.
- Identifying trade opportunities & communicate them with potential Jordanian companies to work with.
- Develop and enhance ties with business support organizations to help create partnerships between Jordanian private sector and their counterparts.
- Conduct awareness campaigns and seminars to promote Jordanian exports.
- Providing assistance for visiting Jordanian businessmen.
- Organizing trade visits for incoming and outgoing trade missions.

- Bolstering ties with international trade organization in countries Jordan signed trade agreements with.
- Signing new agreements with potential export countries.
- Maximize the benefits of existing trade agreements.
- Enter into co-operation agreements with the International Trade organizations.
- Educate citizens to increase their participation (quality and quantity-wise) in various economic activities.
- JEDCO in alignment with the supply chain management efforts of all partners, must help enhance the exporting and marketing capacity of the SMEs inclusive of adequate finance through the relevant financial institution, and donor programs.
- Promote the local economy in order to conform positively to the requirements of world trade.
- Assist companies in developing production systems.
- Assist companies in installing management and quality systems.
- Assist companies in preparing business plans.
- Upgrade the level of productive efficiency and promote the culture of quality and excellence in various sectors.

Export Promotion Activities

Export promotion covers electronic promotion, participating in international shows and trade fairs, trade delegations, market research and analysis, industrial studies, utilizing Export Finance Schemes of the Islamic Development Bank (IDB), Export Credit Guarantee Scheme of the Inter-Arab Investment Guarantee Corporation (IAIGC), and through human resource development.

Electronic Promotion

Amman Trade Point (ATP): Amman Trade Point (ATP) was established at JEDCO in co-operation with the United Nations Conference on Trade and Development (UNCTAD). It is part of a network of some 120 Trade Points in over 90 countries, interconnected in the Global Trade Point Network (GTPNet) in Geneva. This network facilitates communication across borders and provides easy access to a wide range of international databases.

Product Map: The Product Market Analysis Portal, or Product Map, consists of 72 web-based portals, each focusing on a particular industry and presenting extensive international trade data and market analysis tools specifically designed for organizations active in international trade.

Product Map gathers information for more effective international market research and business development on 72 industries ranging from agriculture machinery to cut flowers and wood products. Overall, 5,300 products (HS 6-digit) traded by over 180 countries are referenced in the Product Map website on.

Each Product Map presents: a) Market positioning tools that focus on the quantitative analysis of international trade for the sector covered by the Product Map in question. b) Networking tools that identify potential business partners and give exposure to potential new clients. c) Market

intelligence tools that provide information and intelligence sources designed to help exporters and trade support institutions look deeper into international market trends and design better international marketing strategies.

Trade Map: provides on-line access to the world's largest trade database and presents indicators on export performance, international demand, alternative markets, and the role of competitors from both the product and country perspective. It operates in a web-based interactive environment and covers the trade flows (values, quantities, trends, market share, and unit values, both in graphic and tabular format) of over 220 countries and territories and 5,300. Features includes: Analysis of present export markets, Pre-selection of priority markets, Overview of competitors in global and specific markets, Review of opportunities for product diversification in a specific market, Identification of existing and potential bilateral trade with any partner country, Information on tariffs and non-tariff barriers

Jordan Virtual Exhibition (Jovex): JEDCO has developed Jordan Virtual Exhibition that contains full company profiles in addition to photos of the member's products and materials.

Participation in International shows and Trade Fairs: Trade fair activities represent a key function within JEDCO's promotional portfolio through which JEDCO presents Jordanian products in markets abroad. Trade fairs also give Jordanian exporters exposure and opportunities in the international business community, in addition to gaining better insight about these markets.

JEDCO organizes the participation of Jordanian Exporters in up to 20 international general and specialized trade fairs. JEDCO also organizes a number of Jordanian promotional weeks in selected markets. These integrated promotion programs attempt to reflect the entire scope of Jordan's dynamic growth and development in areas of industry, tourism and culture in co-ordination with the appropriate Jordanian institutions.

Trade Delegations: JEDCO has been very active in organizing trade missions abroad and buyer-seller meetings in selected markets. In addition, JEDCO has also facilitated trade delegations to Jordan from Arab and other countries of the world.

Industry Studies: JEDCO has prepared a number of sector studies covering Printing, Packaging Industries, Clothing and Textiles, Food Processing, Engineering, and Traditional and Handicrafts Industries. The studies aim at the evaluation of the industrial sectors with respect to their technical capabilities. These studies also uncover the main barriers facing their exports, identify priority sectors, and prepare action plans to improve their overall performance and international competitiveness.

Market Research & Analysis: JEDCO provides Jordanian businessmen with market surveys, market studies, and product surveys of targeted markets. These studies and surveys are usually conducted by JEDCO's specialized researchers, sometimes by subcontracted local and international consultants to assess the opportunities of Jordanian products in targeted markets.

Human Resource Development: JEDCO designs and organizes training programs for staff and exporters on international marketing, promotion, EU Partnership agreement, WTO agreement, technical requirements in export markets, management systems, e-commerce, information technology, industrial design.

Direct Technical Services: JEDCO is actively engaged in assisting companies in developing their production systems, installing management and quality systems, and preparing business plans. These projects are carried out by either JEDCO's technical staff or by local or international consultants. Companies can also benefit from services provided by experts from senior volunteers' organizations with which JEDCO has co-operation agreements. These organizations include NMCP in the Netherlands, ECTI in France, SES in Germany and ASI in Italy. It also enjoys good relations with the international import promotion organizations to support the participation of Jordanian SME's in training and promotional programs organized by, the Centre for Promotion of Imports from Developing Countries (CBI) in the Netherlands, Japan External Trade Organization (JETRO) and the Swiss Office for Trade Promotion.

Special Technical Centres:

- **Jordan Numbering Association (GS1 Jordan):** GS1 Jordan was formed in 1997 as a not-for-profit association under the umbrella of JEDCO and signed the membership agreement with **GS1 Global Organization** (*formerly EAN International*) in Brussels.

The Mission of GS1 Jordan is to play a leading role, enabling the efficient management of global, multi-industry supply chains by uniquely identifying products, shipping units, assets, locations and services and facilitates electronic commerce processes including full tracking and traceability..

Since then, GS1 Jordan has become the sole national body authorized to administer Identification of goods, services, and locations based on an internationally accepted and business led standards. It provides information and guidance about the use of GS1 Standards to prospective and existing member companies in Jordan, and promotes an active use of the system for inter-company trade.

The EAN .UCC System provides the world economy with a global supply chain infrastructure by means of standard numbering structures, Bar-coding, RFID and standard electronic data interchange messages.

Today, GS1 has 104 Member Organizations representing 106 countries. These organizations provide full support and information to their local member companies. Over 1000,000 member companies benefit from using the GS1 System.

- **Horticultural Export Promotion & Technology Transfer Project (Hepttp):** Hepttp established on the first of June 2003, as part of Jordan Export Development & Commercial Centres Corporation (JEDCO). As a long-term strategy, the project's objective is to increase the level of Jordanian horticulture exports to international markets. This objective would be achieved by enabling farmers to reach higher outputs and better quality, in order to meet international standards and competition. Large farmers will form partnerships with small and medium farmers in order to achieve these outputs, and in return the small and medium farmers will gain from this know how.
- **Jordan Centre for Garment Design and Training Services:** The project intends to contribute to the development of the textile and garment industry in Jordan, through improving the performance, productivity and competitiveness of the garment industry. The project aims at enhancing the development of small and medium scale enterprises in this industry.

Trade Services

In addition to trade promotion and development services, information services and related support programs, JEDCO also facilitate export finance and export credit guarantees for exporters.

JEDCO provides several long term export finance schemes to Jordanian exporters wishing to export. Various types of guarantee contracts against commercial and non-commercial risks are offered. Such schemes provide protection against non-payment risk. These services are offered through local Jordanian and Arab agencies, which JEDCO has become their agents, these agencies are: Islamic Development Bank (IDB); Inter-Arab Investment Guarantee Corporation (IAIGC); and The Jordan Loan Guarantee Corporation (JLGC).

Trade Agreements

A complete database of all agreements of commercial and trade nature that Jordan has entered with other countries in the world can be directly accessed through JEDCO's web page. The website has all agreements listed whether they are multilateral agreements such as the Association Agreement between Jordan and the EU, the Arab Free Trade Agreement, and the Qualifying Industrial Zones; or bilateral agreements including trade agreements, investment promotion and protection, prevention of customs duplication, transport, and standards and metrology agreements.

5.10.4 Export Promotion in Lebanon

Governmental authorities such as the Ministry of Economy and Trade, the Ministry of Industry and the Investment Development Authority of Lebanon mainly conduct export promotion in Lebanon. There are a number of projects directed at the different sectors of the Lebanese economy that are mainly funded by the EU. In 2002 a support programme for agricultural products was launched, and a National Export Promotion Council is being established after years of lobbying from the private sector. This council is an initiative of the Ministry of Economy and Trade, the Association of Lebanese Industrialists (ALI) and the Union of Chambers of Commerce, Industry and Agriculture of Lebanon. The Ministry of Economy and Trade is currently working on a competition law that will apply to both the public and the private sectors. The institution that will enforce this law will be a National Competition Authority.

EU Projects and Trade Agreements:

As one of Lebanon's most important trade partners, the EU supplies a bulk of Lebanese imports and accepts a significant portion of exports. The first trade agreement signed between the two parties was a Cooperation Agreement that went into effect in 1978. This has led to further agreements signed between the two parties. Lebanon signed a Free Trade Agreement with EFTA countries in 2004

Enterprise Support Programmes

Integrated SME Support Programme (ISSP): The programme was launched in April 2005 and ended in Dec 2007. It was co-financed by the EU and the Lebanese government to support the efforts of the Ministry of Economy and Trade to create a better business climate in Lebanon. The amount allocated for the programme was Euro 16.5 million. ISSP has two main elements:

- The SME Support Programme (Euro 10.8 million); and
- The Euro-Lebanese Centre for Industrial Modernization (ELCIM)--Euro 5.7 million.

Four goals were identified for this programme:

1) Establishing an SME Support Unit within the Ministry of Economy and Trade (MoET) to implement the programme and is tasked with the ongoing development of policy and the support instruments of the programme such as the co-guarantee fund KAFALAT.

2) Developing policy for a more business-friendly environment, by identifying legal and structural impediments and creating a better business environment for SMEs through legal, financial and business support.

3) Improving access to finance by designing a credit guarantee scheme and ensuring it has the capacity to support the objectives of the programme. Furthermore, developing innovative financial mechanisms and identifying existing and possible impediments to financing.

4) Developing Business Support Services by concentrating national support services into an integrated network of specialized services.

Services for SMEs: Services provided for SMEs within this programme (10 year strategy) are as follows:

- The development of national support mechanisms and schemes that will help the development of the SME sector. These services are delivered through an integrated network with a primary focus on high-potential, innovative and export oriented businesses.
- The establishment of Business Development Centres (BDCs) in Beirut, Saida, Zahle and Tripoli, with euro 700,000 allocated to each. These BDCs have been providing business support services and their representatives have conducted study missions with the SME Support Unit to Jordan, Ireland, England and Belgium to learn about best practice in the development of Business Development Centres and incubators.
- Development of entrepreneurship curricula and programmes at universities that enhance an entrepreneurial attitude.

Finance for SMEs: through a 10 year strategy with the aim of supporting investment in SMEs, especially in key sectors and export-driven enterprises, by designing a credit guarantee scheme. This component aims at the promotion of innovative enterprises and developing best practices in bank lending to SMEs and start ups. The programme works in three main areas:

A new guarantee scheme managed by KAFALAT that facilitates access to finance through guarantees to:

- Apply finance instruments that reduce dependence on credit financing relying more on equity, especially for long-term financing. These tools include equity based and export oriented financing as well as a risk based loan approval process.
- Promote best practice in bank lending through practical initiatives, including training, to enable a thorough and sustainable cooperation between enterprises and financial institutions.

To ensure the success of the program active collaboration between all stakeholders, private sector, research institutes, entrepreneurs and international institutions. A memorandum with KAFALAT was signed in Dec 2005 releasing Euro40 million in loan guarantees to established enterprises and start-ups, with the EU and KAFALAT each financing Euro4 million. Main features of this memorandum are:

- A new venture scheme (does not exist) does not qualify for collateral
- The level of guarantee was 85% for existing enterprises and 90% for new ones
- Start-ups can apply to KAFALAT directly
- In order to qualify companies need to register
- The scheme is open for participation by all commercial banks

Euro-Lebanese Centre for Industrial Modernization (ELCIM): ELCIM is part of the EU co-funded Integrated SME Support Programme (ISSP). It is hosted at the Industrial Research Institute (IRI) and supports the business and export growth of manufacturing SMEs through the

provision of technical and financial assistance. The scope of assistance offered covers following areas:

- Assessment of business strategies employed and their potential
- Assistance in improving production technology and planning, processing of products such as packaging, storage, logistics and quality certification.
- Assistance concerning audits such as strategic management, pricing policy, marketing and cost calculation as well as joint ventures and international cooperation
- Organizing international fairs and sales mission
- Introducing energy saving measures
- Facilitating access to KAFALAT, European Investment Bank (EIB) and other commercial loans
- Provision of training for companies to improve financial reporting such as qualified financial statement and conducting financial feasibility studies that enables access to long-term financial resources.

Organic Certification and Market Development: The project on Organic Certification and Market Development in Lebanon was launched in the context of the EFTA-Lebanon FTA signed in 2004. With a budget of CHF 1,200,000. Switzerland and Lebanon agreed on a technical assistance programme with a duration of three years. The overall budget of the granted technical assistance amounts to CHF 5,000,000 and it covers investment promotion, trade-related capacity building and export promotion programmes for agriculture. Two Lebanese organizations and up to four marketing initiatives benefited from financial and technical assistance provided by the Swiss government.

The first organization is The Association for Lebanese Organic Agriculture (ALOA), which was founded in November 2005 to represent the organic agriculture movement in Lebanon and serves as a platform to enhance interaction between organic stakeholders in Lebanon and abroad.

The second organization is LibanCert, the Lebanese organic certification body, which was launched in March 2006 and operated under the auspices of the American University of Beirut, with the support of the Swiss government and the Swiss Research Institute of Organic Agriculture (FiBL). It is located in Beirut and offers its services to Syria and Jordan as well. It cooperates with Swiss certification body BIO.INSPECTA and, thus, offers certification for all relevant markets, like the EU and US.

EcomLeb Project: An EU funded project that started in January 2004 and ended in July 2005 with the aim of helping Lebanese firms make use of the growth of the e-business sector. The amount allocated for this purpose was € 1.7 million as part of the Investment Planning Programme that has a total budget of € 25 millions. It concentrated on developing a legal and regulatory framework for all types of e-transactions in Lebanon as well as assisting in the development of e-commerce. An international consortium and a team of 11 international and Lebanese consultants conducted this task. The legal framework was based on the following principles:

- Freedom of electronic communication and writings
- Security-related aspects of electronic communication and writings
- Consistency with EU regulations
- Concordance with Lebanese laws

A survey was conducted within the framework of the project to identify e-commerce impediments. The main hindrances to e-commerce in Lebanon were:

- The telecommunications infrastructure and relatively high cost of internet
- The lack of broadband fast internet connections
- The low confidence of consumers in internet transactions
- The lack of regulatory framework and the high cost of shipping packages

The survey also found out that businesses employing e-commerce and positioning themselves for the global market and the Lebanese Diaspora (estimated at 12 million, who possess access to high-speed internet and tend to buy online) achieved more growth.

As part of the e-business awareness campaign four issues of "EcomLeb Internet and IT Journal" were published and disseminated free of charge. The Journal addressed issues concerning IT and e-commerce in Lebanon and the world and provided technical tips on the internet and its security. Further, a website was established (www.ecomleb.org) was established, which provides information related to the project and e-commerce in Lebanon. A series of CD's including practical information are distributed nationally and internationally that serve as a common marketing tool for all businesses using e-commerce but that did not or were not capable of doing marketing on their own.

Quality Programme (QUALEB): QUALEB is an EU funded program with a budget of initially € 15 million. Established in October 2004 for an initial period of thirty-eight months under the auspices of the Ministry of Economy and Trade, it has been extended for an additional 18 months, January 2008 to June 2009, with an additional budget of € 2 million under the title "Sustaining Quality".

Its main objective is to provide support and advice on quality management, capabilities and infrastructure in Lebanon. Qualeb encourages Lebanese export opportunities by supporting Lebanese manufacturers in the development of a quality approach to improve the quality of Lebanese products by aligning practices to EU practices in the fields of standardization, testing, certification and inspection, accreditation, technical regulations and market surveillance.

The QUALEB team consists of 15 full time Lebanese employees, supported by a team of three long-term European advisors as well as part-timers and short-term experts.

Achievements of QUALEB have been the direct support of 16 public and private testing and calibration laboratories, help in drafting quality related laws and the assistance of 50 businesses in the implementation of ISO 9001:2000 and ISO 22000:2005. Major stakeholders are:

- Concerned ministries
- Lebanese Standardization Institute (LIBNOR)
- Lebanese Accreditation Institute (COLIBAC)
- Private and public laboratories
- Federation of Chambers of Commerce, Industry and Agriculture
- Association of Lebanese Industrialists (ALI)
- Syndicate of Lebanese Food Industries

Investment Development Authority of Lebanon (IDAL): IDAL was established in 1994 in accordance with a decree issued by the Lebanese Council of Ministers. Its role was further enhanced by the enactment of the Investment Development Law 360, issued in August 2001 to regulate investment promotion of domestic and international entities and to stimulate economic and social development leading to enhance competitiveness. Its main mission is to present Lebanon as an attractive investment destination and by promoting, facilitating and holding investments in the country.

The scope of IDAL's activities covers following areas:

- Determining and promoting investment opportunities in Lebanon
- Making market intelligence about Lebanon, the business and legal and investment frameworks available
- Facilitating the registration and issuance of permits and licenses required for any project
- Supplying ongoing support for established investment projects
- Pointing out potential joint venture partners for Lebanese businesses
- Offering guidance to the Lebanese government regarding investment policy issues

The services of IDAL cover three main areas: The One-Stop-Shop, Export Plus and Investors Matching.

One-Stop-Shop: The One-Stop-Shop (OSS) aims at facilitating and accelerating investment dealings by shortening the bureaucratic and administrative procedures and providing investors with a single point of contact for all transactions with the Lebanese government. The OSS supersedes all authorities in issuing permits and licenses for projects approved by IDAL's board of directors.

Investors are guided through the procedures, as pre-investment advice and information is offered to investors enabling them to evaluate the viability of their planned projects for a legal viewpoint. Investment opportunities are reviewed by IDAL and recommendations are submitted to the board of directors. Once approved, the necessary permits are issued. Post-investment services are offered as well through the After Care Service Department, which provides assistance in overcoming any challenges or administrative hindrances that may arise.

Services provided by OSS come in the form of a Package Deal Contract and Investment Projects.

Package Deal Contract: a package of special incentives and exemptions offered to an investment project, bound by a contract stating the terms, rights and obligations of both the investor and IDAL.

Incentives granted (maximum):

- Profits are fully exempt from income tax for a period of ten years
- Fee reduction for work and residence permits of foreign labour up to 50%
- Joint-stock companies are not obliged to have Lebanese nationals or member of the legal profession on their board of directors
- Construction permits necessary for the building of facilities related to the investment project have reduced fees by 50%
- Full exemption for all fees related to registering land at the Land Registry, including fees related to annexation, sub-division, mortgage and registration of lease contracts. The project has to commence within five years of registering the land, otherwise the investor will be liable to the payment of three times the original fee as a penalty.

Investment Projects: Investment projects are identified under the Investment Development Law according to their geographical locations, sectors covered and their investment cost. The Investment Development Law divided Lebanon into three investment zones A, B and C. The incentives granted to investors differ from one zone to the other. All zones benefit from an exemption from income tax for two years starting with the listing of the shares on the Beirut Stock Exchange. This period is to be added to other tax exemption periods granted. Zone A does not enjoy any exemption from income taxes and taxes on project dividends, Zone B benefits from a 50% reduction of these taxes for a period of five years and Zone C from a full exemption for a period of ten years.

Export Plus Program

The Export Plus Program was launched by the Lebanese government through IDAL in August 2001 with the aim of boosting agricultural exports to traditional markets, tapping new markets, controlling the quality and compliance with international standards and transferring know-how to farmers.

To ensure the quality of the agricultural products, two companies have been given contracts to conduct quality controls:

- **Bureau Veritas – Liban:** covers the areas Bekaa, South and Nabatiyeh and offers technical services and solutions in the fields of certification, training and consulting. Its network covers 140 countries and includes 600 offices and laboratories.
- **TUV Hellas (RWTUV) S.A.:** covers the North, Mount Lebanon and Beirut. It is a member of TUV NORD, a non-profit organization, employing more than 5000 specialized personnel all over the world. It offers services related to finding technical, economic and ecological solutions to customer's problems. Furthermore, it provides its services according to the third party inspection and certification concept.

Export Plus Publications: in order to transfer the know-how to farmers and exporters, IDAL through its Export Plus Program and with the help of two contracted inspection companies, Bureau Veritas-Liban and SGS-Liban, conducted a series of information sessions entitled "Export to Europe". These sessions aimed at raising the awareness level of farmers and exporters regarding European standards and regulations concerning fresh vegetables and fruits. Booklets were disseminated on the following topics:

- European markets;
- Marketing strategies;
- Preparation of products;
- Modern packinghouse and accreditation;
- Organic farming and certifications;
- EurepGAP and certification.

Investors Matching: as part of the services offered by IDAL, the Investor Matching service aims at promoting and facilitating local and international partnerships by matching the interests of local entrepreneurs with local and international investors. Types of cooperation between entrepreneurs and investors can be equity participation, joint venture or technical cooperation among others.

Entrepreneurs can submit a proposal for a project or cooperation to the website of IDAL. Local and international investors can register with IDAL online filling out a questionnaire that highlights their particular interests. A projects database can be viewed on the website, giving brief information about the different projects.

5.10.4 Export Promotion Egypt

Egypt is considered the leading reformer of the business environment in the region for the second year in a row. Egyptian exports grew steadily in the past year three years from US\$ US\$9.5 billion in 2004 to 13.8 billion in 2005 to US\$18.5 billion in 2006 and US\$22 billion in 2007. The average annual growth rate of exports was 28.3%.

Trade Agreements: GAFTA, Agadir Agreement, EU Association Agreement, COMESA FTA, UEMOA Framework Agreement, MERCOSUR Framework Agreement, World Trade Organization membership.

General Organization for Export and Import Control (GOEIC): The GOEIC was established in 1971 as an independent entity operating under the auspices of the Ministry of Foreign Trade and Industry. Its activities are:

- Inspection of all imported commodities for their compliance with import laws, especially in regards to radiations.
- Inspection of all exports for compliance with export laws
- Supervising inspection concerning import and export commodities in regards to their compliance with censorship laws.
- Optional inspections of goods upon request
- Issuance of certificates of origin for goods of Egyptian origin
- Maintaining a register of exporters, importers, agents and commercial mediators, scientific and consultative bureaus.
- Sorting agricultural crops for crop-specific rating
- Publishing guidebooks elaborating the scope of services provided by GOEIC
- Inspection of contracting samples of imported industrial goods

Foreign Trade Training Centre (FTTC): FTTC was established in 2001 by the Ministry of Foreign Trade and Industry as the first specialized training centre in export promotion. It started operation in 2002 and signed a memorandum of understanding with the Japanese International Cooperation Agency (JICA), which helps in conducting export training. Its prime objective is to enhance exporters' skills and create a cadre of export specialists as well as promote an export culture.

The training includes six modules, which depend on a step-by-step transfer of knowledge needed for the export business. The first module deals with the internal environment surrounding the exporter. It explains Egyptian export laws and regulations as well as identifies the governmental and private entities providing support for exporters. The second module introduces the global trade regime and the external environment; WTO regulations and trade agreements. The third module is the core of the training programme, as the trainee is taught on how to identify new markets and develop an export strategy. The fourth module introduces the concept of Total Quality Management (TQM) and quality standards. The fifth module addresses issues related to export logistics, shipment, terms of payment. The last module concludes the first five by enhancing presentation, negotiation and language skills.

Industrial Development Authority (IDA): IDA was established in 2005. Its main objectives are defined as follows:

- Increasing the contribution of Egyptian industry to GDP
- Developing and improving the industrial sector
- Enhancing the competitiveness of Egyptian industrial products
- Generating job opportunities
- Attracting investment
- Encouraging the establishment of local manufacturing companies
- Enhancing industrial integration between small- and medium-scale industries
- Making the services provided accessible via the internet and through multimedia publications

SME Development Unit of the Ministry of Finance: The SME Development Unit was established to develop a competitive SME sector that is able to compete in local and global markets. A major target is to formalize the informal SME sector. Almost 99% of all non-agricultural firms that account for 75% of private sector employment are SMEs, the majority of them are in the informal sector. They only contribute 4% of exports, compared to 60% in China, 56% in Taiwan and 70% in Hong Kong.

Egyptian Export Councils: Initially, 12 Export Councils (EC's) were established in 1997 to act as coordinating entities representing the stakeholders of each sector of the economy. They are composed of the major players, manufacturers and exporters, of each sector. These councils, which have increased in number to 17 councils, are in charge of achieving the Ministry of Foreign Trade and Industry's export goals. The Minister of Foreign Trade and Industry is submitted Export Council Board Members' recommendations regarding problems and requirement of the export sector domestically and globally.

Egyptian Bank for Export Promotion: established in 1983, the Bank provides export supporting services to Egyptian exporters in different sectors such as: agricultural, industrial, commercial and services. To achieve this aim the Bank provides financial services for export activities as well as to SMEs. The bank has offered 55 loans by the end of 2007 valued at LE 1297 million. In addition, it financed 47 projects in 7 sectors with a total value of LE 98 million.

The General Organization for International Exhibitions and Fairs (GOIEF): established under the auspices of the Ministry of Foreign Trade and Industry in 1956. GOIEF is in charge of identifying international fairs and deciding participation, promoting Egyptian products in international fairs, technology transfer to the manufacturing and services sectors and enhancing cooperation between GOIEF and similar agencies locally and abroad.

Its main services provided include:

- A business centre attending to the needs of business men
- Customs and clearance services provided to enterprises participating in a local or international fair
- A medical centre providing medical services to the members of the enterprises participating in fairs and to visitors
- Providing all necessary equipment and decoration accessories required by firms participating in a fair
- Printing and disseminating brochures covering the activities of GOIEF

The main fairs organized by GOIEF are: Cairo International Fair, Cairo International Book Fair, Tourism and Shopping Fair, International Automobile Fair, International Fair for Textile Industry, International Fair for Medical and Pharmaceutical Products and Small Enterprise Technology Fair.

Export Credit Guarantee Company of Egypt: the Export Credit Guarantee Company of Egypt was established in 1992 by the Egyptian Government for protecting exporters of commodities and services from risk of non-payment. The goal was to encourage and develop Egyptian exports cooperation in promoting the agricultural, industrial, and commercial and service export sectors. The main objectives aimed to achieve:

- Provision of guarantees against commercial risks to exporters, by issuing insurance policies payable to banks and other financing sources
- Provision of reinsurance on all policies issued by the exporter by means of insurance and guarantees agreements concluded by it in the national or international markets
- Participating in or contributing to national or foreign institutions, organizations and companies engaged in similar or complementary activities with the aim of achieving the Company's goals.

The Company's Authorized Capital was set at LE 50 million, and the Issued Capital at LE 10 million distributed over one hundred thousand shares of equal value. The founders that have subscribed to the full Issued Capital are: Export Development Bank of Egypt, National Investment Bank, Misr Insurance Company, Al-Chark Insurance Company, and the Egyptian National Insurance Company.

6. An Overall Evaluation of the Results

- Syria is endowed with a population that has for years been recognized for its craftsmanship and trade skills, two important element in the construct of a competitive economy and export culture.
- It is clear from the forgoing analysis that Syrian traditional exports are neither sustainable nor competitive.
- The value added in exports is low.
- Level of information on market access is very low and individual exporters have to rely on own resources or the help provided by SEBC and few other donor supported programmes.
- The business environment is badly in need of improvement.
- Sector and cluster studies are few and not widely available.
- Current suggestions to enhance exports are much less in scope and sophistication compared to regional comparators.
- There are almost no consortia in the private sector and business coopetition is hardly existent.³⁶
- The institutional support provided to exporters is well below state-of-the-art and much less than that provided by regional comparators.

7. Recommendations

³⁶ Co-opetition or Coopetition is a new word coined to describe cooperative competition. Co-opetition occurs when firms work together for parts of their business where they do not believe they have competitive advantage, and where they believe they can share common costs; example, the cooperation between the two competitors, Peugeot and Toyota, on shared components for a new city car for Europe in 2005. Companies thus save money on shared costs, while remaining strongly competitive in other areas. For coopetition to work, companies need to very clearly define where they are working together, and where they are competing against each other. (Source: Adam Brandenburger and Barry Nalebuff, 1996 Co-opetition: A Revolution Mindset That Combines Competition and Cooperation.)

- **Banking:** The banking sector, which was monopolized until recently by the government, suffers from the fact that private banks are new entrants to the market and public banks are not customer oriented. Public banks need to: modernize their services, better automate operations, increase foreign exchange facilities for trade, and carry out greater coordination with international organizations. On the other hand, private banks are still in the initial stage of development and most of their services do not fully address the trade sector needs. Greater focus must be placed on the needs of SMEs.
- **Trade Legislation:** In spite of recent attempts to modernize trade legislation, complex regulations tend to plague the trade activity—for example, the Companies Law still falls short of best practice.
- **Customs Authority:** suffers from lack of services for trade and servicing mindset; there is a lack of cooperation with the private sector; Customs Law needs to be revised to address: Conflict resolution in trade in a fair manner, and a legal framework for pre and post inspection. Tariff bands need to be reduced and homogenized to reduce distortions and complexity. Customs processes require automation to reduce the time required to process customs clearance documents for imports and exports and more precision in processes is required. Improve data collection and statistical information to speed the implementation of the clearance process. Make applications and forms used by the Customs Authority consistent with international standards. Enhance the quality of human resources at the Customs Authority through selection of qualified people and the provision of training. Improve coordination with stakeholders such as clearing houses and port authorities and companies to support customs clearance. Reduce and streamline processes at customs and remove work-hour limitations and 2-day weekend. Publish legislation in an organized, regular and cohesive manner. Increase participation of private sector in decision making and policy formulation.
- **Transportation:** There is a dire need to improve in the performance of transport services in support of the trade sector.
 - Sea Transport:** Enable direct shipping routes to Syria. Currently there are, there are no direct shipping routes with Arab countries and some of the African countries. Remove the agent monopoly of the General Company for Naval Agencies to enable better performance of shipping agents. Reduce delays at ports as shipping companies place surcharges on shipping to Syria due to port delays.
 - Land Transport:** The Goods Transport Bureau controls the land transport in a manner that weakens the sector. There are no logistical support companies in Syria. Due to lack of awareness, few companies have benefited from Syria entry into the TIR Agreement. There needs to be greater coordination with international organizations. Increase transportation via railway.
 - Air transport:** remove the monopoly on shipping by air which limits shipping to the Syrian Arab Airlines. Ensure that some planes are dedicated for cargo transportation.
 - Ports:** modernize and increase storage capacity of the two ports of Syria, which handle 85% of Syrian shipping, and allow private sector participation in port management.
- **Chambers and Business Associations:** Enhance the capacity of the chambers and business associations to become more effective in the participation in enterprise policy formulation and service provision to members.

- **Upgrading skills:** Syria has to increase and place greater emphasis on upgrading present skill levels (managerial and technical), enhancing technology, innovation and know-how content in production and exports, training (general business skills and specific technical skills), consortia, e-commerce, packaging, supply and value chain management, market access, reducing bureaucracy and establishing proper policy frameworks, providing enterprise and export promotion institutions and programmes, financial guarantees to exporters.
- **Mindset and benchmarking:** Study tours, among other activities, should be conducted for stakeholders to leading export countries such as Turkey, Tunisia, Malaysia, and Ireland among others to facilitate fast learning and first hand experience of best practices. A changed mindset is only the beginning of the export promotion and development process; it is also an important first step. Stakeholders have to witness for themselves the gap between what is being currently done and what needs to be done.
- **Business environment:** There is an urgent need to considerably improve the business environment if exports are to become competitive.
- **Sector and cluster studies:** At least ten sectors should be properly mapped and detailed in terms of competitiveness and supply and value chain.
- **Consortia creation:** Greater Coopetition must be encouraged among business firms.
- **Export promotion legislation:** This has to be revised and export promotion activities have to be greater than those of Lebanon and matching the level of support provided by Tunisia. It is advisable that export promotion efforts have to be modelled based upon regional champions such as Tunisia.
- **Seek donor funds and technical assistance:** The efforts of government should be buttressed by a donor funded programme similar to those availed in other countries such as EJADA of Jordan and the IMP in Egypt or Tunisia.
- **Fund(s) for export promotion:** At least one fund must be established to help provide export guarantees to exporters. SMEs and banks must be provided with the proper training on accessing the services of the fund. It is important that the government provides suitable funding levels for this enterprise in order for it to succeed.
- **Upgrading and modernization of enterprise:** Introduce schemes based on technical diagnostics, followed by upgrading plans that are funded on cost sharing basis between the programme and the recipient enterprise or cluster or consortia. For quick wins, the first year should cluster firms and upgrade them collectively.
- **Linkage programmes:** These programmes should be established locally and with international firms. This will cluster firms locally and across borders, improve cooperation, enhance value chain, further specialize the content of exports, infuse new technologies and managerial skills and enable non-traditional production, among others.
- **Policy support:** Policy support and institutional strengthening should be included as a component in the export promotion drive. Legislation will need to be upgraded and modernized to match the level of legislation in competing countries. This is an on-going process and requires significant technical expertise and world exposure to best practices in enterprise and export legislation.
- **Demand driven training:** Demand driven business, export and vocational training should be provided as a component of the export promotion strategy. The establishment of an EU or US affiliated MBA programme will highly benefit Syrian exporters and enterprises. Centres of excellence will help target the training and make it responsive and immediately relevant.

- **Standards:** Standards must be upgraded to levels commensurate with those of the EU, which is the set of standards that are benchmarked by leading comparator economies (Turkey, Tunisia and Jordan). Twinning arrangements between local standardization entities and the EU should be pursued. This will facilitate certification for the purpose of exporting industrial and agro-foods to the EU.
- **Trade missions:** Matching traders from Syria and other traders across the borders has to be done with focus i.e., through proper research regarding importers and exporters in both countries and their needs. Trade fairs must be funded and so are visits by delegates.³⁷ Syria can take part in international markets of products through a steady effort to introduce Syrian firms in the world marketing chains. Supply chains enforce internal mechanisms and develop chain wide incentives for assuring timely production and delivery. They are based on shared information and reciprocal scheduling, product quality assurances and transaction volume commitments. These elements call for the search of long-term arrangements between Syrian companies and international importers and distribution companies in the EU, US, the GAFTA countries, etc. Quality assurance is a precondition for market presence.³⁸
- **Implement previous recommendations:** An excellent set of recommendations has emerged from the Second Industrial Syrian Conference, which took place in Damascus on 25/5/2008. These recommendations provide a detailed framework for dealing with the hindrances faced by industrialists in Syria. The implementation of some of these recommendations should serve as a starting point for reforming the business environment in Syria; they are, however, limited to fixes; what is needed is benchmarking to achieve competitiveness.
- **Assist EPDC:** Empower and assist the current drive to establish the EPDC. This includes assistance in staffing with the commensurate skills required for implementation of all the above. The assistance may be provided in a four-component IMP that co-locates with the EPDC or in close proximity thereof in order to transfer know-how to local talent and ensure sustainability. The IMP will focus on four core components: technical upgrading, policy and institutional strengthening, financial support to SMEs and exports, and training.

³⁷ See the section on Export promotion Efforts in Tunisia

³⁸ José-María García-Alvarez-Coque, Waficca Hosni, Usaama Saadi, "Opportunities for Syrian fruit and vegetable exports in the EU market: Technical Report," GCP/SYR/006/ITA – Phase II, Food and Agriculture Organization of The United Nations, Damascus, May 2003.

PHASE 2

National Export Strategy

Experts:

**Yusuf Mansur
Lovat Brownlee
Arwa Bchara**

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Executive Summary

The objective of the assignment is to provide the Syrian Government with recommendations to boost the Syrian export performance, enhance export skills, facilitate export trade and assist in increasing the competitiveness of economic sectors in Syria, as the country moves toward an open market economy. In order to achieve the objectives, an Export Development and Promotion Strategy was designed comprising:

Mission Statement: To enhance the competitiveness (percentage of exports to GDP and value added in GDP) of Syrian products.

The Vision/Objectives Statement: Derived from the 10th Five Year Economic Plan, review of research materials and discussions with stakeholders; the Vision calls for achieving sustainable growth, reducing unemployment, decreasing poverty, increasing the contribution of manufacturing industries to the economic growth rate, improving the trade balance to reduce the trade deficit, diversifying product and geographic distribution of exports, increasing value added in the productive sectors, improving services that underpin ability of the economy to export, increasing foreign and domestic private investment in ICT, tourism, transportation, and manufacturing, enhancing the capacity of institutions that deal with trade and competitiveness in order to enable a highly competitive institutional support structure, increasing production and productivity by popularising the use of pertinent modern technologies to develop SMEs, and raising the value added in the agricultural sector by providing it with productivity enhancing technologies and management methodologies to increase participation in economic growth.

The SWOT Analysis: whilst several strengths and opportunities do exist, and significant progress has been made in recent years, the focus has been on addressing the weaknesses and threats/challenges that face Syrian exports, and hence the competitiveness of the Syrian economy. The weaknesses and threats identified can be dealt with through a concerted and properly coordinated effort. The key activities underpinning this effort are outlined in the Strategy.

Activities to Achieve Strategy Objectives: a summary of the envisaged activities is provided in the Activities Implementation Matrix and Action Plan tables below. Note that each activity is cross referenced to the relevant section number. The activities are delineated in greater detail in the body of the strategy document. The strategy document also categorizes activities into two primary categories: Export Development, and Export Promotion. The activities are grouped according to the implementation horizon: short term, medium term, and long term.

The first table presents a listing of the activities detailed above. The first column provides the section number of the activity as it appeared in the previous sections of the document. The second column offers a time frame reference, allocating short, medium, or long term designation to the activity. The third column presents the activities as listed under the main heading in the previous sections.

The activities are then regrouped in the second table in accordance with the time designation allocated. In other words, the same activities are re presented in groups of short, medium and long term implementation timeframes. This is intended to provide the reader with a timetable for selection and implementation of the activities in a user friendly format.

Table 1: Export Development and Promotion Activities

Section No.	Time Frame	Action
4		Export Development and Promotion Activities
4.1		Export Development Activities (EDA)
4.1.1	ST	Technical Support Activity
4.1.2	ST	Policy Support Activities
4.1.3	ST	Export/Competitiveness Development Support Fund
4.2		Export Promotion Activities (EPA)
4.2.1	MT	Creating Awareness of Export Promotion Support
4.2.2	MT	Improved Market Information
4.2.2.1	ST	Access to Information
4.2.2.2	ST	Trade Information Dissemination
4.2.3	ST	Linkages & Associations
4.2.3.1	MT	Linkages
4.2.3.2	ST	Associations
4.2.4	ST	International Trade Fairs
4.2.5	LT	Product Branding, Design and Packaging
4.2.6	ST	Direct Export Support Mechanisms
4.3		Training Activities
4.3.1	ST	Training Needs Assessment of the Training Services Providers in Syria:
4.3.2	MT	Centers of Excellence:
4.3.3		Recommended Training Areas:
4.3.3.1	ST	Training for Companies
4.3.3.2	ST	Training for Stakeholder and Business Association Staff
4.4		Export Promotion Financial Support Activity
4.4.1	ST	Export Guarantee Scheme (EGS)
4.4.2	ST	Export Promotion Funds

Table 2: Export Development and Promotion Activities Grouped According to Time Designation

Section No.	Time Frame	Action
4.1.1	ST	Technical Support Activity
4.1.2	ST	Policy Support Activities
4.1.3	ST	Export/Competitiveness Development Support Fund
4.2.2.1	ST	Access to Information
4.2.2.2	ST	Trade Information Dissemination
4.2.3.2	ST	Associations
4.2.4	ST	International Trade Fairs
4.2.6	ST	Direct Export Support Mechanisms
4.3.1	ST	Training Needs Assessment of the Training Services Providers in Syria:
4.3.3.1	ST	Training for Companies
4.3.3.2	ST	Training for Stakeholder and Business Association Staff
4.4.1	ST	Export Guarantee Scheme (EGS)
4.4.2	ST	Export Promotion Funds
4.2.1	MT	Creating Awareness of Export Promotion Support
4.2.2	MT	Improved Market Information
4.3.2	MT	Centers of Excellence
4.2.5	LT	Product Branding, Design and Packaging

Introduction

Among the inherent challenges of the reform of the Syrian economy is to establish a business friendly legislative environment. Addressing this, among other challenges, must be conducted within a framework that aims to enhance the competitiveness of the Syrian economy, hence the percentage of exports in the GDP.

The creation of an Export Development and Promotion Strategy is, therefore, warranted. It is an involved process that requires not only the provision of data and mapping of the inputs but also the outputs. This is usually conducted within a framework that investigates strengths and weaknesses, and ensuing opportunities and threats.

Strategy related analysis must not be focused upon reform and improvement, not simply for the sake of improvement, but in order to achieve regional and global competitiveness. The opportunities are realized through implementable strategic actions and interventions. Threats that may emerge from existing weaknesses are avoided through strategic actions aimed at ameliorating possible adverse consequences.

Mapping and benchmarking the inputs and outputs through a SWOT framework (strengths, weaknesses, opportunities and threats) is only a first step in the design of any strategy. The second, and possibly more vital, step is the involvement of the stakeholders and the subsequent consensus building process.

Clear, doable and coherent implementation plans should emerge from the whole process (phases I and II). The Strategy, formulated in Phase II will involve policies, institutions and processes (PIP). The policies will guide the Export Development and Promotion Strategy. A policy statement or set of policy statements will properly frame the mission statement of the Strategy. However, the discussions and decisions that will take place in Phase II will design the vision and mission and all the necessary implementation steps and guidelines.

As a result, SEBC/SSP in co-operation with the Syrian Government has launched an assignment to create an Overall Export Strategy for Syria, this assignment has been split into two phases: Phase I: An Analysis of the existing situation and identification of main components; Phase II: Design a strategy to promote and develop Syrian exports. Phase I of the strategy formulation has been completed in AWP 2, which aimed to launch Phase II, the Development of an Export Promotion and Development Strategy.

Global objective

The global objective of the assignment is to provide the Syrian Government with recommendations to boost the Syrian export performance, enhance export skills, facilitate export trade and assist in increasing the competitiveness of economic sectors in Syria, as the country moves toward an open market economy.

Specific objectives

Develop and propose a strategy that can be adopted by the Government as an overall and comprehensive policy for the development and promotion of Syrian exports.

Requested Services from the Expert

The objectives of the assignment will be achieved through the following activities:

1. Review report from Phase I and/or other statistical data produced by the Syrian Government, SEBC and others (including existing & planned trade agreements)

2. Meet relevant governmental officials, key players in the Syrian economy, experts, enterprise representatives and stakeholders, to present findings (workshop to be scheduled by SEBC/SSP).
3. Prepare an overview of export and import and prepare a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis to identify major constraints and identify potential opportunities as background to be addresses in the proposed strategy.
4. Identify mechanisms to enhance the export environment in Syria, the role of the government, support institutions and private sector enterprises.
5. Further assess elements for industrial competitiveness for strategic development & provide recommendations.
6. To ensure a comprehensive coverage of the subject, the consultants should use their professional skills and expertise to utilize other resources and activities as necessary.
7. Develop and propose Export Development and Promotion Strategy for Syria.

The consultants were to provide the following outputs:

1. Based on the analysis of all findings and the consultants professional skills and expertise, develop and propose a strategy that can be adopted by the Government as an overall comprehensive policy for the development of Syrian export.
2. Identify further important areas for strategic development to satisfy a comprehensively developed export strategy meeting international best practice.
3. Provide an implementation matrix
4. Prepare a Power Point Presentation (PPP) for a group of key stakeholders.

The assignment is carried out by a team of experts – Economist/International Trade Expert (Yusuf Mansur)/Team Leader, Export Specialist (Lovat Brownlee) and one junior Local Expert (Arwa Bchara) who will act as an assistant to the team in scheduling appointments, gathering data, etc. All required documentation and/or reports are the responsibility of the international experts.

Methodology

Starting period: The assignment started on 30 August 2009. One international expert who was supposed to join the team on the starting date withdrew from the mission. However, the tasks and responsibilities were reallocated among the other two international experts with the approval of SEBC and the EC-Syria.

Duration The assignment was concluded in four missions, and it was scheduled to be completed by December 2009.

Planning: The assignment was structured over the following missions

1st Mission:

- Briefing about the mission at SEBC was conducted by Maya Ramli on 30 August 2009 and Mr. Poul Gaddegard, SSP Team Leader on 31 August
- The experts commenced desk and field research, an activity which continued into the second mission, among other undertakings
- Presentation of this Inception Report on the 5th working day

- Presentation to SEBC Executives was made
- A round table meeting was held where the experts presented a framework of the proposed strategy

2nd Mission:

- Continued mission considering recommendations from round table meeting
- Arranged and conducted a series of meetings to generate feedback and new inputs regarding strategy
- Completed first draft of the Strategy

3rd Mission:

- Continued to draft the Strategy with the benefit of new feedback and inputs
- Just over half way through the 2nd mission, the Experts delivered a presentation to SEBC executives outlining structure and expected outcome
- Considered feedback from the SEBC presentation and discussion
- Held coordination meetings with key mission experts conducting relevant, parallel missions
- Completed the findings, analysis and first version of the Export Strategy
- Presented the Final Draft and PowerPoint presentation

4th Mission:

- Continued mission to achieve the objectives and include revisions
- Presented the Export Strategy (final findings & an implementation matrix) as a Power Point Presentation (PPP) at a conference/workshop and received comments and partook in discussions.
- After the conference/workshop the Experts considered and incorporated agreed comments in the Final Report
- Presented Final Report to SEBC in two forms, a copy for internal purposes and the actual export strategy document that is user friendly and publishable to be used to drive future export promotion and development

Activities Undertaken

The Consultants conducted the following activities:

1. Met with the stakeholders: In addition to the parties met in Phase I, where pertinent feedback was received and documented, the consultants met with the following to further develop stakeholder participation in the formulation of the strategy.

Meetings Table

No.	Name	Organization	Telephone and Address	Time and Date
1.	Maya Ramli Business Development Consultant	SEBC	6133864	11:00 AM 30/08/2009
2.	Tamer Abadi Institutional Development Consultant	SEBC	6133864	2:00 PM 30/08/2009
3.	Poul Gadegaard Team Leader SME Support Programme	SEBC	6133864	10:00 AM 31/08/2009
4.	Bassel Ketabi Senior Export Promotion and Development Consultant	SEBC- Export Development and Promotion Program	6133864	11:00 am 31/08/2009
5.	Hisham Khayat Business Development Consultant - Manager	SEBC- Business Incubator	6113232	2:00 pm 31/08/2009

6.	Redwan Al Mourabet General Manager	Chamber of Industry	4424173 Harikah Square – Damascus	10:00 am 1/9/2009
7.	Hussam Al Yousef General Manager- Vice Chairman	Export Promotion and Development Agency	2242870 Marjeh, Damascus,	12:00pm 1/9/2009
8.	Mohammad Saleh Alrefai Deputy Manager	Export Promotion and Development Agency	2242870 Marjeh, Damascus	12:00pm 1/9/2009
9.	Feras Sheshakli General Manager	Federation of Syrian Chambers of Commerce	3337344 Opposite to Dedeman Hotel - Damascus	10:00 am 2/9/2009
10.	Dr. Ghassan Qalla'a President	Damascus Chamber of Commerce	9935 Harikah Square – Damascus	11:00 am 3/9/2009
11.	Dr. Rateb Al Shallah Chairman	Damascus Security Exchange	4414005 Damascus- Malki – Opposite Vatican Embassy	9:15 am 7/9/2009
12.	Dr. Haytham Al Yafi	Madar Co.	094 4284868 Damascus-Dara'a Rd	12:00 pm 7/9/2009
13.	Mohammad Daaboul Chairman	Daaboul Industrial Group	6712311 Damascus- Dara'a Road	1:15 pm 7/9/2009
14.	Mr. Imad Rahawanji	Rahawanji Co.	6411414 Al Sayida Zaynab	12:00 pm 8/9/2009
15.	Mr. Khaled Salloutah Assistant Minister of Economy and Trade	Ministry of Economy	2323389 Al Muhandeseen Bldg	11:00 am 9/9/2009
16.	Mr. Bassel Hamwi General Manager	Modern Machines Center	3038 Sehnaya	1:30 pm 9/9/2009
17.	Adnan Al Nen President of Chamber of Damascus Countryside Province – General Manager of Al Durra Food Products	Al Durra Food Products	5216888 Baghdad Street	12:00 pm 10/9/2009
18.	Bashir Al Bali Marketing and Sales Manager	Al Samah Co.	4476682 Azbakeih Street	2:00 pm 10/9/2009
19.	Firyal Kherbek Business Development Consultant	SEBC	6133864	11:00 AM 13/9/2009
20.	Nadia Khiyami National Competitiveness Observatory	SEBC	6133865	12:00 pm 13/9/2009
21.	Eng. Khaled Ali Abdulmajeed Technical Director Head of Standardization TFG	SASMO	4529825 Harasta Road – Opposite to oxygen Factory	9:30 am 28/9/2009
22.	Nedal Mashfej General manager	Syrian Tourism Company	2315635 Al Muhafaza Square	12:00 pm 28/9/2009
23.	Wael Yaqoubi General Manager	Yakoubi Expo Shipping and Cargo	944216009 Al Thawara Street	3:30 pm 28/9/2009
24.	Fouad Lahham National Project Director	UNIDO	3319501 Arnous Square	9:00 am 5/10/2009
25.	Waed Marouf Customs Officer	Customs Authority	933200317	1:00 pm 8/10/2009
26.	Maurizio Zincone Customs Expert	TEP/ SEBC	940852689	1:00 pm 8/10/2009

27	Khawla Konyna Project Export Promotion of Innovation and Technology for SME	GTZ	3348178 Abu Romane, Mahde Bin Barake str. 26	12:00 pm 20/10/2009
28	Ghania Haj Ali Office Manager	Arab Union for Exporters and Importers	Zamalkah	10:00 am 26/10/2009
29	Nuhad Dimashkiyyah Senior Expert in Trade and Industry Policy Reform and WTO pre- Accession Phase 1	UNDP	2235571 MazzeH Western Villas	10:00 am 27/10/2009
30	Philippe Amer Chite Export promotion and Development Consultant	SEBC Aleppo	5722050 AlHamadanieh Area Aleppo	12 pm 4 Nov 2009
31	Ousama Khoja Managing Director	Green Leaves Agro Products Trading Co.	21274490 PO Box 5446 Aleppo	1 pm 4 Nov 2009
32	Said Maktabi Production Manager	AIDiar Knitted Fabrics	5124200 Khan El Asal Aleppo	3pm 4 Nov 2009
33	Khaldoun Azrak Manager	Aleppo Chamber of Commerce	2282169 PO Box 1261 Aleppo	11 am 5 Nov 2009
34	Dr Hasan Ahmed Zeido President	Aleppo Chamber of Commerce	2233501 PO Box 5306 Aleppo	12 pm 5 Nov 2009
35	Ahmad Akhtarini General Manager	Aleppo Chamber of Industry	3620600 PO Box 1859 Aleppo	1 pm 5 Nov 2009
36	Dr Sabbagh Sharabati Chairman	Aleppo Chamber of Industry	3620600 PO Box 1859 Aleppo	2 pm 5 Nov 2009
37	Mohammed Sarmini Board Member	Aleppo Chamber of Industry	3620600 PO Box 1859 Aleppo	2 pm 5 Nov 2009
38	Hasan Badinjki Board Member	Aleppo Chamber of Industry	3620600 PO Box 1859 Aleppo	2 pm 5 Nov 2009
39	George Catinis Aleppo Director	SEBC Aleppo	5722050 Al-Hamadanieh Area Aleppo	4 pm 5 Nov 2009

2. Moreover, the Team attended several events, including The Syrian Textile Strategy launch by UNIDO, Public Private Partnership, and Syrian Agricultural Products Exporters Association (SAPEA).
3. Reviewed an extensive range of research and documents including: Phase I Report; the 10th 5-Year Syrian Economic Reform Plan, and other pertinent documents.
4. Discussed the various aspects of the assignment with other SEBC project leaders and experts in order to ensure harmonization and synergistic outcomes.
5. Conducted benchmarking research with other countries and updated the Phase I Report where relevant.

The Export Development and Promotion Strategy

The Strategy, designed following widely used strategy models, is delineated in five components:

1. Mission Statement
2. Vision/Objectives Statement
3. SWOT Analysis
4. Activities to Achieve Strategy Objectives
5. Activities Implementation Matrix and Action Plan

The strategy components are presented below in the same order as above.

1. Mission Statement

To enhance the competitiveness (percentage of exports to GDP and value added in GDP) of Syrian products.

2. Vision/Objectives Statement

The following Vision/Objectives of the Export Development and Promotion Strategy are primarily based on the 10th Five Year Economic Plan, and discussions of the experts with stakeholders:

- Achieve sustainable 7% real growth rate for the next five years
- Lower the unemployment rate to 8%
- Decrease the poverty rate to approx. 7%
- Increase the contribution of manufacturing industries to the economic growth rate
- Improve the trade balance to reduce the trade deficit in line with the 10th Five Year Economic Plan
- Diversify product and geographic distribution of exports
- Increase value added in the manufacturing sectors, and, thus, enhance the overall competitiveness of the Syrian economy.
- Improve services that underpin ability of the economy to export – particularly value added products, goods and services
- Increase foreign and domestic private investment in ICT, Tourism, Transportation, and Manufacturing
- Enhance the capacity (in terms of policies, processes, technical and administrative skills) of institutions (government and business representative organizations) that deal with trade and competitiveness in order to enable a highly competitive institutional support structure
- Enhance production and productivity, by popularising the use of pertinent modern technologies to develop SMEs
- In light of the shrinking land size and water resources, increase the value added in the agricultural sector by providing it with productivity enhancing technologies and management methodologies to increase participation in economic growth.

Given the mandate of the Assignment, these objectives are primarily derived from the 10th Five Year Economic Plan, which spans the period 2005-2010. The 11th Five Year Economic Plan (2010-2015) is currently being developed, which activity will extend beyond the date of conclusion of the Assignment. However, since some of the objectives of the 10th Five Year Economic Plan have yet to be achieved, it is most likely that a similar set of objectives would be delineated in the forthcoming plan and exports will assume an even higher priority. Further, based upon stakeholder feedback, the above list of objectives are non-controversial and consistent with the general frameworks underscored in best-practice export development and promotion strategies.

One theme throughout the strategy is to utilize focused assistance to firms and clusters instead of blanket subsidies. This approach is far more effective and requires more work and expertise; on the other hand it minimizes waste and enhances competitiveness more effectively.

A dominant, albeit errant, viewpoint is that to develop the economy, the government must pick winning economic sectors and direct its resources and assistance solely at them. The logic behind this approach is as follows: to enhance and develop the competitiveness of an economy, the government cannot rally round every sector but must bind the scope of its assistance to the winning or promising sectors and provide levels of support to them.

The current scheme of thought believes in a Syrian advantage in some sectors and claims that these sectors should be the center of attention. The advantage is never really explained but passed over with little justification. However, such a judgment is based on the fact that these sectors are perceived to be exporters because of a few winning firms in these sectors that have acquired the skills necessary to compete at home and abroad. The winners, however, are not all the firms in the sector. Some firms are incompetent and cannot stand the test of competition.

Once a sector has been selected as a primary engine for growth, the government, given that it places the interest of the economy on the top of its agenda, and proceeds to do the following: first, it announces that these sectors are winners; that it will invest its resources to help them develop; and that it will only help those sectors. Meanwhile, the announcement that some sectors are winners leads immediately to considering the other sectors as losers, which may not be the case; thus forbidding good viable firms in the “losing” sectors from access to deserved investments. Second, private sector resources are also diverted from the all sectors to the “winning” sectors because of the announcement that the government will support the winners, leading the high cost producers in the chosen sectors to access funds they would not have accessed otherwise. Also, investors would shy away from investing in sectors not selected by the government. Good firms in all sectors who have done everything right would, thus, be strapped for investment. All are examples of what is known to economists as adverse selection, a real market breaker.

So the correct approach is to focus the assistance on products and aim at enhancing their competitiveness based on a diagnostic exercise or analysis of the firm that establishes its potential. This is the approach underscored in this analysis.

3. The SWOT Analysis: Strengths, Weaknesses, Opportunities and Threats/Challenges

The following analysis of Strengths, Weaknesses, Opportunities and Threats is based on the first phase (Phase I) of the project; where appropriate, information and data were updated during Phase II by the Consultants.

Strengths

The strengths are primarily nascent since most of the economic reforms actually occurred in recent years. Economic impact, which would normally take several years to manifest, has not become fully apparent. Furthermore, some of the strengths stated will also appear as weaknesses because the full potential of these factors or actions has not been fully realized yet.

- Syria has been a full member of the Greater Arab free Trade Area (GAFTA) since 1997.
- Syria has successfully negotiated and initialled a Syria-EU Association Agreement, which is currently being reviewed.
- In late 2001, Syria submitted a request to the World Trade Organization to begin the accession process, negotiations are underway
- Syria also signed a free trade agreement with Turkey which went into force at the beginning of 2007
- Syria established the Export Development and Promotion Agency toward the end of 2008. An outline EDPA Business plan has been prepared and the EDPA is also planning to establish a Market Information Point at the Fairground.
- Reforms have improved export diversification in terms of the source (more private sector than public sector participation in exports) and the quality of exports as non-oil exports grew to 76.3% of total exports, compared with 59.6% in 2006 and 29.9% in 2002. The share of the public sector in exports only rose by 6% in 2006 compared to an overall rise in exports of 22% and its imports decreased by 58% while overall imports grew by 30%.
- Machinery exports grew from SYP 3 billion in 2003 to SYP23.3 billion in 2006.

- Textile and garment exports grew from SYP 26 billion in 2005 to SYP 87 billion in 2006, an increase of 232%.
- Syria, while currently witnessing a rising trade deficit with the world, is enjoying a trade surplus with the EU and GAFTA member countries.
- Some specific information for businesses can be found on-line, albeit on different portals.
- Syria has a comparative advantage in arable land and fresh water compared to all other MENA countries aside from Turkey and therefore is expected to be a net exporter of agricultural goods to all these countries.
- Syria has two nascent industries that can prove to have significant potential, the garment industry and the food manufacturing industry.
- Damascene silk was known throughout history as a quality product and Syria produces high quality cotton.
- Syrian crafts, such as furniture, already have an established name and are coveted by households in the Arab world.
- Syria is renowned for its refined gourmet taste and crafts people.
- Syria is already an exporter of food stuffs and there are some very successful exporters leveraging Syrian food and taste reputation.
- Syria is famous for fruits and vegetables and is most likely the only country in the region that has made an industry of sugar glazed fruits.
- Few manufacturers, primarily through individual efforts, have been able to export their products abroad such as Muhanna Sweets and Ghrawi; however, performance is well below potential.
- Enterprise development strategies, including sector strategies, are under elaboration.
- The SEBC, supported by EU funding, is taking the lead in enterprise policy implementation and in supporting SMEs. It is active mainly in upgrading, training and export promotion.
- Trade Enhancement Program (TEP) was recently established with EU funding and should be able to provide technical assistance and support to traders.
- A strategy for the simplification of legislation and administrative procedures is currently under elaboration. The Ministry of Economy is entrusted with simplifying the legislation and administrative procedures.
- A Credit Guarantee Scheme is under preparation, with assistance from KfW; the stakeholders are the Central Bank of Syria, private and public banks, the Ministry of Finance. The scheme will be funded by the Ministry of Finance and Banks.
- A Product Map is in place: The Product Market Analysis Portal, or Product Map, consists of 72 web-based portals, each focusing on a particular industry and presenting extensive international trade data and market analysis tools specifically designed for organizations active in international trade.
- A Trade Map: provides on-line access to the world's largest trade database and presents indicators on export performance, international demand, alternative markets, and the role of competitors from both the product and country perspective. It operates in a web-based interactive environment and covers the trade flows (values, quantities, trends, market share, and unit values, both in graphic and tabular format) of over 220 countries and territories and 5,300. Features include: Analysis of present export markets, Pre-selection of priority markets, Overview of competitors in global and specific markets, Review of opportunities for product diversification in a specific market, Identification of existing and potential bilateral trade with any partner country, Information on tariffs and non-tariff barriers.
- Significant efforts have been made to select and attend international trade fairs. A number of companies have gained significantly through attendance. There is overall consensus that, in the future, Trade Fairs carefully selected for their market and geographic relevance, should be a major tool to 'showcase' Syria's companies and export products.
- Across a number of agencies and stakeholders, there is a growing focus on sectors facilitating export support, open to all companies operating in that sector. This will become increasingly important to ensure support such as market information, advice on product standards, identification of key customer groups, and 'routes to market' can be customised to the specific requirements of each sector.

- An incubator unit has been established under SEBC. Through experience, the operating model for this unit has evolved and now offers an effective approach to providing a package of support to 'start up' companies. Practical incubation support will be important in the future not only to support start up's, but to tailor support to young companies with the potential to export.
- Progress has been made in providing a wide range of technical/management training.
- Through SEBC and other agencies/stakeholders, a 'pool' of qualified Business Advisors is beginning to emerge. Again, this is encouraging as access to professional business advisors can offer a current or potential exporter real impact in terms of accelerating export growth

Weaknesses

The list of weaknesses is long. However, the weaknesses are being addressed in various degrees through the different government and donor efforts. Significant progress has been made through these efforts. The list of weaknesses below, as in all strategy design exercises, underscores gaps and deficiencies that need to be addressed to achieve the strategic objectives of Syria in developing its export sector.

- Economic growth suffers from severe fluctuations, affected, and at times accentuated beyond the normal business cycle gyrations.
- Syria is considered among the most restrictive economies in MENA in terms of trade. Customs Authority: suffers from lack of services for trade and servicing mindset; there is a lack of cooperation with the private sector.
- Oil exports comprise the largest component (36%) of Syrian exports.
- The bulk of Syrian merchandise imports (US\$10.325 bn in 2006) have been in machinery and transport equipment, electric power machinery, food and livestock, metal and metal products, chemicals and chemical products, plastics, yarn, and paper.
- Major merchandise exports (US\$7.205 bn in 2006) include crude oil, petroleum products, fruits and vegetables, cotton fibre, clothing, meat and live animals, and wheat. However, Syria receives 14bn cu metres of water per year from natural resources but the country's total demand and usage is 16bn cu metres. Agriculture uses more than 85% of the total.
- The private manufacturing sector never really took off as a competitive export sector and a contributor to growth and development (70% of public manufacturing is focused on oil refining)
- Geographic and commodity concentration of Syrian exports are a strong indication of the lack of diversification of Syria's exports.
- Manufacturing contributes only an estimated 5-7% to GDP, which is relatively low when compared to other countries in the Middle East and North Africa region.
- Syria is the highest among comparator economies in the raw material content in exports.
- Syria has a significant informal sector, which is ranked among the highest in the region.
- Syrian exports are the lowest in terms of benefiting from scale economies, which indicates that the cost of production is not competitive due to the size of firms being small—diseconomies of scale.
- Also, Syria is not competitive in traditional industries.
- Syrian industrial exports are lowest in terms of specialized industrial content.
- Syria is the lowest among comparators in terms of high tech exports.
- Growth in non-oil exports did not keep pace with that of the rest of world. The non-oil exports share has declined over the past thirty years from 0.05% to 0.02% of world non-oil exports indicating.
- Once oil is excluded from exports, the GAFTA countries become Syria's largest export destination (55% of non-oil exports) with 80% of non-oil exports to GAFTA being agricultural products.
- There are no direct shipping routes with Arab countries and some of the African countries.

- The agent monopoly of the General Company for Naval Agencies increases costs for traders.
- Delays at ports cause shipping companies to place surcharges on shipping to Syria due to port delays.
- Syria also suffers from a relatively small endowment comparative disadvantage in R&D compared to Egypt and Turkey and can become a net importer of high-tech goods from these countries.
- Without proper financing entrepreneurs wishing to export their products face disadvantages relative to their counterparts in other countries.
- In terms of product 'finishing', branding, design and presentation, there is a need for improvement to reach standards expected by EU and other markets.
- In terms of the business environment, which is necessary for export development, significant improvements are needed in several categories in the Doing Business Report 2010: "Enforcing Contracts" (171), "Starting a Business" (169), "Getting Credit" (158), and "Employing Workers" (126). Both the "Starting a Business" and "Employing Workers" categories have seen the most regress in terms of rank. Further, the rank of Syria in all categories needs to improve considerably as it is ranked in the last quintile of countries in terms of the ease of the business environment.
- Syria's capital endowment is low; it is expected to be a net importer of capital intensive goods.
- The idea of establishing consortia among producers whether in exports or imports seems also novel and non-existent.
- Success stories in the craft industry are individual and sporadic.
- There is no full-fledged enterprise policy in place. Responsibilities over broad private sector development are dispersed among many agencies.
- Several institutions are simultaneously responsible for different areas of enterprise policy elaboration, which does not encourage responsibility for such a policy.
- Several institutions are simultaneously responsible for administrative simplification.
- There is no innovation strategy in Syria. Recently, there has been an initiative to establish a centre for the transfer of innovation funded by the EU.
- There is no strategy in Syria to create a wide range of Euro-Med inter-firm clusters and networks covering a wide range of sectors, including internal market, and making full use of virtual networking.
- No government or donor financed schemes in place to promote linkages between Euro-Med enterprises.
- Information is not systematically collected, handled and analysed and it is sporadically disseminated, with inconsistencies among different ministries.
- Limited information about enterprises and business is available online at the websites of ministries, and chambers of commerce and industry.

Opportunities

The Opportunities listed herein are strategic suggestions for complementary and support activities that address the Weaknesses and build upon the current strengths and significant progress achieved in recent years. However, these do not undermine or derogate the comparative advantages of Syria that arise from the availability of land, strategic location, wealth of history and culture, tourism potential, and long established tradition for crafts and skills for which Syria has an undeniable and justifiable reputation throughout the ages.

It is important to note that competitiveness arises from continuous improvement and upgrading of skills and resources in order to achieve competitive advantages. A high and rising standard of living for all the nation's citizens can be sustained only by continual improvements in productivity, either through achieving higher productivity in existing businesses or through successful entry into higher productivity businesses. Hence, the following list of opportunities also incorporates several strategic interventions to enhance the productivity of national resources.

- Currently there is an effort to devise an export promotion and development strategy

- There is an urgent need to empower and assist the current drive to enhance the capacity of EDPA to achieve its full potential.
- Direct shipping routes to Syria are beginning to emerge which will further reduce the cost of shipping to and from Syria and enable expanded trade flows.
- In terms of land transport there are efforts aimed at greater coordination with international organizations such as TIR and increased transportation via railway.
- Remove the monopoly on shipping by air which limits shipping to the Syrian Arab Airlines.
- Ensure that some planes are dedicated for cargo transportation.
- Modernize and increase storage capacity of the two ports of Syria, which handle 85% of Syrian shipping, and allow private sector participation in port management.
- Enhance the capacity of the chambers and business associations to become more effective participants in enterprise policy formulation and service provision to members is being recognized and several programmes are underway to upgrade such services.
- There is recognition that Syria has to increase and place greater emphasis on the upgrading of present skill levels (managerial and technical), enhancing technology, innovation and know-how content in production and exports, training (general business skills and specific technical skills), build wide inter and intra industry consortia networks, e-commerce, packaging, supply and value chain management, market access, reducing bureaucracy and establishing proper policy frameworks, providing enterprise and export promotion institutions and programmes, financial guarantees to exporters.
- Export promotion legislation has been introduced in 2009,
- Export promotion activities have to be greater than those of Tunisia, the topmost regional promoter of non-oil exports.
- Donor funds and technical assistance are being utilized and are, to a degree, coordinated to avoid duplication.
- A fund for export promotion has been established, however, additional funds need to come into play with greater focus on upgrading, market access activities and export guarantees to exporters. SMEs and banks must be provided with the proper training on accessing the services of the fund. It is important that the government provides suitable funding levels for this enterprise in order for it to succeed.
- Upgrading and modernization of enterprise: Introduce schemes based on technical diagnostics, followed by upgrading plans that are funded on cost sharing basis between the programme and the recipient enterprise or cluster or consortia. For quick wins, the first year of implementation should cluster firms in groups of five to ten firms and upgrade them collectively.
- Linkage programmes: These programmes should be established locally and with international firms. This will cluster firms locally and across borders, improve cooperation, enhance value chains, further specialize the content of exports, infuse new technologies and managerial skills and enable non-traditional production, among others.
- Policy support: Policy support and institutional strengthening should be included as a component in the export promotion drive. Legislation will need to be upgraded and modernized to match the level of legislation in competing countries. This is an on-going process and requires significant technical expertise and world exposure to best practices in enterprise and export legislation.
- Demand driven training: Demand driven business, export and vocational training should be provided as a component of the export promotion strategy. The establishment of an EU or US affiliated MBA programme will highly benefit Syrian exporters and enterprises. Centres of excellence will help target the training and make it responsive and immediately relevant.
- Standards must be upgraded to levels commensurate with those of the EU, which is the set of standards that are benchmarked by leading comparator economies (Turkey, Tunisia and Jordan). Twinning arrangements between local standardization entities and the EU should be pursued. This will facilitate certification for the purpose of exporting industrial and agro-foods to the EU. Quality assurance is a precondition for access and continued presence in developed markets.
- Matching traders from Syria and other traders across the borders has to be done with focus i.e., through proper research regarding importers and exporters in both countries

and their needs. Trade fairs must be funded, as should visits by delegates. Syria can take part in international markets of products through a steady effort to introduce Syrian firms in the world marketing chains. Supply chains enforce internal mechanisms and develop chain wide incentives for assuring timely production and delivery. They are based on shared information and reciprocal scheduling, product quality assurances and transaction volume commitments. These elements call for the search of long-term arrangements between Syrian companies and international importers and distribution companies in the EU, US, the GAFTA countries, etc.

Threats

The threats facing Syrian exports are also strategic in that they can be mitigated if the proper measures are adopted in a timely manner. Beyond regional instabilities, all other threats are controllable through reform and a focused approach on improving products and productivity throughout the value chain (includes transport, business environment, product upgrading, packaging, institutional, and policy strengthening in light of international best practice).

Those threats that can arise from internal factors should be dealt with as part of the Export Strategy. In the action plan, specific recommendations are made regarding these threats.

- Syria can no longer rely on oil exports as reserves are dwindling and are soon coming to an end, the oil trade deficit reached 3.5% of the GDP in 2007
- Agriculture, unless used in manufactured agriculture goods with a high value-added orientation will not be a reliable source of income, furthermore it will shrink as a source of employment to 40% of the labour force
- Economic growth suffers from severe fluctuations affected which are, at times, accentuated beyond normal business cycle gyrations by external factors such as the political upheavals of the region, climatic changes, internal policies related to the business environment and the relatively small share of the private sector in the GDP (on average private sector contributes about 50% of the GDP)
- Among Syria's foremost challenges is the rate of growth of the labour force (4.4%), which far exceeds that of the population (2.5%).
- Syria has a young population where the literacy rate is relatively high (81%), and grows at a rate of 2.6% (2006); thus surpassing the growth rate of the population.
- There is a need to maintain sustainable high growth rates of the per capita GDP. The per capita growth rate of the GDP over the last 20 years has fallen from a high of 3% during 1986-96 to a low of 0.6% during 1996-06.
- The Goods Transport Bureau controls the land transport sector in a monopolistic manner that weakens the sector.
- There is an extremely limited number of logistical support companies (and none that are state-of-the-art) in Syria.
- Due to lack of awareness, few companies have benefited from Syria's entry into the TIR Agreement.
- Public banks need to modernize their services, better automate operations, increase foreign exchange facilities for trade, and carry out greater coordination with international organizations.
- Private banks are still in the initial stage of development and most of their services do not fully address the trade sector needs. Greater focus must be placed on the needs of SMEs. Unless banks achieve full capacity they may lag behind industrial development and become a hindrance
- In spite of recent attempts to modernize trade legislation, complex regulations tend to plague the trade activity—for example, the Companies Law still falls short of best practice.
- Improve Customs procedures, processes and regulations in order to facilitate trade (exports and imports, the latter is significant for the manufacturing industry as it would require imported inputs, capital goods to be able to compete domestically and abroad). Otherwise Customs may become a bottleneck to the development of trade.

- Transportation: There is a dire need to improve the performance of transport services in support of the trade sector and reduce any monopolistic practices, which threaten efficiency and competitiveness.
- Hurdles to enterprises must be removed and support, similar to that provided by the star exporters in the region, must be availed at the enterprise, sector and consortia level. As a rule, the more specific and targeted the delivery, the greater the direct benefit of the intervention. There is a threat that blanket subsidies may lead to significant waste of resources and deter further involvement of the government in developing and upgrading export related activities.

4. Export Development and Promotion Activities

Based on the above, the Phase II Team devised the following activities to achieve the objectives of the Export Strategy. Please note that the activities and the Implementation Matrix/Action Plan do not allocate the responsible or implementing parties. It is left to the stakeholders to fill the gaps and choose, preferably within a well coordinated mechanism, how to coordinate the activities among themselves.

In light of the various activities being undertaken by several parties including donor agencies and projects that are starting out under the umbrella of SEBC, and others; donor community and emerging programmes can use this strategy as a roadmap of the activities to include within their mandate, preferably in a well coordinated framework. The Activities and Action Plan provide a straight forward prescription to achieve Syrian potential in terms of exports, given as a benchmark the status quo of export promotion and development efforts in Syria.

In order to maintain coherence, activities are clustered under two main categories: Export Development Activities; and Export Promotion Activities. Under the Export Development Activities category, all activities pertaining to developing enterprises to levels that enable them to export are clustered; similarly for the Export Promotion Activities category.

The approach is consistent with the commonly recognized view that firms have to be upgraded and developed before they can become exporters; therefore, a set of activities that enhances their overall competitiveness is warranted. On the other hand, once the products of the firms are upgraded and enhanced, export promotional support activities enables them to effectively enter and compete in international markets.

The following section starts with the Export Development Activities category, followed by Export Promotion Activities.

4.1 Export Development Activities

This section in its entirety is devoted to activities that focus on developing products and enabling competitiveness. The improvements suggested herein relate to products, companies, clusters and support institutions—public and private sectors.

4.1.1. Technical Support Activity (TSA):

- Conduct sector/cluster based analysis and evaluate enterprise based support for product upgrading and modernization. At least ten sectors should be properly mapped and detailed in terms of competitiveness and supply and value chain. The following list of sectors is a suggested list; it is by no mean exhaustive. For greater emphasis, the list is neither exhaustive nor mandatory; however, it is produced herein to demonstrate the level of specificity that cluster studies need to go into. As a general rule, the more general the cluster the less useful the study becomes.
 - Engineering services, project management, consulting
 - Pasta manufacturing,
 - Oriental pastry and sweets,
 - Confectionary
 - Herbs
 - Extra virgin olive, organic and biodynamic

- Garment and Textile: casual-wear, children wear, jeans, stockings, corsetry, professional clothing, sportswear, labels and accessories
 - ITC: ERP, web design, CRM, software development and maintenance, infrastructures, networks and security remote management.
 - Furniture and handicrafts: Interior furniture, haberdashery, garden items, inlay and carved wood furniture
 - Leather & shoes: Finished shoes and leather wear
- Conduct diagnostics on firms across sectors to determine needs for assistance based on products, not firms or sectors. This will also entail support based on diagnostics in order to better target funds to where they will generate the greatest benefit and value added instead of flat across the board subsidies.
 - Provide, among other things, assistance to firms in terms of software development and procurement, purchase of new equipment
 - Provide technical assistance and training at two levels: At one level, training in general business skills is provided such as marketing, accounting, management, HR, cost accounting, financial management, etc. At the other level, training is specialized and focused on market access for potential exporters, and specific training for clusters of firms that desire to access a specific geographic market with a particular product. Thus, one can state that training is general and specific. Best practice shows that the more specialized and targeted the training, the greater the return to the economy on the training.
 - Greater Competition must be encouraged among business firms. Help establish local-local and local-foreign linkages among firms: In terms of local-local linkages, several types arise. In one area, producers of a specific product who seek large contracts outside Syria may require to enhance capacity. Given their limited resources they may opt to train other, possibly smaller firms, on the production of these components according to the large firm's own specs and standards. The small firms would commit to supply these components at the agreed standards and schedules.
 - On the other hand, linkages can be among firms that compete in the manufacture of a certain product but opt to cooperate in an import board whereby they import together to gain scale advantages.
 - Firms can also create export boards within a sector to contract as one unit with a large importer and supply a large contract that they otherwise could not have supplied individually.
 - Design and promote specific product development strategies by working with sector specific associations or product groups within chambers. These strategies are focused and can provide demand-driven, targeted solutions that are usually not addressed in general strategic frameworks.
 - Work closely with business federations and associations to enhance their capacity in service provision for members.
 - Inter-professional Groupings: These are in the agro-food sector: public-private sector associations for a complete value chain, whereby meetings discuss obstacles and improvements regarding all aspects of a product grouping such as agro-food from planting, to storage to processing, marketing, market access, distribution and final sale to the consumer within and outside Syria. Furthermore, these groupings can propose policies and export development subsidies regarding their product groups.
 - Establish Sectoral Service Centres to provide support to existing companies, including technical information, training, productivity coaching, laboratory services, technical support for standardization of products and certification of management systems, and the formulation of business and technology development plans;

- Business Centres of Excellence promoting and guiding the creation of new companies. They are incubators lodging and coaching enterprises' creators. These can be done in addition to the present incubator activity, particularly in the various regions of Syria. They also provide support to the development of productivity, strategic studies, training, and coaching of promoters, economic and technical studies and the institutional development of private sector companies. Both individual companies and consortia can also be supported by this program.

4.1.2. Policy Support Activities

- Export development and promotion legislation has to be revised and export promotion activities have to be greater than those of Lebanon and matching the level of support provided by Tunisia.
- Assess policies and regulations to improve the service sector legislative and regulatory environment. Policies addressed may be cross cutting or sector specific.
- Determine sector specific policies and create a business friendly environment.
- Outputs from the PSA will also feed into the policy effort of trade negotiators and other stakeholders, which may be established through support from this activity, within the Ministry of Economy and Trade.
- Conduct a guillotine exercise to delete any unnecessary legislation.
- Review administrative impediments to establishing a business, export promotion, import restrictions, and check compliance with best practice and possible commitments to the WTO
- Prepare a strategy for negotiating and joining the WTO trade regime.
- Enable fulfilment of conditions for acceding the WTO
- SPS Enquiry Point establishment and capacity building
- Enhance capacity to comply with current international trade commitments (primarily the EU Association Agreement and GAFTA)
- Increase capacity of stakeholders to best utilize, once accession is achieved to the WTO, the potential benefits that arise to Lebanon from membership
- Enhance the Institutional Capacity of the MoET in terms of information sharing and dissemination, and trade coordination
- Institute “registration as licensing” rule to minimize waiting time for licenses after company is officially registered
- Technical Assistance to train stakeholders on the negotiations of the Rabat Road Map
- Revise microfinance legislation
- Capacity building of relevant institutions in the implementation of the Competition Law
- Harmonization of rules of origin with EU
- Establish Centres of Excellence in the Agro-food Industry
- Develop an Enterprise Policy linking industry, investment promotion and trade in one strategic framework
- Establish TBT Unit at Ministry of Economy and Trade and build capacity of staff
- Help establish a one-stop-shop for customs

- Strengthen the administrative and technical capacity of the Syrian Authority for Standards and Metrology, particularly in the areas of separation of regulation from testing and in recognized, compliant certification with EU
- Coordination between the GAFTA process of negotiation and the negotiation of other trade agreements
- Conduct evaluation of the impact of the trade agreements on the Agriculture sector and the affected sub-sectors.
- Unify trade, investment and industry stats in one web site.
- Services sector assessment related to the impact of trade agreements and strategies to enhance the role of services in trade, particularly exports.
- Ensure that legislation is consistent with WTO and EU commitments
- Enhance the capacity of the customs authorities:
 - Customs Law needs to be revised to address conflict resolution in trade in a fair manner and a legal framework for pre and post inspection should be provided.
 - Tariff bands need to be reduced and homogenized to reduce distortions and complexity.
 - Provide bonded rooms (factory based free zones) within factories.
 - Customs processes require automation to reduce the time required to process customs clearance documents for imports and exports and more precision in processes is required. Improve data collection and statistical information to speed the implementation of the clearance process.
 - Make applications and forms used by the Customs Authority consistent with international standards.
 - Enhance the quality of human resources at the Customs Authority through selection of qualified people and the provision of training.
 - Improve coordination with stakeholders such as clearing houses and port authorities and companies to support customs clearance.
 - Reduce and streamline processes at customs and remove work-hour limitations and 2-day weekend.
 - Improve communication and information dissemination by customs department internally and to the private sector regarding customs related activities.
 - Publish legislation in an organized, regular and cohesive manner. Increase participation of private sector in decision making and policy formulation.
 - Fully utilize ASYCUDA World instead of current partial use which focuses on registration only, which is well below the potential of the system. Implement GPS System to facilitate tracking and reduce red tape. Implement Green Isle, and utilize risk management system.
 - Unify testing to avoid the threat of hampering trade and loss of trade opportunities and competitiveness. Labs currently test all goods and results of tests are conducted by various authorities: labs that belong to Customs are mainly food product testing labs, Ministry of Economy and Trade/Supplies Directorate labs do some testing, and universities do other types of testing
 - Customs officers not taking the right samples and the right quantities or procedures.
- Enhance the Policy Analysis and design capacity of the Ministry of Economy and Trade
 - Establish Trade Policy Analysis Unit to analyse trade, devise policies and strategies regarding trade issues, and advise stakeholders on trade agreements, commitments and implementation. The Trade Policy Analysis Unit will also have the capacity to support policy analysis, conduct impact assessments of trade liberalization measures as they relate to the economy whether with individual

countries or with groupings of countries such as the EU, GAFTA or MERCUSOR, etc. The Unit may also be able to help decide where gaps exist and design specific negotiation strategies.

- Policy support can provide assistance to develop mandate and structure of the Trade Analysis and Policy Unit. It can also train appointed/designated staff on trade analysis; training is to include several levels based on needs. Policy support can enable the Policy Unit with data analysis tools and policy design capacity:
 1. Knowledge and explanation of trade terms;
 2. Trade theories and their relevance to trade issues;
 3. Major trade bodies and agreements;
 4. Trade negotiation skills;
 5. Linkages between trade and development;
 6. Impact assessment models of trade agreements, selection of negative lists; and industrial processing requirements
 7. A thorough understanding of customs related issues, testing requirements, standards and measurements, all the trade agreements supervised under the WTO umbrella (GATT, GATS, TRIPS, Anti Dumping and Safeguards, SPS/TBT, etc.), rules of origin (diagonal and vertical) and harmonization
 8. Design and drafting of policy papers on trade issues, which depend in depth and length on the level of reporting and the nature and scope of the request and stakeholder
 9. Market Analysis tools: training on the use of tools such as those provided by the ITC (Trade Map, Market Access Map, Investment Map, and Product Map)
 10. Preparing Market Profiles: a workshop or workshops to build the capacity of trade advisors to write customized reports on export opportunities for a product in a particular market
 11. Understanding and working with statistics for trade analysis. Topics addressed include: product nomenclatures, data limitations, methodologies for calculating indicators, using excel and other software packages for manipulating data, graphing and design of presentations of analysis and findings
 12. Analysing a country's trade competitiveness vis-à-vis benchmark countries, especially regional comparators
 13. Analysing opportunities for product / sector diversification
 14. Analysing opportunities for market diversification
 15. Analysing a country's bargaining position in bilateral, regional or multilateral trade negotiations vis-à-vis negotiating modalities
 16. Analysing the impact of negotiation scenarios on a country's economy linking it to sectors, products, production, employment opportunities, and FDI inflows
 17. Analysing world trade trends

- Capacity building need not stop at these activities; additional and more specialized needs may arise in the course of the first two years of operation for which training can be provided. For example, trade negotiations may require specialized expertise in the preparation or revision of a Country Information Memorandum; intra and inter sector assessment of antidumping or safeguard measures, etc. Maintenance training can be provided at various stages to ensure the proper adherence to best practices in trade policy analysis and design. Furthermore, the International Trade Centre provides some of these tools at no cost to developing countries. While there are currently activities by donors to train public sector officials on some of these tools such as the Product Map, Market Access Map and other tools of the ITC, continuous training on these tools is valuable and need to be continued. Training on access to these tools and their utilization together with linkages may be warranted to ensure sustainability.

- Enhance capacity of business support groups in policy design and evaluation, conduct of policy impact assessments, and effective lobbying techniques and methodologies. Linkages and twinning arrangements with counterparts in best practice environments are encouraged and supported, particularly with target or developed markets.
- Harmonization of Trade Data: In order to enable consistent analysis, all trade data should be harmonized and made consistent within Syria and with established world trade data. This will enable transparency in reporting on and analysis of trade related issues.
- Conduct study tours, learning journeys and twinning arrangements for institutions for both business support organizations, companies and government agencies.
- Establish an Industrial Upgrading Programme (IMP), similar to those established in Jordan, Egypt and Tunisia to strengthen the competitiveness of manufacturing firms and related services. It is understood that the EC-Syria is at the initial stages of preparing for such an intervention.

Industrialists in Syria are already attempting on their own, albeit with some difficulty and hardship, to upgrade their production and business processes. There is a strong sense of urgency re upgrading and modernization among industrialists. A properly designed and implemented IMP will have significant consequences on developing the Syrian value chain.

4.1.3. Export/Competitiveness Development Support Fund

Syria needs to establish an Export/Competitiveness Support Fund. The purpose and design of the Fund is delineated below.

- Assisting companies in their upgrade and modernization drive takes a heightened role in Syria particularly because private banks are new in Syria, SMEs make up 99.8% of all private sector companies, and exports are restrained to well below their potential. Funds are needed to upgrade machinery and equipment, and software (includes company practices and management). Given the dearth of knowledge and value added content in exports and production, the need to upgrade equipment and software is of paramount priority.
- Based on the diagnosis of an enterprise, it is provided with partial funding for its efforts to upgrade its products.
- The percentage of the funding provided by the public sector is usually higher when the upgrading is of the software side of the enterprise such as training of management, R&D, administrative skills (cost accounting, motion studies, HR policies and manuals, strategic plans, marketing strategies and research, market access activities and information). The underlying premise is that modernization of machinery is an absolute minimum. Computer software that is required to modernize the equipment and enhance its performance is included among the soft skills and is not foreseen as a necessary upgrading exercise by the firm, particularly in the beginning of the national upgrading drive; it is therefore more heavily subsidized. This signals the focus of Syria on knowledge intensive and value added production and competitiveness.
- There need not be a hierarchy or new bureaucracy created around the Fund. Such a fund need not be more than a bank account; the issue of grants or soft loans is based on the diagnostic analysis of the firm, which is aimed at upgrading products to their level of competitiveness, exportability. The Fund is supervised by a board of trustees that approves the grant/soft loan and decides on the percentage of the upgrade effort and duration if need be. Thus, the Board of Trustees ensures that the process is transparent

and competitive. Typically, companies are advised on preparing applications for funding by the Business Advisor(s) in accordance with a clear set of guidelines.

- In some countries in the region, such funds are established and funded through joint funding from the government and a donor agency. They are operated by industrial modernization programmes as a first step, and then turned over to a government entity that is in charge of industrial upgrading.
- The Fund can address all types of private sector businesses with emphasis on the needs of start-ups and SMEs, in which case training should be provided to start-ups and SMEs on how to fill the forms and training should be provided also to banks on how to deal with start-ups and SMEs.

4.2. Export Promotion Activities (EPA)

Continuing from the previous section, which underscored activities that are related to Export Development, this section is devoted to the promotion of exports. The Export Promotion Activities outlined in this section, are designed to promote and showcase Syrian exports, and provide practical support to Syrian companies with the capability to develop sustainable exports. The recommended activities are intended to strengthen the capacity of Syrian companies to export.

The activities are also a direct reflection of the challenges and opportunities facing Syrian exporters, as they emerged during meetings with companies and stakeholders, and as presented in the SWOT analysis earlier in the Strategy report. Thus, the Export Promotion Activities are presented in a number of categories:

4.2.1 Creating Awareness of Export Promotion Support

4.2.2 Improved Market Information

4.2.3 Linkages & Associations

4.2.4 International Trade Fairs

4.2.5 Product Branding, Design, Packaging

4.2.6 Direct Export Support Mechanisms

Each of these activities is presented in greater detail below.

4.2.1 Creating Awareness of Export Promotion Support

Amongst Syrian companies, there is lack of clarity as to what type of international market information is currently available, and what agencies exist to provide this information. As the range of export support and agencies providing support expands, it is important that Syrian companies understand where, and how to access specific types of information. For this reason, when the timing is right, it is recommended that an awareness building programme be initiated.

The programme should:

- Be targeted directly at companies, relevant stakeholders, agencies, chambers of commerce and industry, business support organizations and associations, and government departments

- Provide a directory of the types of support, market information, and training available with descriptors on how this information can assist exporters, typical applications within companies, etc.
- Highlight the relevant agency(s) from which the support is available, including contact details on websites, and how to access the organizations and the information. This should also include appropriate promotional support materials, including printed directories and brochures on pertinent support information and funding mechanisms
- Methods of building awareness could include 'Introduction to Exporting Seminars/Workshops', electronic mail messaging, promotion to members via chambers of commerce and industry, business support organizations and associations, etc.

4.2.2. Improved Market Information

4.2.2.1 Access to Information

The purpose of this section is to underscore the importance of ensuring companies have access to highly practical market information and data. At a later point in the report, a section on recommendations regarding trade information dissemination is included, in particular the Trade Information Centre (TIC).

Without access to practical market information, the ability of Syrian companies to identify potential markets, determine the most effective method to enter the market, and compete in the market will be significantly constrained. As a fundamental support to Export Promotion, companies must have access to market data and information which:

- Enhance their understanding of a market for their respective products – among others, size of market in volume and value, % growth/decline in market over recent years, forecast growth/decline, strength of competition, product/technology development
- Advise on product quality, technical compliance standards expected in each market
- Provide details on key customers, agents, distributors, and suppliers operating in the market(s)
- Signpost potential exporters to appropriate agencies, industry/trade associations, and any established or potential linkages in foreign markets that can offer practical market advice and, thus, support market entry

SEBC and other stakeholders have access to the Euro Info Centres, which provide up-to-date information on European Directives and Regulations, public sector contract opportunities, business opportunities, funding, research and development initiatives and more. In addition to this, it is recommended that a series of other information sources be linked with and utilized to provide additional highly practical market data and information. Examples of such data and information sources include:

- Web access and search methodologies to optimise use of the web and available search engines
- Specialist market research reports from organisations such as EIU, Frost & Sullivan, Data monitor, and ICC. These reports are affordable and with some guidance can be easily accessed
- Subscribed access to professional, industry/sector specific press

- National financial and economic press publications
- Industry associations that are relevant to Syria sectors in potential and actual export markets

The Training section covers guidance with possible training modules on how to research markets, interpret market data, determine 'best route to market', international sales skills, pricing, international logistics, and export planning. In parallel, comparable training should also be provided to develop the skills of 'frontline' staff responding to company enquiries at agencies such as the Trade Information Centre (TIC).

4.2.2.2. Trade Information Dissemination

In order to effectively disseminate information, an inaugural Trade Information Centre (TIC) should be established in Damascus, with the objective of establishing a regional network across Syria within an agreed time frame. If the TIC is hosted at the EDPA, possibly to maintain consistency, integration and cohesiveness of information services, it will receive and channel input and feedback from all the other components of the EDPA, subscribe to specialized data service providers and enable access of Syrian parties interested to these links and sites. Information, communication and awareness campaigns, as an integrated measure with the PR activities of EDPA will be part of the activities co-ordinated via the TIC that will also disseminate information from a Management Information System (MIS) to be designed for EDPA to make sure that all information flows are properly circulated and integrated within EDPA.

The TIC model should be based on providing both online and telephone response to Syrian exporters (new and established), and a facility where companies can arrange to visit the TIC, to receive 'one to one' support, on site.

There should be three prime activities to be considered for coordination by the TIC. These include:

- Creation and maintenance of a company database of current/potential Syrian exporters and exporter associations.
- Ongoing 'awareness' generating initiatives to ensure Syrian companies are aware of the range of market information, and export support available from agencies/stakeholders and where and how to access them.
- Response to all export related enquiries placed by Syrian companies/company representative organizations, and management of all information sources enabling this response.

Database of Current/Potential Exporters: A database should be created to capture and continually update detail on current and potential Syrian exporters. This database should be highly flexible allowing access and analysis by sector, product type, and geographic export market.

The database should be designed in a format whereby targeting or contact with particular types of company can be managed. So, for example, if the TIC wished to alert companies to a particular International Trade Fair or event of interest this could be arranged. Similarly, if there were a regular market report published on a particular export market, this report could be distributed to companies of direct relevance. The database should be regarded as a highly practical tool which will allow efficient communication with companies, in a position to benefit from high quality market information, and export support.

An enquiry register which captures all details of a company making an export enquiry should be created. Where appropriate, first time enquirers should be included on the database. Each company entry on the database should be updated whenever there is contact with the company.

As in many other markets, over time, analysis of export enquiries received, provides an excellent database regarding types of enquiries, specific markets of interest, issues facing companies, opportunities being considered, and areas where future types of support are most required.

Ongoing Awareness Generating Initiatives: As underscored in the SWOT analysis, it is evident that there is a low level of awareness amongst Syrian companies of the range of market information and export support which is available. As this range of market information and support develops, the need to ensure that companies are fully aware becomes more important.

Recommended activities to strengthen awareness include:

- Export related seminars, workshops. (General, sector specific, national/regional)
- Creation/development of websites
- Newsletters/Quarterly Updates
- Targeting initiatives aimed at particular types of companies – using the database are covered above
- Activities through sector specific associations
- Inter agency/stakeholder communication
- Maintain linkages of all trade related web sites with the TIC network
- Advice given to companies via Business Advisors

When the timing is appropriate, preparation of an online directory or index of all export support and market information services available would be of great benefit to Syrian companies.

It is also important that, as far as possible, a single access point for market information is created. Not only will this reduce any possible duplication of effort or confusion amongst companies, but it will also make it easier to monitor, and analyse type of export enquiries received. Data harmonization is required and necessary for generating synergies and transparent data and information delivery, sharing and studies whether for business opportunities or policy inference and design. Similarly, notification or promotion of export initiatives, events, or information through one point will be more efficient.

Responding to Export Enquiries: To provide a practical and user friendly response to export enquiries, it is vital that the frontline staff of the TIC are adequately experienced and trained in export promotion. The staff should know the type of market information that is required, where to access the data, and how to present the data back to a company in a way that responds to the/enquiry specific issue. In addition they must also be supported by access to a full range of market information sources.

Also, frontline staff must be familiar with the range of agencies operating in Syria, and their particular services, so that they can signpost companies to the right agency, for the right support.

It may also be that support to a company is being coordinated between a Business Advisor, and the TIC. In this case, Business Advisors and staff from other agencies will work closely to structure export support for a company.

A TIC also provides a range of periodic (monthly, quarterly, annual) market updates relevant to, for example, specific sector or target markets, such as a quarterly report on the ladies garment industry in UK, or the bottled olive oil market in Europe. It is not unusual for companies to pay on a 'one off' or subscription basis for this type of information.

Within the context of the TIC in Syria, perhaps once a perception of credibility and value is established amongst the business community, companies will see the value in paying for this type of information. However, at the beginning of the launch of the service, it is advisable that fees are kept at a minimum or provided on gratis basis.

4.2.3. Linkages & Associations

The effectiveness with which Syrian companies expand their exports will in part be determined by the range and quality of business linkages, partnerships and trading associations which can be established in Syria and in export markets.

4.2.3.1 Linkages:

Creation of trading links or bridges between two countries is an established vehicle for enhancing exports, particularly where a sector or company is relatively new to exporting. Linkages with international and regional firms could help benefit from outsourcing trends in developed markets and near-sourcing activities in regional markets. Other types of linkages that should be encouraged are the creation of strong regional clusters whereby local firms cluster with a regional grouping of firms to benefit from GAFTA and produce jointly. Some companies in the food manufacturing industry such as Durra have already formed some alliances which can be strengthened and encouraged as a form of best practice.

Creation of trading links between, for example, the Syrian textiles industry, and textile Industry Associations in priority markets, can only be of benefit. Links with comparable bodies in priority markets can:

- Create a bridge along which local market, customer, product specific detail can be passed back to Syrian companies.

- Potential customers, agent/distributors, partnership companies can be identified
- Up to date pricing information can be advised
- Requirement to adapt products to local market preferences can be notified
- Support in coordinating market visits, trade fairs, 'Meet the Buyer/Seller events, can be arranged"

The linkage can operate through a 'hub' which, in turn can be customised to represent the interests of different types of company. So, for example, the linkage could represent the interests of cotton, yarn suppliers, children's clothing, textile machinery manufacturers etc.

With the support of pertinent agencies/associations, linkages offer excellent vehicles to Syrian exporters to access priority markets. This can have a real impact on the effectiveness with which a Syrian company, can enter and compete in a target export market. Furthermore, it is highly suitable for the Syrian business community where a number of sectors with the capacity to export are already present but limited in terms of potential by sustainable market access mechanisms.

4.2.3.2 Associations:

It is vital that an "association" culture be nurtured and spread across all sectors. Clearly, the chambers of commerce and industry support and focus on specific sectors. In discussions with stakeholders and companies, it was apparent that a number of 'associations' are already present, and are growing in number and memberships.

Not dissimilar to 'linkages', the creation of associations of companies, structured either by product type or sector, form a natural cluster where export promotion support can be concentrated. An association of fresh fruit and vegetable producers could be a point of concentration through which very specific export support, market information, quality standards, and advice on packaging, labelling, shipping, could be provided. Clearly, Syrian companies directly associated with fresh fruit and vegetable producers, could be involved in the association (food processing equipment, packaging companies, chilled distribution etc). In many other countries, creation of domestic associations is a first stage in developing international linkages, as an export promotion mechanism.

The following associations are examples of best practice:

Exporters Association and other types of business clubs and associations: The development of the economy is strongly and positively correlated to the number of facilitating institutions, the larger and more efficient and effective these institutions are the more developed the economy. However, care must be taken that these associations do not require mandatory memberships and thus derive monopoly rents, which deter efficiency and effectiveness while encouraging monopoly rents.

The sole purpose of the organizations is development and promotion of exports, not additional regulations and control bodies. There are several examples of failed exporter associations, simply because their mandates were plagued by bureaucracy and control mechanisms; they become tithing bodies, charging extra fees and not service and support providers whose membership is driven by the value of services they offer to members.

Association of Export Advisers: This association gathers all trade experts with specialized expertise and knowledge in respective sectors. Their exchange of ideas and information provides a valuable synthesis of their knowledge. The association can be a useful pool of advisers which companies can access to obtain expert advice and information on export promotion.

A good example of effective consortia and associations in terms of supporting export promotion activities is best illustrated from the region by Tunisian efforts, a leader in developing and promoting non-oil exports in the region. Benchmarking this effort is vital to incorporate mechanism with a proven track record of success. Hence, and to underpin this point, a detailed summary of such organizations and their roles is provided in Appendix 1.

4.2.4 International Trade Fairs

Significant progress has been made in recent years in the use of selected international trade fairs as a vehicle to 'showcase' Syria, and for individual companies to exhibit their products. Whether a company commits to exhibition space at a major international trade fair, or simply attends the event, there can be little doubt that international trade fairs is an important Export Promotion tool for Syria.

SEBC, as well as other stakeholders, have arranged and managed a number of such events. Feedback received from companies on the impact of attending such events, has been very positive. Based on the feedback received from discussions regarding the current and future use of international trade fairs, there are a number of recommendations to make:

- Stand space, flights, accommodation, design and production of exhibition material are expensive – both for stakeholders supporting such an event, and companies attending. As such, it is important that the impact of taking space or attending an event is high, and reflects value for money.
- Selection of appropriate events should be based on clear criteria:
 - Exhibitors, customers, and agents/distributors attending the event offer a strong 'fit' with Syrian companies attending. That is, Syrian companies are confident that prospective customers/buyers will actually be attending the event. Therefore, it is common practice that a consulting company or the agency undertakes matching of domestic potential exporters with potential customers prior to the event. This is usually done months ahead of the fair and requires extensive research and matchmaking.
 - Relevance of the target market of the trade fair/event: The trade fair or event should represent geographic markets, which Syrian companies are targeting. There is a limited benefit from attending a trade fair in Asia, which may be industry relevant but of little value, if the priority (actual or potential) markets of the concerned company is in Europe. There are some useful on-line directories available that list every international trade fair by industry, product type, and market/venue.
 - Similarly, companies should only be invited to attend if they are committed to, and ready to export.
- A typical model used in other markets is to have one dedicated agency that coordinates attendance at an agreed, annual series of events. This agency agrees and coordinates these events with all appropriate stakeholders operating in the market.
- Consistent with best practice, there is merit in providing guidance to companies, specifically in areas such as:
 - Preparing and planning for an international trade fair
 - Managing attendance at the event
 - Managing post event follow up activities – particularly regarding enquiries received from potential customers, agents, distributors etc.

- It is important to recognize that although trade fairs are an essential component of the international marketing effort, they are not stand alone activities and should be considered as an integral part of a comprehensive package of interventions aimed at developing and promoting enterprises and their exports

4.2.5 Product Branding, Design and Packaging

Whilst there are a number of companies in Syria that have achieved real success, in part due to the quality of their overall marketing, branding, design and overall attention to product quality, in overall terms the consensus from our discussions suggest that branding, packaging, and ability to adapt product to meet market need – is poor.

European, USA, and Asian markets are not only highly demanding in terms of product quality expected, but also require suppliers to be highly responsive in adapting products and overall service to meet their specified needs. In a very competitive market environment, companies that are unable to adjust to this are unlikely to succeed.

For this reason, we believe it important that a series of measures are considered to support Syrian companies both understand what levels of quality and branding are required, and implement necessary changes to production and marketing, to raise the standard. We suggest a number of recommendations, for consideration:

- On a sector by sector basis, a mechanism should be initiated to ‘retrieve’ information on expected quality standards in target markets for specified products. Companies should be clear on where, and from which agency or stakeholder they can obtain this information.
- The information should cover both formal quality compliance specifications operational in target markets, but also feedback regarding quality expected from the ‘sharp end’. That is, through contact with technical buyers in identified major customer groups, major distributors/agents, and sector specific industry/trade associations in the target market. For example, direct input from the Purchasing Manager in charge of menswear products at a selected number of major European retail groups, would be of great value to selected Syrian companies, in explaining what quality and service standards are expected, if they wish to be considered as a supplier to that retail group.
- To this end ‘Meet the Buyer’ events can be particularly useful, especially if buyers from identified major customer groups can be encouraged to visit a selection of companies in Syria. To support this, some form of workshop/seminar to guide companies on how to prepare for a visit, and ensure the correct questions are asked, may be useful. In some countries, these trips are funded by the export promotion agency or a similar body. Sector associations have a significant role to play in co organizing such events.
- Within the context of product packaging and design, professional buyers from customer groups are useful in advising on the expected standards. Also, large packaging groups are not only cooperative in providing useful guidance on packaging and labelling compliance standards but, also, in advising on market preferences for packaging types, logistic considerations (pallets, shipping, distribution, etc).
- Branding, product design and packaging are typically activities that are supported on a cost-sharing basis whereby the support agency pays part of the cost of the intervention. This should be based upon a diagnostic analysis of the firm, otherwise the effort may be wasted.

4.2.6. Direct Export Support Mechanisms

This section includes a number of recommendations regarding export promotion support on a one-to-one basis for individual companies. This support is already being provided through a number of agencies such as the Business Advisor and Business Consultant driven programmes. This type of support is more intensive and can, therefore, be more costly. On balance, the impact on a recipient company can be more evident with this company-focused approach than a general, less company/product focused approach to support.

Similarly, it may be useful when the required support is highly specialized, thus entailing the recruitment of an international expert and firms can be clustered to mitigate the cost of the intervention. The international expert would visit the companies in the cluster, and assisted by one or more local general experts, conducts the diagnostic.

There is a need to strengthen the range of diagnostic/business review tools currently used. Within this context, there is also a need to develop a diagnostic tool specifically to assess company capabilities, capacity, and preparedness to export. Such a tool should be considered as an entry point for supporting companies, highlighting export constraints and opportunities. The diagnosis should define the type of support required, where it should come from, how it should be managed and, if appropriate, funded.

- For carefully selected companies, access to a qualified Business Advisor/Business Consultant is a support mechanism which should be expanded. A number of agencies/stakeholders already work with advisors/consultants, and there are associations in Syria which represent management consultants.
- Creation of a pool of export experienced consultants, categorised by industry or product experience, offers an excellent directory of experience, which can be accessed by companies to accelerate export promotion.
- Many countries operate very effective export support models along the lines of an “Export Manager for Hire”. Effectively, this gives a company access to an ‘affordable’ consultant who can be placed into a company to work with the management team to drive a well planned export expansion plan. This level of focus, balanced with the placed export manager’s experience in that industry or product, can have a real impact on the company’s export progress. Typically, the cost of the export manager is covered partially by the Export Promotion Agency.
- The rapport and trust that can be developed in working with a Business Advisor or Business Consultant can have a real impact on the effectiveness/quick adoption and execution of an export development and promotion plan. The Company must have ownership of the plan, and the management team must commit to it. The plan provides a vehicle, including various objectives, priorities, activities, and allocated responsibilities, which the company uses to drive the plan. The plan is set against a schedule of achievement dates. The plan can also be used by a support agency/stakeholder as a mechanism to measure progress, but also as a tool to ‘inject’ funding, at agreed points in the plan – if funding support has been offered. Funding can be conditional on certain targets being achieved.
- As already mentioned, significant progress has been made over recent years in arranging and managing a series of international trade fairs. In addition to this, an initiative designed to support companies to plan and manage specific market visits should be considered. If a company has demonstrated that they have researched an export market, are confident that market potential exists, and have identified potential customers, agents/distributors or other means of market entry, then a mechanism to provide support toward the cost of travel/accommodation should be considered.

- A useful export model for Syrian companies may well be that of 'Piggybacking'. In this model two firms, one in Syria and one in an export market, may have very complimentary but non competing product ranges. Both companies agree to combine their respective product ranges whether in marketing, distribution, sharing of facilities, etc. The mutual benefits to both companies include: an extension of their product range, making them more attractive to a wider market, access to an export market through a partner that has an established customer base and distribution network; economies of scope. The model can work bilaterally, offering each partner effective access to the partner's market.

4.3. Training Activities

General (horizontal training) such as marketing, management, HR, cost accounting, and specific (vertical) such as highly specialized and specific training on export specific and upgrading activities, is recommended. Specific, export related training should include, for example, understanding of the international business culture, understanding basic international market research, techniques to assess and research potential export markets, techniques to prioritize and rank export markets, evaluation of best distribution channels and routes to market, foreign exchange management, shipping and logistics planning and administration, quality standards certification, packaging and labelling, etc.

Additionally, training-of-trainers and local consultants is warranted, particularly on best practice in business diagnostic reviews, business upgrading and counselling, provision of quality market research and business to business matchmaking and linkages. Of course, there should also be a focus on enabling local consultants and advisors to provide practical 'one to one' export guidance to companies. Matching local with international consultants in assignments provides on-the-job training and enhances local consultancy capacity.

4.3.1 Training Needs Assessment of the Training Services Providers in Syria:

Capacity building of training institutes may be addressed, and technical assistance in the form of curricula, strategic focus, demand driven approaches to training, and training of trainers may be included. This facilitates upgrading existing capacity within training institutions.

4.3.2 Centres of Excellence:

Establish Centres of Excellence for promising or strategic sectors/clusters. Highly customised training, with a focus on issues of direct relevance to that sector/cluster, can be provided to members of the same industrial grouping, on an efficient, cost-sharing basis.

4.3.3 Recommended Training Areas:

Throughout all discussions with agencies, stakeholders and companies, there was collective agreement that a well designed range of training was required. Within the context of a future Export Development and Promotion Strategy for Syria, there was recognition that:

- Overall upgrading of companies through training across a number of management and technical functions was required, before companies reached a level where they could consider exporting, and;
- An ongoing programme of practical, export promotion and development training specifically to underpin Syrian companies' efforts to substantially increase exports, would be of significant benefit.

It is not the focus of the export strategy to provide details of the recommended training modules under the General Management & Technical category. Suffice it to say that a need for training was suggested in management and technical functions including; Financial & Cost Management, Sales & Marketing Management, HR Management, Production Management, Adapting

Products/Innovation/Product Development, IT & Technical Software, and Product Design/Packaging & Labelling/Product Finishing.

The focus is to provide recommendations on the range of Export Promotion & Development training which, if provided, will have a significant impact on companies' ability to penetrate and sustain export markets.

In addition, as covered at an earlier point, there is a need to ensure selected stakeholder staff are as well equipped as possible to provide export focussed support to companies. In this category, we specifically refer to 'frontline' staff responding to companies' export enquiries, and also Business Advisors providing 'one to one' business and export support to companies.

Accordingly, the recommendations made below regarding the type of training required, is categorised under "Training for Companies", and "Training for Stakeholder Staff and Business Associations".

4.3.4 Training for Companies

Developing an International Business Culture

- Benefits of Exporting
- Changes to Management/Employee Attitude
- Understand the Impact of Export across the Business
- Working with other cultures, in different markets, with different needs

Understanding how to manage international market research

- What information is needed
- How to use this information
- Where to obtain the information from – Information Sources?

Identifying and Ranking Target Markets/Target Customers

- Stage 1: Market Overviews
- Stage 2: Digging Deeper – 'Research to Sales'
- Stage 3: Selecting, Ranking & Prioritising Markets
- Stage 4: Identifying Customers, Identifying Buyers

Distribution Channels-Understanding how to select best option

- Agents/Distributors
- Direct to Customer
- Partnerships/Joint Ventures
- Sales Office
- Contract Manufacture/Assembly
- Piggybacking/Reciprocal Trading
- Licensing
- Linkages & Associations – with target markets

International Trade Fairs/Market Visits

- Selecting the Event
- Planning & Preparation
- Getting Maximum Impact
- Post event – Follow Up Activities

Adapting Product to Meet Market Need

- Understanding specific market/product preferences
- Adapting Product to meet need
- New opportunities – new products
- Implications on Production Capacity/Capability
- Packaging & Labelling

Sales Negotiation Skills – The Basics

- Listen to the customer
- Don't focus just on what your product does, but what benefits it will offer your customer
- International Sales - preparation, planning and professionalism.
- What a professional buyer will want to know about you
- Planning and managing an international sales trip
- Understanding Customer Needs – Pre visit, During Visit, Post Visit
- Product Features & Benefits

Trading & Contractual Terms

- Export Finance
- Documentation
- Trading terms
- Pricing

Shipping & Logistics

- Options open
- Sea, Road, Air
- Customs
- Order Processing/Response
- Transit Packaging

4.3.5 Training for Stakeholder and Business Association Staff

Business Reviews & Diagnostics

- How to design business reviews and diagnostic tools
- How to identify constraints and opportunities for company growth.
- SMEs – Understanding typical needs for support
- Start Ups – Incubator companies, understanding typical needs for support
- How to convert a Business Review into a Plan of Action

Understanding the Export Process

- A shortened version of the modules recommended in the previous section (Training for Companies)
- A distinction should be made between Stakeholder Staff and Business Advisors in terms of appropriate training modules to attend.

Signposting Export Support

- Training to familiarise all relevant stakeholder staff with export support mechanisms available, so they can signpost a company to correct access point.
- Training on how to approach the access points, complete forms, and maintain discourse with information and support providers
- Maintenance of database on support providers and mechanisms, and training on signposting updates

Responding to Export Enquiries

- Typical enquiries likely to be received
- Understanding what type of international market information is required, where to access it, how to present it to a company
- Information sources currently available, other information sources
- Obtaining, and updating relevant sector, product, geographic market information
- Disseminating information to Syrian companies, and stakeholders
- Obtaining information on Quality Standards, Compliance rules, etc.

In addition, in the case of business support organizations and groups such as chambers, sector associations, product clusters, regional business associations, export and import boards, training should include also training of trainers, study tours and placement of staff in similar organizations in target or developed markets.

4.4. Export Promotion Financial Support Activity

Consistent with best practice, to increase for SMEs the availability and effectiveness of financial instruments, particularly in relation to medium and long-term loans, several finance based activities should be undertaken. Activities include developing financial policy that addresses the needs of SMEs, particularly exporters, the establishment of an Export Guarantee Scheme (EGS), a banking windows programme. The EGS is to provide a specific financial assistance through an Export Guarantee Fund (EGF) in order to support export activities.

Additional funds may be introduced to support exports in due course. Such funds would target certain industries or activities that are considered vital or primary engines for export growth. For example, a fund may be established specifically for packaging as a cross cutting activity or a specific sector such as IT.

4.4.1 Export Guarantee Scheme (EGS)

- A fund should be established to help provide export guarantees to exporters and SMEs. **Pre-Shipment Financial Guarantee:** the guarantee is provided to potential exporters to cover the risks associated with pre-shipment activities such as the costs of preparing, manufacturing or packaging of goods prior to shipping them to the importing country.

The commercial bank is usually provided with the guarantees necessary for providing such funds to would be exporters, thus reducing the risk of the bank while at the same time establishing objective criteria for approval of the financing of such a scheme.

Post Shipment Export Credit Insurance: This is a type of guarantee that covers the risks of not payment by the importer or his bankruptcy or refusal to accept the goods, even though the exporter had complied with the export contract. Other risks covered under this guarantee scheme also include political risks such as turmoil or upheavals that affect the political institutions within the recipient country or en-route to the country.

In either case, the fund covers 80-90% of the value of the goods exported in order to make sure that the insurer covers also part of the risk and does his due diligence. Also, the guarantee scheme allows itself an investigation period.

Designing such a scheme should merge international best practice and local specificities and needs. However, it is advisable to keep the administrative costs at a minimum which can be achieved by keeping the structure of the organization skeletal and avoid the creation of a large bureaucracy. Many of the guarantees if well prepared with objectively and transparently verified risks and processes will enable re-insurance of the scheme and the availability of funds beyond the allocated funds, which are usually allocated by the state and in some cases with the help of foreign aid.

4.4.2 Export Promotion Funds

Export Promotion Discretionary Fund: A good practice in many countries is to establish a fund which is discretionary, and is designed to provide support at the discretion of the appropriate agency to a company requiring support which does not fall under the categories highlighted above. Specifically, the Fund is of benefit if it can be customised to the specific requirements of each company. For example, a company wishing to develop an international business development plan, which would require various interventions and support at several stages, can access this type of fund. Types of financial support which can be injected could include, new product design, foreign language promotion material,

Market Access Facilitation Fund: This Fund is designed to help through grant schemes companies that are intent upon accessing new markets. Its target is existing exporters who are considering entry into new markets. It offsets the costs of market visits, market research, meet-the-buyer events, etc. The Fund is similar in design to the one established in Tunisia, and considered a regional best practice.

5. Activities Implementation Matrix and Action Plan

The following table presents a listing of the activities detailed above. The first column provides the section number of the activity as it appeared in the previous sections of the document. The second column offers a time frame reference, allocating short, medium, or long term designation to the activity. The third column presents the activities as listed under the main heading in the previous sections.

Section No.	Time Frame	Action
4		Export Development and Promotion Activities
4.1		Export Development Activities (EDA)
4.1.1	ST	Technical Support Activity
4.1.2	ST	Policy Support Activities
4.1.3	ST	Export/Competitiveness Development Support Fund
4.2		Export Promotion Activities (EPA)
4.2.1	MT	Creating Awareness of Export Promotion Support
4.2.2	MT	Improved Market Information
4.2.2.1	ST	Access to Information
4.2.2.2	ST	Trade Information Dissemination
4.2.3	ST	Linkages & Associations
4.2.3.1	MT	Linkages
4.2.3.2	ST	Associations
4.2.4	ST	International Trade Fairs
4.2.5	LT	Product Branding, Design and Packaging
4.2.6	ST	Direct Export Support Mechanisms
4.3		Training Activities
4.3.1	ST	Training Needs Assessment of the Training Services Providers in Syria:
4.3.2	MT	Centers of Excellence:
4.3.3		Recommended Training Areas:
4.3.3.1	ST	Training for Companies
4.3.3.2	ST	Training for Stakeholder and Business Association Staff
4.4		Export Promotion Financial Support Activity
4.4.1	ST	Export Guarantee Scheme (EGS)
4.4.2	ST	Export Promotion Funds

Key:

ST: Short Term

MT: Medium Term

LT: Long Term

The activities are grouped in the following table in accordance with the time designation allocated. In other words, the same activities are re presented in groups of short, medium and long term implementation timeframes. This is intended to provide the reader with a timetable for selection and implementation of the activities in a user friendly format.

Section No.	Time Frame	Action
4.1.1	ST	Technical Support Activity
4.1.2	ST	Policy Support Activities
4.1.3	ST	Export/Competitiveness Development Support Fund
4.2.2.1	ST	Access to Information
4.2.2.2	ST	Trade Information Dissemination
4.2.3.2	ST	Associations
4.2.4	ST	International Trade Fairs
4.2.6	ST	Direct Export Support Mechanisms
4.3.1	ST	Training Needs Assessment of the Training Services Providers in Syria:
4.3.3.1	ST	Training for Companies
4.3.3.2	ST	Training for Stakeholder and Business Association Staff
4.4.1	ST	Export Guarantee Scheme (EGS)
4.4.2	ST	Export Promotion Funds
4.2.1	MT	Creating Awareness of Export Promotion Support
4.2.2	MT	Improved Market Information
4.3.2	MT	Centers of Excellence
4.2.5	LT	Product Branding, Design and Packaging

Appendix 1

Table 1: Roles of institutions and private sector in supporting export consortia

Type of Activities	FODEC		FOPRODEX		FAMEX		FOROHOC	
	Individual companies	Consortia	Individual companies	Consortia	Individual companies	Consortia	Individual companies	Consortia
Promotional materials (catalogues, CD rom, films) multi-media publicity, publication on internet			Subsidy 30% + loan 50% or 35% subsidy	Reform in progress	50%	70%	50%	70%
Creation of label, design and recording of trade marks	70%	70%	Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%
Fashion collections and other collections	70%	70%	Subsidy 40% + loan 40% or 45% subsidy		50%	70%	50%	70%
Participation in international tenders			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%
Invitation of foreign clients			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%
Foreign representation			Subsidy 40% + loan 40% or 45% subsidy		50%	70%	50%	70%
Market research			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%
Design and construction of stand at trade fairs			Subsidy 30% + loan 50% or 35% subsidy		50%	70%	50%	70%
Assistance for the Design & Implementation of a marketing strategy	70%	70%			50%	70%	50%	70%
Installation of a web site	70%	70%			50%	70%	50%	70%
Maximum amount of subsidies	No limitation	No limitation	No limitation					
Technical aid for the consortium or for the companies as a group	70%	70%					70%	70%
Modalities for accessing incentives and required documentation	Companies must be 2 years old	No age condition	Companies must be 2 years old, no age condition for the consortium members can be from any economic sector				One of the members of the consortium must have at least once exported packed	

			olive oil
	Manufacturing, IT and engineering companies only		Packed Olive Oil Producers & Exporters only
	Documents: an exhaustive strategic diagnosis and a business plan	A 3-5 page argumentation only	5 pages Marketing strategy and Action Plan

Table 2: Registered and operational export consortia in March 2007

	Name	Number of firms	Region	Sector	Legal form	Year of incorporation	Mission	Target markets	Exported products	Buyers: large retail importer, large companies, etc.
1	C8	8	Tunis	Car components	SA	2000	Promotion	Sub-saharian Africa & Algeria	Filters, blade springs, batteries, tyres, telescopic shock absorbers, windscreens, exhaust systems	High standard specialized retailers, distributors, central purchasing agencies
2	TEC	12	Tunis	Engineering	SA	2001	Sales & Promotion	Sub-saharian Africa & Algeria	Engineering services, project management, consulting	Construction market (public and private customers)
3	ACT-International	4	Sfax	Food	SARL	2003	Promotion	France, UK, Gulf Countries	Pasta, Olive Oil, oriental pastry and confectionary, olive oil, chewing-gum	Large and traditional retail
4	GMC	9	Tunis	Garment	GIE	2005	Promotion & Sourcing	Spain,UK	Garment (casual-wear, jeans, corsetry, professional clothing, sportswear,..) Labels and accessories	Subcontracting and co-contracting customers
5	Global Consulting	5	Tunis	Engineering	GIE	2005	Sales & Promotion	Sub-saharian Africa & Algeria	Engineering services, project management, consulting	Construction market (public and private customers)

6	GET-IT	8	Tunis	ITC	GIE	2005	Promotion	Europe & French-speaking Africa	ERP, Web design CRM, Software development and maintenance, Infrastructures, Networks and Security Remote Management	ICT European companies and business clients
7	CIC	3	Tunis	Engineering	SARL	2005	Sales & Promotion	Sub-saharian Africa & Algeria	Engineering services, project management, consulting	Construction market (public and private customers)
8	CAJAD	5	Nabeul	Furniture & handicraft	GIA	2005	Promotion	Europe, USA & Gulf Countries	Interior furniture, haberdashery and garden items	Large and traditional retail
9	ZAYATINE	20	Sfax	Food	SA	Joined the programme in 2005	Sales & Promotion	Europe	Extra virgin olive, organic and biodynamic	Importers
10	CMC	3	Tunis	Leather & shoes	SARL	In process	Design Collections & Sales	Europe	Finished shoes collection with common brand	Store chains, Large and traditional retail central purchasing agencies
11	CPA	4	Sfax	Car components	GIA	2007	Promotion	UE & Algeria	Filters, batteries, telescopic shock absorbers, exhaust systems	High standard specialized retailers, distributors, central purchasing agencies
	Total	81								