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Development Strategy for three Sectors: Textile, Agro Food and Fresh Fruits and Vegetables

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1. EXECUTIVE SUMMARY

The construction of a sector strategy should be based in the definition of long term goals, and a shared view by the main stakeholders in the sectors, strong enough to keep the course for a long period. In order to reach a consensus on goals and the activities that will lead to them, stakeholders must be informed with relevant information.

Given that the three sectors are highly tradable, this is, that there is a large opportunity for exports and at the same time for inroads of large global companies in the domestic market, this relevant information should include specific information about Syria's supply and domestic and international markets and competitors.

We dedicated the first part of the report to propose a 3-stage process for the construction of a long-term sector strategy for these sectors.

The process includes first an Intelligence Component, whereas relevant information is collected and comparisons are made between firms' performance and policies in Syria and other selected countries.

The second step would be the presentation of that information to stakeholders, which will discuss and decide on a course of action and the resources that will be allocated.

The third would be an Implementation Component, consisting of activities to be implemented in the short, medium and long term.

We propose that the strategies for the three sectors be set for the following 15 years, in accordance with Syrian's "Vision 2025" that sets the country in a course towards becoming an advanced knowledge economy. To help the preparation of the Intelligence Component we have proposed for each sector Target Markets, meaning markets where Syrian products have high potential for expansion, and Reference Countries, this is countries that a) are the base for companies that are already successful in the target markets and, at the same time b) have a level of advancement in the conditions that offer to its sector companies that can be reached by Syria in the next fifteen years. By focusing in specific Target markets and Reference countries we believe the process will indicate not only the Issues that should be improved in Syria, but most importantly the Scale of efforts (budgets and commitments) that should be devoted, as they are already present in countries that perform better than Syria and are reachable in the proposed period.

While a definitive Strategy should be the result of a process led by sector stakeholders, we collected information on each Syrian sector's conditions and constraints and their performance in current markets abroad, then present a SWOT analysis, and prepared a tentative Implementation Matrix showing the main issues for each sector in terms of:

- BDS (Business Development Services, where the main recipients are the companies)
 - Human Resources
 - Institutional Framework
 - Quality and Technology
 - Upstream linkage
 - FDI attraction
 - Export Promotion
 - Infrastructure

And

- Adjustment to the regulatory framework, where the main actor is the government, including changes in laws, administrative procedures, and in the management of public companies.

This Matrix can help stakeholders to decide priorities, budgets and firms commitments once they have received all the information in the Intelligence component. In terms of the Institutional Framework we suggest that Business Associations be created for the Fresh Fruits and Vegetables Sector (F&V), and for the Agro food sector, centred around its canned food. For the Textile and Garments sector (T&G) an institutional proposal was presented by UNIDO during the assignment and it is now under discussion. We suggest that given the very large number of companies in the sector, eventually the focus will be in business associations at the regional level, or even within neighbourhoods of Aleppo and Damascus. In the Annexes we have included a section on Institutional Framework with a description of what a BDS institution should be.

RECOMMENDATIONS

As per all three sectors we suggest

- Industrial Cities. Use the great opportunity by a current law that promotes that manufacturers move to industrial cities, to provide them with many BDS and greatly contribute to improve management, using government funds to establish Technical Centres in the respective section of each City. (Today the cities are supposed to be funded by the sale of land, and there seems to be no budget for these Centres.). An ambitious Sector Strategy would also include VET and University Units at the Cities.
- In preparing the definitive Sector Strategies, emphasize budgets and scale of efforts needed, not only conceptual issues, by benchmarking with reference countries. This would make centres to have a scale that practically reaches most SME's, not only few ones (i.e. in T&G where there are 24.000 firms). Also, prepare for a "knowledge economy" since now, to avoid the fate of countries that could not overcome the "maquila /lohn" stage of relying mostly in their (hopefully temporary) low cost of labour to provide the service of outsourcing a simple assembly of garments.
- Adjust speed of trade opening with a careful eye on how Syrian firms perform. Reportedly the percentage of women garment sold in Syria by foreign companies has scaled from just 20% to 40% in the short two year period of 2005-2007. While this is not bad if it is compensated by exports or creation of employment by other sectors, it sends an alarm signal.
- Strengthen farmers' organizations to lower farm production costs and improve quality. This is basic for the 3 sectors, as they depend on inputs from farms. Eventually, move subsidies from farming downstream to industry, where more jobs can be created.
- In the short term promote FDI by projecting a Syrian Image, which emphasizes Syria's current great asset of safety from crime and a culturally diverse environment.

2. OBJECTIVES OF THE ASSIGNMENT

The global objective of the assignment is to assist in increasing the Competitiveness of the economical sectors in Syria, as the country moves to an open market economy

Specific Objectives are to define a development strategy for the textile sector/industry, agro-food and fresh fruits & vegetables sector in Syria, to foster growth & increase their competitiveness internationally.

3. DESCRIPTION OF PROGRESS AND ACTIVITIES. METHODOLOGY OF WORK

For the assignment we reviewed first a number of documents related with Syria's economy in general and in relation with the 3 sectors (a list is provided in Annex 6).

We then met with the Team Leader of the SME support programme at SEBC, the specialist in charge of SEBC's Competitiveness Observatory, those related with the organization of firms' participation in international fairs, and of the regulatory simplification programme. Specially important were the meetings with the experts responsible for writing two documents whose issues are concurrent with the one of this report: "An Export Promotion and Development Strategy" and an "Overall Sector Development Strategy".

It was agreed that the writing of the 3 documents be coordinated, with weekly meetings to discuss the issues that were present in each one. Therefore the reading of this report can be enriched by the review of these other two related documents prepared by SEBC.

We then proceeded to meet with companies, business associations, support institutions and government officers related with the 3 sectors. The meetings took place in Damascus and Rural Damascus, Aleppo and Homs. A list of the people met can be found in the Annex section.

Of particular relevance was to listen to the collective opinions at encounters with groups of sector stakeholders from each sector. They took place at the Chamber of Commerce of Rural Damascus for the Fruits and Vegetables sector, and at the presentation of a UNIDO-IMUP report on the Textile and Garments sector, in which different government officers, enterprises, academia and consultants expressed their different views; and at a meeting with agro food stakeholders at the formal launch of the Syrian Agricultural Exporters Association, SAPEA, which took place during the assignment.

In keeping with SEBC philosophy of work regarding both the assistance provided for policy making and direct assistance to companies, this document is to a large extent based on a "bottom up" approach, whereas the views expressed by the companies and business organizations are given due consideration. We incorporated those views as they are directly relevant to a long term vision for the sectors.

In line with this thought, this document also emphasizes the need for an institutional framework that fluidly links the specific needs of sectors (or even subsectors) with the supply of the different types of services that the companies require to fully profit from the opportunities opened to them. (A description of this Institutional Framework is included as Annex 2 in the Annex Section).

4. OVERALL EVALUATION OF THE RESULTS AT THIS STAGE

As a result of these steps we were able to prepare

- a) A methodology to construct Sector Development Strategies specially designed for sectors like the ones that are object of this assignment,
- b) An Implementation Matrix for each sector, which can guide the discussions of stakeholders in order to elaborate an agreed-upon long term sector strategy, to be implemented in the years 2010 to 2025. While we believe that a definitive long term strategy should result from an informed and consensual agreement reached by stakeholders at a later stage, we strove to provide a methodology adequate to the 3 sectors, showing the areas of work that are foreseeable for the short, medium and long term.

5. INTRODUCTION. THE CONSTRUCTION OF A SECTOR DEVELOPMENT STRATEGY

In preparing a Development Strategy for the 3 sectors special consideration was given to the a comprehensive report titled the "Potential Impact of the Syria EU Agreement on the Syrian Economy and Industry" (October 2004) specially its comment on the process of reform that undergoes Syria, and in particular its gradual opening of the economy:

"Domestic reform must be linked to both a social plan to cope with the negative social consequences of reform and threatening poverty and **to a long term development plan, intended to diversify its production base, and upgrade local skills and technological capacities** (and hence to increase productivity).

Otherwise liberalization will lead to increased dependency and to increased income inequality in society".

5.1 THE CONSTRUCTION OF A SECTOR STRATEGY

The process for the development of sector strategies for the 3 sectors considers their special characteristics which may not be present in other sectors. These are that they have an especially strong export potential on one hand, and on the other that they can be affected considerably by the entry in the Syrian market of foreign firms, including the large global firms present in the three sectors. Therefore special emphasis is put in considering international markets with growth potential and in analyzing the support environment that benefits companies that are successful in those markets and whose characteristics (of the support environment) can be reached by Syria in the next fifteen years.

A third issue in common in the three sectors is that they depend to a large extent on agricultural inputs. Because of this we incorporated some comments on the upstream segment of the value chain.

Future Vision: Syria 2025

"The future economy should be based on the intellectual development, innovations and applications of science and technology. Syria has a basis in this regard that needs restructuring in order to play its role efficiently in the fields of research and development, integrating the national economy in the international economy, providing the fundamental

elements for gradual transformation toward knowledge-based economy, generating high quality services, improving the productivity of production enterprises, and supporting the emergence of the "Syrian learning enterprises". 10th National Development Plan

We believe the above paragraph responds well to the issues raised in the SEBC report of 2004 quoted above. The race for international competitiveness can be seen as the struggle, by the governments of all the developed and rapidly emerging economies, to capture in their respective countries those segments of the value chains that correspond to activities of high added value and which are usually accompanied of higher salaries and better working conditions. As such these governments aid the business environment in which their companies operate by providing a suitable legal framework, supply the best possibly educated labor force, and facilitate accesses to funding and to new or adapted technologies.

The lengths to which governments go to support companies of their countries have come to be notable, although at a historic "peak", during the current economic crisis. Also frequently (although less after the Uruguayan round) they protect, at least temporarily, the segments of the value chains that could be developed by other countries at much lower cost.

Syria faces two challenging steps, the first is go from a low-middle income country to become a middle-middle income country, (at around 10.000 USD of per capita income at purchasing parity), and then to envision its further development into the ranks of the developed countries. Syria has then the opportunity to develop its sectors in a way that simultaneously jumps into a more modern economy by opening itself gradually to trade and more foreign investment, while at the same time set the bases for its eventual transformation in a developed country.

As shown by the many middle-income developing countries that failed, in the last half century, to advance to developed country levels, this "second jump" is not automatic. Although the later goal make take more than a generation, in order to ever be able to consider it (to become a developed country) Syria must start now to build the proper foundations. As the SEBC document mentioned earlier and the Strategy Syria 2025 highlight, these foundations have to do with a gradual advancement in education and applied technology that makes possible for investors, Syrian and foreign, to establish ever more advanced activities in the country.

The document therefore addresses the three sectors keeping in mind that they are a major part of Syrian current economy and will play a major role in its development. We suggest then for the sectors a first "jump" in the next 15 years to 2025, based on a benchmarking with other developing countries, while at the same time incorporating centrally the issues of technology and human capital that are necessary for this step and crucial for any possibility to consider a second "jump" into the status of more advanced economies.

5.2 MAIN ISSUES

Two main issues define sector strategies:

- The first is that they include actions that will take place during an extended period of time. In the case of industrial strategies this usually entails periods of 10 or more years since the evolution of an industrial sector requires a change of managerial and labor skills, and technology utilization which requires this range of years, or more.
- The second is that they require the concerted action of different actors along the value

chain, usually called “stakeholders”, including businesses that perform different activities, business associations, governments, -usually at the national and local levels, and support and educational institutions. Thus sector strategies require a certain degree of consensus on what should be achieved collectively, which should be strong enough to keep an strategic direction during the period of time (at least 10 years), and at the same time incorporating the necessary adjustments to the changing situations of markets.

For the sectors analyzed in Syria we propose a horizon of 15 years, starting at the end of 2009 and ending at the end of 2025.

In considering the definition of sector strategies therefore the following questions should be posed:

- Which are the markets where the sector firms have the most possibilities? In the case of Syrian textile and garments, for instance, experts and businesses point out to the GAFTA area (including Syria itself), Russia, and the “new EU”. They are then the “target markets”.
- Which are the demand trends in the target countries, in terms of products, prices, sale conditions, number of buyers and number and scale of current competitor firms from other countries? This includes also a review of existing barriers (tariff and non tariff) to the entry of Syrian products in those markets.
- Which are the companies from other countries (and from Syria if that is the case), that are doing better than most Syrian firms in the target markets? Of special interest here are those companies whose performance is better than those of the Syrian firms and which are headquartered in countries which are at a stage of development similar or slightly superior to Syria. These countries where better-performing firms are located and whose level of development is not very different from Syria (for instance in terms of GDP per capita) will be called “**reference countries**”. Reference countries from whom to analyze their sector support environment from a Syrian perspective are typically middle income countries (in World Bank’s classification) and not OECD countries (with the important exceptions of OECD members Turkey and Mexico).
- Which is the support environment that exists in the reference countries? Of special importance here is to measure as much as possible the condition of the reference country (or countries) in respect to their “support environment”. This is to be characterized primarily by its conditions in terms of: access to raw materials and other inputs necessary for the final product; human capital; logistical infrastructure (both in terms of location sites and in terms of transport), technological knowledge, finance, and legal and regulatory system for the operation of existing and new companies. Of special relevance is the amount of resources that the reference country government provides for the sector, i.e. export subsidies, international marketing promotion, soft loans, credit guarantees, R&D grants, etc. The useful figure is not the absolute amount of government budgetary resources provided, but its size in proportion to the size of the sector that it assists.
- The same question is then posed in respect to the support environment existing for the sector for which the strategy is prepared in the home country (Syria).

Note again that in terms of defining the sector strategy the conditions to be analyzed are not those of the “best country in the world for the sector”, but of a country (or limited amount of countries, not more than three at the maximum) whose support environment for the sector can be reached by Syria in a period of 15 years.

Ideally an additional question that should be posed if the time period for the preparation of the strategy allows it is how does a representative sample of sector companies in Syria perform vs. those of the reference country¹. A simpler manner of benchmarking, consists in interviewing buyers in one of the international sector fairs for the target markets and ask their impressions, regarding several topics, in respect to the different countries (and therefore their companies) as potential suppliers of the products². While this method does not provide specific and comparable hard data for individual companies and the issues that affect most firms in the sector of a country, it conveys all-important information on how suppliers perceive and compare sector suppliers from different countries.

At this point stakeholders would have very useful information on the gap between the home country's sector support environment and that of the reference country or countries, This information does not point only to a list of the issues involved in a country's sector competitiveness but to the SIZE of the gaps against a reachable "model/competitor" reference country and against the performance of its companies.

All the previous questions conform what we will call "intelligence issues", and they are part of the "intelligence component" in the task of preparing a Sector Strategy.

- Then the last major question stakeholders should ask themselves is where, in reference to the reference country sector should the Syrian sector be positioned 15 years from now. In other terms, how much of the gaps will be reduced in the years ahead, (keeping in mind that the reference country itself will probably continue improving its performance).

The quality of the agreement reached by following this process benefits from it being:

- A combination of what stakeholders (very specially business owners and managers) think, from their invaluable everyday experience in the business, **plus** the intelligence information they receive. It can not be expected that public officers have all the information about the every day constraints that SMEs face. This may also be the case of academic institutions and some government owned support institutions, i.e. labs. On the other hand, in sectors where the overwhelming majority of businesses are small microenterprises (i.e. the garment sector), it is improbable that most owners will have all the information on international trends and competitor firms and country policies to accurately suggest the direction and scale of policies.

- The information made available creates a "we" vision, whereas country stakeholders realize that they "are all in the same boat", facing the opportunities and threats of today's globalized sectors.

- The process is participatory but not limited to opinions from individual experiences; rather it mixes the opinions resulting from those experiences with objective and strategic information that is made available to all participants.

- The process does not aim to point that "all is wrong" and that we should do "everything that

¹ This type of comparison is usually called "business benchmarking" and allows international comparisons between firms which operate in the same sector. Broad issues that are benchmarked are usually productivity, range of international markets served, technological advancement, sophistication of management and of labour, prices and profitability; and the variety, quality and of novelty of the products offered. (see more detailed description of databases in the report on Overall Sector Strategy).

² Learning from Global Buyers, by Peter Knorringa and Hubert Schmitz, Institute of Development Studies, Univ. of Sussex, 2001

is done in the developed countries”, but it focuses in a reachable model sector. Most importantly, by measuring gaps at the company and general support environment levels, it shows where the **gaps are wider**, and **by how much**. The result then is not a comprehensive, often overwhelming list of aspects to be improved, but a **prioritized** list of areas of improvement, (and therefore the activities that should be performed, which here we will call “Implementation Component”) and concrete suggestions on how much effort (dedicated time and financial resources) should be made available, by the private and public sectors, (and eventually donors).

Statistically speaking, the fact that in a certain aspect the gap is wider than in other (for instance in human resources as compared to infrastructure) does not necessarily imply that efforts in that aspect should be addressed before than the other. For instance, the lack of certain regulation could perhaps have a lesser long term impact on the sector than other limitations, but could be resolved much more quickly than the formation of, for instance, specialized engineers. In that sense, among the many benefits of greatly incorporating the views of stakeholders, is their judgment on which priorities should be addressed first. This judgement is also necessary to determine the “causality” of different possible actions, to determine which would have the greatest long term impact with the least possible use of resources.

Overall the main benefit is of course, to obtain their commitment to the course of action that is delineated in the strategy, on the basis that it is set as a common, not an outsider’s, effort.

5.3 ACTIVITIES FOR THE INTELLIGENCE COMPONENT

In this document we propose for all sectors an Intelligence Component, and then we advance a preliminary list of actions that should be taken, which we call Implementation Component, based on the written information available and in the interviews conducted with stakeholders. In defining a definitive long term strategy for each sector, which we consider to be crucial for Syria, both the Intelligent Component (especially in terms of target markets and reference countries) and the proposed Implementation Component should be reviewed and agreed upon by stakeholders.

The six steps that comprise the intelligent component are listed in Annex 1.

Regarding the activities of the Implementation Component proposed, as a general rule we give priority to the Human Resources aspect, as it can significantly improve the intervention in all other aspects. As stated above the strategies here proposed tend to elevate, in the next 15 years, the conditions of the three sectors, from being primarily “driven by factor endowment”, based primarily in the availability of low cost labor and of raw materials, to “knowledge driven” sectors, which favor activities that require a higher level of skills, and then are less exposed to competition from other low cost countries, and in general are associated with higher salaries and better labor conditions. This follows the principles outlined in Strategy 2025 for Syria’s growth.

6. A DEVELOPMENT STRATEGY FOR THE TEXTILE AND GARMENT SECTOR (T&G)

The development strategy presented here applies the approach delineated in the Introduction, and the views of the stakeholders visited, while drawing much of the information about the sector from three recent reports.³

The Global Value Chain

Global Demand drives the T&G industry and today requires higher quality, larger choice, new designs, comfort, and service at an affordable price. Global clothing players tend to focus on design, marketing, logistics and distribution, and outsource manufacturing in or outside their own country. They keep the first link of the technological chain (design) and the

³ UNDP's "Cotton Wear Industry in Syria" in 2007; the SEBC report titled "Cotton Based Textile and Garments Sector in Syria: Sector Profile and Value Chain Analysis to Identify Competitiveness and Develop Strategy to Alleviate Constraints" in 2006, UNIDO's Strategy for the Syrian Textile/Clothing Industry" October 2009.

last one (assembling and marketing), and manage those in between. Among the main drivers of clothing exports in developing countries are Hong Kong's 'full package' suppliers, which are subcontractors from US and European retailers, and are mostly absent from Syria as are European firms who have been actively sourcing in countries like Morocco, Tunisia and Turkey, and relocating high-end facilities in East Europe.

Global key players emerge also in the distribution side as large retail chains develop their own brands, with their own standards, becoming competitors of their suppliers. The key factor in the global market is technology innovation throughout the value chain: product/service design, fibers, fabrics, packaging, fashion, communications and advertisement, logistics, management. Automation and computerization allow higher productivity also in production and administration.

New aggressive developing countries appear also on the market challenging even China, as at least seven major exporting Asian countries can now offer lower labor costs. Noteworthy is the Chinese response this year: the government started actions to upgrade technology and support mergers and acquisitions and it is forecasted a concentration of China's apparel industry. The current world economic and financial crisis increased the risks surrounding the world textile industry, with a global downturn in clothing market. Forecasts predict further reductions for the period 2009-2010.

6.1 THE SYRIAN VALUE CHAIN

Syria is one of the world's top cotton producers and textiles and clothing represent over 25% of Industrial GDP making one of Syria's key sectors. Textiles and garment manufacturing employs 10 % of Syria's workforce, represent 10% of total exports (30% excluding oil exports), and over one third of total industrial production. Exports of textile are second only to oil in Syria's export earnings. Of textile and garment exports, 38% are cotton, 40% Yarn and fabrics, and only 22% are apparel and clothing. Syrian textile exports constitute around 0.4 of global textile trade (2007). Syrian labor costs are lower than in China and midrange in the Middle East.

Firms and products:

The Syrian textile and clothing industry is largely composed of SMEs (private) and large public companies. Some 24.000 textile plants of all sizes are registered. Garment is manufactured almost exclusively by private companies, while state owned enterprises (SOEs) dominate the cotton ginning, and most of yarn manufacturing. There are 27 public sector textile mills, supervised by GOTI (the General Organization for the Textile Industry). The mills have problems with bureaucratic management, are over-staffed, keep excessive stocks, and lack marketing. They have the major part of the country's cotton and wool yarn spinning capacities and blanket production. The government this year considers keeping 12 as pure SOEs and operating the remaining 15 thru private management.

The portion of the private sector in the industry went from 72% to 81% between 1995 and 2007. Most firms in the textile and clothing industry are micro or small: 19.657 have 5 or less workers, and only 872 employ 15 or more.

Out of the approximately 24.000 firms, mostly based in Aleppo, only 400 firms exports their products. In general terms, private companies' scarcity of management skills prevents production efficiency, and product quality increase. Most export is done by SMEs (Small and Medium size enterprises) for whom it is still a very new activity. Exported products are mostly basic, low priced and directed to the lower market segments, although in Syria there are also several best performers, positioned in high-end segments. There is a lack of tradition of cooperatives or exporting firms that encourage collective action. While several

international fashion firms are present in Syria, they produce mostly for the local market and allow exports to a few Arab countries.

The gradual opening of the economy challenges the Syrian textile industry: some private enterprises already failed and some turned to importing or invested in other countries. Reportedly while women garment imports took 20% of the Syrian market in 2005, they represented 30-40% of it in 2007.

Exports are usually shipped by commercial agents who have old ties with foreign buyers. These agents do not usually inform their suppliers about the final buyers overseas. The effect is a major limitation for Syrian manufacturers who rarely have contact with the final markets and therefore struggle to profit from its trends and global opportunities.

As mentioned above, the Syria has been by-passed by international flows of capital, technology and know-how to developing countries, such as Tunisia, Turkey and Morocco.

In term of products its clothing production is influenced by Syrian population preferences, and the growth in clothing trade supported by Arab shoppers. Some manufacturers produce items that respond to the Gulf tastes, and promisingly, some designers are beginning to work to adapt Syrian traditional clothing styles to global fashion trends. Most garment enterprises however produce basic clothing articles such as underwear and lingerie, seamless underwear, sweaters, T-shirts, socks, stockings and pantyhose, children wear, and casual wear, for mid-class market segments, local and international. With exceptions most of these products are not linked with global fashion or the usual buying cycle for garments in Europe (seasons ahead). There are also dyeing and finishing firms working on commission, weavers, and manufacturers of home textile and fabrics.

Although from a very low initial base, Syrian cotton and textile exports increased impressively from USD 153 million in 1995 to USD 1.963 billion in 2007. Yarns, underwear, bed sheets, bed covers and ready made garment constitute the majority of exports. The industry has not been able to move into high value segments. Syria exports most of its textile production to Arab countries (53%), up from 28% in 2005.⁴ The value of these exports increased due to the trade agreements from 43 million US\$ in 1995 to 218 million US\$ in 2002 and expanded spectacularly to about 1046 million US\$ in 2007. The textile trade of balance between Syria and the Arab countries is positive. Europe receives 22% of Syrian textile exports while Asian countries (excluding Arab countries and China) became part of the Syrian export market with share of 13% in 2006 and 22% in 2007. The rest of the production is exported to other regions (Africa, America, China, etc.). In 2008 the balance of trade in all textile and garment remained very positive, with USD 2.139 billion of exports, of which 30% were garments, vs. only USD 742 million of imports (CBS figures).

In terms of competitors, Syria faces pressures from more competitive Arab countries such as Tunisia and Morocco, (coupled with problems from wrongful import declarations of prices and origins within GAFTA and other bilateral agreements); from the Asian and East European countries for higher value added and higher quality products; from countries with cheap workforces such as China, and India with higher quality industrial exports; and from Turkey, whose competitive pressure on the Syrian local market has been increased with the trade liberalization.

⁴ Agreements: After a period of a closed economy the government started to open gradually trade and allowed FDIs. In 1998, Syria joined the 17 countries in GAFTA, Greater Area Free Trade Agreement, and import duties in the area were reduced by 10% each year, until complete liberalization in 2005. In 2002 Syria signed a trade agreement with Lebanon, and then with Jordan and Saudi Arabia. In 2004 signed an important free trade zone agreement with Turkey, that started in 2007 the elimination of custom duties and easier capital movement. Liberalization of trade however was not accompanied by a support to upgrade Syrian textile industries.

On the local market the Syrian textile industry has to compete with other suppliers, specially Chinese and Turkish products. Abuses of the tariff reductions for Arab countries that were used to bring goods really made in East Asia and also the understating declarations of prices, led to a decree by the Syrian Government elevating the minimum prices per kg of garments in June 2009.

Syrian textile industries lack competitive support institutions, in reference to management training, technical centers, technology provision and long term formation of a base of qualified engineers, technicians and labor force.

Operations.

Technology: In general the Syrian textile and clothing industry is low-technology with a limited range of techniques and most companies have no time measurement methods for monitoring machine and labor efficiency. Hence, productivity remains low even when new equipment is put in place. The development of information systems in the companies is mostly limited to the accounting. In the production area, some medium-size companies use ICT for product design but not for production management. In general the most pressing constraint is for more management skills rather than new machinery.

Human Capital Training in public textile companies does occur but it is not systematic. SOEs, suffer from lack of skilled workers, and their managers and technicians often move to the private sector.

Regarding garment SMEs, managers have reasonable manufacturing knowledge, but most of them lack skills in finance, marketing and business planning. According to managers, the high cost of training is the main reason, in most companies, for the low levels of training. Small companies cannot afford to spend time and money in training their employees. However staff of technical centers such as the CTDC in Aleppo declare that even medium size companies do not see training as an investment but merely as a cost. Tellingly, a report by MVET (an EU funded project for the modernization of Vocational Education) concluded that many managers were not convinced / prepared to implement the training plans proposed because they considered it as unnecessary and were worried that trained employees would leave their enterprises.

Productivity. Without a skilled workforce, quality upgrading and increased productivity cannot be achieved. According to United Nations – Economic and Social Commission for Western Asia (UN-ESCWA) estimates, Syria shows nearly one-third of the productivity of Jordan and almost one-fifth of Lebanon, Oman, and Saudi Arabia.

Manufacturing wages in Syria Textile industry are mid-range, as at 93 USD cents per hour they are lower than Jordan's, (100) Morocco's (140) and Turkey's (154 cents USD), and even than China (98 USD Cents). They are however higher than those of Tunisia (67 cents, minimum wage) and Egypt or India (80 cents). A SEBC 2006 study of the value chain shows that the time needed to produce different garments in Syria is staggering longer than international averages i.e. a long sleeves shirt in Syria takes 45-55 minutes while the international average is 27 minutes.

Quality of Output. Most companies have no quality management systems. Only few companies have ISO certification despite that these (such as ISO 9000, ISO 14000, OEKO-TEX, ECOLABEL, SA 8000) are often pre-conditions for long-term partnerships with international buyers. Most firms do not have the very basic instruments to test and labeling is not according to international standards.

Infrastructure. Syria transport and electricity infrastructure is deemed acceptable while the availability of manufacturing sites is being improved. The Lattakia port is now privately managed. The Syrian government has created industrial zones and cities, providing electricity, water, roads, custom services, banks, etc. at low prices. There are four industrial cities, and also six industrial zones spread throughout Syria. However, a large portion of Syrian industries are still in scattered places, especially around Damascus and Aleppo, a condition less favorable for the growth of clusters.

Funding. There is a lack of funding sources for the textile industry, which relies totally on its own funds. The industrial and mining sectors enjoyed a share of only 4,9% of bank credit in 2007. Venture capital and private equity operators are almost non-existent in Syria.

6. 2 SWOT ANALYSIS of the Value Chain

Strengths

- Local customer satisfaction in general is good as regards the product quality. Regional buyers have a fair image about the Syrian sector.
- Syria has the full production cycle from raw materials to final apparels
- Syria has also the highest cotton farm productivity in the region and is its second largest producer of textile, after Egypt. Besides, Syria has some other raw materials, such as wool and synthetic yarn
- Low labor costs (within mid range in the region)
- The proximity to regional and European markets, and the position in the Mediterranean area
- Infrastructure level is basic but sufficient, (transport, electricity and internet access)
- Some SOEs have been re-organized, with new machineries, however they are exceptions
- Small size of most firms allows manufacturing flexibility (though at minimum level) and enhances personal relations with local customers. Small size also gives the ability to quickly deal with new fashions and innovative designs (although many do not have information about them).
- Government now sells yarn at prices closer to international ones (but absorbs high farmer prices)

Weaknesses

- Inter-firm co-operation occurs but only among state-owned textile firms.
- The value chain is weak in high value added components.
- Bureaucratic constraints (licensing, imports etc.).
- Lack of performance indicators which are a major driver to improve productivity.
- Management mixes with ownership; low management skills in many companies, specially related to knowledge of international markets trends and fashions in particular.
- Lack of presence in the international distribution channels
- The difficulty, while targeting lower market segments, to compete with low-cost imports.
- Lack of coordination between the capacities for yarn production and textile production. Lack of reasonable presence in the right distribution channels
- Lack of effective policy and business support agencies and intermediate institutions
- Low labor skills, productivity and commitment, and hygiene/safety measures
- Lack of training resources
- Inefficient use of machinery and high production costs
- Geographical distribution is scattered, limiting the scope for clusters

Opportunities

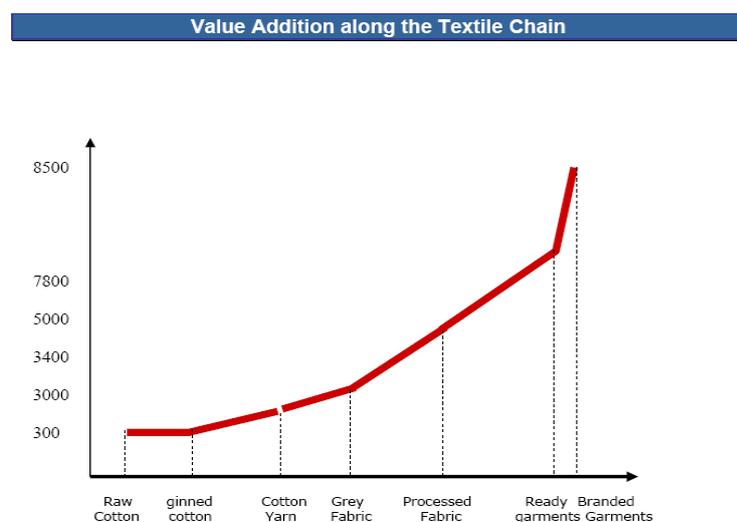
- To reposition itself to higher market segments through new articles and designs, new fibers and technologies. Within this, the possibility of establishing many specialized small blocks producing quality garments, and of creating trademarks
- To add support institutions to the T&G sections of the new industrial cities, helping to create a new business culture of quality and design.
- Given the growth in demand in emerging markets, increase market share of home textiles and garments, and of technical textiles in the Arab area, Turkey, and then Russia and Eastern Europe.
- Attract FDI based on labor costs and position, from Turkey as well as Europe, in view of market re-start in 2010 after current financial crisis
- On the cotton farming, produce higher quality, including colored and organic cotton yarns, (Syria already exports 80.000 tons of organic yarn), lower production costs and save water (each kg cotton lost by deterioration implies that 1.700-3.000 liters used for its cultivation are lost)
- Continue trend to fully use of cotton (already only 10% lint is exported) in value added goods
- The possibility of cooperation among several manufacturers to fulfill bigger orders.

Threats

- The most relevant threat is the international exposure to competitors if not gradually programmed and assisted by a gradual strengthening of the local industry
- Fraud in certificate of origins and under declaration of import prices at customs
- Lack of skills is increasingly pressing (surveyed companies thru this mission confirm this).
- Increasing inputs costs (also said by IMPU).
- Massive increase of shopping malls and new presence of most international brands makes the local customer more demanding of international fashions.

6.3 SECTOR STRATEGY

A first general comment for the Strategy for the Textile and Garment sector is that not all links in the value chain produce the same added value, as shown:



Source: Gherzi

Garment manufacturing shows the highest value added-generating stage (with an income per ton that is 14 folds the level of ginning) and it is a labor-intensive stage (one ton of garment requires 271 worker), a key factor to consider as Syria's unemployment rate stands at 8%, with many people in the informal sector.

The Syrian textile and garment industry can move from a strategy of cost advantage to one of differentiation, where it can more easily compete with massive Asian production.

This should avoid in the long term and to a large extent the fate of other countries such as Mexico, which although opened themselves to trade and FDI 15 years ago, could not, in their T&G industry, go beyond being outsourcers of simple assembly (called "maquila" in Mexico or "lohn" in Eastern Europe) of garments. "Maquila" leaves most good jobs in other countries, not in Mexico. Eventually the Maquila situation is unstable, since the garment assembly industry is easily movable, and much production can be later relocated to even lower salary countries.

While FDI for simple assembly operations is a positive step in the short term, it should be paired with a product differentiation strategy, both for the new assembly operations, to encourage them to add more value in Syria, as well as for the existing manufacturing. A product differentiation strategy means to choose niches in which it may succeed, and investing in continuous product upgrading (design, quality and marketing mix).

Since Syria has an undisputed advantage in cotton production it would be best to diminish exporting ginned cotton (usually 50% of fiber was exported) and cotton yarns with minimum local added value, and to proceed on the manufacturing cycle (spinning, weaving, cutting, sewing etc.) so as to create the higher added value and employment in Syria, as is the case in Turkey.

Target Markets

Priority market should be the near Arab region, Turkey, Russia and the EU-27, especially Eastern Europe, and the GAFTA area, (including Syria's own market), because of the trade agreements and of Syria's cultural and geographical proximities. Turkey, because of the recent bi-lateral agreement, fully implemented since 2007, and because of its fast growing economy.

Russia, for historical ties and because of its growing markets for T&G. In Europe, specially its new members, whose markets are growing and are for now less demanding than those of Western Europe.

Priority should be to affirm a "Syrian Brand" in association with cotton products, where Syria has advantages, both in textiles and garments. Flagships of this brand can be lingerie and underwear, already performing well on national and even international markets.

Reference Countries

In the reports reviewed for this document and in the interviews conducted, two countries have been mentioned as gathering the characteristics of reference countries as described in the Introduction of this document. They are **Turkey**, whose manufacturing prowess has increased largely in the last decade and who interests Syria as a presence in EU markets. WEF ⁵analysis underline the impressive advancement of Turkey in many areas and at a sector meeting an enterprise remarked that "while in the past they would buy the leftovers of our textile industry they are now leaders in the sector". Turkey's T&G industry is perceived to have better costing, waste control and fashion design, and also Turkish firms are said to benefit from export subsidies on FOB prices to the tune of 8% for yarn and fabrics, and 18% for clothing.

⁵ Turkey's competitiveness in a European context, 2006 World Economic Forum Report

The second one is **Tunisia**, an Arab country known for its successes in integrating European value chains with clothing products of higher quality and in large numbers. As Turkey, Tunisia was frequently mentioned in interviews with the Syrian private sector and is ranked by the WEF as being in one step above resource-driven countries like Syria. It displays excellent performance on the Global Competitiveness Index as Tunisian businesses benefit from high levels of business sophistication.

Although marketing activities and production processes can be improved, and Tunisia lacks the history and value chain comprehensiveness of Syria, companies tend to operate at the upper end of the value chain. Index results suggest that the government focuses on enhancing the country's innovative capacity by giving priority to procuring advanced technology products, and to the quality of research institutions their collaborations with businesses are assessed as very positive.

	SYRIA	TURKEY	TUNISIA
Relative unit Value of exports compared to world average=1	0.4	1	N.A. (Egypt 0.8)
Market diversification (n° of markets)	12	18	3

The above are the last figures reported by ITC, International Trade Centre, a UNCTAD-WTO Agency⁶, showing that Syria's exported textiles have a relative value of only 40% of Turkish ones. Recent Tunisia figures are not available, although evidence suggests it has also a relatively high level of unit value. For reference we included the figure for Egypt, a country that has its own production of quality cotton. Turkey shows also an advantage in terms of market diversification, a feature that helps diffusing the risk of selling to few markets.

In deciding on the strategy stakeholders may decide to set a main target in terms of relative unit value, as for instance, to reach, in the next 15 years, one equivalent to, for instance, 80% of Turkish products. Of essence is to benchmark not only concepts but scales and budgets allocated by reference governments. For instance the CTDC Center in Aleppo, where 60% of industry stands, seems very valuable but undersized, with only 5 staff after 12 years of operation.

While the Intelligence Component steps are similar for all the three sectors as outlined in the Introduction, we present here the Implementation Component.

Based in the information gathered, the course of action is likely to be in the directions listed below. The ISB (an Industry-wide Strategy Board) proposed by UNIDO can be the venue where stakeholders decide on these issues. In terms of which institutions should offer the BDS listed below, we maintain the general recommendations about the Institutional Framework included in the Annex Section. Given the amount of companies in the sector, we believe that local business associations related with the strengthening of existing clusters and to the new T&G sections of the Industrial cities is the best approach.

HUMAN RESOURCES

- Managerial Training should be provided specially in the area of marketing and international marketing, with particular concentration in the specific issues of the T&G value chain, like trends in quality and use of fabrics, international fashion,

⁶ ITC's Trade Competitiveness Map, Trade Performance Index by Sector

methodologies to find and close sales with international buyers, and EU and buyers quality requirements. This training can be offered by the local chapters of the Chambers of Commerce and Industry, as happens already, and, increasingly, by local Business Associations created for specific segments and sub segments of the sector. The SEBC will continue to be an important source of training of managers. SOE managers should be specially encouraged to take these courses. Other training entities should be STGEA, Syrian Textile and Garment Exporters Association, and the Ministry of Industry/UNIDO's project IMUP Industrial Modernization and Upgrading Programme, with its implementation unit. IMUP has presented an overall plan encompassing actions at the macro, meso (institutional) and individual firm levels. Technical centers such as the ones already supported or to be supported by the IMUP will provide training and testing and quality-building services. Potentially a tool for monitoring advances is the Ministry of Labor's manpower observatory.

- Vocational and Technical Education should follow the recommendations from the recent Modernization of Vocational and Technical Education, MVET, a project financed by the EU⁷. The GTZ, a German development cooperation organization also works in the area of VET improvement, and will provide recommendations on training of teachers.

Upstream, the Government is supporting cotton production by establishing a development skills center with a total cost of SYP 217 m, and the Ministry of Agriculture reports that the Center is almost ready. A specific request by enterprises in Aleppo, where 50% of garment is manufactured, was for University careers in fashion and technical issues of the sector.

TECHNOLOGY AND QUALITY

This is an important area for the attainment of higher levels of garment and fabric quality and consistency, and lower costs. Technology should be upgraded by ensuring a level of technology at least as high as in the reference countries, specially at existing institutions⁸. Their approach should in general be more oriented to private demand and take as reference the supply of technology advice in the reference countries and technology trends in the world in general.

The industry can also rely on the Clothing and Textile Development Center (CTDC), a technical center in Aleppo modernized by IMUP and a similar one in Damascus at the Chamber of Industry.

R&D and DESIGN

R&D Research and Development does not seem crucial now, given the sector other major weaknesses, but should be an increasing part of a strategy that aims at 2025. In this regard the benchmark should be first with the efforts of R&D in reference countries but also with highly developed centers in developed economies. R&D should be encouraged at the firm level with tax advantages, or with the subsidization of the cost of services. Because of the risks involved this activity merits a high level of public financial help. A model BDS institution can be Tunisia's Technological Textile Center (CETTEX). Among other tools the planning of a policy for R&D can utilize technology "road mapping", a technique that shows the different

⁷ Modernization of Vocational Education and Training Programme, Final Report of the Training Needs Assessment of the Human Resources Development Component, November 2008.

⁸ The main existing institutions are the Syrian Arab Standards and Metrology Organization (SASMO), Industrial Testing and Research Centre (ITRC), Vocational Training Centers, two Intermediate Institutes for Textile Industries and the Departments of Textile industries within mechanical engineering careers in the Damascus, Homs and Aleppo public universities. Technical Centers for testing and certification in general have low levels of utilization, and prices that are perceived as high. They are the Damascus Institute for Textile Industries (DITI) aimed at didactical purposes, SASMO which has the traditional equipments for textile physical tests; ITRC, and GOTI which has more modern instruments, but few customers among private companies.

technological steps that a sector should transit towards more adding more value.

Design. Related as R&D to product innovation, design is an essential part of a product differentiating strategy. An institution worth strengthening, among others, is ESMOD, a design centre linked to a large French institution, which has many years in the Syrian market and lacks financial resources. ESMOD promotes the preservation of the essence of Syrian traditions and famous fabrics simultaneously adapting them to international trends. It also promotes the creation of a Designers Association.

FUNDING

Here we will mention that benchmarking with reference country's availability of finances for T&G is essential to define the volume and conditions in which finance should be made available to Syrian companies. In particular financing should be provided for technological upgrading, and the industry restructuring with mergers and acquisitions (more on this below).

EXPORT PROMOTION

Regarding this topic, SEBC currently prepares an in depth document describing an export strategy for Syria in general. Important advances have been the establishment by the Government of an Exports Developing and Promotion Agency, EDPA, and the creation of the private STGEA. Another advance would be the development of a Syrian T&G export brand, focusing on higher quality and design. As with the other topics, the resources to this end should be benchmarked at least against those of the reference countries. The projection of a "Syrian T&G Brand" could include its promotion among the fast growing number of high income tourists that visit the country, in relation to high end niche products. In Aleppo's old town a GTZ project already promotes the exhibition of traditional textiles.

FDI ATTRACTION

This is, as Funding, a general topic for the country and thus addressed in the document on Overall Sector Strategy. Here we will recommend that FDI attraction should be pursued having in mind that while garment assembly can be a source of formal employment, a 15 year strategy should induce the conditions that promote that value be added in Syria, besides the mere use of its low labor cost. For this is important to have in place the other elements of the BDS strategy (i.e. a more skilled labor workforce, management training, technology, design), to favor as much as possible the type of FDI that will bring more sophisticated (and less easily movable) activities to the sector in Syria. Some enterprises mentioned Middle East's political situation as a deterrent to their links with foreign EU and North American investors, a situation that is currently improving.

CLUSTERING AND SME RESTRUCTURATION

- Clustering is the policy that promotes the collective use of resources and initiatives (for human resource development, management training, quality assurance, export promotion) at the local level, making them effectively available for most small firms. Cluster implementation can follow the existing agglomeration of firms around Damascus and Aleppo, and, very importantly the new T&G sections of the new industrial cities. Clustering can be accompanied with the establishment of technology parks, whereas a R&D institution (belonging to a university, for instance) sits next to the firms, to favor "triple helix" cooperation (business, government and research and education). Cluster implementation should be in line with regional planning, which in turn can use methodologies such as those utilized by local and provincial governments in Europe and the US, such as regional forecasting and regional benchmarking.
- Since it is probable that a process of restructuring affects many of the 24 thousand

small T&G private firms as competition increases in Syria, (a desirable event, insofar as it provides international scale to some Syrian flagship companies) clustering should include a component to strengthen them, specially training in management of family firms.

ADJUSTMENT OF REGULATORY FRAMEWORK AND SOE MANAGEMENT

These two issues pertain mostly to government decisions.

- Several reports about the SOEs in the T&G sector by international organizations (JICA, SEBC, UNIDO, and UNDP) recommend that they should be restructured. A general consideration is that in order to help cotton farmers' income a more efficient policy could be to support the reduction of production costs, to lower them to international levels, rather than subsidizing its prices and maintaining the current public ginning monopoly.

Some resources now allocated to cotton price subsidizing and running SOEs could be gradually diverted to support the creation of more value added employment in garments. The entry of the private sector in ginning and further into spinning would also press the SOEs to increase their efficiency. The new cotton farming skills centre announced by the government seems a step in the right direction.

- The legal framework should also be revised by the government, including steps to protect Syrian textile and garments from fraudulent competition (i.e. understating of import value, origin of products), to streamline export and import administrative procedures; and to ensure increasing respect for environment regulations, considering effluents and the use of water.

6.4 IMPLEMENTATION MATRIX FOR THE TEXTILE AND GARMENT SECTOR

BDS and Adjustment of Regulation Framework	SHORT TERM	MID TERM	LONG TERM
Human Resources	<p>Provide Training to managers and consultants, (specially marketing and international marketing to target markets, finance, human resources) VET, and to workforce specially in weaving, dyeing, printing and finishing</p> <p>Promote University careers in T&G management, design and then Masters degrees in T&G with emphasis in International marketing and production</p>	<p>Continue Management Training, VET , Consultants, workforce, including about new product niches i.e. Technical textiles</p> <p>Update curricula (at least biannually)</p> <p>Evaluate quality and employability of first graduates in T&G management and production and later of Masters graduates.</p>	<p>Continue Training</p> <p>Evaluate these training activities and update curricula (at least biannually)</p> <p>Evaluate employability of Graduate and Masters level in T&G management, international marketing and production</p>
Technology and Quality	<p>Strengthen public providers of technology services and scale up private ones like Aleppo's CTDC .</p> <p>Monitor number of companies that acquire ISO or other certification.</p> <p>Monitor quality of advice given to companies that purchase new machinery</p> <p>Aim at reducing productivity gap vs. intl. average (time for production of specific garments, etc).</p>	<p>Monitor decrease in production time for fabric and garments</p> <p>Monitor the services rendered in terms of coverage (% of SMEs that use it) and financial sustainability (% of the cost that is sustained by enterprise fees).</p> <p>Monitor the use of subsidies for expensive testing and certification</p>	<p>Monitor technological level of services offered to company, vs. reference country levels</p> <p>Monitor availability of services in each of the geographical agglomerations in the country, i.e. in Aleppo</p> <p>Monitor number of firms with ISO and use of technologies that are environmentally sound</p>
R&D and Design	<p>Promote Design Centers like ESMOD and new ones</p> <p>Promote R&D activities thru awareness actions</p>	<p>Monitor N° of firms that launch fabric and garment with own design.</p> <p>Monitor n° of firms</p>	<p>Monitor development or adaptation by Syrian firms of new fabrics, and use of</p>

	and tax deduction or provision of services at subsidized costs for SME groups or individual companies	that use R&D services from Universities and technology Centers	colored/organic cotton Monitor use of technological transfer from Universities
Funding	Made loans available as compared to those in reference countries. Promote venture capital	Monitor loan utilization vs. company performance in terms of profits and jobs	Monitor improvement of credit availability vs. that in reference countries
Export Promotion	Promote joint work by STGEA, EDPA and local export consortia of T&G SMEs, within clustering Promote "Syrian Brand" abroad. Monitor export subsidies of Reference countries	Monitor evolution of market share and the perception by buyers of a "Syrian Brand" of quality products. Monitor logistic costs and times vs. those of reference countries	Monitor entry of firms in countries beyond target markets i.e. USA, Latin America. Monitor export of new products as Technical Textiles
FDI attraction	Promote FDI that benefits from Syria's present advantage in low cost labor, raw materials, regional position and trade agreements Promote that FDI spurts development of local suppliers of inputs	Promote investment that uses Syria's increasingly skilled labor, technicians, cloth designers and managers for more sophisticated activities	Monitor gain in the number of jobs resulting from FDI , level of technology transfer, and the portion of high salary jobs created by FDI
Clustering & SME restructuring	Promote cluster strength in areas where firms grouped historically and specially in news T&G sections of industrial cities, if needed by creating new local associations. Provide management support specific for family firms. Monitor conditions of manuf. sites vs. those of reference countries	Monitor % of SMEs that belong to clusters and receive collective services Review SMEs perception towards mutual cooperation Monitor profit and job performance of cluster vs. non cluster SMEs	Monitor n ^o of large scale companies that emerge in clusters as result of FDI, of the process of merges and acquisition or from clustering. Monitor emergence of companies that sell with own brand, or receive big orders on commission
SOE Restructuring	Promote training of management in private companies, and redefine role of GOTI as required by final development strategy. Consider lifting monopoly of yarn manufacturing	Promote private management of SOEs, their merge if needed. Monitor amount, cost quality of raw material they supply to fabric and garment firms	Monitor results of restructured SOEs

Upstream Cotton Farming Restructuring	Relate cotton farming with the capacity to process it as T&G in Syria, for higher value added and job creation in the country	Monitor production of high quality, organic and colored cotton. Monitor which % of raw cotton is processed in Syria	Monitor gradual transfer of subsidies from farming to innovation and job creation in the making of finished products
Legal Framework	Lift bureaucratic constraints i.e. lengthy procedures for inputs importation. Combat fraud at import customs. Facilitate private investment and admin. Procedures through one stop shops.	Monitor gradual advancement towards international free trade and relate it to the improvement of Syria's support environment for Syrian companies.	Monitor results of free trade agreements in the Textile and Garments sector in terms of imports, exports and net job creation in the sector in Syria

7. A DEVELOPMENT STRATEGY FOR THE FRUITS AND VEGETABLE SECTOR (F&V)

The Global Value Chain

Consumer concerns and government policies in developed countries emphasize the importance

of nutrition for health, which holds good prospects for the future market growth of fruit and vegetables. Studies in the EU on health and nutrition indicate that there is much scope for raising consumption of these products. France's health programme, for example, aims at doubling the number of consumers eating fruit and vegetables. Such programs imply a substantial rise in supplies, especially off season, and a widening of the assortment available on French and other European markets. A sustained trend of strong growth of consumer demands for organic and "bio products" in developed countries is a viable and sometimes high value added market niche.

As consumers become more health-conscious and supermarkets increase their purchasing power, suppliers confront increasingly rigorous demands in planning, communications and logistics, systematic production and harvesting processes, quality, continuity and food safety. Many buyers expect suppliers to be certified for HACCP, GLOBALGAP and/or BRC. These conditions lead to a sharp reduction in the number of F&V suppliers in the international market.

Of all agricultural products, fruits and vegetables are probably those with the most promising prospects in terms of demand evolution on the global market, especially in developed and emerging countries, where a growing affluent urban population is likely to continue diversifying their diet, with a return to fresh produce.

While aggregate demand of developed countries for food in general is expected to grow little, fruits and vegetables are among the products that enjoy above-average levels of income elasticity of demand. As per capita consumption is still relatively low for these products in new EU Member States and in many other emerging economies, such as Russia and China, the prospects are even better. The EU's 27 consumed some 75 million tons of (fresh) fruit and 62 million tons of vegetables in 2005.

Much of Europe's fruit and veggies are homegrown and even exported. However, some 23 million tons of fruit and just over 10 million tons of vegetables were imported in 2005 – mainly exotic and off-season produce.

7.1 THE SYRIAN VALUE CHAIN

Of Syrian labor force 19,2% is employed in agriculture. Fruits and vegetables are an important component of agricultural production in the country, and potentially one of the most promising subsectors for agricultural development in several regions. A large variety of fruits and vegetables are produced in the irrigated areas of the coastal and northern plains. In terms of cropped area, the major vegetables are potato, watermelon, tomato, cucumbers and onions, reflecting the kind of vegetables most common in Syrian eating habits.

Fruits production increased by 38.9% between 1992 and 2006, reaching 562.8 thousand tons.

In terms of production per capita, both vegetables and fruits remain constant since the early 80s. Most of the farms are operated by the owners or their families. In general, fruit and vegetable farm production is still planned mainly to serve the domestic demand, given the measures that restricted exports. (Syria began exporting as late as the 90s, when its own food security was reached).

In the past, increases in the price of vegetables led to measures that restricted exports, in the attempt at reducing the domestic prices. Government subsidizes agriculture with subsidized seeds, seedlings, irrigation modernization and fertilizer, mainly the production of potatoes, corn, tomato and cotton), and provides subsidized prices for the strategic crops, mainly wheat, sugar beets, tobacco and cotton. Between the agricultural producers and the final consumers there is often a long chain of intermediate operators, without much government intervention. The absence of a stabilization policy leaves price levels to the seasonality of outputs, resulting in fluctuating prices that expose farmers to higher price risk. To cope, farmers sell their crops on the farm at the fixed price pre-agreed with a buyer, sacrificing some profit margin. This practice is common specially for perishable products that suffer most from price fluctuations as there is a lack of long-period storage facilities, (such as grapes, onion, and garlic). Fruits and vegetables cooperatives do not help integration, since they are very seldom engaged in marketing or in pre-marketing operations (such as sorting, grading, packing).

In several interviews sector actors expressed a relative opinion of farmers cooperatives and unions, pointing that with few exceptions they are “politically oriented”, rather than effective and market-oriented.

At the middle segment of the chain, traditional retailers with their own pack houses dominate the market, and large retailers or hotels generally procure their produce through buyers that operate on the wholesale markets, which remain the major transit point for most of the products. There is no publicly available information either on quantities or prices, and middlemen are thus the real strategic pivot of the system.

Few years ago a private joint venture between the Federation of Chambers of Agriculture, and the Farmers General Union was launched with the name Al Fayhaa Sham. It was planned to include storage and grading centers, and a pack house, with cold rooms and conditioning lines for citrus, apples, potatoes and tomatoes. The company's target market where the Gulf countries and Europe, but until now it has not fully developed. Other companies active in the field of fresh fruits and vegetables are Al Raed in Tartous and

Kassab in Damascus, as well as very many smaller firms (estimated at around 200) in Aleppo and Lattakia.

State establishments are absent at the production level and have only a small presence at the procurement and marketing stages, thru retail outlets with low prices for poorer people.

As per domestic demand a 2009 document by NAPC (National Agricultural Policy Centre) titled "Study on Supply and Demand Prospects for the Major Syrian Agricultural Products" takes as a reference the current food consumption in Turkey and Tunisia, and expects that the domestic demand of fruit and vegetable-based industries can rise at a substantial rate of 3%-4% a year.

In terms of the all important issue of water supply, after the severe 2008 drought, the country is already in a state of water stress. The agricultural sector uses over 85% of the country's water, and the government launched in 2006 soft loans for new irrigation equipment, to shift it from inefficient flooding, through the Agriculture Cooperative Bank (ACB)

Funding

At the upstream segment of the value chain, the ACB is the only formal source of credit for Syrian farmers, issuing loans in money and in kind. Its credit policy was reformed in 2005 and now it can provide credit also for industrial and constructional projects, if they create jobs and link economic sectors in the rural areas. In 2008 a new law created a centralized, more transparent, agricultural fund for subsidies called the Agricultural Support Fund, ASF, with a first budget of USD 1.9bn. The law allows the government to choose any crop for subsidization, not only the strategic crops. The Ministry of Agriculture and Agrarian Reform reports that the new agriculture fund scheme has supported primarily potato, yellow corn and tomato partially to compensate higher costs of fertilizer and much higher prices of fuel. All the products are free of local taxes.

Development Potential and Exports.

The CBS reports exports of fruits and vegetables of USD 829 m in 2007, while imports had a value USD 196 m. The geographic position and climate conditions of Syria make its prospects for production of fresh F&V very promising. The possibility of timely transport through both ground and sea, makes it suitable to supply European markets in late winter and early spring, and Arab countries in late spring and summer. There is potential room for expansion of production in periods when the local production in Europe is absent or too expensive.

Syria has been performing relatively well in exporting some fresh products, compared to other countries in the Mediterranean region with apparently similar resource endowments. Peaches, apples and vegetables have recently enjoyed surging exports to the Gulf countries and Egypt and the EU is Syria's second most important destination for agricultural exports. The government has taken several steps to promote agricultural exports in the framework of trade liberalization. All exports are exempted from income tax and agricultural production tax. The exchange rate applied to the part of export earnings to be converted in Syrian Pound has been replaced with the exchange rate of the neighboring countries. In addition, instructions were given to the Export Development Promotion Agency to help ensure that quality standards of exports are respected.

However, exports currently go to the lower end, not to the high-quality market of the Gulf states. Entry in the lower segment is due to the relative quality, derived by limited proficiency in post harvest handling, and the unit size of lots, which is often small and

consignees may be many, making them less interesting for the big importers that serve the higher segments.⁹

Exporters either purchase fruits and vegetables directly from farmers or, alternatively, at the Souq el Hal. By some estimation, Syrian produce in the Gulf markets sells at 25%-30% of the price of European produce, suggesting that upgraded Syrian products could double their prices if they could reach the higher segments.

Human Resources and Management.

In terms of management, current exports to the Gulf are affected by many companies' lack of a long term strategy, as they rely almost exclusively on relatives to export to the lower market. The result is a huge distance between the producer and the consumer, with little feed back on quality, a serious problem for marketing in Western and Central Europe. For this type of management, foreign markets become an extension of the domestic market, with a similar use of commission agents, and exports respond to price fluctuations which are usually high. Most exports are traded by non-specialized operators who operate domestically and in exports.

In reference to technical and management assistance for the upstream farmers segment, while reportedly there are 6.000 agronomical farm advisors in Syria, operating from 1.200 units, the perception by actors interviewed is that although some are experienced, most lack an updated and practical approach.

In reference to technical assistance to pack houses the interviews pointed out to a lack of assistance being provided. However some efforts are underway¹⁰. In relation with Organic production, since very recently exists a private organic promotion institute, funded by the Italian cooperation with support by FAO and the Ministry of Agriculture although it has not been internationally accredited yet to issue certification. A new law regulating and promoting organic products is expected in 2010, as part of this FAO cooperation. In terms of policy assistance the National Agriculture Policy Centre NAPC, aided by FAO, is one principal institution

Exportability and Quality.

Provided that market access concessions are granted by the EU, Syria should aim at taking significant shares in the EU market, as other Mediterranean countries did. However, even with improved market access competition will be fierce, specially in the seasons when EU domestic production is large, and possibilities are more likely for crops which can be harvested ahead or after the main producing seasons in the EU. Although trade measures still protect EU producers, exports can be developed by extending the supply beyond the traditional high season, which is only two months in the major European countries. In the remaining months consumption is only about half the seasonal peak, and there is a potential for Syria to provide a variety of fresh products to consumers.

⁹ Four market segments can be distinguished in the Gulf countries corresponding to decreasing quality levels: a top quality segment, with produce for top functionaries and local and expatriate executives, followed by a good quality segment where consumers buy from supermarkets in big quantities, usually mid level foreign EU and US and local employees. A third segment is comprised by the local national workers, mixing good and regular quality, which buy in 20kg package, and the last segment, of regular and poor quality, directed to Asian immigrant workers who buy from traditional shops, also in big quantities.

¹⁰ Syria joined in 2008 the International Tropical Fruits Network, (ITFN) which has already implemented a 3 year project on post harvest handling of fruits.. The GCSAR, General Commission for Scientific and Agricultural Research, could expand the activities it already carries on with help of Italian universities for olive oil, (including a internationally accredited lab) to other products. Some regional farming technical centres have a good reputation, and a "Clean Products" programme has been launched in two regions. An Aleppan institute has a good reputation with agriproducts and has developed a type of bacteria free milk. Syrian seeds for cultivation are of good quality and some are exported. The Federation of Chambers of Agriculture, relaunched in the 90s is also active in the field of farm support

Today products such as tomatoes, (with the exception of greenhouse tomatoes), can not enter the market because of the entry price system and other protection.¹¹ Syria's Association Agreement (AA) with the EU may change this situation the potential for Syria for overcoming remaining trade restrictions will depend on the definitive shape of the new Agricultural Protocol that will be attached to the AA, and on the technical ability of Syrian exporters to face the administrative burdens involved in the EU import trade regulations¹².

On the Syrian side some regulations concerning exports remain, as for instance government temporary closure of exports, as in 2008 for tomatoes, to keep internal prices affordable. For some products there are export ceilings, and packagers reported that they are obliged to sell 20% of their export to the government at below market prices, to supply public food stores for the population of lower income. This practice is expected to end when Syria enters the World Trade Organization. On the other hand, the Chamber of Agriculture of Rural Damascus reports that the government already supports produce exports, but only to the tune of 1% subsidy of export value (while 7% for agro foods and 25% of the cost of the cost of the international segment of transport). At the time of writing this report the government announced an important measure, canceling the previous requisite of channeling exports thru a public company, thus reducing the cost of exports in 2-3%.

In reference to Europe, while the Association Agreement (AA) will ease access, quality issues remain and products from Turkey, Jordan and Egypt will be potentially strong competitors. A visit by Italian experts in October 2009 confirmed the F&V potentiality but found significant challenges, comparing its situation with that of Egypt seven years before. Transportation, handling and commercialization were deemed to be unacceptable for international standards. No traceability system has been implemented yet in Syria, at least with a noticeable scale. Mr. Omar Al Shalet head of the Rural Damascus Chamber of Agriculture confirmed the lack of quality control in produce to be exported as the main constraint faced by the sector, followed by the lack of information about international markets, for example for Syrian excess supply of potatoes.

In the Arab country area, markets such as Iraq's already request higher compliance with international standards. The future enforcement of international safety legislation in the Gulf area, is a serious challenge for Syrian exporters. Even in its domestic market Syria is already tackled by competitors like Turkey, Iran, and Egypt with an overall better quality.¹³

Infrastructure.

Exporters find the fleet of Syrian trucks for exports of fruits and vegetables to be just adequate in capacity for current volumes, although it compares unfavorably with Turkey's more modern refrigerated trucks. Also, its prices are high, and there are difficulties for drivers to obtain EU visas. Of special concern for fresh produce, there is no regular shipping line visiting Lattakia and Tartous on their permanent routes. Export customs clearance at ports takes more than one day, increasing the time to market of fresh perishable products. At

¹¹ The entry-price system became operational on January 1, 1995 and establishes an EU entry (i.e. minimum) price. If a product's import price lies under this entry-price, a duty is imposed (depending on the difference between the two prices). The system applies to tomatoes, apples, lemons, cucumbers and courgettes the entire year and to other products during certain periods.

¹² Citrus fruits, apples, grapes, potatoes and tomatoes are key Syrian agricultural products to be granted tariff quotas with full customs exemptions within their respective quota quantities. Tariff concessions are granted under quantitative limits in the form of tariff quota or reference quantities (these are only indicative and they only become tariff-quota in rare cases). In addition to the quota limits potatoes and tomatoes would also benefit from reduced tariffs. Other agricultural exports will enjoy preferential tariffs lower than those of most favoured nations, or full tariff exemption.

¹³ As an alternative high income market the United States offers opportunities for a wider range of food products on more liberal terms of access, which are also extended to some temperate zone products, although transportation costs might be an issue for fresh produce exports from the Mediterranean.

a meeting of Syrian exporters of agricultural products with a Turkish shipping company exporters expressed that bureaucracy, often duplicated at the point of exit in Syria and at the country of destination, was a major constraint. They showed a strong preference for a logistic service that starts at the door of their enterprises, “door to door” rather than “port to port”.

7.2 SWOT ANALYSIS

Strengths

- Special weather conditions for farm production, with winters milder than Europe and summers cooler than the Arab peninsula
- Excellent logistical location, in between Middle East and European markets
- Abundant supply of fruits and vegetables, and good quality of products at the farm stage
- Possibility of production that enters EU market slightly ahead or after the availability of EU products.
- Trade agreements already in place with Arab countries and experience in supplying the low segment of these markets
- An informal network of relatives in the target markets, which has facilitated the trade so far
- Recent launch of SAPEA, Syrian Agriculture Exporters Association

Weaknesses

- Regulatory framework not harmonized with that of the EU, regarding traceability, used of pesticides, etc
- Most companies are small with limited marketing skills in managers and traders, oriented to the national market, not the international ones
- Procurement of fresh fruits and vegetables through a long chain of intermediaries and based on short term price fluctuation
- No assortment or weighing is done at the farmers' level. Post harvest handling is poor
- Infrastructure for transport lacks a regular line joining Syrian ports and Europe, and overland transport just sufficient in terms of trucks, but with high costs
- Institutional framework lacks a dedicated institution for technical assistance and training
- Funding by banks is very limited and also there is a tradition of relying in self funding.

Opportunities

- Possibility of becoming in a few years a stable international player in the field of fresh fruits and vegetables
- Cooperation with a EU country (in the form of a Green Corridor) and its private sector could bring positive results in terms of sector upgrading through access to new markets and transfer of know-how and technology
- Entry to the higher segments of the Arab markets, specially in the Gulf countries
- The appearance of new Islamic banking in Syria promotes its use by Syrian firms and new rules for the Agricultural Support Fund market its funding of rural areas more efficient
- The presence of the Syrian Quality Programme. It is a four years project financed by the EU with the goal of upgrading quality regulation and business quality practices to international standards
- Most production in Syria is nominally organic, opening the opportunity to acquire certification and export to Europe within this niche, as well as others like Globalgap, fair trade, etc.
- Healthy growth expected in the domestic market will also help firms to acquire scale

- Clustering and regional initiatives could promote fresh produce from special regions of origin (DOC), adding value in the domestic and international markets.

Threats

- Non compliance with EU food safety regulatory environment will hamper exports to the EU, even if Association Agreement is signed
- Stronger Middle East competitors may gain share in the Syrian market
- Long customs clearance at ports prolongs time to market for fresh perishable exports
- Gulf country markets may start demanding EU-like food safety standards, restricting this market also
- Water scarcity may restrict in the future the supply of raw material
- Export restrictions when the price of products is high in Syria restrict export volumes and make planning difficult.

7.3 SECTOR STRATEGY

The general orientation of the development strategy is that of making Syria become a stable actor in the international market of fresh fruits and vegetables, with products of quality adapted to the target markets, including top quality for the EU and for the highest segment of the GAFTA markets. While most of the quantitative specific goals should result from the Intelligent Component, a goal could be to obtain for Syrian F&V exports to the Gulf a much higher % of the average price that currently obtain EU F&V exports there (for instance to obtain 60% of the price of top quality European exports).

As in the other sectors, long term priority should be placed in the development of human resources, and gradually away from today’s comparative advantage of low cost labor. Labor conditions along with quality and environmental sustainability should be key instruments within this sector.

In terms of the budget resources currently available, the general orientation should be to support the activities with more added values, perhaps gradually redirecting some farm subsidies to improvement in the downstream segment of sorting, weighing, crushing, packaging, with its possibility to create more well paid employment. The F&V sector would be a “driver” of farming activities bringing their produce to ever higher-paying markets, in Syria an abroad. The strategy implies a long term alliance of pack houses with farmers.

For the Intelligence Component of a strategy for the sector we have selected as **target markets** the GAFTA area and Europe.

As **reference countries** we selected Turkey, for the success of its fresh fruits and vegetables, such as grapes and cherries, in the EU and in the Syrian and other Middle East markets. We also selected Egypt, for the success of its fresh produce in the EU, for the relationship that Egyptian exporters have built with European retailers, and also because the Egyptian experience named “Green Corridor”, developed with Italy, could inspire similar initiatives in Syria with the EU in general. Syrian exporters are aware of Egypt’s support environment, and they perceive that there is a high subsidy of the Egyptian produce if it goes to the EU and 15% to any other export destination. Both countries were also mentioned as references by the Director of the Department of Agriculture and Investment of the Ministry of Agriculture and Agrarian Reform. (Additional ones could be Morocco, Tunisia (for olive and citrus) or Jordan (for vegetables). With these two selections we can proceed with the 4 steps of the Intelligence Component proposed in the Introduction section.

	SYRIA	EGYPT	TURKEY
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Relative unit value of exports compared to world average=1	0.8	1.3	1.0
Market diversification (n° of markets)	8	20	15

Once the intelligence information is collected, stakeholders may decide **that an overall goal of the sector strategy is to reach the relative unit value that currently have Egyptian fruit and vegetable exports, increasing Syrian's relative value by 60% to reach 1.3 times the world average.** An intermediate goal could be reaching the world average value, which currently enjoy Turkey's products.

In regards to the Implementation Component for this sector the preliminary assessment of information and stakeholder opinions indicates activities in the following direction:

HUMAN RESOURCES.

- Support the development of tailor-made training and education modules at the different stages of the marketing chain. The Syrian European Business Centre (SEBC), can train pack house managers, while other institutions focus on farmers (good agricultural practices). Coordinate with institutions like ICARDA , International Centre for Agricultural Research in the Dry Areas, and the ones mentioned above in the human resources and management section.
- Provide training to prepare for the AA so firms take full advantage of the EU concessions, filling most of the tariff-quota. This requires adequate training on the administrative procedures for exporting to the EU.
- Create information systems about domestic and foreign markets to improve the transparency of transactions.
- FDI. Continue facilitating foreign investment to promote transferring marketing know-how.

INFRASTRUCTURE:

- Funding should be made available for the upgrade of the fleets of trucks, and for the establishment of a permanent direct shipping line between Syria and the EU markets.
- Port customs clearance should be sped up for perishable products if possible to one day, to make Syrian F&V more competitive in terms of time to market.

QUALITY, CERTIFICATION

- Build a quality policy, aimed at moving actors' mentality towards quality. This could consider the creation of a Fruit and Vegetable Quality Body, related with the SAPEA, and with the sector association proposed below. The Body would also analyze actions to enforce the European standards, with an assessment of its implementation by farmers. Firms and exporters should be aware of the EU requirement of traceability and of sector-specific EU legislation¹⁴, and phytosanitary (plant health) certificates.

¹⁴ Besides these EU regulations importers of fresh fruit and vegetables have their own unwritten quality standards. Although not directly obligatory for producers of fresh fruit and vegetable, exporters must be aware of the fact that in the field of processed fruit and vegetables the quality standards HACCP and ISO 9000 (and ISO 22000 which combines both) are strongly increasing in importance in Europe. A large exporter in Aleppo mentioned to be in the process of obtaining HACCP certification, although this is not spread in the sector. Regarding environmental issues ISO 14001, although voluntary, may become because of customer pressure a *de facto* requirement for being able to compete in the global marketplace.

- Inform exporters that while there are no important statutory obligations at the EU level for the packaging of fresh fruit and vegetables, there are requirements by importers, regarding the material and size of the packaging. Also about national packaging waste legislations, to reduce it, make it recyclable or reusable.
- Inform about labeling of F&V for the EU, which should include items such as name, address (code) of the packer/exporter, variety of the product, country of origin etc. In regards to all these quality issues, is very relevant the presence of the €12m, 4-year Syrian Quality Management programme funded by the EU, which will provide technical assistance to Syrian institutions for the implementation of its new Quality Policy and assistance to become internationally recognized and associated with related organizations, e.g. the European CEN/CENELEC and the International Organization for Standardization (ISO).
- Inform about Niches and voluntary standards. Organic products are an interesting outlet for Syria's exported products, since the use of chemical inputs is not widespread in Syrian agriculture. Keep in mind that for farmers to obtain official recognition of their organic status, the conversion period is a minimum of 2-3 years. Syria needs an accredited laboratory to test and confirm organic production, especially since this is a requirement to entry in the EU. The EU Quality Programme mentioned could provide such a service. Today's product certification costs in Syria are very high compared to that in Europe.

Apart from organic production there are other voluntary forms of quality assurance that could facilitate entry in the EU and North American Markets or to lead for better prices.¹⁵

REGULATORY ADJUSTMENT

- Adjust the Syrian regulatory framework for food safety in line with the EC Regulation N° 178/2002, a strong requirement for export to the EU. This framework should include traceability requirements and the use of pesticides (the EC Quality Programme service can provide this service). The adjustment should be carefully coordinated with the provision of farm subsidies for inputs so that they conform to the new legal framework.
- The Syrian fruit and vegetable market would probably improve its efficiency with a more open trade policy setting.

SME RESTRUCTURING

Encourage the growth of companies. SME companies that supply traditional commerce will tend to decrease and larger companies will be necessary for creating export value. Government's financial assistance should be subjected to several conditions related to job creation (e.g. as already established in Investment Law n° 10) and to the affiliation of a minimum number of growers to the companies' exporting programs.

INSTITUTIONAL FRAMEWORK

- Create a Sector Association. A recent visit by Italian specialists promoted by SEBC confirmed the need for a sector institution, in order to gradually reform the F&V sector. The association must have proper financing for the implementation of its

¹⁵ They are GlobalGap, required by Europe retailers which are important in the European food market. It certifies farmers who farm according to Good Agricultural Practice (GAP), to provide safer food products to consumers. The Rural Damascus Chamber of Agriculture mentioned that some exported Cherry production already complies with this requirement. A cherry exporter to the EU interviewed indicated that water for this cultivation comes directly from the melting of snow. Other niches are represented by fair trade such as Netherland's Max Havelaar to guard the interests of small farmers in developing countries by promoting the sale of their (agricultural) products.

services and their gradual extension to areas beyond Damascus. It is recommended the study of Egyptian and Italian successful associations before initiating a full scale involvement of farmers and other stakeholders.

- Start its activities with a pilot project that focus on few representative important products and foreign markets and
- Collect information about the access of the chosen products in the selected markets and transfer it to the production sector through the cooperation with international experts and local engineers. Prepare Syrian missions to the EU, with the goal of studying the implementation of quality systems, with attention to the experience of the Producer

Organisations (PO) and the inter-branch organisations in Europe. Promote the regular exchange of experts to overcome administrative and bureaucracy related problems. The association would also equip the producers with proper technology and infrastructure, and promote the adjustment of Syrian regulations with EU and other international standards.

7.4 IMPLEMENTATION MATRIX FOR THE FRESH FRUITS AND VEGETABLES SECTOR

BDS actions and Adjustment of Regulatory Environment	SHORT TERM	MID TERM	LONG TERM
Human Resources	Provide training to F&V packers on how to network with farmers, how to improve post harvest	Train packers on the possibilities IN AA and other trade agreements and on possibilities of organic market niches	Monitor performance of Syrian firms in the target markets, including in the upper segment of the Gulf

	handling, assorting and packaging, and specially about international exporting of fresh produce, with focus on EU food safety regulations and other administrative procedures.	and other voluntary standards. Promote dedicated curricula at University (specially in Intl. marketing of F&V, and in F&V handling issues) and update curricula in VET and technical high school institutions	countries. Monitor curricula of related education in higher and VET and secondary education institutions, including at farmers level. Monitor employability of Univ. graduates in related careers.
Technology and Quality	Train farmers, F&V firms and other actors about quality requirements and certifications of the EU (use of pesticides, traceability, labeling, etc) and increasingly of other countries. Train farmers and packers on water saving techniques	Monitor compliance of farmers, handlers and packers with the new regulations. Inform media about the importance of these for the health of customers in Syria and for Syrian exports and general economy Monitor water use as prescribed by ICARDA and others	Monitor compliance with new regulation, and the use of the organic and other voluntary quality standards. Promote development of Syrian technology for fruits and vegetable farming and fresh produce handling, including for saving water
Institutional Framework and Upstream linkages	Create dedicated business association for training and consultancy for firms and policy advice to Govt. Twin this Assoc. with European peers. Promote long term networks with farmers and review lessons learned from Al Fayhaa Sham	Extend reach of association to all relevant regions. Review farmers' organizations' link with market needs. Promote clusters including farmers, pack houses and food firms. Promote seals related with regional denomination (DOC)	Monitor Association in terms of n ^o and location of firms served, quality of service, economic sustainability Review its synergic links with other organizations (Farmers associations, SAPEA, etc). Monitor growth of regional seals of quality
Regulatory Framework And SOE restructuring	Adjust regulatory framework to EU's and adjust farm inputs subsidies accordingly	Update regulatory framework as needed following target market regulation	Update framework as needed by target markets. Review SOE functions vs. Sector Strategy
Infrastructure	Speed up custom clearance of perishable products at ports Promote direct sea lines from Syria to Europe	Review physical infrastructure (ports, roads) in regards to conditions that prevail in reference countries	Review times and costs to market against reference countries and other competitors
Funding	Provide soft loans for automatic sorting, storage facilities for farmers, cool warehousing,	Monitor use of loans vs. firms' performance. Monitor use of Islamic banking and other sources of funding, vs.	Monitor use of loans vs. profit and employment. Monitor availability of funding in comparison

	purchase of modern trucks	that in the reference countries	to reference countries
Export Promotion	Link new association with SAPEA and EDPA	Promote a Syrian Brand of produce in the domestic market, the EU, and GAFTA markets.	Monitor volume of exports and jobs created through the export activity
FDI attraction	Attract FDI for Syria as export platform to Europe and GAFTA	Monitor N ^o and quality of jobs created by FDI and review regulation and incentives accordingly	Monitor number of inputs technology prompted in Syria by FDI

8. A DEVELOPMENT STRATEGY FOR THE AGRO FOODS SECTOR

For drawing a strategy for the sector we based the analysis on the segment of canned foods which covers a wide spectrum of agro food encompassing all fruit and vegetables sold in tin cans, glass jars or plastic container. We believe the characteristics of this segment represent well those of Syrian agro food in general.

The Global Agro food Sector

The modern global food system relies heavily on technology, transportation, management and logistics for physical fulfillment, and on marketing and government regulation for maintaining an efficient consumer market. In the present decade the annual level of processed food sales worldwide is estimated to be around € 2, 57 trillion. In 2005 it was estimated that 40 per cent of the food sales in Europe would be carried out by only 5 to 10 top companies. The first European food retailer (Carrefour) has a total turnover equivalent to four times the Syrian GDP. In the global food industry are predominant large international companies, based on their financial and marketing strength. Their major assets include brand names, capacity to ensure consistently high quality, product innovation and publicity campaigns, as well as closeness to consumers combined with low transport costs.

The global trends in the consumption of food are increasingly present in Syria. Modern consumer tastes favor convenience, "snacking", and health and environment-friendly food. Convenience relates to the growing number of working women and "one person" homes, or the decrease in time for food preparation. Sales of take-away and fast food tend to grow. As a result, the prepared food market has grown exponentially. The trend is to "Meal Solutions" or "Home Meal Replacement", for immediate consumption at home or outside:

8.1 THE SYRIAN VALUE CHAIN

As a major agricultural producer Syria already has a well-developed agro-food industry. The agro food sector exports 23% of total agricultural export. Food manufacturing is also the fastest-growing industry in the country. In October 2009 Deputy Prime Minister Al Dardari announced that while in 2007 processed foods were 19% of the total SYP 168 bn of agricultural exports the figure had increased dramatically in 2008, to a 41% in a total of SY 191 bn.

The General Organization of Food Industries (GOFI) has traditionally been in charge of the sector, with 21 companies that produce various foodstuffs including vegetable oil, dairy products and canned foods, as well as soft drinks and alcoholic beverages. Private manufacturers are gaining ground, including large foreign investments from Spain, Saudi Arabia and Brazil. Syria's Natural al-jabal Juice Company was the first Arab juice company to be ISO certified. It exports its products throughout the Middle East, Europe and the US (lately it has had financial difficulties).

Along with other industries, the food sector in general grew exponentially after a law passed in 1991 gave major incentives to private investment. By 2004 Syria's output of food industries was a quarter of manufacturing GDP of the country (in a statistical category which includes also beverage and Tobacco). The sector was opened to foreign competition the following year with the Greater Arab Free Trade Area (GAFTA) agreement which led to significant inflows of Arab products. GAFTA however has created a much larger market for Syrian food manufacturers. Overall agro food exports went impressively from USD 300 m in 2005 to 1.1bn in 2007. Thanks to rising urbanization and the new eating habits that come with it, tens of new canned food factories have opened since the early nineties, mainly around Damascus. The Central Bureau of statistics registers a remarkable increased of private production of the category "variant canned foods", from 12.570 tons in 2003 to 23.108 in 2006. (The public sector produced that year only 4.000 tons). Big Syrian companies are the Al Durra and the MAS and Rabbath groups.

According to the Central Bureau of Statistics, there were 238 firms working in the canned food sector in 2005, although other reports mention only 30 large manufacturing plants which process continuously.

Private companies manufacture a comprehensive range of products (jam, pickles, vegetables and fruit conserves, tomato paste, soups and ketchup) without specialization. The largest number of firms is in fruits and vegetables conserves followed by pickles and jam. In spite of the extended range of canned products, tomato paste, apricot jam and green peas alone contribute to over 70% of total production. Most factories are in the countryside around Damascus while some small firms are in rural areas and operate only seasonally, with primary equipments, for the local market. Competition in terms of price (less in terms of quality) is intense between and among small and large firms in all products. Four public sector companies operate in the sector but they record losses and the government is seeking to lease them out.

Development Potential.

In terms of the consumer trends in the domestic market, although the working day in Syria today is still compatible with home food consumption, in the future it can be anticipated that an extended work day with a lunch break will prevail at least among urban private sector

workers. This would lead to a gradual change in consumption habits, with an increased share of processed and ready-to-eat products and a decrease of fresh meat. While the expenditure in vegetables might increase, a larger share of value added will be appropriated by the food industry in preparing fast-foods, ready-to-eat vegetables and salad mixes.

In conclusion the canned food industry has a great potential for the Syrian economy, both as consumers change eating habits and as an export, capitalizing on Syria's good quality of fruits and vegetables and its reasonable labor cost.

Sources of inputs.

Aided by the Syrian government emphasis in self food sufficiency, there is an abundant supply of raw material for the agro food industry. Thus, almost all raw materials for the canned industry are sourced locally. In general, there is no networking between canned food firms and their suppliers of agricultural raw materials. They are purchased directly from farmers and from fruits and vegetables wholesale markets such as Souk El Hal in Damascus.

Vegetables and fruits are received loose and unsorted, and sorting is handled manually at the plant. This leads to waste and adds cost. In addition, refrigeration at the plants tends to be poor which shortens the life of inbound fruits and vegetables. Packaging material is often of lesser quality and old fashioned.

Primary constraints in sourcing are:

- a) Restrictions imposed on importing vegetables and fruits and complex customs clearance of packaging material.
- b) Lack of skills for negotiations for better purchase (there are no purchasing departments),
- c) Limited financial resources of small firms, and hence inability to obtain better terms of purchase.

Quality.

In general most private canned food companies are small in size and poor in technology organization and management, with few exceptions such as Al Durra and Delta. The quality of output may change from batch to batch. In large firms product quality is acceptable but packaging tends to be inferior. Only about 5 % of the canning firms have a plastic vacuum packaging system. Warehouses tend to be neither temperature controlled nor well equipped, affecting the quality and shelf life of final products. Most firms have low quality control systems, based on human observation and manual check up. Hygiene standards are not high in public and private firms. Very few plants are HACCP certified.

There are two labs that provide food testing for firms in Damascus, one at the Faculty of Agriculture at the University of Damascus and other within the Minister of Trade and Economy. The later one is reported to be good by companies, but both were perceived as expensive. One company reported that there are no official programmes to promote HACCP, and it initiated the certification of some of its processes individually, an event that was later emulated by other large firms.

Operations.

In terms of management, firms in the private sector are owned, financed and run directly by individual owners, family members, or partners. Clear organizational structures, professional planning and management and decentralized decision making are absent. Lack of planning may be due to government policies that sometimes ban export of certain fruits and vegetables, making planning difficult. Most food firms suffer from underdeveloped entrepreneurial characteristics, and selling and negotiation skills; poor use of opportunities for product diversification and weak or no direct distribution, which reduces geographical coverage and market penetration. There is an absence of networks with wholesalers and retailers

In terms of marketing, marketing investigation, sales and services are among the weakest points in the value chain, as the approach is on production volume and raw material available. Transactional selling dominates, motivated by instant profit in the short run, rather than on long term market relationships. There is limited participation in exhibitions, poor packaging, labeling, and bar coding, and shortage of customer service.

In terms of human resources, private and public firms are poor in human resources management. There is high turnover of employees, and under-qualified administrative staff while there is no performance evaluation nor incentive systems even in many large companies.

Productivity.

Production capacity in most firms is not used optimally because of seasonally warehousing shortages (three shifts during season down to one shift out of season). Machinery in the industry consists of relatively outdated technology, reducing productivity and increasing cost, including maintenance cost. In conclusion, with few exceptions which are the large private sector ketchup and tomato paste firms, poor organization results in high cost, low productivity and poor product standardization.

Human Resources and Training.

In terms of its human capital, the food sector is characterized by a low education of workforce, with limited training. Also, firms (large and small) do not carry R&D activities and ICT use is limited. Interviewed companies do not seem to rely much on the educational institutes. One firm in Damascus mentioned that in the area exists a dedicated Institute at the secondary education level, but in its perception its graduates have not the necessary experience. A firm in Homs mentioned the Homs University's specialization in Agro foods, but also questioned the quality of the graduates. Another large firm in Homs expressed that specialists are very difficult to find in Syria, both for marketing and for production.

All the large firms interviewed rely on foreign specialists, from Europe, India and the US although they mentioned that they would be very interested in having a long term relationship with universities, so that they could better source expertise. Education and Technical institutions for the sector include those mentioned in the F&V section.

Funding.

There is also poor management of finances and little financial outsourcing. The latter is partly due to poor banking services (until recently) and complicated credit and loan regulations.

Present Export Markets.

In export markets, Syrian manufacturers rely on the very large Syrian and Lebanese expatriate communities based in Europe, the Americas, West Africa and the Gulf countries. Even large firms do not have research data on foreign markets and there is an absence of international marketing communications and activities. Most traders lack marketing information and experience in international trading.

The top 6 destinations for Syrian canned food exports are in the Arab world which represents 85 % of the total. Allegedly some of Lebanon successful exportation to the expatriate communities in Europe, North America and West Africa originates really in Syria. Imports of canned food are primarily of canned fish, which represents 50% of all canned food imports. Six countries account for 70% of imports, largely headed by Morocco, followed by Lebanon and Thailand. Trade with the EU is one-sided with imports of around € 9 m in 2005 and exports of € 1.5 m the same year, of which 50% are vegetables prepared without vinegar.

8.2 SWOT ANALYSIS

Strengths

- Availability of raw material of good quality and low cost of labor
- Excellent geographical position to export to Arab and European markets
- Large presence of an expatriate community in Europe and North America is a potential market there, plus other Middle East communities
- Already existing examples of companies positioning products by a brand in developed country markets, like Al Durra in North America
- Flexibility to take advantage of quick market price changes and fluctuations
- Already existing large FDI, (i.e. sugar) shows attractiveness of Syria as an investment location and as a platform to export

Weaknesses

- Lack of management skills even in large public and private companies, in terms of marketing, financial management, firms strategy regarding specialization, negotiating skills, and human resources.
- Scarce use of ICT and of market information systems
- Overall regulatory framework not harmonized with that of the EU and other international standards, and very few companies are HACCP or ISO certified.
- Lack of acquaintance with EU food safety requirements and with labeling requirements
- Poor processing technology, lack of automatic sorting or raw materials, and poor input warehousing facilities
- Outdated packaging does not reflect quality of product

Opportunities

- Potential expansion in Arab markets and among Syrian and Middle East communities in Europe and North America
- To adapt food safety standards specially for Europe's market, which also will enhance the image in Syria and Arab markets
- To develop R&D and other technical assistance links with Universities and other education institutions
- To develop synergic links with farmers for the provision of raw materials in the long term, and with providers of packaging and other inputs
- To develop long term alliances with distributors
- To create an association that will provide collective services in management training and consulting, and which will aid streaming relations with providers of raw materials, and packaging, and also provide technological services thru a Technical Center and lab
- To exploit market niches derived from new consumer habits, such as organic foods, and health functional foods, and "meal solutions" such as snacks
- To develop strategic alliances with Europe and North American companies, for the development of products for the Syrian and in general Arab markets

Threats

- The entry in Syria's market of products from more advanced companies, both global and from other Arab countries, as the implementation of trade agreements advance
- Low technology leads to possible rejection of products in Europe and North America for non compliance with safe food regulations and labeling
- Inability to link with providers leads to high inputs prices and discontinuity of provision

- Legal framework precludes quick sourcing of quality inputs, such as jars and other packaging, and other operations necessary for constant production of quality products

8.3 SECTOR STRATEGY

Several actors pointed during the interviews to the need for a long term view for the sector in Syria. For instance Al Durra executives pointed that Turkey has a long term strategy (and added that its government provides around 7% subsidies on agro food exports, while Egypt provides 15%).

According to the methodology outlined in the Introduction, we will indicate Target Markets and Reference Countries. We will consider as **Target markets** the Arab countries and the Middle East communities in Europe and North America. This selection is based on that they are the countries that are the main export destination today. However, in reference to Europe and North America we consider that not only the Middle East community should be targeted, but also, gradually, the general population of these countries, with products adapted to the current consumer trends.

As **Reference countries** we selected Turkey, which firms in the sector perceive as having a long term strategy for the sector, and Egypt for their successes in the Arab markets, including Syria itself. We also included for reference Lebanon, for its success in reaching the expatriate communities, and marketing and packaging prowess.

With these two selections stakeholders can proceed with the steps of the Intelligence Component proposed in the Introduction section.

	SYRIA	TURKEY	EGYPT	LEBANON
Relative unit value of exports compared to world average=1	0.8	1.4	0.9	1.1
Market diversification (n° of markets)	9	11	11	11

The information above is provided by ITC (International Trade Centre) affiliated with UNCTAD, a UN Agency, and the WTO World Trade Organization. Sector stakeholders may note that Turkey's product is exported at almost 75% above the relative unit value of Syria. **They may decide therefore that a primary goal of the long term strategy is to increase the unit value of Syrian exported agro food to present Turkey levels, and then decide on all the actions and budgetary efforts that will be necessary to that end.**

In terms of market diversification Syria shows a similar number of markets to which it exports to those of the two reference countries.

In regards to the Implementation Component for this sector the preliminary assessment of information and stakeholder opinions indicates activities in the following directions:

HUMAN RESOURCES

- Provide management training at all levels. in areas of production, technologies and know-how, work environment, food safety and hygiene management, productivity, quality standard practices, human resources, marketing and sales and negotiation techniques.

- On firms strategy, train on the right balance between diversification (required by the seasonality of agriculture) and specialization (required by efficiency).
- On Marketing, provide extensive training on market information techniques and give bigger role to market research and marketing.
- In regards to purchasing, provide training on buying and negotiating skills, on how to offer incentives to better purchasing and on how to create independent purchasing departments with professional buyers
- For the long term, potential exporters of products have to be informed of the changes in consumer trends. Agro foods will tend to be classified not as botanic varieties but as “categories” according to consumers’ goals (convenience, snacking, health, etc.) which influence product prices. They should be informed about new trends as “functional foods” and “nutriceutics” (products that combine health and nutrition qualities).

Among the institutions that can carry management training is SEBC¹⁶.

REGULATORY FRAMEWORK

As for the F&V sector, Syria’s regulatory framework for food safety needs to be implemented in line with the EC Regulation N^a 178/2002. This concerns specially agro food traceability.

Other regulatory restrictions for the F&V sector apply also here. An executive at one of the plants visited specially mentioned that it should be easier import essential inputs, such as jars, which he perceived as being protected by real tariff barriers of 40% or higher.

UPSTREAM SOURCE OF RAW MATERIAL

- In regards to the operation of sourcing inputs, research should be carried out on suppliers of agricultural raw materials and packaging suppliers, and maintain an updated data base.
- Provide services that enhance links, cooperation, and networking with suppliers of inbound agricultural and packaging raw materials. Firms should be assisted to coordinate with farms to: a) adopt the right cultivation and harvesting methods (in order to produce products with specifications and standards suitable for processing), b) supply fruits and vegetables in proper packaging to reduce cost of cleaning and sorting.
- Advise canning firms that could pay manufacturers of packaging (e.g. glass jars) the cost of developing new designs and models against reserving the patterns for their firm only.

QUALITY.

- Provide services that help implement quality control systems (such as ISO and HACPP) to ensure consistent products, hygiene and safety.
- Help develop labeling and bar-coding up to international standards and specifications. This could help marketing in newly established supermarkets in Syria as well as in export markets.
- Exporters of agricultural processed products to the EU are asked to label the export packages indicating the nature of the product, its components, name and address of the factory, and the mention "for export". Moreover, there are standards and specifications required by the country of destination.

¹⁶ In the eastern agricultural governorate of Deir ez Zor UNDP, through its Innovation and Business Development section, will assist SMEs offering training and workshops specifically tailored to that region’s needs. Also consider that after the textile value chain, the next Unido’s IMUP project is planned to be in the agro food sector. The Oil Institute at GCSAR can also be a reference for training.

- Potential exporters must also be informed of the EU requirements of traceability. The food business sector is responsible for documenting information on products “one step forward and one step back” in the food chain. In addition sector-specific legislation applies to certain categories of food products (such as fruit and vegetables) so that consumers can identify their origin.

TECHNOLOGY and R&D

- In regards to warehousing and processing technology, assistance (technical and financial, in the form of tax breaks and or funds for upgrading technology) should be provided to improve the warehousing of raw materials (building modern temperature controlled and properly equipped warehouses), and to improve storing conditions inside warehouses of finished products
- Assistance should also be provided for the installation of automatic lines for sorting and handling of agricultural raw materials and to convert from manual to automatic handling of finished products, to avoid waste.
- Investments in R&D should be assisted through tax breaks and/or specific funds, with the objective of developing new products and processes and for installing R&D in house departments.
- Small firms should also be assisted to keep updated with latest technologies helping their participation in specialized forums and exhibitions.
- In regards to Packaging, help the use of packaging materials as it is the marketing tool with the greatest impact. It embodies brand value and differentiates brands at the point of purchase.
- Suppliers of packaging should be advised to shift from merely selling available supplies towards a higher level of understanding of mutual needs.

EXPORT

- As in the case of Fruits and vegetables, the transport infrastructure should be upgraded, in the short term especially with a shipping lane that regularly serves Lattakia and Tartous ports with Europe.
- At the same time, to export processed foods for the organic market Syria needs an accredited laboratory to test and confirm organic production. The EC Quality Programme could provide this service.

INSTITUTIONAL FRAMEWORK: A CANNED FOOD BUSINESS ASSOCIATION

While the above subjects can be offered to canned food firms by a variety of organizations, a recommended effort is to seek collective inter-firm cooperation under the umbrella of a specialized association. The association was already proposed by an SEBC report in 2006 with the name of "The Syrian Canned Food Association" (SCFA). The Association would conform to the Institutional Framework presented in the Annex 2. The services to be delivered to members will include those typical of business associations in coordination, with the Chambers of Commerce and Industry:

- Foster social capital by sharing experiences and know-how and enable canning firms to specialize, and facilitate sub-contracting.
- Act as a mediator among members through a system of dispute settlement and represent members with governmental authorities to assist in industry policy formulation
- Promote cooperation with consumers, raising consumer's awareness of food safety and quality and promoting the production of value added products of high sustainable quality.

It will also provide specific Business Development Services in the areas listed above. As for export marketing, the association will help forge strategic alliances and relationships with national organizations, specially the EDPA and with the recently launched SAPEA,

Syrian Agriculture Exporters Association, and with foreign counterparts. These alliances will provide a network of connections and help locate overseas partners.

In terms of Research and Development, it would foster cooperation establishing a specialized Center for R&D supervised by the association, for new production methods and products, and within it a modern laboratory lab to ensure the conformity of members' products to international standards and specifications.

CLUSTERING

Local chapters of the business association or other organizations should promote the formation of clusters where industries are located, taking advantage of the fact that over 40% of the firms are in Rural Damascus, and another 17% and 9% in Idleb and Aleppo respectively. This activity could also include the implementation of Denominations of Origin, or similar quality and marketing seals that result very effective for marketing agro food products.

FUNDING

Experts advise that firms in this sector need be large to be efficient, specially for export. Therefore, besides the funding mentioned for technology improvement, firms infrastructure and R&D, funding should be available for firms in general (a topic treated in the document on Overall Sector Strategy) for firms to expand, merge or buy other firms.

8.4 IMPLEMENTATION MATRIX FOR THE AGRIFOOD SECTOR

BDS actions and Adjustment of regulatory frame	SHORT TERM	MID TERM	LONG TERM
Human Resources	Train management and workforce on strategy for specialization, food marketing, HR. and international food safety standards Promote separation of management and family Inform on food global trends Promote University careers in agro food, linked with peers in Ref. markets and in the EU, N. America.	Monitor management know how. Monitor employability of agro food graduates. Monitor training curricula with current needs in Syria and performance of reference countries Promote University degrees in agro food management and processing at the masters level Monitor firms market share in target countries	Monitor management in agro food and employability of agro food 1 st degree and Masters levels graduates. Consider having Phd degrees in agro food inputs. Monitor N° of firms with scale enough for operations in several target markets. Monitor market share in target markets, including among non Arab communities
Technology and Quality	Train workforce on procedures for food quality, thru VET, tech. high schools..	Review training curricula, as related with firms needs. Monitor number of	Review situation of providers of agro food technology in Syria

	<p>Spread info on EU and other food standards</p> <p>Assist HACCP/ISO 22000/BIO certif.</p> <p>Link firms with upgraded/new tech centers and labs</p> <p>Accredit organic labs</p> <p>Do study tours to technology suppliers</p>	<p>companies with certifications</p> <p>Monitor use by agro food firms of tech centers and labs.</p> <p>Monitor N^a of cases in which shipment is rejected because of quality</p>	<p>Review current import regulations in target markets.</p> <p>Monitor number of companies already certified with HACCP other standards including new ones appearing in the markets.</p>
R&D	<p>Facilitate R&D with tax breaks and other incentives, and link Univ. with firms</p>	<p>Monitor the evolution of R&D in food sector as compared to reference countries</p>	<p>Monitor the evolution of R&D vs. Reference and most advanced countries</p>
Up and downstream linkage	<p>Raise awareness among food firms, distributors and farmers about benefits of alliances and organize visits to these alliances in Europe.</p> <p>Promote firms' long term links with suppliers of packaging</p> <p>Promote the upgrading of packaging up to international trends</p>	<p>Monitor status of the alliances reviewing the benefits reached by both sides</p> <p>Disseminate good experiences on these alliances in all regions.</p> <p>Monitor situation of packaging vis a vis those of target markets.</p> <p>Consider creating a Packaging institute</p>	<p>Monitor status of the alliances reviewing the benefits reached by both sides</p> <p>Monitor if alliances exist in all the agro food regions</p> <p>Monitor relevance of a packaging institute if created</p>
Institutional Framework	<p>Create Sector Association, for collective links up and downstream, R&D, subcontracting, fairs.</p> <p>Promote its international links (along with SAPEA)</p> <p>Use lessons learned from Al Faiha al sham.</p> <p>Link Assoc with similar proposed for F&V.</p> <p>Consider opening regional branches in the 3 main regions.</p>	<p>Monitor Association's role in terms of relevance and coverage of the agro food sector.</p> <p>Monitor the subcontracting activity, the occurrence of mergers and acquisitions, and the functioning of links with farmers and distributors</p> <p>Consider creating its R&D center</p>	<p>Monitor Association's role in terms of relevance and coverage of the agro food sector.</p> <p>Monitor volume of subcontracting, occurrence of mergers and acquisitions, and quality of links with farmers and distributors</p> <p>Review R&D center performance vs. world good centers</p>
Clustering & SME restructuring	<p>Assist clustering in Idleb, Damascus, and Aleppo.</p>	<p>Promote clustering in other regions where firms group</p>	<p>Compare clusters with reference and advanced countries</p>

	Visit agro food clusters in EU and Ref. nations	Consider organizing local Denominations	in the agro food business
Export Promotion	Promote regular sea and road links comparing with Ref. countries in time to market Monitor reference country incentives for export of agro food	Monitor competitiveness of export transport vis a vis reference countries Promote Syrian agro food among the increasing number of tourists	Review relevance of target markets and ref. countries, and adjust accordingly Monitor competitiveness of export transport vis a vis reference countries
FDI attraction	Attract FDI to the sector, specially those that bring and transfer technology and build skills	Attract FDI to the sector, specially those that bring and transfer technology and build skills	Attract FDI to the sector, specially those that bring and transfer technology and build skills
Funding	Fund technology upgrade, and R&D with loan terms at least as good as those in the reference countries Fund mergers and acquisition (M&A)	Provide funding for technology upgrade, and incentives for R&D Provide funding for M&A, use of stock exchange and start of venture capital	Fund technology upgrade and R&D Provide funding for M&A Review use of the stock exchange in Syria and other ways of funding
Legal Framework	Adjust regulatory environment to EU food requirements, specially traceability Promote shorter customs procedures for inputs. Review status of SOEs vs. overall strategy	Adjust regulatory framework as per current needs of the agro food sector. Monitor overall customs procedures, both for input and for clearance of exports Review status of results of SOE restructuring	Adjust regulatory framework as per current needs of the agro food sector. Monitor customs procedures specially vs. Reference countries Review status of results of SOE restructuring

9. ANNEXES

9.1 Annex 1: Six Steps and Matrix of the Intelligence Component

In a summary, the Intelligence Component requires the following 6 steps:

1 To create or designate an existing instance that continuously gathers intelligence information.

2 Collect intelligence information on:

Syrian Sector Supply (production, export, number of companies, average value, etc),

Target markets in terms of the trends and characteristics of the products demanded and their volume

Target markets in terms of their access requirements and barriers, according to the evolution of the different trade agreements that Syria has and will sign, and to the evolution of target market import regulations for products quality, packaging, care for the environment, labeling, etc.

Target markets in terms of the composition of the buyers (number of buyers, new and disappearing buyers), general scale and characteristics of the buyers.

Reference countries, related to the evolution of their companies in the target markets, in terms of market share, concentration in the number of companies that enter the markets, appearance of new and disappearance of companies already selling in the markets.

Reference countries, related to the support conditions that benefit sector companies in those markets. The search for information will pay special attention to the budget (as proportion of the present volume of production and/or number of employees in the value chain) that national and regional (provincial) governments devote to assist the industry, both financially, managerially and technologically. Of special interest are incentives for FDI, financial help or tax breaks for innovation and specifically for R&D, the status of technology centres, either located at university, public institutions, private institutions or associations; and cluster initiatives, export promotion measures (tax rebates, participation in fairs, promotion of national images).

3 To compare the information gathered about the support conditions in reference countries

with the information on the same topics in Syria.

4 To identify major gaps between the situation of the support conditions on the reference countries and the situation of Syria.

5 To present this situation to Syrian stakeholders, in order for them to define a) the priority aspects, this is those aspects that will most benefit Syrian sector companies and which will create employment; and b) a scheduled course of action ending in 2025, and, specially, c) correspondingly, the allocation of budgets that those actions require (mostly public, but also by private firms as they pay for the different services they use among those that will be provided).

In the case of the three sectors in Syria, based in the information gathered, the course of action is likely to be in the directions listed in the Implementation Component for each sector. However this should be ultimately decided by Syrian stakeholders and once the information in step 3 is available, specially in regards to the priority and budgets that should be allocated. In terms of which institutions should offer the BDS listed below, we maintain the general recommendations about the Institutional Framework included in the following Section.

6 Prepare the provision of different business development services. While the Implementation Component relates basically to the provision of Business Development Services (associated with the provision of Financing), it also includes Adjustments in the Regulatory Framework and in SOE management, which is responsibility mainly of the government. To keep businesses continuously informed of these changes in the regulation environment is a key task for the Chambers of Commerce and the Chambers of Industry.

A MATRIX FOR THE INTELLIGENCE COMPONENT

Activities of Component	Short Term	Mid Term	Long Term
Creation of the instance that collects Intelligence Information	New or existing institution designated to collect information. Target Markets Confirmed	Instance continues updating information	Review if original Target Markets continue to be relevant and change them and Reference Countries if necessary.
Collect intelligence information on Syrian sector supply	First batch of Syrian sector information collected	Update information on Syrian Supply	Update information on Syrian Sector Supply
Collect intelligence information on Reference Country/ies Support Conditions	Reference Countries confirmed and information on support conditions collected	Update information and review which indicators are most useful	Review if reference countries still the original ones and change them if necessary. Update information
Compare Syrian and Reference Country Support Conditions, indicating which services are provided, which % of firms benefit from them,	Collect information on Syrian Support Conditions and identify gaps with Reference Country Indicators	Update information and review which indicators are most useful	If original target markets changed, review selection of reference countries. Update information on original or new reference countries,

quality of the services			
Present gap information to Stakeholders	Identify most convenient venue (Exporters or Sector Association, Industry Board, , etc) and present information	Present information on a regular basis (at least annually)	Present information on a regular basis (at least annually)
Determine BDS and Regulatory actions, budgets, goals to be achieved, responsibilities in public and private sector and monitoring and evaluation process	Determine Action Plan, for BDS and regulatory measures	Renew Action Plan (at least biannually) and monitor and evaluate progress	Renew Action Plan (at least biannually) and monitor and evaluate progress

9.2 Annex 2: The Institutional Framework. Business Development Services

The Institutional framework is of the utmost importance for the preparation of a detailed, consensus-based strategy and for its implementation. It must have the following characteristics that make it able to perform its functions:

It should represent existing sector companies, which should integrate a large portion of its decision body, in order to that the businesspeople who are members of the board are committed to promote the institution's activities among their fellow businesses in the sector. For this representation to be close enough to firms' needs it should be specific to each of the three sectors.

This is because the evolution that should take place in Syria goes in the direction of adding value, which requires sector-specific technology and organizational skills. We propose in the corresponding sections of the document a first a national Business Association for the F&V and Agrofood Sectors (for the T&G sector a national institutional framework has been proposed by UNIDO and is currently under consideration). That first national sector institution should eventually establish branches in the subsectors (i.e. cotton underwear) and also branches in the geographical regions or even parts of a city where subsector firms are located.

Ideally most firms in each subsector should find an institution with this profile within an hour's distance from their locations. These regional subsector institutions can be located in suitable, likeminded service-oriented existing organizations, or at new ones to be created. Board members should be elected among institutional members, following the spirit that the Syrian government has proposed for business organizations.

The institution should be above all service-oriented. This means it sees its "raison d'être" in servicing its current members, by providing services on what is often called a "transactional basis". Its operation should be based in the best practices identified for the provision of BDS (Business Development Services). A common reference as best practice is the set of recommendations put forward by the Donor Committee of SME Enterprises, which has resulted from the evaluation of a large array of BDS experiences (the provision of Business Development Services) by many international organizations. Above all, the services should be provided in a transactional basis, this is, the companies pay always at least a portion of the cost of the service they receive. The other portion, specially for SMES, and according to the nature of the service that is provided can be covered by public funds coming from national or regional (governorates) or municipal government levels.

A large business representation in their directive boards should be accompanied with the access to relevant "intelligence information" as described in the section about the construction of sector strategies. The institution should then be able to collect existing relevant information, or to have the budget to produce it if necessary.

This intelligence information should be disseminated among members, and then discussed in internal forums that take place to that end, with the objective of creating and keeping a common vision about the challenges and opportunities that the sector faces, and the actions that should be taken to favour the sector. Businesspeople, specially SME owners are busy and their time limited, thus the information presentation and the subsequent discussions should be brief, rich in relevant content, and allow for informal and amenable contact among participants, so that they feel committed to the actions which are defined as a result of these meetings.

These actions could consist mainly of services that would be offered to companies or requests to government or other non government institution (i.e. other business institutions, academic education institutions, etc.). An advisory council will favour the relationship with consultants, international organizations, banks and other sources of funds, and specially institutions which are able to foster innovation by being providers of

technical or managerial expertise (secondary and higher education institutions, vocational training centres, technological centres, research and test labs, etc).

Finally, their legal status can follow the one proposed by the SEBC for Syria. The contribution of the SEBC on this topic includes a detailed manual for the implementation or adaptation of such type of institution.

9.3 Annex 3: People met during the mission

Business

- Adnan Sultan, Green Leaves agro products trading Aleppo
- Emad Adnan Al-Nen, Partner & CEO, Al Durra food Products
- Anton Daoud, General Manager, Daoud Poultry and Trading
- Yohya General Manager, Alehsan Import Export
- Mark Anbouba, General Manager, Anbouba Agro Industries (Homs)
- Said Salam, Fayhaa owner, general manager, Fresh Fruits Company,
- Suleyman AVCI, Deputy General Manager, EMES Shipping and Transport
- Mohamed Elsa, Arkas Egypt Shipping Agency
- Riyadh H. Takeddin, Agribusiness Specialist, General Manager IBL
- Nicolas Jaklis, Fares Jaklis Sons Company, cotton wear and textile (Homs)
- M. Yousef Al Ozon, Factory Manager, SAMAH Pantyhose, socks
- Taysir Al Kaysi, Owner, Al SAMAH textile
- Ms. Souha Chovihna, Cloth Design and Manufacturing, (Aleppo)

Chambers and Business Associations

- Adnan Al Nen, President, Chamber of Commerce of Rural Damascus (Al Durra)
- Eng. Omar M. Alshalet, President, Damascus Agriculture Chamber
- Eng. Ahmad Akhatarini, General Manager Aleppo Chamber of Industry
- Amer Kharbutly, Director of the Chamber, Damascus Chamber of Commerce
- Bashir Mansour, Chief of Public Relations Dept. Damascus Chamber of Commerce
- M. Fares Husami, General Manager, Homs Chamber of Commerce
- Nafé e Atassi, Info and Training Manager, Homs Chamber of Commerce
- Ana Abou Jieb, Deputy General Manager, External Operations, Damascus Chamber of Industry
- Anton Daoud, Secretary General Homs Chamber of Commerce (Daoud Poultry)

Other Support Institutions

- Atieh El hindi, Director National Agricultural Policy Center
- Lara Elsayed, Clothing and Textile Development Center, Team Leader
- George Hallab, General Manager, ESMOD, Syria
- Hazem Fattal, Distribution Unit, ICARDA, International Center for Agricultural Research in Dry Areas
- Eng. Amer Mouases, Head of Investment Department, Industrial City Adra

National Government

- Dr. Eng. Majd Ayoub, Economic Agriculture & Investment Director, Ministry of Agriculture and Agrarian Reform
- Dr. Imad Ashour, Director of International Relations at the Ministry of Economy and Trade
- Shawla Ibrahim, Assistant, Minister of Industry

SEBC SME Support Programme in Syria

- Mr. Poul Gadegaard Team Leader
- Mr. Lovat Brownlee STE Export Strategy
- Yusuf Mansour, STE Export Strategy
- Mr. Patrick Houard Debraconier STE Overall Sector Strategy
- Mrs. Hala Rizk Overall Sector Strategy STE

SEBC, other programmes

- Greg Harris, Editorial Manager, OXFORD BUSINESS GROUP
- Firyal Kherbek, Business Development Consultant, International Fairs
- Doug Aitkenhead, Team Leader, BESP, Business Environment Simplification Programme
- Nadia Khiyami, National Competitiveness Observatory

International Organizations

- Nuhad Dimashkiyyah, Senior Expert in Trade and Industry Policies, UNDP United Nations Development Programme
- Fouad Al Lahham, Project National Director, IMUP-UNIDO Programme
- Lars Flocke Larsen , Programme Officer, Delegation of the European Union
- Khawla Konyina Project Expert, Promotion of Innovation and Technology, GTZ
- Alessandra Hilbig, Project Coordinator, Regional Cooperation in VET, GTZ
- Raria Hasania, former head of Project Management Unit, MVET, EU project

9.4 Annex 4: List of Acronyms

AA	Association Agreement with the EU
ACB	Agricultural Cooperative Bank
ASF	Agricultural Support Fund
BDS	Business Development Services
CBS	Central Bureau of Statistics
CTDC	Clothing and Textile Development Center
DOC	Denomination of Controlled Origin
EC	European Commission
EDPA	Export Developing and Promotion Agency
EU	European Union
F&V	Fresh Fruits and Vegetables
FAO	UN Food and Agriculture Organization
FDI	Foreign Direct Investment
FOB	Free on Board
GAFTA	Greater Arab Free Trade Area
GCSAR	General Commission for Scientific and Agricultural Research
GDP	Gross Domestic Product
GOFI	General Organization of Food Industries
GOTI	General Organization for the Textile Industry
GTZ	German Technical Cooperation
HACCP	Hazard Critical Control Points
IMUP	Industrial Modernization and Upgrading Programme
JICA	Japan International Cooperation Agency
MVET	Modernization of Vocational Training and Education
NAPC	National Agricultural Policy Centre
OECD	Organization for Economic Cooperation and Development
R&D	Research and Development
SAPEA	Syrian Agricultural Exporters Association
SEBC	Syrian Enterprise Business Centre
SME	Small and Medium Enterprise
SOEs	State Owned Enterprises
STGEA	Syrian Textile and Garment Exporters Association
SWOT	Strength, Weaknesses, Opportunities, Threat Analysis
SYP	Syrian Pound
T&G	Textile and Garments
UNDP	United Nations Development Programme
UNECSWA	UN Economic and Social Commission for Western Asia
UNIDO	United Nations Industrial Development Organization
USD	US Dollars

VET	Vocational Education and Training
WEF	World Economic Forum
WTO	World Trade Organization

9.5 Annex 5: Selected Literature Reviewed

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- SYRIA Human Development Report, by UNDP
- SEBC Newsletters and country economy information (website)
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- Investors Guide To Syria 2009, The British Syrian Society
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Agrofood

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