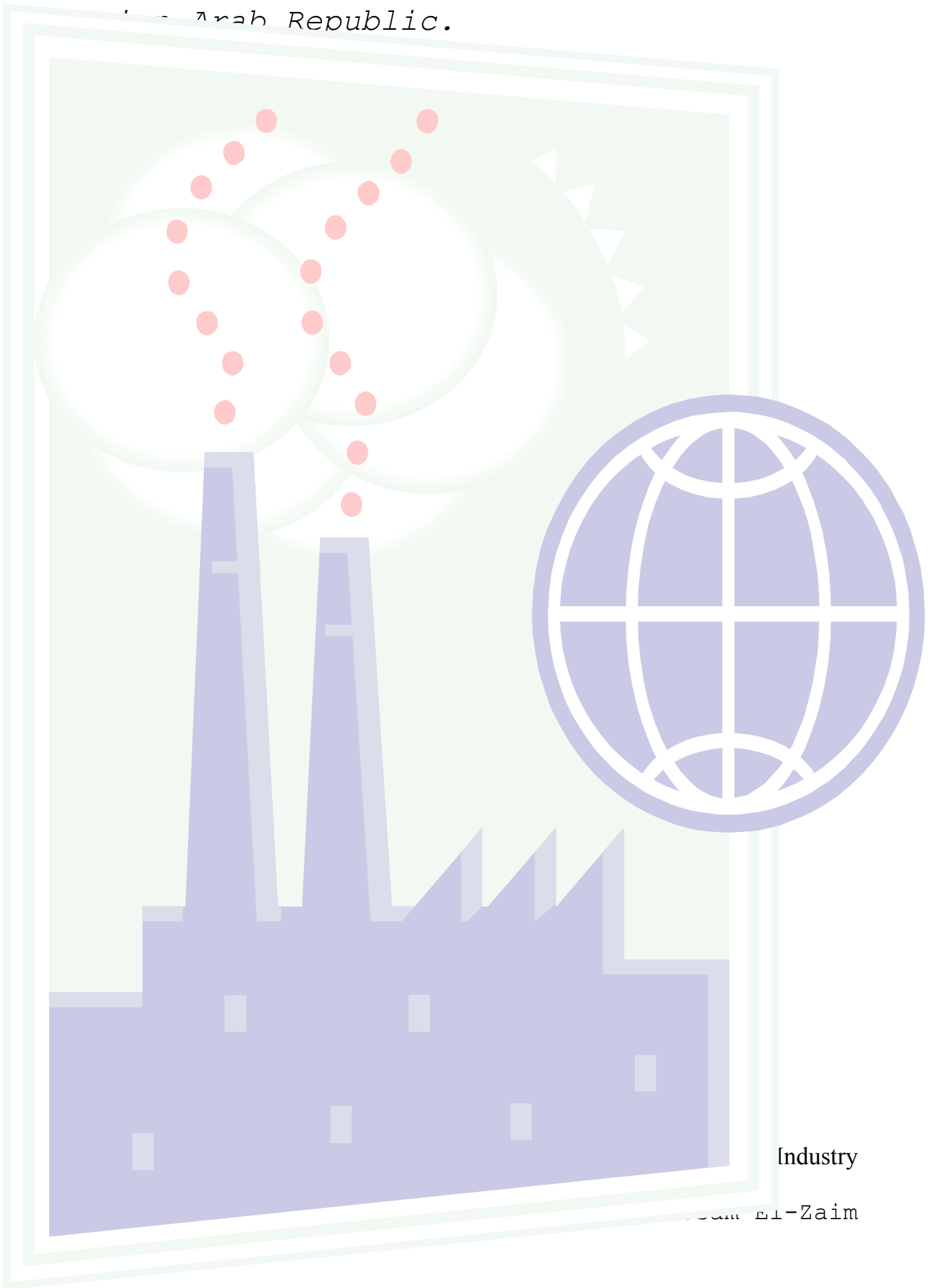


Arab Republic.



Industry

Team El-Zaim

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Organization chart of The Ministry of Industry

Profiles of the **General Organization for Textile Industry, (GOTI)** and its subsidiaries.

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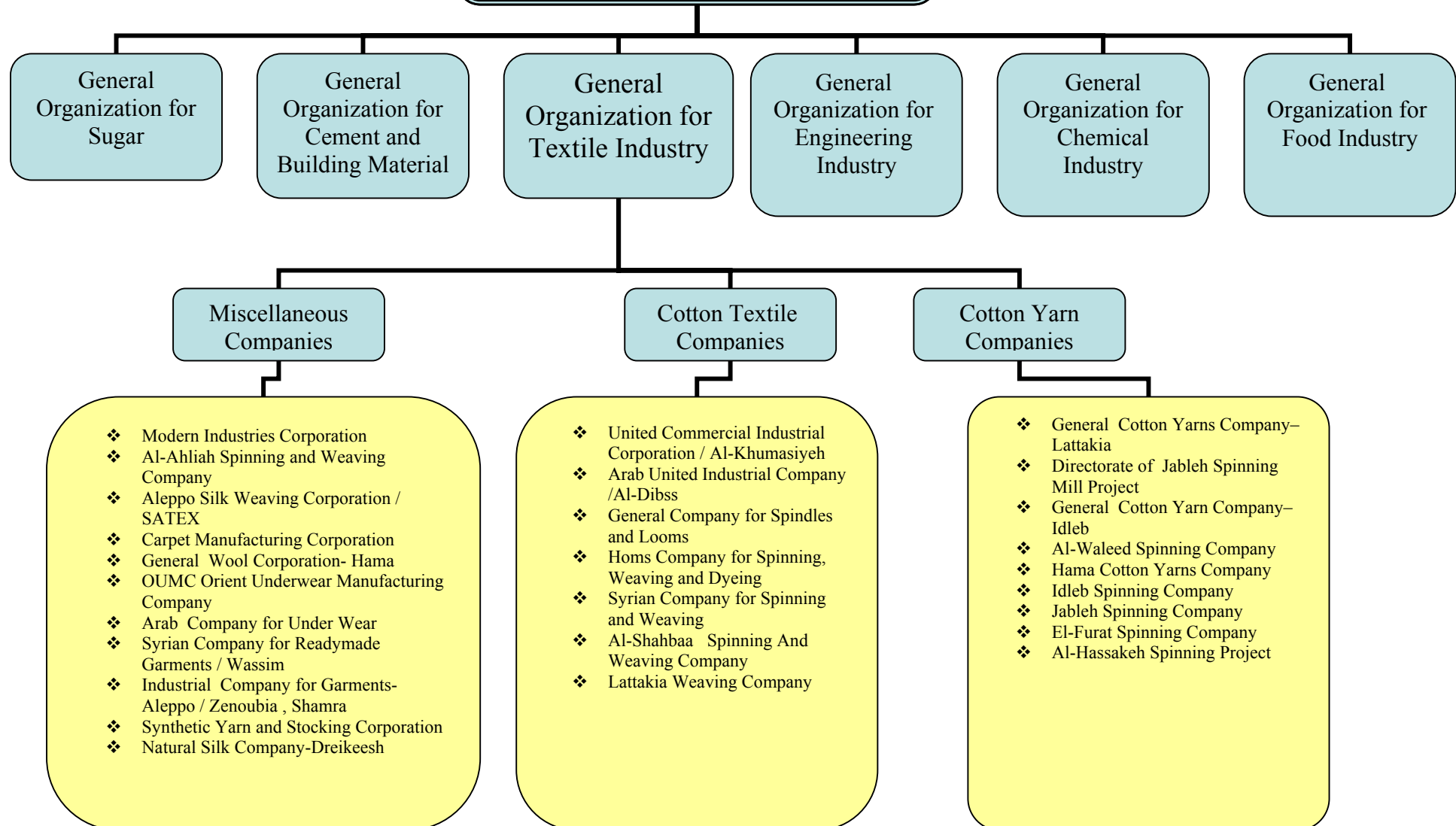
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Ministry of Industry



The General Organization for Textile Industry, GOTI

The General Organization for Textile Industry, GOTI, supervises the work of all the public spinning and weaving companies (27 in number) in the Syrian Arab Republic. These companies produce mainly the following:

- cotton yarn of different counts and types.
- Cotton textile – bleached, , colored, printed, dyed
- Machine made 100% wool carpets.
- Blended wool textile
- Pure cotton underwear.
- Silk furniture textile and Jacquard.
- Blended synthetic yarn.
- Readymade garments- children's, ladies', gent's
- Socks and stockings
- Medical cotton and cotton gauze
- Cotton waste

Sponsor: The Ministry of Industry, The State Planning Commission.

Founded: GOTI was established as per the legislative decree No 2174 of 21/7/1975.

Duties: The organization has the widest range of authority to manage its own affairs and business. It is held fully responsible for plans and their implementation, economic administration and profitability as part of the overall policy of the country and plans, the legislative decree No 10 of 18/7/1994, trade laws of Syria. It is particularly held responsible for efficient implementation of plans of production, investment, efficient utilization of resources in order to optimize the profitability of capitals in investment. GOTI has the following duties:

- Preparing draft guidelines and regulations stated in articles (8,9) of the legislative decree No 20 of 18/9/1994 for specialized authorities in order to be issued.
- Setting standards and performance criteria for the Organization and all its subsidiaries.
- Setting the objectives for production, export, marketing, investment, labor, profitability, and pricing, and follow up of the implementation of plans and achieving overall government objectives.
- Drawing detailed plans and implementation programs that insure production development, enhanced quality control, optimal utilization of resources economically and whatever measurements that may enhance production efficiency in GOTI and its subsidiaries.
- Approving of annual plans for subsidiaries and all affiliated bodies including:
 - a. investment plan b. production plan c. trade plan d. workforce plan
 - e. cost and profitability plan f. approximate balance
- Coordinating the work of subsidiaries and affiliated companies and settling arising breaches among them.

- Studying quarter annual, annual and other incoming reports to the GOTI board of administrators regarding execution of plans, financial status and suggesting solutions to any problems that might exist.
- Studying whatever matters brought up by the Minister, Director General, or worker representatives to the Board relating to the activities of GOTI or its subsidiaries.
- Endorsement of tenders, and contracts of up to one million SP or more. This amount is adjustable by Prime Ministerial acts.

Subsidiaries:

- ❖ Modern Industries Corporation
- ❖ Al-Ahliyah Spinning and Weaving Company
- ❖ Aleppo Silk Weaving Corporation / SATEX
- ❖ Carpet Manufacturing Corporation
- ❖ General Wool Corporation- Hama
- ❖ OUMC Orient Underwear Manufacturing Company
- ❖ Arab Company for Under Wear
- ❖ Syrian Company for Readymade Garments / Wassim
- ❖ Industrial Company for Garments- Aleppo / Zenoubia , Shamra
- ❖ Synthetic Yarn and Stocking Corporation
- ❖ Natural Silk Company-Dreikeesh
- ❖ United Commercial Industrial Corporation / Al-Khumasiyeh
- ❖ Arab United Industrial Company /Al-Dibss
- ❖ General Company for Spindles and Looms
- ❖ Homs Company for Spinning, Weaving and Dyeing
- ❖ Syrian Company for Spinning and Weaving
- ❖ Al-Shahbaa Spinning And Weaving Company
- ❖ Lattakia Weaving Company
- ❖ General Cotton Yarns Company– Lattakia
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- ❖ General Cotton Yarn Company– Idleb
- ❖ Al-Waleed Spinning Company
- ❖ Hama Cotton Yarns Company
- ❖ Idleb Spinning Company
- ❖ Jableh Spinning Company
- ❖ El-Furat Spinning Company
- ❖ Al-Hassakeh Spinning Project

Budget: Budgets for the GOTI and its subsidiaries are determined by the Ministry of Finance after being studied and endorsed by the Minister of Industry. A principle is applied; cash surplus is transferred to the account of GOTI which in turn, transfers the balance of the surplus to the general debt account after deducting GOTI's share of expenditures in the total state budget.

Programs, current and future: the Organization is currently keen on finalizing the machinery renovation and replacement process, optimizing product quality, reducing manufacturing cost, rationalizing of workforce utilization. Future programs focus on setting a comprehensive modern strategy for the spinning and weaving industry in Syria.

Expansion and investment plans: a strategy has been set for the spinning and weaving subsidiaries on two levels:

- Existing companies: finalizing renovation, replacement and modernization processes to enhance product quality and reduce manufacturing cost.
- Spinning and weaving industry: setting up new plants for textile industry to realize added value by converting ginned cotton and cotton yarn to more profitable products.

Training support: The Organization's role in supporting subsidiaries in the field of training is vital as it organizes training courses at centers belonging to the Ministry of Industry or other government bodies according to work requirements.

Marketing support: The GOTI, in cooperation with its subsidiaries explore foreign markets and determine their marketing tendencies.

Al-Waleed Spinning Co.

Capital	<ul style="list-style-type: none">• 312000 SP
Products	<ul style="list-style-type: none">• Cotton and Blended Yarns
Technological status	<ul style="list-style-type: none">• The company has been replacing its machinery since 2000. Most of the machinery has been replaced by modern European machinery resulting in a developed and competitive status.
Installed Capacity	<ul style="list-style-type: none">• Cotton yarn: 10-12-14-16-20-24 and twisted yarn 17.91. Capacity is 6279 tons• Blended yarn (cotton and polyester) at different blending proportions, carded and combed, 24/1 , 30/1 , 40/1 . capacity is 1794 tons
Marketing Policies	<ul style="list-style-type: none">• The company sells its production through the private sector, the public sector and exporting
Local market	<ul style="list-style-type: none">• Private and public sector companies.
Arab markets	<ul style="list-style-type: none">• Egypt• Lebanon,• Iraq• Morocco
International markets	<ul style="list-style-type: none">• Italy.• Formerly; Spain, Germany, Romania, Switzerland and USA
Training programs	<ul style="list-style-type: none">• Currently, workers (both production and technical support) are undergoing training within a program involving local and international training courses, modern machinery as well as English language and information courses and lectures.

Al-Ahlia Spinning and Weaving Co.

- Capital**
 - 218 million SP
- Products**
 - Cotton and blended yarn and textile
- Technological status**
 - The machinery is old dating back to the 1950's.
 - Replacement is planned to be finalized in two years time for both the dyeing and weaving lines.
 -
- Installed Capacity**
 - Blended wool yarn: 1425 tons
 - Synthetic blended yarn: 550 tons
 - Blended wool textile: 3055 thousand meters
 - Synthetic blended textile: 3118 thousand meters
 - Cotton waste yarn: 1600 tons
 -
- Marketing Policies**
 - Supply and demand
- Local market**
 - Public and little private sector consumption
- Arab markets**
 - Little is exported as production is rather outdated and typical.
- International markets**
 - Non
- Training programs**
 - Computer and English language courses are planned to start soon

Aleppo Silk Weaving Corporation

" Aleppo Carpet"

Capital	<ul style="list-style-type: none">• 124 million SP
Products	<ul style="list-style-type: none">• Blended textile• Aleppo wool carpets• Synthetic textiles
Technological status	<ul style="list-style-type: none">• Machinery is old, all made between 1955 and 1974• Quality is acceptable
Installed Capacity	<ul style="list-style-type: none">• Maximum available capacity:<ul style="list-style-type: none">• Blended and synthetic textile 2176 thousand meters• Wool carpets 161000 thousand meters• Awning cloth 164 thousand meters
Marketing Policies	<ul style="list-style-type: none">• Meeting Military demand of waterproof cloth• Supplying the domestic market with wool carpets.
Local market	<ul style="list-style-type: none">• Citizens, public societies and companies.
Arab markets	<ul style="list-style-type: none">• Non
International markets	<ul style="list-style-type: none">• Non
Training programs	<ul style="list-style-type: none">• Training is given in the field of optimal machine operation and production• Computer courses• English language courses

Al-Shahbaa Spinning and Weaving Company

Capital	<ul style="list-style-type: none">• 176 million
Products	<ul style="list-style-type: none">• cotton yarn• calico
Technological status	<ul style="list-style-type: none">• New machines have been put in at the spinning preparation section . Other machines are good.• Weaving section machines are old and can not produce modern products.
Installed Capacity	<ul style="list-style-type: none">• Cotton yarn : 4147 tons
Marketing Policies	<ul style="list-style-type: none">• Calico: 9738 thousand meters.• All production is marketed as the company has contracts with public sector companies to buy all of it.
Local market	<ul style="list-style-type: none">• Public sector companies: Sugar and mills companies.
Arab markets	<ul style="list-style-type: none">• No capacity is available for export
International markets	<ul style="list-style-type: none">• No capacity is available for export
Training programs	<ul style="list-style-type: none">• No programs are set as training is determined as required when the need arises.

Arab Company for Underwear

Capital	<ul style="list-style-type: none">• 38 million SP
Products	<ul style="list-style-type: none">• 100 % cotton underwear , men's, women's and children's
Technological status	<ul style="list-style-type: none">• Some machines are old. Others are modern. The company has its replacement process in progress.
Installed Capacity	<ul style="list-style-type: none">• 317228 Dozens• 870 tons textile
Marketing Policies	<ul style="list-style-type: none">• Visiting public and private sector companies and individuals to promote products and conclude contracts with feasible clients.• Relying on the GOTI in supplying some contracts to the company.• Participation in local exhibitions• Direct sale showrooms and agents.• Public sector companies and some organizations.
Local market	<ul style="list-style-type: none">• Non
Arab markets	<ul style="list-style-type: none">• Non
International markets	<ul style="list-style-type: none">• Non
Training programs	<ul style="list-style-type: none">• No training programs are set.

Carpet Manufacturing Corporation

Capital

- Paid: 99.710 million SP
- Unpaid: 110 million SP

Products

- 100 % pure wool floor carpets

Technological status

- Most machinery is old , running in old jacquard mode and not automated.

Installed Capacity

- Maximum capacity: 601205 M²/ year
- Actual production: 300000 M²/ year

Marketing Policies

- Selling to public and private sector clients
- Public and governmental bodies can purchase on facilitated differed payment basis
- Improving quality to compete in foreign markets
- Public and private sector companies
- Government employees on installment payments
- Agency contracts with local vendors
- Non

Local market

Arab markets

International markets

- Non

Training programs

- As work force is being recycled, new workers are undergoing training by older experienced workers.
- English language courses for executives and engineers and engineer-assistants.
- Computer courses.
- Computer courses at Administration and Productivity Center.

New

Jableh Spinning Mill Project

Capital	Opening sheet not prepared yet
Products	Cotton Yarn (combed, carded, open end)
Technological status	The contractor is the Chinese company (CITEXC). The mill is considered modern.
Installed Capacity	16000 tons carded yarn at 28 5000 tons combed yarn at 36 3000 tons open end yarn at 20 4000 tons are twistable.
Marketing Policies	50 % of the production is meant to be exported and the remaining 50 % to be consumed locally. The network of foreign clients is being expanded through participation in fairs and exhibitions, agency contracts are being concluded and correspondence with companies consuming cotton yarn is being done. Locally, intermediate links are brought to a minimum in order to establish direct relations with local clients parallel with contacting clients to promote benefiting from the facilities given to industrialists by the GOTI.
Local market	Private domestic sector consumes 10 % , the public sector consumes another 10 % .
Arab markets	We are seeking to export the remaining quantity to Arab markets, presently Egypt and UAE. Other possible markets are Al-Maghreb, Jordan, and Arabian Gulf Countries.
International markets	We are relying on agents in: <ul style="list-style-type: none">• Germany, Portugal and Europe (SYRCO)• Spain (Mirville)• Italy (China)• Turkey and The Arabian Gulf (ANTEX)• Currently, we export to Italy, Spain, France, Germany, Turkey and Portugal.
Training programs	A domestic and abroad training program has been set aiming at the following: <ul style="list-style-type: none">• Preparing the personnel , technically and administratively to take over after the one year guarantee ends. The program includes Lab and electronic equipment training as well as blending.• Continuous training on maintenance

El-Furat Spinning Company

Capital	745 million SP
Products	100 % cotton yarn combed
Technological status	Good
Installed Capacity	<ul style="list-style-type: none">• 40 tons /day• 13612 tons / year available capacity at 7/22
Marketing Policies	Product promotion in local, Arab and international markets
Local market	<ul style="list-style-type: none">• Aleppo• Homs• Damascus
Arab markets	<ul style="list-style-type: none">• Egypt• Lebanon• Saudi Arabia
International markets	<ul style="list-style-type: none">• Italy• Turkey
Training programs	The company has a training program.

General Company for Synthetic Yarn and Nylon Stocking

Capital	<ul style="list-style-type: none">• Paid: 73.2 million SP• Unpaid: 43.8 million SP
Products	<ul style="list-style-type: none">• Nylon and Polyester yarn• Satin Yarn• Socks and stockings
Technological status	<ul style="list-style-type: none">• Curling section: this accounts for 60 % of the revenues and capacity ye it is outdated and has no prospects.• Satin Yarn section: very old , machinery was moved from Hama plant in 1969.• Stockings section: new machinery 1996 working at full capacity.
Installed Capacity	<ul style="list-style-type: none">• Synthetic yarn: 4015 tons• Socks and stockings: 290 thousand dozens.• Satin yarn: 250 thousand tons.
Marketing Policies	<ul style="list-style-type: none">• Most of the production is marketed locally with a new tendency for export sales to be the main concern targeting Lebanon as suitable for the yarn production.• Little quantities are exported to Europe with trial shipments to expand exports.• Private and public corporations
Local market	<ul style="list-style-type: none">• Lebanon• Iraq
Arab markets	<ul style="list-style-type: none">• Lebanon• Iraq
International markets	<ul style="list-style-type: none">• Germany• Greece• Italy
Training programs	<ul style="list-style-type: none">• Training is available in the following areas: Technology, computer usage and maintenance, at the company , or as assigned by the GOTI.

General Looms and Spindles Company

Capital	<ul style="list-style-type: none">• 319 million SP
Products	<ul style="list-style-type: none">• Cotton yarn• Raw cotton textile• Bleached, printed and dyed textile
Technological status	<ul style="list-style-type: none">• Machinery is rather old affecting both quantity and quality.
Installed Capacity	<ul style="list-style-type: none">• Maximum Available Capacity:<ul style="list-style-type: none">• cotton yarn 2089 tons at 6/17• raw cotton textile 18566 thousand meters• bleached 5010 thousand meters• dyed 2289 thousand meters• printed 1547 thousand meters
Marketing Policies	<ul style="list-style-type: none">• Exploring local markets• Seeking to conclude more agency contracts with distributors abroad
Local market	<ul style="list-style-type: none">• Seeds Company, Textile Company, Some GOTI subsidiaries, and some private sector clients
Arab markets	<ul style="list-style-type: none">•
International markets	<ul style="list-style-type: none">• Italy• Germany• Greece• Turkey
Training programs	<ul style="list-style-type: none">• The company has a training program covering the following areas:<ul style="list-style-type: none">• Technical support, administration, computer, and maintenance.

General Wool Corporation – Hama

Capital	<ul style="list-style-type: none">• 723.7 million SP
Products	<ul style="list-style-type: none">• Dyed wool yarn
Technological status	<ul style="list-style-type: none">• Good.
Installed Capacity	<ul style="list-style-type: none">• Wool yarn : 1242 tons
Marketing Policies	<ul style="list-style-type: none">• Selling to carpet companies and production units throughout the country.
Local market	<ul style="list-style-type: none">• carpet companies and production units
Arab markets	<ul style="list-style-type: none">• Non
International markets	<ul style="list-style-type: none">• Non
Training programs	<ul style="list-style-type: none">• Internal and external training as required.

Hama Cotton Yarn Company

Capital	358 000 000 SP
Products	100 % cotton yarns , carded and combed 16 – 40 .
Technological status	The machinery is rather old except for replaced and renovated machines. In its efforts to maintain good quality, the company follows up closely the status of machinery and performs maintenance accordingly in order not to allow quality or production drops.
Installed Capacity	7212 tons cotton yarn 28 indicating that design capacity utilization rate is 100 %
Marketing Policies	<ul style="list-style-type: none">• Production and Sales plans have matching numbers on the basis that all production is sold.• Internal and external markets and demand surveys are the basis.• Quality and reputation are the principles.
Local market	85 % of the production is sold domestically.
Arab markets	Exports to Arab markets total up to 40 % of the total exports.
International markets	Exports to international markets total up to 60 % of the total exports.
Training programs	A training department has been founded to carry out training as required for all workers and staff on an annual plan basis

Homs Co. for Spinning, Weaving & Dyeing

- Capital**
 - 117 Million SP
- Products**
 - Cotton textile (raw, dyed and printed.)
- Technological status**
 - Most machinery has been in service for over 40 years.
 - The overall status is below average.
- Installed Capacity**
 - Maximum Available Capacity:
 - Raw cotton textile 4950 thousand meters
 - Dyed textile 2900 thousand meters
 - Printed textile 7261 thousand meters
- Marketing Policies**
 - The company sells to a limited number of local clients due to low quality resulting from old machinery.
- Local market**
 - General Mills Company and some other public clients.
- Training programs**
 - Training is given in the following areas:
 - English language, computer, administration and production

Idleb Spinning Company

Capital	400 million SP
Products	Open end Cotton yarn
Technological status	The company is carrying out replacement and renovation to have the most up to date technology
Installed Capacity	High quality, 9000 tons / year upon finalizing replacement.
Marketing Policies	<ul style="list-style-type: none">• Selling to public sector companies in cash and differed payment• Private sector sales are cash with some guarantee-based facilities for the local market exclusively• Arab and International sales are done by L/C's due upon sight, sometimes by transfers payable to the company
Local market	Public and private sector companies
Arab markets	<ul style="list-style-type: none">• Egypt• Lebanon• Jordan
International markets	<ul style="list-style-type: none">• EU market• USA
Training programs	<ul style="list-style-type: none">• A training department has been founded tasked with upgrading the workers and staff.• Some personnel are delegated to Damascus• Some workers are delegated to countries of origin of the machines to undergo training by the manufacturing companies.

Industrial Company For Garments Aleppo

Capital	<ul style="list-style-type: none">• 99569990 SP
Products	<ul style="list-style-type: none">• Men's, workers uniforms , jeans, police uniforms and flour bags.
Technological status	<ul style="list-style-type: none">• Good• New machines have been brought in to insure better quality, precision, saving in time and easier production.
Installed Capacity	<ul style="list-style-type: none">• 1153958 pieces equal to 10278528 units.
Marketing Policies	<ul style="list-style-type: none">• Field visits to explore areas to market production.• New direct sale showrooms have been opened in many cities.
Local market	<ul style="list-style-type: none">•
Arab markets	<ul style="list-style-type: none">• Sudan
International markets	<ul style="list-style-type: none">• Germany• USA• Russia
Training programs	<ul style="list-style-type: none">• Intra-company training in the areas of language and computer are available for directors, executives and others.• Extra-company English courses are available in Aleppo , quality and production are available in Damascus.

Jableh Spinning Company

Capital	526 million SP
Products	Cotton yarn , carded and combed, average product is 1/24
Technological status	<ul style="list-style-type: none">• Replacement will cover the mill within the few coming years.• Many sections of the mill have already been replaced
Installed Capacity	<ul style="list-style-type: none">• Estimated is 6000 tons• Available capacity is 7100 tons at 1/24
Marketing Policies	<ul style="list-style-type: none">• The policy at the company is part of the GOTI's policy. Local sale prices are determined through meetings with the GOTI or the Ministry.• On going exploration for Arab and International markets is a feature through lowering cost, improving quality and delegating specialized personnel to outer markets in order to establish connections with such markets.
Local market	<ul style="list-style-type: none">• Aleppo, Mainly
Arab markets	<ul style="list-style-type: none">• Egypt• Iraq
International markets	<ul style="list-style-type: none">• Turkey• Belgium• Portugal
Training programs	Workers and staff are trained at the company or in Damascus at specialized centers according to training programs set by the training center at the company and the concerned department.

Lattakia Weaving Company

- Capital**
- 236 million SP
- Products**
- calico
- Technological status**
- Old looms are below average and are included in the replacement plan in two stages the first of which has been implemented. The second is in the stage of studying offers.
- Installed Capacity**
- New looms: calico 1225 tons
 - Old looms: calico 1350
- Marketing Policies**
- Production coming from old looms is made into calico bags . Other products are exported.
 - Production coming from new looms is already marketed as production is originally demand and contract-based .
 - As new looms give good high quality production, the company constantly seeks to expand its network of foreign markets.
- Local market**
- Public sector companies
- Arab markets**
- Sudan
 - United Arab Emirates
 - Jordan
 - Lebanon
- International markets**
- Italy
 - France
 - Spain
 - Sweden
 - Germany
- Training programs**
- Internal training: rehabilitation for 145 worker (weavers) within the company . Another 12 workers are planned to be trained locally to increase their productive quality.
 - External training: 35 workers will be delegated to be trained on maintenance and operation of modern looms.

Modern Industries Corporation

Capital

- 237 million SP

Products

- Cotton and blended yarn and textile.

Technological status

Machinery is old dating back to the period 1963 – 1876. Renovation and replacement are taking place for some production lines.

Installed Capacity

Yarn (wool and blended): 1427 tons
Textile (wool and blended): 3497 tons

Marketing Policies

- Meeting domestic and some export demands.

Local market

- Intra GOTI and other governmental companies

Arab markets

- Occasional contracts take place from time to time.

International markets

- Non

Training programs

- A training plan has been set for the year 2003 for training inside and outside the country in the areas of technology and administration.

Natural Silk Company Dreikeesh

Capital	<ul style="list-style-type: none">• 16 million SP
Products	<ul style="list-style-type: none">• Raw natural silk yarn
Technological status	<ul style="list-style-type: none">• Average as the machinery is 26 years old.
Installed Capacity	<ul style="list-style-type: none">• 14 tons / 200 work days
Marketing Policies	<ul style="list-style-type: none">• local sales as quality is not competitive and cost is high.
Local market	<ul style="list-style-type: none">• Damascus• Aleppo
Arab markets	<ul style="list-style-type: none">• Non
International markets	<ul style="list-style-type: none">• Non
Training programs	<ul style="list-style-type: none">• Non

Orient Underwear Manufacturing Company (OUMC)

Capital	<ul style="list-style-type: none">• 268 Million SP
Products	<ul style="list-style-type: none">• 100 % cotton underwear, men's, women's, and children's .
Technological status	<ul style="list-style-type: none">• Most of the machinery is in good condition, the company seeks to have modern machines to meet fashion and consumer taste needs.• Big efforts are made to achieve high quality.
Installed Capacity	<ul style="list-style-type: none">• Underwear: 1357520 dozens• Textile: 3711 tons
Marketing Policies	<ul style="list-style-type: none">• Marketing is done according to the marketing plan : 750000 dozens to the local market 20000 dozens to export 384 tons textile• Production is market oriented, i.e. producing all marketable products.
Local market	<ul style="list-style-type: none">• Marketing is done through direct sale showrooms , and other public and private dealers.
Arab markets	<ul style="list-style-type: none">• Iraq
International markets	<ul style="list-style-type: none">• Germany• France
Training programs	<ul style="list-style-type: none">• Administrative , production and technical training is given domestically and through delegations abroad.

Syrian Company For Ready Made Garments

Capital	<ul style="list-style-type: none">• Paid : 57300 thousand SP• Unpaid: 97700 thousand SP
Products	<ul style="list-style-type: none">• Garments: Men's, women's, Children's• Bed covers and blankets.
Technological status	<ul style="list-style-type: none">• Very good in all stages, production analysis has been conducted.• Much of the work has been automated, new machinery have been brought in bringing quality and production up to optimal standards.
Installed Capacity	<ul style="list-style-type: none">• maximum: 7184064 units equal to 916752 .• Efforts are made to utilize available capacity when exports are feasible and depending on marketing possibilities.
Marketing Policies	<ul style="list-style-type: none">• All production is marketed through domestic and foreign markets.• Export reached up to 81 % between 1/1 and 30/11/2002
Local market	<ul style="list-style-type: none">• Government and private sector clients.
Arab markets	<ul style="list-style-type: none">• Iraq
International markets	<ul style="list-style-type: none">• Non
Training programs	<ul style="list-style-type: none">• Training includes :<ul style="list-style-type: none">• Computer (8 courses done)• Languages (7 within the company)• Bettering performance (3 in electricity)• Vocational (5 workers have had development courses at Administration and Production Development Center)• Apprenticeship.

Syrian Spinning and Weaving Company

Capital

- 315 million SP
- Paid: 189 million SP
-

Products

- Cotton yarn
- Blended and cotton textile, dyed , printed
- Blankets, gauze, and others.

Technological status

- Below average except for the finishing section which is being replaced.

Installed Capacity

- Maximum Capacity Available:
 - 2700 tons at 25/22
 - raw cotton textile 13444 thousand meters
 - bleached textile 10507 thousand meters
 - dyed textile 5073 thousand meters
 - printed 8520 thousand meters

Marketing Policies

- Marketed and marketable products are studied prior to setting production plans so that production is all sold.
- Concentration is placed on quality and cost reduction as they are the most significant factors in marketing.
- Some products are produced on demand to maintain good relations with customers.
- Foreign marketing companies are being supplied with samples

Local market

- Sundos
- Cooperatives
- Khan Al-Jumrok Center
- Clients

Arab markets

- Not Available despite the several calls for agency contracts for distribution in Syria and abroad.

International markets

- Same as above

Training programs

- Executives and heads of sections undergo computer training according to availability of trainers in the company.
- For other areas of training , the GOTI has been asked to establish specialized training courses in spinning and weaving in Aleppo.

The General Company for Cotton Spinning Lattakia (GCCS)

Capital	4 billion SP(not including expansion project)
Products	Cotton Yarn
Technological status	The plant is modern with high tech machinery producing high quality
Installed Capacity	Carded yarn (fabric & tricot) Annual Production Capacity 6000 tons Combed yarn (fabric & tricot) Annual Production Capacity 21000 tons
Marketing Policies	<ul style="list-style-type: none">• production is meant to be exported to international markets• production is marketed through our agents in European Countries• linking production to market according to demand
Local market	in the regions of Syria
Arab markets	Lebanon
International markets	Belgium, Portugal, Spain, Italy, Turkey.
Training programs	<ul style="list-style-type: none">• Rehabilitation Course• Direct Production Workers' Training• Maintenance of 20 KV batteries and adaptors• Lab instruments training• English Language Courses• Twisting, folding ,and fitting machinery training• Combing Machines Training• Information Literacy Courses

The General Cotton Yarn Company Idleb

Capital	6684511144 .SP
Products	100 % carded, combed, and cotton yarn
Technological status	<ul style="list-style-type: none">• There is a shortage in spare parts• Supplier companies are not responding as the contractor has not finalized delivering the project. This is overcome by performing intensive maintenance works to insure competitive quality and contract terms. Special technological programs are being implemented to enhance quality.
Installed Capacity	<ul style="list-style-type: none">• 7000 tons carded yarns 28 /1• 5000 tons combed yarns 26 /1• 3000 tons turbo yarns 20/1• 5000 tons twisted yarns from the above
Marketing Policies	<ul style="list-style-type: none">• At the first place the company depends on exports to Europe• Selling to private and public sector companies domestically
Local market	<ul style="list-style-type: none">• Private sector in Damascus and Aleppo• Public sector
Arab markets	Egypt, Lebanon, and Morocco
International markets	EU market, trial shipments have been sent to Australia and Croatia
Training programs	<ul style="list-style-type: none">• Intra-company courses :<ul style="list-style-type: none">• 56 workers have had pc courses• 25 workers have had English language courses• Extra- company courses:<ul style="list-style-type: none">• Utilization and maintenance courses at Lattakia Cotton Yarn Company (two workers)• Software "Front Page" at Productivity and Management Development Center (one worker)• "JOB DESCRIPTION " course at Productivity and Management Development Center (one worker)• Industrial Electrics at the Vocational Training Center – Aleppo (eleven workers)• ISO 9000 at the Vocational Training Center – Aleppo (two workers)

United Arab Industrial Company

Capital

- Paid: **162553** thousand SP
- Unpaid: **240447** thousand SP

Products

- Cotton and blended yarn
- Raw cotton textile, finished textile (printed, bleached, dyed)

Technological status

- Some lines are very old and out dated planned to be replaced.
- Other lines are being replaced.
- Other lines are good

Installed Capacity

- Maximum available capacity:

Cotton yarn **1861** tons

Blended yarn **483** tons (old line)

Cotton textile **20227** thousand meters

Marketing Policies

- Cooperation to market the production with public sector companies' help
- Meeting clients demand from stock or working on demand on producible products .
- Continuing to activate local markets through producing new innovative products meeting consumer taste.

Local market

- Continuing to barter stock for looms with "Scandinavian Commodity" to clear over 14 million meters of textile accumulated from previous years.
- Marketing the remaining stock together with new production to Arab and international markets
- Internet and exhibition product promotion activities.
- Public sector Companies
- Private sector companies and individual clients
- Non

Arab markets

International markets

Training programs

- **Foreign Training:**
 - Weaving, Spinning and Dyeing Engineers training on spinning and weaving machines operation and maintenance
 - Electrical Engineers training on operation and maintenance of electronic operation systems
- **Local training:**
 - Engineers and Eng. assistants and some other workers undergo computer operation training.
 - Economy and Commercial graduates undergo marketing courses.
 - Transit and customs work
 - Spinning and weaving graduates undergo quality control training
 - Civil defense and fire fighting
 - Newly recruited workers undergo training within the company on production at different sections.

United Commercial Industrial Corporation

Capital

- 460 million SP

Products

- Cotton Yarn
- Cotton textile
- Medical cotton
- Medical gauze

Technological status

- Part of the machinery is good.
- The rest is planned to be replaced within the coming year and three years.

Installed Capacity

- Maximum Capacity Available:
- Cotton Yarn 4625 tons
- Cotton Textile 20571 thousand meters
- Medical Cotton 350 tons
- Medical Bands 5250 thousand units

Marketing Policies

- Product promotion through: correspondence, media, exhibitions, delegations, and market exploration
- The company seeks to clear stocks and reach the 100 % marketable production through the following :
- Production to range at public sector demand requirements.
- Operation for the private sector according to its actual demand
- Certain machinery is tasked with research on innovative production to meet consumer taste.
- Lowering cost through lowering expenditures arriving at competitive pricing.

Local market

- Public sector : Army, Medical Services Department, Seeds Company, Garments companies and others.
- Private sector: Commercial groups working as local distributors .

Arab markets

- Iraq
- Jordan
- Lebanon
- Sudan
- Kuwait

International markets

- Armenia
- Turkey

Training programs

- **Local Training** : Maintenance, Overall Quality Control and ISO, Administration and Planning, Production incentives and standards, English language and Information
- **Foreign training**: Operation and Maintenance of modern imported machines , Regional and international training offers in the field.

Introduction

This paper aims at giving an update on the situation of the public textile sector, evaluating the actual situation of textile companies affiliated to the General Organization for Textile Industry, GOTI, and pointing out the points of strength and the ways to develop those companies and involve them in their intended roles. Moreover, it aims at detecting the weaknesses in this industry and proposing solutions to overcome hardships. Furthermore, the paper describes the structure of the textile sector, the actual investment in each sub-sector (spinning, weaving, garments, under wear, carpets,.....etc), in order to determine the directions for expanding the investment required to increase added value in this sector.

1- The public textile sector, and its position in Syrian industry.

Textile industry in Syria is considered as a very important part of industry, and it has been supported strongly by the government to become the most important economical-industrial sector. In 2000, GDP in Syria was 1597 billion Syrian pounds of which 335.5 billion was by manufacturing industries including oil refining; that is 21% of the GDP. The share of GOTI products being 4% only (i.e. 13,6 billion SP), this percentage will be twice as much if we exclude oil refining industries. The number of workers in the public textile sector is 33,040 workers. The total number of the workers in companies affiliated to the Ministry of Industry is 70,000 workers. (85% of the total number of workers working in the public industrial sector.) This means that the number of workers in textile industry is 25,4% of those who are working in manufacturing industries.

Public and Private Sectors in relation with Textile industry

The public sector dominates cotton spinning with about 90% of the total cotton yarn being produced in public companies. These companies meet private companies' needs. Besides, wool carpets are produced exclusively by the public sector. While carpets made from blended or synthetic fibers are produced by private companies.

It is believed that both public and private companies are equally important regarding cotton fabrics. The public textile sector was formed in 1963 after the nationalization of most of the private companies existing at that time. Only one company was established after that (Lattakia weaving company), while the weaving private sector was largely expanded especially during the last decade. The textile public sector consists of the following major sub-sectors: Cotton spinning, weaving, garments and underwear, and other products as (Carpets, socks, etc.) It is expected that cotton yarn capacity in the public companies will be 128,000 tons/year with the launching of the JABLEH PROJECT This capacity is nearly equal to Syrian import of synthetic fibers originally imported only to be manufactured and exported. The installed capacity for cotton fabric is 110 million linear meters /year, while the actual output is not more than 70 million lms /year thus the actual ratio of utilizing installed capacity is 64% only. For other products (underwear carpets, ready garment) it is not more than 9% of the production of public textile companies. This rate raises two major points; the first one is: such a low rate of final textile product must be reviewed and big concentration must be placed on developing and expanding this sector since real added value in Textile industry can be obtained only upon the completion of the whole processing chain. The second one is concerned with the variety and quality of products. In this respect, GOTI is exerting big efforts in improving quality. The necessity to process yarn into fabrics and ready-made garments which meet the quality required in the local and international markets is becoming clearer. Thus, added value will be increased considerably and new jobs will be created solving the problem of the surplus in the work force.

In Syria, the private sector presently dominates knitting, synthetic fabrics, ready-made garments, and socks production. Only 15% of Syrian under-wear is produced by public companies. The textile public sector has only two active ready-made-garment companies. Since the 70s of the last century no new ready-made garment companies have been established. The reason was the absence of clear strategic expansion of investment policy, and the failure of these two companies to efficiently market their products. It is very important to create strong cooperation and integration between the public and private textile sectors, based on real and credible statistics and information about both sectors. This way, it will be possible to direct upcoming investments in the textile industry correctly to satisfy the needs of local market and increase exports of textile goods.

Syrian cotton yarn markets

Domestic yarn consumption is a little over 35% of the actual output; the remaining 65% must be exported. Marketing the product is done as follows:

Weaving and knitting public companies' consumption is about (20) thousand tons/year. Private companies' consumption varies between (24-27) thousand tons/year. Total domestic consumption is (44-47) thousand tons/year . The remaining 80-90 thousand tons should be exported. This quantity makes a real marketing problem. The consumption of cotton yarn depends on:

1. The ability of the textile public sector (which controls yarn production) to sell its cotton yarn to its own companies.
2. Yarn consumption by the private sector locally.
3. The success of the public sector in exporting the excess quantities of these yarns.

2. The actual financial performance of the textile public sector's companies.

Investments within the period 1991-2001

Investments in the textile public sector amounted up to 30.88 billion SP equal to 36.04 billion SP (if US\$=50 SP) of which:

New projects

(Spinning in Lattakia, Idleb and Jableh) 24.10 bil .SP equal to 27.9 bil SP (if US\$=50 SP). This equals 78% of the total investments in the textile public sector.

Renovation projects:

6,78 bil. SP equals 8,5 bil SP (if US\$=50 SP) which represents only 22% of the total investments in the textile public sector.

Profits and losses within the period 1991—2001

Profits	3.62 billion SP
Losses	<u>10.92 billion SP</u>
Total	.730 billion SP

The government has the full right to compare this negative result with the feasible profit if this money had been put in banks to finance private sector projects with an interest rate of 9%. Contrary to what is known financially about the textile public sector as experiencing continuous yearly losses ; this sector would have a better image if it were not burdened by enormous expenses which miss-indicate its actual performance. The social responsibility burdening this sector shows it to be experiencing losses regardless of its positive social and economical contribution.

The given numbers miss-indicate the actual performance of the companies affiliated to GOTI due to the following reasons:

Capital interest registered as expenses in the companies accounts (in spite of paying balance and cash surplus/ amortization, profits and losses to the Ministry of Finance)	6.543 billion sp
Interest incurred from other companies' delay in repaying amounts due to the Cotton Ginning Company (some debtors do not pay their debts to the companies in time) and other financial complications of negative effects	6.000 billion sp
government support of cotton farmers through paying their debts (This amount was paid by spinning companies as Agricultural Product Tax)	3.560 billion SP
<i>Total</i>	<i>16.10 billion sp</i>

These costs have turned the expected positive performance into negative.

Moreover, the public companies bore other additional costs which amounted up to 7,03 billion SP. as follows:

Amount of 1.08 bil SP cash transferred to the Ministry of Finance.

Amount of 1.93 bil SP transferred to the Ministry of Finance as profits taxes.

Amount of 4,02 bil SP resulting from the export of textile goods as a difference between exporting prices and calculated costs. This difference wasn't paid by the Ministry of Finance to the GOTI.

Reasons for the lack of cash and its negative effect on the performance of public textile companies:

1. <i>The lack of cash in public textile companies was caused by the following reasons: ; stock which consists of:</i>	
<ul style="list-style-type: none"> • <i>Ready-to-market products</i> • <i>Raw materials, spare parts, ...</i> 	9.8 bil SP 6.0 bil SP
<i>The difference between international cotton prices (based on real its) and the administrative prices which were applied to industry to 2001 and have always been raised in compliance with the licy of supporting agriculture, where the sum of this support ounted during the past 10 years to approximately</i>	22.0 bil SP
<i>total</i>	37.8 bil SP

This working paper aims at evaluating the position of the General Organization for Textile Industry to identify the difficulties and problems that affect its performance. However, the solutions recommended for this purpose might be partial or superficial, capable only of curing symptoms but not eliminating the reasons. To avoid this, the relevant problems should be set forth for treatment within a methodological framework that can define their dimensions and their inter-related effects

so that they do not contradict.

Lack of compatibility and integrity among the policies applied and absence of a comprehensive treatment policy:

Public sector textile companies underwent a great number of problems, some of which were being submitted periodically to the Presidency of The Council of Ministers or its prime boards and committees, and some decisions were made. Yet some other problems are still in need to be solved due to the absence of compatibility and integrity among the policies adopted in respect of cotton and the other policies applied to its products (i.e. yarns, fabrics and garments...). The rationalization committee, for instance, issued from (15/5/1997 to 2 7/9/1998) fifteen acts related to export of cotton product and import of blended yarns. It treated the symptoms, but it wasn't enlightened by an integral policy which unveils the extents of the problems and their inter-related effects. This finally led to the situation that Syrian textile industry relies on the use of locally produced cotton as much as on the use of imported synthetic fibers. Adopting incompatible policies caused problems that were even more serious than the ones said to need to be solved such as the decision to sell the goods at the international price ruling in the external markets and continuing to sell at an administrative price, which was higher than that of the local market. This made it easier for the EU together with Egypt to accuse us of flooding the market with our goods insisting that we apply this flooding policy. They took some action in precaution followed by field investigation by the EU and Egypt to place high taxes on the Syrian cotton yarns.

3. The necessary methodology for analysis and evaluation

We suggest an integral policy of commodity analysis for this evaluation starting with the cotton cultivating plan and ending with the policies of marketing relevant products locally and externally, and touching on import of the alternative (the synthetic fiber). But whenever we start defining the vocabulary of this policy or any other policies, such as the policy of sugar and sugar beet (concerning quantities and the successive prices of the product in particular), a need emerges to complement this policy with other specific integral policies, such as the policies of land reclamation and investment, the utilization of water, the policies of agricultural mechanization, fertilizers and loans. All these specific integral policies require integral policies on the level of overall economy, such as spatial planning, the policies of increasing the incomes and having them redistributed, the policies of taxation, fees and others.

Within the frame of this methodology, we review herein the positions of the General Organization for Textile Industry showing the existing imbalance and proposing a four-stage process to eliminate it:

- *Evaluation of the input of the spinning and weaving industry.*
- *Evaluation of performance inside the spinning and weaving companies.*
- *Marketing problems and its policies.*
- *Stocks accumulation and marketing options.*

We further consider the requirements for development and growth of this industry in the long run so that this development could be achieved through the development of the manufacturing stages which complement the spinning industry so as to achieve vertical integration.

Book One:

Evaluation of Textile Public Sector Industry

Chapter One: Industry input evaluation

Industry input evaluation covering the following four items:

1. Capitals
2. Raw material
3. Technology
4. Workforce

1. Capitals, including:

- I. The fixed capital.
- II. The working capital.
- III. Investments renovation and replacement.

a- Reassessment of the fixed capital:

It is necessary to reassess the fixed capital of any company in order to evaluate its work performance against valid standards. The capitals of the companies affiliated to the GOT1 are calculated in Syrian pounds and they differ from one another according to how long the machinery has been in use in each company. Thus, there are different various criteria for the comparison among the companies' work performance, since different exchange rates have been adopted (3.95-4.25-11.25-21.25-23.50-35-42-46.5) SP. against USD.

These several exchange rates have their effect on the volume of amortization for depreciation even inside each company. This weakens the capability to start self-financed investments raised from the amortization. But it is necessary to adopt the following principles in order to accomplish a good evaluation of companies' performance in the light of the invested capital and then to reevaluate their capitals:

- The current exchange rate.
- The actual machinery value according to their time in service and their current technical situation.
- To adopt depreciation rates in line with the rates adopted in other countries

It is possible to apply those principles by taking the following arrangements:

- Forming sector committees that cooperate with the concerned persons in each company to reevaluate its assets by adopting the current exchange rates according to what technicians say the technical ages of the machinery are. (Those should not be less than 20 years)
- Calling off the taxes of real estate revenues, machinery returns and capitals proceeds for all the companies of the public sector.
- Calling off taking the amortization for depreciation (in the form of cash money surplus) or reducing them for the theoretically depreciated machinery according to economic standards (since the Ministry of Finance still charges amortization at 50% of the regular rate on the theoretically depreciated machinery regardless of how long the machinery has been in service).

b-The working capital

The shortage in the working capital necessary for providing the production accessories has accumulated interest that is about 6 billion S.P. to the account of cotton ginning establishment as it has been mentioned above in addition to the companies' failure to settle their obligations to other public institutions such as the Ministry of Petroleum and the Ministry of Electricity.

Required Solution:

To provide the spinning companies with the working capital at the amount of 6.4 billion SP. to finance purchasing ginned cotton not needing to borrow from banks, this will be accomplished through adopting the following procedures:

1. The Ministry of Finance should pay to the Ministry of Industry (GOTI) the export deficits and the difference of the local sales at prices less than costs which have not been settled yet at the amount of 4.02 billion SP. It is necessary to say that those deficits were caused firstly by selling ginned cotton to the companies of GOTI at administrative prices set by the government to support farmers. This was treated at the end of 2001 by selling at

- international prices.
2. Paying back the surplus of accumulate cash transferred by the GOTI companies to the Ministry of Finance which is at the amount of 1.08 billion SP.
 3. Supplying the remaining balance which is 1.3 billion SP. (6.4(4.02±1.08)) from exports deficits after settlement and paying back the surplus of accumulate cash asset to the companies.

c-Renovation and replacement process:

The principle applied is that renovation and replacement should be done to depreciated machinery whose operation is economically inefficient. The Renovation and replacement process was done in the old companies and it was going on till 2000 by replacing specific machinery being aged and the renovation of which should be in cases of necessity. So we can describe the renovation and replacement process up to 2000 as a patchwork process. This method did not bring about the expected result and led to activating the renovation and replacement process according to directives from the government that was constituted in March 2000. This government decided that it was necessary to execute investment plans and that the renovation and replacement process should become more comprehensive and serious, and should involve integrated lines in most cases. The expenditures on renovation and replacement projects increased and became 1936 million S.P. by 2001. This last amount (i.e. the amounts allotted for renovation and replacement of 2001) was 38% of the whole amount spent on renovation and replacement between 1996 and 2001 according to the following tables:

Table (1)

Actual expenditure on replacement and renovation from 1996 to 2001 in billions .S.P.

<i>Year</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>Total</i>
<i>The actual expenditure on renovation and replacement</i>	<i>345</i>	<i>886</i>	<i>758</i>	<i>675</i>	<i>513</i>	<i>1936</i>	<i>5113</i>

It is clear from the above table that investments were intensified in 2001 and the amount was equal to 38% of the whole amount spent on the renovation and replacement process from 1996 to 2001.

In order to analyze the investments stated as renovation and replacement ones we put forth herein a detailed table on how they were spent during 1996-2001 since the investments varied in the following fields during the given period:

Table (2)

<i>The activity</i>	<i>Total investment</i>	<i>Purpose</i>
<i>Cotton yarns companies</i>	<i>2418 million S.P.</i>	<i>Replacing the depreciated old machines and improving the specifications of the products and eliminating production bottlenecks</i>
<i>Under wear + tricot</i>	<i>190 million S.P.</i>	<i>Replacing the depreciated old machines to improve the quality of finished product</i>
<i>All weaving companies</i>	<i>2261 million S.P.</i>	
<i>- The value of weaving looms</i>	<i>334 million S.P.</i>	<i>Replacing the depreciated old looms in Lattakia weaving company and producing new articles with good specifications ready for marketing</i>
<i>The value of final preparation machines (Dying – printing)</i>	<i>1527 million S.P.</i>	<i>Improving fabrics specifications which contribute to improving their competitive and marketing quality and adding good touch to the products</i>
<i>Caldrons</i>	<i>400 million S.P.</i>	<i>Replacing old equipment and decreasing power consumption and improving machines and maintaining the quality of the productive ones</i>
<i>All remaining companies</i>	<i>244 million S.P.</i>	<i>Replacing old machines and improving specifications .</i>
<i>Total</i>	<i>5113 million S.P.</i>	

The above table shows that most investments were in the spinning companies and finishing departments in weaving companies. This will contribute to improving the specifications of finished yarns and the finishing of fabrics. This will be clear in the next period .

Table (3)

Expenditures for the replacement and renovation projects (sorted by companies) from 1996 till 2001

(in millions S.P.)

<i>The company</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>Total</i>
<i>Al-Khoumasiah</i>	13	98	150	37	137	576	1011
<i>Al-Debs</i>	19	140	3	67	25	183	437
<i>Spinning</i>	89	85	85	10	19	194	482
<i>Al-Hadeethah</i>	-	-	-	17	-	-	17
<i>Al-Shark</i>	-	6	6	25	29	70	136
<i>Al-Nylon</i>	25	6	-	1	1	17	50
<i>Carpets</i>	-	3	15	-	3	2	23
<i>Wassim</i>	1	11	8	10	18	22	70
<i>Massabegh</i>	17	2	-	97	10	5	131
<i>Al-Waleed</i>	31	132	117	32	10	157	479
<i>Hama Cotton yarns</i>	15	72	255	99	97	46	556
<i>Wool</i>	-	1	-	2	20	4	27
<i>Syrian Spin.& weaving</i>	14	24	3	8	-	70	119
<i>Al-Ahlia</i>	-	47	-	5	-	28	80
<i>Al-Shahbaa</i>	22	-	38	13	-	3	76
<i>Satex</i>	-	-	-	-	-	15	15
<i>Arab underwear</i>	16	13	12	9	3	1	54
<i>Industrial</i>	2	-	2	-	7	1	12
<i>Al-Furat</i>	8	86	18	1	62	84	259
<i>Jableh spinning</i>	60	116	33	77	81	62	429
<i>Idleb</i>	11	3	-	156	6	5	181
<i>Lattakia weaving</i>	1	9	10	9	2	88	334
<i>Al-Hassakeh</i>	1	32	2	-	1	88	124
<i>Dreikeesh Silk</i>	-	-	1	-	-	-	1
<i>Total</i>	345	886	758	675	513		5113

The renovation and replacement process which started seriously in 2000 has not given results that can make an evaluation possible to be done though it is possible to predict their effects on production regarding improving the quality and eliminating bottleneck points as from 2002 .

- **The replacement in old spinning departments in integrated companies:** In fact no real replacement has taken place in any part of these old departments in (Al-Debs, Syrian and Al-Ahlia companies) but the establishment is conducting economic studies on the purpose of moving into producing fabrics or blended yarns depending on what the studies show .
- **The replacement and renovation in different companies:** (specialized in producing products other than spinning and weaving) these companies are being upgraded (Al-Nylon, Al-shark, Modern, and ready made garments in Aleppo and Damascus ...etc.)and equipped with machinery and equipment necessary to improve their products . A remarkable amount of work has been achieved in this regard.

The competitive and technological advantages of replacement and renovation and their effects on the demand for work force :

The purpose of the investment plan is upbrining the technological level of all companies by 2005 so they can be able to produce textiles of high quality as we are signing partnership agreements and going into international business . It is necessary to say that the replacing and renovation process, as a result of the great technological development of the machinery and the increase in their productivity will lead to a remarkable drop in the demand for work force. Also a considerable abundance of workers who have nothing to do will be present in most of the companies; this is an issue that needs to be considered well enough. Moreover, using high technology requires high technical qualification to service and utilize it efficiently.

Does the policy of replacement and renovation need modification?

To continue the policy of replacement and renovation in the old factories has more benefit economically than establishing new projects to replace the old ones especially with the present situation of the international market . That is because replacement and renovation does not require an all-new infra-structure such as building auxiliary departments ,service departments , additional work force and whole administration boards. It takes place in the existing factories and does not need big investments .

Secondly: Raw Materials and Production Accessories

Ginned cotton is considered as the main raw material for producing cotton textile . The government has applied a new policy regarding marketing and selling cotton for local textile industry when the Prime Minister issued act No 3 dated 2.5.2001 indicating that selling cotton to spinning companies is at international prices and that transportation and insurance fees should be added to it , (this act was in effect starting 1.7.2001 as we stated before, local insurance and transportation fees were adopted). Also the act included 2% of international price of cotton added as a profit in favor of The General Establishment for Cotton Ginning and Marketing.

We suggest in this regard: Canceling the 2% addition on the price of ginned cotton and canceling the interests due from the spinning and weaving companies to the General Establishment for Cotton Ginning and Marketing totaling 6 billion S.P.

The Costs of Manufacturing cotton yarns :

It is possible to group the cost elements under two headings: manufacturing costs and the costs of raw material; cotton :

Ginned cotton was sold through the General Establishment for Cotton Ginning and Marketing to the textile companies of the public sector at a fixed price 85.90 S.P. /kg during the years (1998 to 2001) .This price is equivalent to 189% of the international price for ginned cotton at the same period. This price was set by the said Organization at 45.45 S.P. as an implementation of the prime Minister's act dated 2.5.2001 , indicating that ginned cotton is to be sold at the international price plus 2%, plus transportation and insurance fees .

<u>Years</u>	<u>The price per Syrian pound</u>
1998	85.90
1999	85.90
2000	85.90
2001	85.90(till 30.6.2001)
2001(1.7 till 31.12.2001)	45.45

It is clear from the above given that cotton prices were twice as much the international price during the period 1998 to 30.6.2001. The average of cotton prices was decreased in 2001 to 45.45 S.P. /kg . These prices included 2% insurance and transportation fees as set by the General Establishment for Cotton Ginning and Marketing, that is after applying the act of the prime Minister to apply international prices starting from the beginning of July 2001 . In 2001 the average price had slightly moved up to 47.24 S.P. /kg during the period starting from the 1st of July till the end of December of the same year. Yet, this average moved down in 2002 to 43.66 S.P. It was equal to 45.45 SP/kg during 2001-2002. According to the previous price list of General Establishment for Cotton Ginning and Marketing it was 85.90 SP/kg . After the issuance of the act of the Prime Minister which said that cotton pricing should be in line with international prices so the price average became 45.45 S.P. /kg .(40.45 S.P./kg difference in price)

Table of

The costs of adopting the administrative price of the cotton as borne by GOTI

During the period from January 1998 to the end of June 2001 (i.e. till applying the act of the Prime Minister at the beginning of July 2001)

<i>Year</i>	<i>The consumed qty /ton</i>	<i>Additional cost by adopting the administrative price (million S.P)</i>
<i>1998</i>	<i>74524</i>	<i>3015</i>
<i>1999</i>	<i>78734</i>	<i>3183</i>
<i>2000</i>	<i>96281</i>	<i>3892</i>
<i>The first half of 2001</i>	<i>96281</i>	<i>1947</i>
<i>Total</i>		<i>12036</i>

So the annual administrative price rate of cotton amounted during the above mentioned period (three years and half) 3439 million S.P. this rate represents the rate of additional payment paid by the companies of GOTI due to not applying the cotton pricing according to International prices since 1998.

Cotton price and manufacturing costs :

If we adopt 2001 as a basis for calculating industrial cost adding to it the value of raw materials at present price set by the cotton organization (the prices of May2002) in the companies of GOTI and by suggesting that the industrial costs are equals during 2001-2002 .(They are very close),the current costs will become for 1kg as in the following table (S.P./kg):

<i>Company</i>	<i>Industrial costs S.P../kg</i>	<i>Cotton at the international price after adding the percentage. Of wastes S.P./kg</i>	<i>Total</i>	<i>Total \$/kg</i>
<i>Lattakia cotton yarns</i>	<i>45.6</i>	<i>51.00</i>	<i>96.64</i>	<i>1.98</i>
<i>Idleb cotton yarns</i>	<i>43.14</i>	<i>51.00</i>	<i>90.09</i>	<i>1.77</i>
<i>Hama cotton yarns</i>	<i>39.59</i>	<i>51.00</i>	<i>90.59</i>	<i>1.78</i>
<i>Jableh</i>	<i>46.27</i>	<i>51.00</i>	<i>97.27</i>	<i>1.91</i>
<i>Al-Furat</i>	<i>40.93</i>	<i>51.00</i>	<i>91.93</i>	<i>1.80</i>
<i>Al-Waleed</i>	<i>49.25.</i>	<i>51.00</i>	<i>100.25</i>	<i>1.96</i>
<i>Al-Hassakeh</i>	<i>70.85</i>	<i>51.00</i>	<i>121.85</i>	<i>2.39</i>

The prices shown in the table above are unfixed prices affected monthly by international prices fluctuation so we can consider that the above mentioned figures have an indicative function only.

The above mentioned costs are higher than the international prices, GOTI and its companies can control and exercise pressure on some factors to rationalize the costs in the companies of the textile public sector but there are other factors out of their control. These factors require that certain acts be issued by the government.

First: The factors that are within the authority margin of the GOTI:

1. Halting recruitment of new workers until the surplus retaken.
2. Rationalization of spare part consumption.
3. Rationalization of cotton consumption such as grade, and blend to suite the produced yarns and the technology applied. Companies use cotton of grades that do not suite the operated yarn counts. This leads to an increase in the costs of raw materials differing from one company to another. It is required that those companies use the necessary and suitable raw material for each count (as for grade and mixture)
4. To measure the ratio of raw material to waste consumption. They should be within the standard percentages.
5. To work in concentration to utilize capacity better in order to reach full available capacity.
6. The key to success in these procedures is to conduct a standardized study of the costs (modern and old companies) on one count average for each type of yarns (combed, carded, open-end) and the evaluation of companies is based on this cost and on how much marketing of products is done .

Second: Factors that affect production costs and require special acts by the government:

1-There are more workers than needed employed at the companies at an average of 25 %.

The reasons are:

The large virtual numbers of staff of companies.

The surplus in workers resulted from renovation and replacement process.

We suggest that the government issue an act to register the wages of surplus workers in a special account and not include them in the calculation of costs .

2- There is an additional cost burdening pricing raw material (cotton) which is delivered to the companies of GOTI.

We suggest that cotton be delivered to the companies of GOTI at the international price F.O.B work site of the companies and to deduct 2% S.P. the added profit percentage and the fees of insurance and transportation .

3- Now we are calculating the time duration (age) of machinery depreciation. Some of them are calculated on a 15- year basis and others on a 10- year basis in order to unify the depreciation among companies and to compress costs.

We suggest that they calculate the time duration of depreciation of machinery on a 20- year basis .

A comparison between the manufacturing costs for two groups of companies for evaluating the costs in the companies of the textile public sector

-The manufacturing costs during the comparison years (1998-2001) :

We present herewith a comparison between two groups of companies affiliated to the GOTI in order to evaluate the costs and to point out areas of defective performance aiming at avoiding them .

First :The new companies: Lattakia cotton yarns company and Idleb cotton yarns company. The Jableh spinning project has been excluded because its data is not available as it is still a pilot project. The difference in the cotton prices stated in the following table results from the difference in raw materials and the difference in the type of final products .

Table clarifying the cost of KG cotton yarns count 24/1 carded. (in S.P.)

Year	Cotton		The fees		Accessories for goods		Accessories for services		Transferable expenses	
	Lattak.	Idleb	Lattak.	Idleb	Lattak.	Idleb	Lattak.	Idleb	Lattak.	Idleb
1998	98.80	97.97	12.98	10.86	12.06	4.84	2.44	1.20	28.08	22.98
1999	98.83	98.55	14/40	11.15	12.61	6.71	1.99	0.55	31.45	25.99
2000	94.60	98.00	14.16	11.82	11.94	8.72	1.76	1.19	20.80	24.68
2001	74.78	75.87	16.33	14.00	12.39	8.29	1.74	1.23	16.90	21.63

The difference of wages is related to the difference of starting up the factory and the fees of transporting the workers in both factories and a slight difference in the wages themselves. The difference in goods accessories and spare parts is related to that the consumption of spare parts in Lattakia is higher than the consumption in Idleb. The difference of transferable expenses is related to that the depreciation in Idleb company is bigger than that in Lattakia company (The difference is in exchange rate).

Manufacturing costs without the value of raw material (Cotton) In S.P.

Company / year	1998	1999	2000	2001
Lattakia	53.56	58.72	46.70	45.64
New Idleb	37.88	42.40	44.41	43.14

Manufacturing costs not including raw material (cotton):

If we take Lattakia cotton yarns company we notice that it decreased the manufacturing costs as they were (53.56) S.P. in 1998 and (45.64) S.P./kg yarns in 2001.(i.e. an amount of 7.92 S.P. /kg and rate of 14.8%). As for Idleb cotton yarns company the comparison was made between 1999 and 2001 as we consider the operation during 1998 was partial and it could not give accurate indicators . We can also see that the company had decreased its costs between 1999 and 2001.(an amount of 1.27 S.P./kg i.e. and rate of 3%) .

The reasons for Lattakia's cost to be higher than Idleb cost (although the depreciation in Idleb at the rate 5 S.P. /kg is higher than that in Lattakia) is related to the increase of salaries and fees and spare parts . Knowing that Idleb cotton yarns company registers the value of spare parts on the account of the contractor as they have not taken the project fully .

In conclusion, we will discuss specifically the most important factors affecting manufacturing costs after reviewing the analysis of those costs in other spinning companies .

Second-Open-End Yarns:

These yarns are produced by shortening the production stages between them and the traditional ring carded yarns .

There are two companies producing open end yarns :

1-Idleb spinning company which is the old one.

2- The General Company for Cotton Yarns in Idleb ; the modern company .

Table clarifying the cost of one KG open-end yarns count 16/1

In S.P.

Year	Cotton		The fees and their accessories		The goods accessories except cotton		Services accessories		Transferable expenses	
	Old Idleb	New Idleb	Old Idleb	New Idleb	Old Idleb	New Idleb	Old Idleb	New Idleb	Old Idleb	New Idleb
1998	49.20	97.77	11.87	7.34	10.24	3.28	0.72	0.81	31.94	14.34
1999	93.00	92.70	14.21	8.38	12.40	5.04	0.85	0.41	39.27	15.52
2000	90.18	86.19	15.98	7.85	11.51	5.79	0.79	0.79	22.25	16.34
2001	53.42	67.99	15.95	8.47	7.93	5.02	5.02	0.74	8.30	14.34

Firstly- Cotton : (94.20) S.P. was the price of cotton in Old Idleb in 1998 and in 2000 it was (90.18) S.P. whereas in New Idleb it was 97.77 S.P. and it was 86.19 S.P. in 2000. Thus we can notice that the prices of cotton in both companies became slightly low due to controlling the consumption of raw material .

Secondly-Salaries and fees:

The fees in Old Idleb are higher than those in New Idleb. The reason is that the workers in Old Idleb have been longer in service than those in New Idleb so their salaries are higher as well as there is a worker surplus in Old Idleb . Old Idleb is over-staffed.

Thirdly – Goods Accessories Except Cotton : The value of accessories in Old Idleb is higher than that in New Idleb and the main reason is that New Idleb does not register spare parts in the expenses but on the contractor's account as the company has not been fully taken in officially.

Fourthly- Transferable expenses :The reason for transferable expenses in _ old Idleb to be higher than those In New Idleb during 1998-1999-2000 , is that the Old Idleb was registering the interest of Cotton Organization at the amount of(21.97-32.21-19.94). They decreased in 2001 due to not registering the interests of Cotton Organization. It is Normal for the expenses of New Idleb to be higher than those of Old Idleb as the amortization in New Idleb is higher than that in old Idleb.

2-The old companies are : Hama cotton yarns company established in 1972 – Al-Waleed for spinning established in 1975- Jableh for spinning established in 1980- Al-Furat for spinning established in 1979- Al-Hassakeh spinning project established in 1983.

The cost of one KG of carded yarns average count 24/1 of 1998

The cost of one KG of Open End Yarns average count 16/1 of 1998 in S.P.

<i>Company Type Yarn Ne</i>	<i>Hama Carded 24/1</i>	<i>Jableh Carded 24/1</i>	<i>Al-Furat Carded 24/1</i>	<i>Al-Waleed Carded 24/1</i>	<i>Al-Hassakeh Carded 24/1</i>	<i>Old Idleb Open end 16/1</i>	<i>New Idleb Open end 16/1</i>
<i>Cash fees 31</i>	<i>The factory is stopped now for renovation and replacement</i>	29.62	30.38	27.72	42.28	11.78	7.34
<i>Main raw (cotton)</i>		96.47	97.51	94.59	102.03	94.20	97.77
<i>Other goods accessories 32</i>		12.72	11.37	11.62	10.48	10.24	3.28
<i>Service accessories 33</i>		1.95	0.87	1.92	10.43	0.72	0.81
<i>Transferable expenses 35</i>		12.24	15.45	10.96	21.29	31.94	14.34
<i>Specialization transferences 36</i>		9.13	-	0.40	0.33	0.01	2.05
<i>Total</i>		161.83	155.58	147.21	168.84	148.98	125.59

The cost of one KG carded yarns average count 24/1 of 1999
The cost of one KG open-end yarns average count 16/1 of 1999 in S.P.

<i>Company Type Yarn Ne</i>	<i>Hama Carded 24/1</i>	<i>Jableh Carded 24/1</i>	<i>Al-Furat Carded 24/1</i>	<i>Al-Waleed Carded 24/1</i>	<i>Al-Hassakeh Carded 24/1</i>	<i>Old Idleb Open end 16/1</i>	<i>New Idleb Open end 16/1</i>
<i>Cash fees 31</i>	<i>The factory is stopped now for renovation and replacement</i>	<i>26.96</i>	<i>25.3</i>	<i>28.71</i>	<i>38.99</i>	<i>14.21</i>	<i>8.38</i>
<i>Main raw (cotton)</i>		<i>96.7</i>	<i>96.15</i>	<i>94.37</i>	<i>102.94</i>	<i>93</i>	<i>92.7</i>
<i>Other goods accessories 32</i>		<i>11.11</i>	<i>6.84</i>	<i>9.46</i>	<i>9.68</i>	<i>12.4</i>	<i>5.04</i>
<i>Service accessories 33</i>		<i>1.4</i>	<i>0.35</i>	<i>1.31</i>	<i>8.86</i>	<i>0.85</i>	<i>0.41</i>
<i>Transferable expenses 35</i>		<i>10.37</i>	<i>7.86</i>	<i>9.16</i>	<i>11.31</i>	<i>39.27</i>	<i>15.52</i>
<i>Specialization transferences 36</i>		<i>0.64</i>	<i>0.24</i>	<i>10.39</i>	<i>6.91</i>	<i>0.02</i>	<i>16.67</i>
<i>Total</i>		<i>146.91</i>	<i>136.92</i>	<i>153.40</i>	<i>178.69</i>	<i>159.75</i>	<i>138.72</i>

The cost of one KG carded yarns average count 24/1 of 2000
The cost of one KG open-end yarns average count 16/1 of 2000

In S.P.

<i>Company Type Yarn Ne</i>	<i>Hama Carded 24/1</i>	<i>Jableh Carded 24/1</i>	<i>Al-Furat Carded 24/1</i>	<i>Al-Waleed Carded 24/1</i>	<i>Al-Hassakeh Carded 24/1</i>	<i>Old Idleb Open end 16/1</i>	<i>New Idleb Open end 16/1</i>
<i>Cash fees 31</i>	<i>23.69</i>	<i>27.48</i>	<i>24.71</i>	<i>26.64</i>	<i>35.93</i>	<i>15.98</i>	<i>7.85</i>
<i>Main raw (cotton)</i>	<i>92.66</i>	<i>87.43</i>	<i>96.84</i>	<i>92.10</i>	<i>103.20</i>	<i>90.81</i>	<i>86.19</i>
<i>Other goods accessories 32</i>	<i>7.10</i>	<i>11.45</i>	<i>9.03</i>	<i>8.44</i>	<i>8.61</i>	<i>11.51</i>	<i>5.79</i>
<i>Service accessories 33</i>	<i>1.97</i>	<i>2.08</i>	<i>0.59</i>	<i>1.60</i>	<i>8.41</i>	<i>0.79</i>	<i>0.79</i>
<i>Transferable expenses 35</i>	<i>9.42</i>	<i>3.40</i>	<i>6.04</i>	<i>4.02</i>	<i>6.26</i>	<i>22.25</i>	<i>16.34</i>
<i>Specialization transferences 36</i>	<i>1.70</i>	<i>0.90</i>	<i>-</i>	<i>38.95</i>	<i>0.14</i>	<i>-</i>	<i>12.92</i>
<i>Total</i>	<i>136.54</i>	<i>132.74</i>	<i>137.21</i>	<i>171.75</i>	<i>162.55</i>	<i>140.71</i>	<i>129.88</i>

The cost of one KG carded yarns average count 24/1 of 2001
The cost of one KG open-end yarns average count 16/1 of 2001 in S.P.

<i>Company Type Yarn Ne</i>	<i>Hama Carded 24/1</i>	<i>Jableh Carded 24/1</i>	<i>Al-Furat Carded 24/1</i>	<i>Al-Waleed Carded 24/1</i>	<i>Al-Hassakeh Carded 24/1</i>	<i>Old Idleb Open end 16/1</i>	<i>New Idleb Open end 16/1</i>
<i>Cash fees 31</i>	26.98	32.15	26.95	29.52	45.28	15.95	8.47
<i>Main raw (cotton)</i>	74.66	71.32	64.09	65.84	66.10	53.42	76.99
<i>Other goods accessories 32</i>	6.31	10.10	7.99	8.69	11.26	7.92	5.02
<i>Service accessories 33</i>	1.66	1.95	1.18	2.23	8.58	0.84	0.74
<i>Transferable expenses 35</i>	6.52	3.72	6.66	10.81	7.73	8.30	14.34
<i>Specialization transferences 36</i>	0.12	0.35	0.14	10.60	-	-	0.08
<i>Total</i>	116.25	119.59	107.01	118.69	138.95	86.43	96.64

Production costs for one kg developed as follows:

Production costs in 1998 :

Jableh –161.83 –Al-Furat:155,58 –Al-Waleed :147.21 –Al-Hassakeh :186.84

The high costs in Al-Hassakeh are related to reasons in Al-Hassakeh itself. As for the other companies we notice that Al-Waleed Co. costs are the lowest, then Al-Furat, and then Jableh . The reason of costs differences is related to the companies themselves .

Production Costs in 1999:

Jableh :146.91 S.P.- Al-Furat :136.92 S.P. – Al-Waleed :153.40 S.P. – Al-Hassakeh :178.69 S.P. .

We notice the costs of Al-Furat are the lowest in 1999 then Jableh and Al-Waleed and the reason of the high costs at Al-Waleed is allocating provisions to cost account at the amount of 10.32 S.P. As we clarified in 1998 the increase in costs of Al-Hassakeh are related to reasons in the company itself.

Production Costs in 2000:

Hama : 136.54 S.P- Jableh :132.74 S.P –Al-Furat :137.21S.P – Al-Waleed :171.75 S.P- Al-Hassakeh :162.55 S.P

If we excluded Al-Hassakeh for the same reason stated above we notice that Jableh company has saved in its costs and then Hama company and Al-Furat. The reason for high costs in Al-Waleed is that they have allocated the provisions to production at (38.92) S.P

Production Costs in 2001:

Hama: 116.25 S.P.- Jableh 119.59 S.P –Al-Furat: 107.01 S.P – Al-Waleed : 118.69 –Al-Hassakeh :138.95 S.P .

The costs in Jableh and Hama are very close and the difference is related to the salaries and fees increase in Jableh company due to the increase of workers in it . The costs in Al-Furat are less than those in Hama and Jableh because there is a combed yarn line in Hama and Jableh. The increase in cost at Al-Waleed is related to allocating the provisions to cost at : 10.60 S.P

If we take the costs of each company separately we notice:

The costs of Jableh Co. in 1998 : 161.83 S.P but they decreased in 2001 to 119.59 S.P. and In Hama Co. they amounted to 136.54 S.P whereas they decreased to 116.25 S.P in 2001. and they amounted in Al-Furat in 1998 to 155.58 S.P then they decreased to 107.01 in 2001 .

In Al-Waleed Company they became 147.21 S.P. during 1998 whereas they decreased to 118.69 S.P. in 2001 . In Al-Hassakeh They became 186.84 S.P. in 1998 whereas in 2001 they became 138.95

Thus we can notice that the costs of the companies in 2001 were much lower than they were in 1998.

Note:

This Study of cotton yarn manufacturing costs does not include the side effects resulted from the last increase in wages and salaries and some materials included within the industrial costs ; the preliminary studies indicated that the effects of this increase were about 10 S.P. for each kg of yarn in the companies of GOTI. These Negative effects are yet another strong reason for us to do our best to decrease costs on one side and to sell the new cotton yarns at the market common prices on the other. Also we have to avoid the economic impacts of product accumulation.

Thirdly – Technology (Machines and production methodology)

The technological type prevailing in the private sector textile companies has changed in the last few years. Both, the importance of new technologies associated with high productivity and the capability to compete emerged. This advantage can not protect cotton spinning companies from the fluctuation of raw material prices due to the little margin of added value available. The technological elements in such companies consist of production systems, especially machines, control and automation systems in the activities of spinning, weaving, dyeing, printing and finishing machines, in addition to maintenance.

As for the know-how technology concerned with skills and the utilization of these skills including operation of factories, running of machines, achieving product and management quality, storing and marketing, it is still limited in the public sector textile companies and is in need for domiciling, deepening and developing.

The sources of technology are various and defined in accordance with the elements of this technology in countries located in three areas producing textile machinery and technology. They are the EU and Asia (Especially Japan and China) in respect of machines.

As for skill acquisition, it is to be done via experts from the manufacturing companies that carry out training of the local technicians at the site of the manufacturing companies or at sites of work in Syria. In fact there is a need for a variety of technological sources in respect of the know how technology which could be obtained by seeking the neighboring countries; the Arab and the European ones such as Egypt and Italy.

The technology required can be purchased, transferred and domiciled in Syrian textile industry in accordance with the national contracting rules in force such as calling for offers, tenders and contracts of satisfaction. Adopting these procedures in the private sector textile companies represents several guarantees and makes available a freedom to make choices between preferences in several offers which can not always be obtained in the light of default terms. There have been many examples when bidders turned out to be less than expected or required in number. As for the direct purchase method which is rejected by the public sector and adopted by the private sector, there are estimations that show that it saves about 15 % of cost and cuts short the time necessary for getting the technology. This method of purchase, compared with that of the public sector as specified above, gives less guarantees than in the method adopted by the public sector concerning the variety of the technological types, and the variety of available sources so as to get access to them, and the freedom to choose in a techno-economical choice of preferences between them.

The technological properties in the textile companies of the public sector differ according to their branches and production specialties:

In the cotton spinning industry which forms the main basis in the textile industries, technology defined and still defines to a great deal the status of spinning companies, their performance and marketing capabilities. That is to say, wherever technology is advanced, productivity is high and the capability to compete is available. Whereas old technology gives low productivity and limited competition. Thus we find that the old technology in nationalized companies and the old ones established by the government (Al-Hassakeh, Al-Waleed and old Idleb) where productivity is low, quality is poor and the capability to stand the challenges of competition is limited. Whereas technology and productivity are high and the capability to compete is available in the modern companies (The General Co. for cotton yarns, in Idleb, The General company for cotton yarns in Lattakia, the New Jableh spinning project and the old companies which were upgraded such as Hama company for cotton yarns).

Another feature of the technology in the textile public sector companies, is the importance of modern technology and the continuous technological renovation in the spinning industry against the old technology and that getting old in most of the weaving companies. We don't find technological renewal except in a partial manner in the weaving company in Lattakia (half of the production capacity). The old technology in most of these old companies dates back to the fifth and sixth decades of the last century while the old technology in other companies which are much more modern dates back to the seventh and the beginning of the eighth decades.

However, in the companies producing underwear, socks and tricot products, we find two types of technology going together: the first one is an old type connected with low productivity and a weak capability to compete. The other is modern with high productivity and good competitive qualities.

Fourthly: Work force in the Textile Organization and the affiliated companies.

The total employees in the administrative and economic public sector amounted to 817000 ; 129000 of which are in the manufacturing industries. While the employees in the companies affiliated to the Ministry of Industry are 70000, taking into consideration that these companies represent about 85% of the industrial sector. As for the GOTI and its companies, the total number of employees is about 32770 representing 25,4% of the workers in manufacturing industries. The planned number of workers in the GOTI is 190 while the actual number is 188. The companies affiliated to the GOTI are 27 with a planned number of staff 36550 but the actual number is 33040(end of 2001). We should note that there is an employment surplus in the old companies. This is due to two reasons: replacement of old machinery and lines by new ones which require less workers on one hand, and hiring numbers of workers exceeding the actual need of the companies on the other.

As for employment surplus in the modern companies , it is due to the large planned number of staff. It is needless to say that such an increase (employment surplus) results in extra expenses on production costs .

In order to know the actual cost of product, we suggest that the wages of surplus workers be entered in a special account which is not taken in the product costs until the problem of employment surplus is solved within the frame of investment, production expansion and rehabilitation.

The weak points in the work force in the GOTI and its affiliated companies.

It is noted that there is a clear absence of policy for expansion in the textile industries through which it is possible to come to know the demand extent on such kind of work and its properties in this field of industry in the public sector.

First – Insufficient worker qualification

We notice as well the drop in the number of class A employees which includes university graduates and engineers. These are only about 2,65% of the total work force in the organization's affiliated companies.

Against this figure, the total number of workers who have elementary education and even less (class D and class C workers) is (25571) approximately 77%. This is contrary to the international trend which aims at having more workers holding the preparatory education certificate and higher educational levels. Hopefully, up to 60% of the total number of the work force.

In addition to the aforesaid, we notice that most of the employees of good experience are about to retire while there are no real equals to replace them due to the disposition of most of the qualified and distinguished experts out of the public sector into the private sector or migration outside the country.

Second: Little training and weak plans

A large number of employees haven't received modern training courses to upgrade their educational and production qualification including knowledge and skills. There are no available effective and studied training plans at the site of each affiliated company separately. Even the use of the vocational training centers is partial and limited, besides, workers coming to work in the companies do not go to these centers.

Third: Weakness of labour productivity

Productivity is still modest, in spite of the cheap work force when compared with other countries dealing in such industries, as in China and India.

Fourth : Proportion imbalance in the distribution of engineers, technicians and the graduates of the intermediate institutes between the governorates and the regions:

There is an imbalance regarding the positioning and distribution of engineers, technicians, intermediate institute graduates and the regions where the establishments and factories are located. There is an abundance in the coastal areas, but this is much the opposite in the northern parts (Aleppo in particular) and the eastern areas (Deir Al-Zour and Al- Hassakeh); in some areas no engineers at all are available.

Fifth : The shortage in the teaching staff, equipment and teaching staff poor qualification:

Intermediate institutes suffer from the insufficiency (in number) of the teaching staff in addition to the lack of equipment. This affects negatively the level of their output; the graduates. Females represent a high ratio of undergraduate and intermediate institute graduate workers. This is in addition to a great geographical imbalance. They should work in the region where they belong. Thus a large number of people come and work in a limited number of governorates. This will have its negative effects on making good use of employing them. The spinning and weaving college in Baa'th University does not have a full, qualified and specialized staff though it is in its third year of age. This, together with the lack of sufficient equipment and machinery will produce graduates of less than expected knowledge and practical know-how.

Sixth: Poor connection between the universities and colleges on one side and the economic establishments on the other.

Solutions and suggestions:

A. Continuous development and qualification of current employees:

All the employees of class A (i.e. university graduates and engineers) should take courses in English language and computer in addition to specialized courses inside Syria or abroad .

All the employees of class B (Intermediate institute graduates and secondary school) should take basic courses in English and computer and other specialized courses of practical nature. All the other classes are to take various simple courses when the need arises.

B. Preparation of new work force.

The necessary procedures to be taken are:

- Gradual replacement of the retiring uneducated employees and those who can only read and write by new workers who have got the preparatory education certificate. Moreover one of the conditions to hire new employees is the completion of the basic education stage and having more of those who have a university degree or higher. Currently it is 3% to 10% of the total number of the work force.
- Analysis and evaluation of the employees in the organization and the affiliated companies to detect employment surplus, the lack of qualification, high quality specializations and the mismatching of qualifications with post requirements in leading positions.
- The possibility of transferring the surplus of work force to new companies which are to be established to achieve vertical integration, economic efficiency and competitive capabilities in the textile public sector.
- Adopting a hierarchy of staff , an internal and external training plan upon creating any new industrial establishments.
- Giving much more care to standardization and quality control, and reducing production costs and adopting new work conducts.
- Developing teaching plans, the teaching and technical board in the various educational institutions in particular and all the employees in general, and encouraging them to learn and try to upgrade their technical and personal qualifications.
- To know the trends of textile industry and foresee the future to precisely identify the work force and its educational and professional standards.
- Escaping employment offices of the Ministry of Labour and Social Affairs to provide flexibility in taking workers who are well qualified to work in the spinning and weaving industry.

Chapter Two : Evaluation of performance in companies

We follow up evaluation of the companies through evaluating the following aspects:

- Utilization of production capacities.
- Production incentives.
- Production and quality control.
- Maintenance and services.
- Management.

First – Utilization of production capacities

The following schedule sheds light on the utilization rate of the available(planned) capacities.

Name of commodity	Unit	1990		2001		The 1 st quarter of 2002	
		Available capacity	Utilization of capacity %	Available capacity	Utilization of capacity %	Available capacity	Utilization of capacity %
Cotton yarns in the old spinning companies and sections.	Ton	61617	47%	61617	81%	15537	83%
New spinning companies (Idleb, Lattakia and Jableh)	Ton	-	-	42000	95%	15649	90%
Cotton fabrics	Ton	28292	95%	21527	58%	5155	70%
Woolen carpets	Thousand sq.meter	765	43%	762	52%	179	56%
Ready made garments	1000 pieces	2256	101%	2071	84%	489	92%
Underwear	1000 dozens	1967	66%	1649	48%	401	46%
Socks	Dozen	90353	67%	289000	57%	67	55%

The old spinning companies and sections have recently achieved remarkable progress in achieving efficiency in utilizing available capacities. The rate jumped from 47% during 1990 to 81% during the year 2001 (and up to 83% during the first quarter of 2002), taking into consideration that the total available capacity remained unchanged and amounted to 61617 ton during the years 1990 – 2001. The new spinning mills in Idleb, Lattakia and Jableh achieved a high rate of 95% of the total capacity available during the year 2001 (though it dropped a little to 90% during the first quarter of the year 2002) , denoting that achieving an efficiency rate of 100% could be attained in such new mills.

As for the efficiency of production capacities available in the private sector cotton fabrics companies , the rate also reached 95% during the year 1990, but it fell remarkably to 58% in the year 2001 , then it went up again to 70% during the first quarter of the year 2002.

Concerning garments industry, the efficiency rate of the available capacities was 101% in the year 1990, but declined remarkably to 84% during the year 2001 (the unit is per one thousand pieces).

We notice that the efficiency of production capacities in producing cotton fabrics (public sector) and the garments industry as well were approaching the full efficiency or a little above in the year 1990, but the efficiency rate went down concerning cotton fabrics and garments to 58% and 84% consecutively.

The efficiency of production capacity available in the underwear companies was 66% in 1990 and then went down to 48% in the year 2001.

The said high rate of efficiency of production capacities available can be ascribed to market monopoly or to weak competition at the time. Accordingly, the decline in efficiency rate in cotton fabrics companies , garments and cotton wear is ascribed to the competition that appeared in the market in general, the depreciation of machines, and products accumulation in the companies and old sections during the year 2001.

Second – Production incentives

The Incentive system issued by decree 1715 of 1974 is a system that defines the work burden and worker's productivity, and evaluates his performance. Giving the incentives is built on three bases:

1. Efficient investment of the available capacity by increasing the production .
2. Improving product quality.
3. Reducing costs.

In practice, this system includes a production control record and a fault and discrepancy table well known as table No. 4 . Gradually, working on the mentioned control record, the table and violation reports diminished until all work of this type was abolished. As a result incentives became an inseparable part of wages.

Suggestion: It is requested that sufficient authorization be given through an act issued by higher authorities in charge to reactivate the validity of table No. 4, and prevent any unauthorized personnel and favoritism from interfering in giving incentives.

Third –Production and quality control

The production and quality control system aims at controlling all the activities related to production to produce a product identical with the required specification by controlling each technological stage, and to ensure the machine work and proper calibration in addition to cleanliness in the production sections, conditioning, and doing the utmost to achieve identical specifications in compliance with the specifications set for the product. This is done through laboratory analyses and troubleshooting malfunctions, if any, by means of a network system, which clarifies the connection between the laboratory and quality control on one hand and their connection with the other technical and production activities on the other.

For instance

Studying the results of the laboratory tests and detecting the defect in the yarn regularly, the maintenance section is to be directly informed of the defect and in which technological stage it occurs. Then the machine is to be stopped for maintenance. Production control after maintenance is the task of quality control department. The machine can't be put back in service unless it is functioning properly.

Setting a quality control system in the affiliated companies of GOTI by GOTI's technicians together with Experts from Eastern Germany.

Production control department monitors the production in the affiliated companies through field visits and by taking samples of the product to be tested in its physical and chemical laboratory, or in the laboratories of the affiliated companies. The department then informs the company concerned of the results whether they are positive or negative to adjust the imperfection if any. To ensure that the defects or imperfections have been eliminated, the department carries out scheduled field visits.

Though the yarns produced in new and renovated companies are of international specifications and rate up to 60%-70% of the total yarns produced in our companies, some defects appear upon putting the yarns to use (hidden defects). Therefore, there should be a settlement system to deal with such cases. This is called "After sales service".

The moving of many of experts from the public sector into the private sector deactivated quality control, particularly in weaving companies. The situation is much better in spinning companies as in Hama Cotton Company, Lattakia Spinning Company, and the General Establishment for Cotton Yarn in Idleb. In order to reactivate the quality control system and run it properly, identify hardships and achieve international specifications, there have to be highly trained experts (engineers) in all specializations whether in the affiliated companies or the quality control department in the mother establishment, particularly in the lines of dyeing, printing, finishing, and weaving. This is to be done either by concluding contracts with some foreign experience to train the personnel locally, sending some engineers to attend courses outside the country for a period of 3 months or more on the purpose of re-training, qualifying and getting acquainted with the technological development in this industry.

The current quality control system set by the GOTI and sent to all our affiliated mills over 17 years ago is a comprehensive system and considered one of the international systems but it needs only to be activated and applied. This is inescapable together with the availability of sufficient technical experiences of higher qualifications.

Fourth : Maintenance and services

Maintenance is all the work done to machines to keep them in normal and proper operation in accordance with the design of machine in order to produce the product for which the capacity and quality of the machine are designed. This is done taking into consideration the machine's planned life and preferably aiming at prolonging it.

Maintenance is sub-divided into three types:

1. **Contingency maintenance:** It is the operation that's carried out on the machine when it stops suddenly in order to put it in normal operation.
2. **Protective maintenance:** It is the operation which is scheduled and done to the sensitive parts in the machine.
3. **Comprehensive maintenance:** It is the operation which is scheduled and involves taking the machine apart and all of its components are checked accurately .

Maintenance is performed in the affiliated companies according to a scheduled network plan set up by the technical departments in the companies at the end of every year and approved by their administrative committees, discussed, and checked by the technical department in the GOTI. The said department sends its personnel to visit the companies at sites to see how much these companies execute the programme and the network plan set up each year.

Maintenance is carried out according to the network plan without pausing production which depends on a large number of the similar and independent machines. The maintenance system is set up by the technicians of the companies in accordance with maintenance manual books set up by the manufacturing companies of the machines so as to put them together in good harmony to obtain the overall time network plan of the company. These plans and programs are similar in the companies of similar production, but they differ in respect of the timing of performing the maintenance since deciding it is up to the company itself.

Maintenance workshops which are distributed to all departments in the establishment do the maintenance work. Their qualifications are not the same in all the companies depending on the availability of technical personnel. Presumably, a workshop is headed by an engineer or an engineer assistant with other technicians holders of technical school certificates. In some companies trained personnel do the job regardless of their education. As for the comparison between the maintenance process in new and old companies taking into consideration that the maintenance of each machine is to be performed according to the maintenance manual book delivered with the machine by the manufacturing company, it is similar. But maintenance in the new companies needs a well qualified technical staff, trained and of high level as electronics and programming have become part of most of the machines. The technical staff in new companies have been trained externally at and by the manufacturing companies, and trained locally as well. However, such staff members need to deepen their knowledge and increase their training and specializing . In addition, these companies do not suffer from any problems concerning supplying the necessary spare parts. While in the old ones, the process of the contingency maintenance is repeated continuously due to the fact that the machines are old and the spare parts are not available, especially concerning the machines the manufacturers of which have closed their factories or due to the impossibility to manufacture the spare parts well enough to meet the quality and accuracy required.

What has already been mentioned above cannot be performed in good condition at all times. This is due to the shortage in staff in many companies and the shortage in specialized educational qualifications. In order to avoid this, it is necessary to set a qualification programme and to improve the quality and ability of the available personnel by use of the present experiences in the first place and by conducting internal courses and secondly through external courses . Sufficient funds have to be supplied for this programme.

Fifth – Management

Many administrations in GOTI's affiliated companies do not involve themselves in their duties of management as we notice that the efficiency rate of capacity is low in most of the companies. In addition to abandoning of production and quality control, defect reports. Adding to this not applying the incentives system in accordance with the principals on which it is based, not utilizing employment surplus and neglecting maintenance duties. Solving these problems and avoiding their occurrence are of the basic tasks connected with the economic administration in the industrial public sector. In addition to the aforementioned, reformation of administration in the textile public sector requires the involvement of all the general managers, executives, and above all, the administrative committees in their major duties which are as follows:

- Application of standard cost accounting.
- Market studies after which departments in charge should design products suitable and capable to meet the market needs and prepare the machines to produce them. Not giving any after sales services.
- Making more effort to clear stocks, reducing costs and lowering unnecessary expenses.

Recommendations

Evaluating and calling managements to account for performance of their duties necessarily requires making "Management contracts" between the competent authorities concerned (representatives of the government which is the owner) and the managers. It includes the inventory of the company's assets such as the property and fixed capital, production capacities and stocks. It also includes adherence of the managers to achieve economic profit built on standard costs and selling all the products of their companies. The managers' performance is to be evaluated every six months. In case any management slowed in executing this contract, the Minister of Industry is fully authorized to sue it and release it, based on a suggestion from the board of directors. These contracts represent exactly what administration by targets is. There is no sense of management by targets without these contracts.

This connection between the State and the administration of the industrial public sector and its affiliated companies requires adopting three complementing procedures which are :

1. Paying much attention to the qualifications, experience, leading and managing quality in choosing and appointing the leading staff .This choice should be based on scientific basis far from emotions and connections .
2. Limiting the interference of the control systems in the daily work of the companies.
3. Entrusting one party with following up the results and their indications at the end of the defined period in compliance with Al-Baa'th Party National Commandment decision No. 82 in the year 2000.

Economic profitability incentives: In order to apply the contractual agreement suggested between the State and the management of the companies, we suggest distributing 25% of the net payable profit that can be paid to the employees in the company at the rate of 10% for the management and 15% for the workers . This rate, in our belief, will not cause a shortage in the revenue of the public treasury since its financing will be done through motivating the management to control extra costs (wages and other costs) and increasing the efficiency of the capacity and improving quality. What's to follow then is the increase of the products selling price and achievement of the profits.

Chapter Three: Marketing Problems and Policies:

It has been pointed out previously, that the markets of cotton yarns produced by companies of the textile public sector fall into local markets and export markets. Local markets represent the third of the marketed yarns. Export markets take two thirds of the marketed production of these yarns. The process of marketing is tightly connected with three inter-related factors:

- The product
- cost per unit
- demand.

Marketing is done in the local market on one side, and through exporting to foreign markets on the other side.

1- Marketing in the local market:

It has been noticed that the selling price of yarns in the local market approached the international price. But it is still higher than the international price because of applying a concept that has been applied for years in Syria, that is, adopting the international prices of insurance and transportation in calculating the local sale price i.e. for the local industry which uses yarns.

This application related to the costs of transportation and insurance leaves an onus of cost on both the public and private textile sectors, on the local level. As well as it may justify the continuing of the European Union in accusing the Syrian textile industry of practicing the policy of dumping which will hinder solving the misunderstanding with the European Union regarding the Syrian yarns' exports to its markets. But the Ministry of Industry decided to clear this misunderstanding and to put right the price of local sale by selling at the international price in the local market with adopting the actual costs for insurance and transportation.

The prices currently used for the domestic sale are higher than the export prices. Yarn is being sold for export at USD /1.80/ for NE 24/1. while it's sold to the private sector at SP. /108/ i.e. more than two dollars. Yet, it is possible to increase the quantity of yarns sold to the private sector at a percentage that might double using the following two policies:

1. Selling the yarns domestically at the international ruling prices.
2. Offering facilities in payment and selling at competitive prices, exclusively for the domestic industrialists.

This will encourage them to increase their exports, as well as their consumption of national yarns. Taking into consideration that if selling to this sector is at the ruling prices, and investors are granted the necessary facilities, the volume of their consumption of yarns will be doubled from /24/ thousand tons to /45-50/ thousand tons. 40 million linear meters or 57.14 % of this production are special fabrics sold by a governmental act to manufacture sugar and flour bags. These figures reveal the main problem for the textile industry in the public sector. It is the low rate of added value.

2- Foreign Marketing:

Concentration ought to be on foreign markets. It requires :

1. Permitting producing companies to sell domestically and abroad at the ruling international prices.
2. Applying the system of the L/C's deferred payment provided that it is guaranteed by the commercial bank of Syria
3. Adopting a settlement system that enables those in charge of marketing to settle any breach in exported goods upon reporting, checking, and determining its percentage.
4. Creating a specialized marketing bureau equipped with qualified personnel to study and manage marketing processes.
5. The companies should adhere to achieving the requested quality of product and to comply with the specifications and period of shipment

6. Expanding the base of the commercial centers in the foreign markets that consume the textile products of both public and private sectors. As well as considering seriously expanding an active network of commercial attaché bureaus.
7. Promoting advertising campaigns abroad through participating in exhibitions to introduce the organization's production of yarns, fabrics and other products in addition to sending delegations to study the markets.
8. Increasing advertisement and publicity funds from /2/ per thousand to /5/ per thousand of the production value.

The Stocks of The General Organization for Textile Industry, the Reality of Marketing and the Future Horizons.

The companies of the General Organization for Textile Industries are divided according to their products into:

cotton yarns companies.

cotton fabrics companies.

cotton clothes companies.

This production includes not only cotton, but also different commodities like (socks - woolen carpets – underwear.. etc) .

Cotton yarn Companies:

There are /9/ companies specialized in producing cotton yarns, three of which are modern companies with total productive capacities of (66) thousand tons annually of different kinds of yarns of international specifications marketable abroad. Six companies were established between 1970 – 1980. There is a continuous modernization of the production lines. Works of replacement and renovation are being executed in order to make all these companies modernized by the second half of 2003. The productive capacity of these companies will be about /55/ thousand tons annually after the completion of the replacement and renovation works. There are yarns factories within the integrated companies. Modernization of the lines in these factories started three years ago in order to make the productive capacity of them reach up to about /12/ thousand tons / year upon the completion of replacement and renovation in the year 2005.

As for the rest of the integrated companies which are (The Arab co. for Industry- The Syrian Co. for Spinning & Weaving- Al Ahliyah co. for Spinning & Weaving in Aleppo- Homs Co. for Spinning & Weaving and Dyeing) , there are economical feasibility studies to replace the spinning lines in them. But due to the great surplus in the cotton yarns capacities, the accumulated stocks and the increasing marketing difficulties , it might be appropriate to suspend the projects that aim to modernize the spinning lines in these companies. Thus, the aggregate of the productive capacities available upon the completion of the modernization process will be /133/ thousand tons /year. The planned capacity of 2002 is /120/ thousand tons. The expected rate for the actual production in /2002/ in the light of the indicators of execution in the first quarter of the mentioned year is /108/ thousand tons. Which represents (90%) of the planned capacity.

The Current Stock of Cotton Yarns:

The stock of cotton yarns on 31.3.2002 was about /62/ thousand tons , of which:

8400	Tons	trial yarn from Jableh Spinning Project.
9500	Tons	Yarns produced before 30.6.2000 with specifications below medium.
16000	Tons	Yarns of high quality specifications.
<u>23000</u>	Tons	Yarns of specifications accepted in both domestic and foreign markets.
57000	Tons	Approximately

It is expected that production will be /81/ thousand tons through the period from 1.4.2002 till 31.12.2002 and the aggregate stock and production to reach /138.000/ tons .

The Real situation of The Stock and Production of Cotton Yarns:

The expected production through the period from 1.4.- 31.12.2002

<i>Production expected within 1.4 – 31.12.2002</i>	
<i>First quarter indicators 2002</i>	<i>81000 tons</i>
<i>Stock on 31.3.2002</i>	<i>57000 tons</i>
<i>total</i>	<i>138000 tons</i>
<i>Production expected to be marketed through the period 1.4- 31.12.2002</i>	
<i>indicators of the first quarter /2002/</i>	<i>34.000 Tons</i>
<i>expected to be exported within the period from 1.4- 31.12.2002</i>	
<i>indicators of the first quarter 2002</i>	<i>20.000 Tons</i>
<i>The total production expected to be marketed is</i>	<i>54.000 Tons</i>
<i>The remaining quantities</i>	<i>84.000 Tons</i>

9500 tons of this quantity are from the stock of the period before 30.6.2000. The Organization will try to market them through additional processes (such as twisting) or to sell them at reduced prices to the textile companies gradually. Thus, a quantity of 74.5 thousand tons of the production and stock should be given consideration to be marketed. The organization has received offers to market 2250 tons X 9 months = 20,000 tons annually to Turkey and the Gulf countries. These quantities are under contraction. A quantity of 3500 X 9 months = 32000 tons is being negotiated. The availability of the following factors which were presented to Mr. Prime Minister in our letter No ٨/٤/١/ص/٦٩٤ /dd 23.3.2002 will contribute to marketing huge quantities of yarns in accordance with the available offers. The letter requested granting :

- The permission to sell at the international ruling prices regardless of cost.
- The permission to sell with credit facilities by documentary credits (differed payment.)
- The approvals to setup a settlement system to handle any breaches arising after sale.

The companies of cotton fabrics:

There are /7/ companies (Al-Khumasiyeh- Dibss- Spinning & Weaving- The Syrian Co. – Al Shahbaa – Homs Co. for Spinning, Weaving & Dyeing – Lattakia Spinning Co.). Their productive capacity amount to about /97/ million meters. Production within the year /2002/ is expected to approach seventy million linear meters according to the indicators of the first quarter of this year.

The actual situation of cotton fabrics stock

The predicted production within the period 1.4 -- 31.12.2002

<i>Indicators of the first quarter 2002</i>	<i>70.000</i>	<i>thousand meters</i>
<i>The stock on 31.3.2002</i>	<i>80514</i>	<i>thousand meters</i>
<i>Total expected stock and production till the end of 2002</i>	<i>150514</i>	<i>thousand meters</i>

Quantities expected to be marketed according to the indicators of the first quarter /2002/ are 68 million meters (i.e. the entire expected production of the year 2002 –)

In case of executing the contract of Al Dibss-Scandinavian, /14/ million meters of the stock in this company will be sold.

There is a reasonable possibility to sell /4/ million meters of fabrics to Iraq. Thus, it is expected that the stock of fabrics will recede within the year /2002/. Additional efforts need to be made to find a way to sell a part of the previous stock. We stress the great difficulty in marketing fabrics abroad as a result of the absence of marketing capability, almost entirely. This requires (in our opinion):

Concluding a contract with a marketing company that determines the required brands. And to make programs to operate one company or more.

Thereby, new brands will be entered in the production. Reaching new markets and customers will be the basis of a plan for marketing the textiles domestically and abroad.

These companies started to modernize their finishing stage machines (dyeing–printing–bleaching) about four years ago. The process of replacing these machines in most companies is about to be finished. Replacement will be completed in the year of 2003-2004. It is supposed that these

companies will produce products with good specifications marketable domestically and abroad.

The basic problem in these companies is the insufficient technical personnel who are specialized in managing those high tech machines, because engineering experiences (the specialized ones in dyeing- printing and weaving) are escaping our companies for different reasons, such as the low wages compared to the inviting wages offered by the private sector. Presently, the Syrian university doesn't have such specializations. And there are no scholarships for employees to other countries to be trained on those specializations. So, it is necessary to supply the adequate number of these specializations through:

1- For the mean time, concluding contracts with foreign experiences until domestic equivalent alternatives have been qualified.

2- Intensifying the qualification and training through increasing domestic and external courses.

The Cotton Fabrics' Stock:

The cotton fabrics' stock was /80/ million linear meters on 31.3.2000. Production is expected to reach /70/ million meters as the indicators of the first quarter of /2002 / show. The aggregate stock and the expected production would amount to about $80+53 = 133$ million linear meters within the period 1.4 – 31.12.2002.

Other products' Stock:

Stocks of other commodities amounted to 9% of the total value of the organization's stock on 30.12.2002. They consist of Underwear – Woolen Carpets – and Stocks. These stocks are merchandisable and don't face a big marketing problem as producing them is done parallel with the market's demand and seasons.

The actual situation of current marketing and future horizons:

Stock figures show that it is clearly noticeable that there are huge difficulties in marketing the cotton yarns and fabrics. This is due to the following reasons :

- Part of stocks and currently manufactured production don't meet quality standards.
- High production costs as capacities are not well utilized and the presence of excess workforce in certain locations.
- There aren't any sufficient marketing studies to recognize the market's needs of commodities. Especially those related to cotton fabrics.

In order to escape this situation and enable the companies to achieve their economic goals to comply with the investments, the following measures need to be done:

1. Setting higher norms for quality to produce commodities in specifications accepted in the domestic and international markets through strict application of the quality control system in all production stages and finalizing the current modernization process.
2. Working on reducing the costs continuously by studying them in details. Then to correct deviations and improve the rates of utilizing the available productive capacities.
3. Establishing a marketing bureau qualified to supply marketing studies and statistics to companies to help them to find new markets for their products.
4. Continuing to discuss the EU to increase exports to EU countries.
5. Negotiating the Egyptian government to reconsider the fees that they imposed on the Syrian yarns and to cancel them.
6. Attempting to open new markets outside the European markets, specially (Turkey , The Arabian Gulf Countries , Eastern Europe Countries , South –East Asia).

7. To promote cotton manufacturing activities in Syria to amplify local yarn consumption by current productive institutions in both private and public sectors through selling them yarns at internationally ruling prices. In addition to activating export activities.
8. To trigger the commercial attaches in our embassies abroad to do a better job of marketing and promoting products.
9. To Encourage establishing new mills to produce good fabrics of all brands .
10. Working on developing and re-habilitating marketing personnel. And providing the necessary information about potential foreign markets and customers.

Chapter Four: Stock accumulation and marketing options:

We are developing the spinning & weaving industry as well as multiplying its capacities to generate added value by establishing new industries that achieve the entire transformation of locally produced yarns into textiles, garments and other finished products. Meanwhile, yarn, whether newly produced or in stock, has to be marketed. This selling is subject to the act of Mr. Prime ministry No. 14/NI which allowed selling the accumulated stocks till 31.12.2001 at the internationally ruling prices and did not allow selling the current production for the year 2002 at those prices. This leads to the following consequences :

- *Selling the stocks produced before 30.12.2001 .*
- *Accumulation of the current production because of the inability to sell it at the international ruling prices, which are equal or less than the cost of manufacturing, currently.*
- *Continuing to accumulate current production, mills will soon come to a point when storage is not possible, consequently production will be suspended .*

Currently, the stocks of the companies affiliated to the organization are 57.000 tons of cotton yarn and 80 million L/M of cotton Fabrics.

These quantities and brands were produced at different times. Some of them within (1995 – 1996) and most of them in the years 2000 – 2001 . Since production in the year of 2002 is the continuation of the production of 2001 and has the specifications of the previous year, it is illogical to give two prices for the same product, same specifications . It is not possible to sell a product at two prices, but it is possible to sell it in the international market at the current price for similar products.

Producers cannot impose their prices on a market full of products with the supply being higher than demand. It is a true war taking place to get a foothold in this market. That is why we think the application of international prices for the products of before 30.12.2001 practically, means the possibility of selling the stocked production. At the same time it is that current production selling will be suspended and production will be going to storage.

Options to clear the accumulated stocks and to sell the production:

The industry and trade of spinning and textiles are going through difficult and too complicated circumstances. Our companies are facing this situation and have many choices illustrated in the following:

First choice:

Continuing to sell at the international prices:

According to this choice, marketing the products will continue to be at the international ruling prices especially the products of good specifications.

It is important to say that many products make profits, or their productive costs equal the international price, while production costs in some companies exceed the selling prices (Jableh spinning project, Lattakia spinning Co. - Idleb spinning Co.). The reason for this is high amortization. { Amortization standards and practices have to be revised} *Loss that might result from selling at international ruling prices is estimated as follows:*

The difference between the ruling prices and the cost:

This difference is evaluated max by 10 cents/kg average. As the quantity specified for export exceeds (50) thousand tons. Then the losses resulting is(10) cents for each kg of yarn i.e. 100 \$ for each Ton. As for the aggregate of losses, it amounts to 100 Ton X 50 SP. For each Dollar = 250 million Syrian Pounds. We point out that the fall of gray cotton prices by /5/ SP.= 10 cents, together with the stability of yarn prices and the other factors that affect cost , all will stabilize losses at their lowest level .

Second choice:

Stopping production in all the companies after filling their warehouses.

This means causing big losses as a result of their obligations to pay the following :

The cost of salaries and wages	1100 million
Amortization	2079 million
Total of loss	3179 million S.P

So, the loss in companies will amount to /3179/ million Syrian Pounds . This huge economical loss will affect negatively and directly the Textile sector generally in Syria and particularly in the General Organization for Textile Industry. In addition, this choice will have a negative effect on the social level through the lowering of workforce income and living standard inconvenience resulting (losing incentives, over-time compensations ...etc). And another negative effect on the psychological level related to halting production in a large industrial sector, important to national economy.

Third Choice: **Continuing to operate the mills:**

According to this choice, operating the mills in the companies of the organization will continue in spite of the disagreement to sell at the ruling prices .Thereby companies will be operated for two or three months, until the warehouses become filled with the product. This will force these companies definitely to stop production obviously because storage areas are of limited capacity. In case these companies are not allowed to sell at the ruling prices, the value of these products will fall as a result of storing them. Accordingly the loss in value is estimated at /100/ million S.P annually. Thus loss in total will be:

Wages and other expenditures upon halting production	1100
Amortization	2079
Loss in value	100
Total of loss.	3279

The risks of accumulating stocks and their economical damages:

Risks of accumulation of stocks and their negative effects have to be pointed out. They are :

1. Lack of cash (which is originally very little)
2. The difficulty to control the work under production accumulation circumstances.
3. Gradual loss of quality and its consecutive drop of the price of the stocked products.
4. Losing the foreign markets that the Syrian product has entered, keeping in mind how difficult it is to return then.

Fourth Choice:

Partial Operation (part of the capacities) or selective operation (certain mills excluding others) and selling the production at the international prices:

According to this choice: Operating the modern mills at their full capacity (General Co. for cotton spinning in Lattakia – Jableh spinning project, General Co. for cotton yarns in Idleb) will continue and the modernized production lines in the old companies at full capacity (Hama Co. for cotton yarns. The combed line in Jableh spinning Co.) Half of the production capacity in old Idleb spinning mill, No. 3 in El Furat Co. the carded line in Al Shahbaa Co.) The productive capacity of the above mentioned Cos. And lines exceeds 88.000 Tons annually.

In case it is agreed to sell the products of the abovementioned companies and productive lines according to the ruling prices in the international markets, then these companies will bear a loss estimated at 250 million SP. (where export will be carried–out from the production of these companies and lines, exclusively). In addition to the loss that the companies will undergo when they halt the production lines as they will continue to pay the wages of workers and the other constant expenditures which exceed 500 million SP. i.e. the aggregate of the expected loss, when adopting this choice will amount to 750 million SP. This choice has an advantage over the first choice: The production is of a high quality and complies with the marketing requirements in both the domestic and abroad markets while the less-quality production will be suspended. This suspension will last for different periods of time in accordance with the innovation and modernization programs, which will be carried out on the companies and production lines. They will resume production each in turn, anew with high-quality product.

Comparing losses according to the given choices:

First Choice : Selling at the ruling prices	Total loss = 250 million SP.
Second Choice: Halting production in the companies.	Total loss =3179 million SP.
Third Choice : Not agreeing to sell at ruling prices	Total of loss = 3279 million SP.
Fourth Choice : Partial operation (for a part of the capacities)or selective (for specific mills excluding the others) and selling the production at the international prices/	Total of loss = 750 million SP.

Obviously, the best solution regarding the problems of losses, production and marketing is to operate the new companies, mills and modernized lines at their full capacity. Other upgraded companies and lines are to be involved upon finishing their modernization. Also selling at international prices setting regulations to obtain best prices in export transactions. All this is temporary until textile, garments and end product facilities are launched arriving at integrated production of our yarn in order to benefit from added value when producing textile and doing preparation and garment production work. This has to be given top priority.

Syrian Cotton and Cotton Yarn Price Development. August-December, 2002

The General Company for Cotton Ginning and Marketing price lists show that Syrian cotton price rose slightly from 99 cent/kg in August 2002 to 113.24 cent/kg in December of the same year. The difference was 14.24 cent/kg indicating that in a five-month- duration of time it rose only at 14%. During January 2003 the price went up to 121.9 cent/kg equal to 8.7 cents difference at 7.7% over December 2002.

The development of ginned cotton and export cotton yarn prices according to the published material of during the period of August 2002–January 2003 The General Company for Cotton Ginning and Marketing is illustrated in the table below:

Ginned Cotton Prices			Yarn Export Prices cent/kg	
Month	SP/kg	Cent/kg	Count 1/30 carded	Count 2/30 combed
August	49.47	98.94	215	222
September	50.06	100.12	215	222
October	51.00	102	215	227
November	53.27	106.539	213	222
December	56.62	113.244	225	227
January 2003	60.69	121.92	225	227

Public sector cotton yarn subsidiaries have sought and are seeking to obtain higher prices for their sales of cotton yarn especially with raw cotton prices being rising. However, they were successful in this slightly at the end of last year. This is because cotton yarn prices do not fluctuation is not proportional to raw cotton price fluctuation. Nor are they simultaneous. This contrast is due to the fact that the determiners of raw cotton and cotton yarn prices are different. Raw cotton prices are subject to how high seasons are in main cotton producing countries and universal cotton stock. Whereas cotton yarn prices are subject to factors such as end consumption and economical activities in main consuming markets.

Our cotton yarn export prices are similar to their peers of India, Pakistan and Indonesia.

Comparing Syrian cotton yarn export prices with "The Cotton Outlook" indicators in order to evaluate the development of our prices in comparison with the prices of cotton yarns of India, Pakistan and Indonesia made out of cotton similar in brand to Syrian cotton (thus similar in quality to Syrian yarn), we find out that exported our cotton yarn at similar prices to those of competing countries. Our export prices were very close to those of the aforementioned competing countries despite of the fact that they sell with extensive facilities.

Indeed, Syrian cotton yarn export prices were really close to those of competing countries during the past six months. Ours ranged between 165-175 cent/kg (depending on order size and market conditions) for count 1/20 carded and 190-200 cent/kg for count 1/30 carded. Other countries' prices ranged between 150 and 173 cent/kg for English count 1/20 in Pakistan and Indonesia respectively. Whereas 1/30 English count prices ranged between 188 cent/kg in Indonesia and 201 cent/kg in Pakistan. This comparison is a confirmation that no synergy exists between the prices of ginned cotton and cotton yarn whether in Syria or the mentioned countries. That is to say, changes are not interconnected in time or form.

The development of export cotton yarn prices of India, Pakistan and Indonesia* compared with that of Syrian cotton yarn prices.

Count for carded cotton yarn	Country	Edition No 45 8.11.2002	Edition No 46 15.11.2002	Edition No 47 22.11.2002	Edition No 48 29.11.2002	Edition No 49 2.12.2002	Edition No 50 2.12.2002	Edition No 51-52 20-27.12.2002
1/20 English count	Pakistan	1.50	1.47	1.47	1.49	1.52	1.54	1.60
	India	1.53	1.53	1.54	1.53	1.53	1.54	1.54
	Indonesia	1.73	1.73	1.73	1.73	1.73	1.73	1.73
1/30 English count	Pakistan	1.96	2.01	2.01	2.01	1.96	2.01	2.01
	India	1.88	1.89	1.89	1.89	1.89	1.89	1.91
	Indonesia	1.88	1.88	1.88	1.88	1.88	1.88	1.88

Parallel Syrian cotton yarn price development:

1/20 English count	Syria	165 – 175 cent/kg (depending on order size and market conditions)
1/30 English count	Syria	188 – 200 cent/kg (depending on order size and market conditions)

* according to "*Cotton Outlook*" publications.

The pages to come present cotton yarn prices from five cotton yarn producing and exporting companies. This is to show that the performance of each of these companies is a good example on the above price development comparison; the prices in Syria and relevant countries being stable and matching price-wise and in synchrony. This also indicates that our companies export policy is subject to objective considerations stated earlier.

The General Company for Cotton Yarn- Idleb.

- 1- Cotton yarn prices of this company remained stable in the months July-November 2002 as the company was not able to set high prices due to high competition from the yarns of India, Pakistan, Uzbekistan, Turkey and others.
- 2- The first slight rise was in December 2002 at only 2-3%.
- 3- Incoming faxes and correspondence from the company's agents in Europe indicated that it was impossible for the company to ask for higher prices. The same applies for the agent in Morocco "*Broadtex*" who was not able to export any quantities in 2002 due to too low competing yarn prices, especially from India.

Count Month	Carded		Combed					
	1/20	1/30	1/16	1/20	1/24	2/20	2/24	2/30
June	1.93	2.25	1.59	1.74	1.79	1.98	2.05	2.22
July	1.97	2.15	1.58	1.74	1.79	1.98	2.01	2.21
August	-	-	1.57	1.74	1.79	1.96	2.08	2.22
September	-	2.15	1.58	1.74	1.79	1.98	2.06	2.22
October	1.92	2.15	1.59	1.71	1.77	1.97	2.07	2.27
November	1.93	2.13	1.58	1.71	-	1.98	2.08	2.22
December	2.00	2.25	1.65	1.78	1.85	2.00	2.11	2.27

Hama Cotton Yarn Company

In the light of the rise in the prices of incoming cotton to the General Organization for Cotton Ginning and Marketing, the company tried to increase its export prices and offer them to clients but they were not the least accepted. When Syrian cotton prices rise they do not directly affect International prices as they set earlier than actual selling takes place at the Ginning Organization and delivering is five months later. The company predicts a gradual price rise in the coming period with its start in March 2003.

Month	Destination	Price in US Dollar	Count 2/30	Count 1/32
			Carded	Combed
			Tons	Tons
August	Italy	2.10	58	-
September	Iraq	2.18	69	-
	Italy	2.12	29	-
	Lebanon	2.30	-	28
October	Iraq	2.18	174	-
	Germany	2.15	16	-
	Italy	2.12	29	-
	Lebanon	2.30	-	17
November	Iraq	2.18	257	-
	Italy	2.10	22	-
	Lebanon	2.30	-	1
December	Belgium	2.10	7	+
Total			661	46

Jableh New Spinning Mill Project:

Jableh New Spinning Mill Project actually started export sales after 1.7.2002. Cotton yarn exports amounted up to 2450 tons between 1.7.2002 and 31.12.2002 compared with 720 tons between 1.1.2002 and 30.6.2002. The company tries to gradually increase its prices starting 1.1.2003. However, clients did not accept. This made it necessary to continue working per the Prime Minister's acts 26 and 27 in order to clear stock and current production and gain access to international markets especially as the project is fresh and has a large production capacity. The following table shows yarn prices between August 2002 and January 2003.

Months	Average prices, FOB Lattakia in US\$/kg								
	Carded			Combed			Open End	Carded-Twisted	
	1/16	1/20	1/30	1/20	1/24	1/30		1/16	2/24
August 2002	1.56	1.67	1.87	1.90	2.02	2.15	1.35	2.02	2.18
September 2002	1.56	1.67	1.87	1.90	2.02	2.15	1.35	2.00	2.15
October 2002	1.53	1.67	1.87	1.90	2.02	2.12	1.35	2.00	2.15
November 2002	1.53	1.67	1.87	1.90	2.02	2.12	1.35	1.98	2.10
December 2002	1.53	1.67	1.87	1.90	2.02	2.12	1.35	2.00	2.15
January 2003	1.56	1.68	1.88	1.90	2.02	2.15	1.40	2.05	2.20

Idleb Spinning Company

Cotton yarn export prices remained stable during the period between August and December 2002. Yet the company managed to increase them in January 2003 by 4 cent/kg at 3% approximately. Export prices developed between August 2002 and January 2003 as follows:

US\$/kg

Month / Count	1/7	1/9	1/10	1/12	1/14	1/16
August 2002	-	-	1.28	-	-	1.40
September 2002	1.25	1.27	1.28	1.30	1.35	-
October 2002	-	1.27	1.28	-	1.35	-
November 2002	1.26	1.28	1.29	1.31	1.36	-
December 2002	1.26	1.28	1.29	1.31	1.36	-
January 2003	1.30	1.32	1.33	1.35	1.40	-

Price Development of Open End yarns exported to (Spain and Italy) packed in towers on benches.

Month / Count	1/12	1/14	1/16	1/20	1/30
August 2002	1.33	1.37	-	-	-
September 2002	1.33	1.37	-	-	1.37
October 2002	1.33	1.37	-	-	1.37
November 2002	-	-	-	1.48	-
December 2002	1.33	1.37	-	-	-
January 2003	-	-	-	1.53	-

The General Company for Cotton Yarn- Lattakia

Herewith, we present export prices of the company between August 2002 and January 2003: (prices are by US\$/kg FOB Lattakia)

Count	August	September	October	November	December	January
1/10	1.57	1.57	1.57	1.57	1.57	1.59
1/12	1.57	1.57	1.57	1.57	1.57	1.59
1/14	1.60	1.60	1.60	1.60	1.60	1.60
1/16	1.60	1.60	1.60	1.58	1.59	1.60
1/18	1.70	-	-	-	-	1.70
1/20	1.70	1.70	1.70	1.66	1.86	1.70
1/24	-	1.80	1.80	1.72	1.83	1.80
1/30	1.90	1.90	1.90	1.84	1.85	1.90
1/36	-	2.09	-	-	-	2.09
2/24	-	-	-	1.98	1.98	2.10
1/16	-	-	1.90	-	-	-
1/20	1.91	1.91	1.91	1.91	1.91	1.95
1/24	2.06	2.06	2.05	2.03	2.06	2.08
1/30	2.26	2.26	2.25	2.19	2.19	2.25

Our European clients were difficult to persuade into resuming working with us after we lost them due to the delay in issuing the act allowing selling at ruling international prices and holding quantities of our stock until mid June 2002 as our European clients signed contracts valid until the

end of 2002 but from alternative competitor suppliers. Another difficulty was the poor economic performance of our clients in Europe due to world economic regression and heightened competition. Big universal supply of cotton yarn in international markets made difficult to raise prices especially for carded yarns which had us sell at ruling prices to stand our ground in the market. Reading carefully through the tables provided one can notice our serious, yet careful efforts to bring prices back to their previous levels through modifying those of certain counts starting early 2003. We had to be careful for two reasons:

- 1- We have not cleared stock yet although it was 11500 tons in October 2002 and became 8750 tons towards the end of 2002; our monthly capacity being 2250 tons.
- 2- We had to keep our clients under intensive competitive circumstances created by countries producing similar yarns to ours such as India and Pakistan.

Future possible price rises in the coming months

Prices may go up due to any of the following reasons:

- 1- A drop in the US\$ exchange rate below that of the Euro in European markets.
- 2- Stability in the prices of raw material, cotton in our case, at international markets with a tendency to be rising.
- 3- The optimized performance of the company in the past three months and its successful treatment of the problem of stock.

The above mentioned reasons reassuring with the hope that prices will be rising again by the beginning of the second quarter of this year.

Prices of certain counts that were increased at the beginning of the current year (US\$/kg):

Count	Prices of last year	Prices early this tear
1/10 carded	1.57	1.59
1/12 carded	1.57	1.59
1/20 combed	1.90	1.95
1/24 combed	2.06	2.08
2/24 carded	1.98	2.10
2/30 carded	2.25	2.30

GOTI Subsidiaries Succeed in Marketing Production of 2002

Early 2002, two weeks after the current government had been formed, cotton yarn stock at the subsidiaries of the General Organization for Textile Industry, GOTI, was 50087 tons. It was increasing during the first half of the year 2002 until it reached 59793 tons on June 30th of that year. The reason behind was decisions made obliging subsidiaries to sell at prices not lower than cost. The international drop in yarn prices due to flooding supplies of yarn had our subsidiaries in critical, unbearable situation not capable of selling a single KG of their production.

The Ministry of Industry, MOI, together with GOTI carried out an evaluation of marketing policies and stock accumulation at the subsidiaries. Enlightened by the output of that evaluation, the Minister of Industry requested permission from the Presidency of the Council of Ministers for the subsidiaries to sell cotton yarn at ruling international prices. A memorandum with the same intent was submitted to the Economic Committee through the Presidency of the Council of Ministers. After the request had been approved by the Economic Committee and discussed at the Presidency of the Council of Ministers, the Prime Minister passed two acts on June 19th and 26th 2002 permitting selling at international prices. The acts were to be in effect starting July 1st 2002. What was the outcome of these two acts? In the six months of selling yarn at international prices, cotton yarn stock subsided to be 51216 tons on December 31st 2002. The difference was 8577 tons at a percentage of 16.8 %. This drop was realized despite of the fact that prices were seriously going low.

It is true that the overall stock increased slightly between the beginning and end of 2002 from 50087 tons to 51216 tons, that is 2.25 %. However, this increase came with the fact that 98448 tons were sold representing 98% of the total production of public cotton yarn companies in 2002.

The above show that GOTI's total cotton yarn production was 100427 tons of which 98792 tons were sold (including auto consumption in integrated companies) representing 98% production. This means that the companies have successful in selling their new production in too tight international markets keeping in mind that they suspended selling and export all the first half of the past year in order not to sell lower than cost.

The following table shows actual production in 2001 , 2002 and a comparison with relevant total sales and where they were sold:

Item	Unit	2001	2002	Difference
Actual Production	Ton	90697	100427	+11%
Total yarn sales	Ton	83211	98448	+18%
Export	Ton	43518	38436	-12%
Local sales (private and public sectors)	Ton	Public 5970 Private <u>27102</u> Total 33072	Public 11067 Private <u>40173</u> Total 51240	+85% +84% +55%
Domestic Transfer	Ton	6621	8772	+32%

The above table indicates that production developed in the abovementioned period by 11% accompanied by a greater development in sales estimated at 18%.

The regression in sales in 2002 in comparison with 2001 was due to the fact that it was impossible to export during the first half of 2002 as a result of not allowing sales less than cost regardless of ruling international prices. Production and export are expected to be rising notably during 2003 as long as the decision to sell at ruling international prices is valid and selling continues.

This decision has put an end to stock accumulation and production crisis at the subsidiaries; for without it, they would be in an indescribable mess. The change took 6 months. That is, between July 1st 2002, the date when the Prime Minister's decision to sell at ruling international prices took effect, and December 31st 2002. These positive results prove that MOI measurements were valid in this vital area of Syrian Industry. If selling according to MOI policy continues, cotton yarn stock at GOTI subsidiaries will very effectively be cleared out during the year 2003. At the same time MOI has given directives to GOTI and its subsidiaries to keep up with developments in international markets during 2003 in tune with Syria's economic interests. The above mentioned assessment which led to the decision of the Prime Minister to allow GOTI to sell locally and abroad at ruling international prices adding domestic freight and insurance positively affected GOTI's and its subsidiaries performance. This positive effect was not limited to cotton yarn production of 2002 being sold completely, but also to all the line of cotton products positively. This is true whether in increasing the production of 2002 compared with that of 2001 or in clearing stock by 31.12.201. This is to say that GOTI and its subsidiaries has been successful in selling all its production of 2002 and a part of the production of previous years in stock. The following are examples on the achievements in the field of textile:

- Cotton yarn: in 2001 public cotton textile producing companies purchased 5970 tons of yarn whereas in 2002 they purchased 11067 tons; an increase of 85%. Likewise, private sector domestic cotton yarn sales in 2002 were 40173 tons compared with 27102 tons of 2001.
- Cotton textile: The increase in production in 2002 was 25346 thousand meters at 55%. All the production was sold with 7130 thousand meters from stock.
- Readymade garments: The increase in 2002 was 541 thousand units at 38% over the production of 2001. Full production with the increase, together with 48 thousand units of stock were all sold.
- Underwear: Production increased by 42 thousand dozens at 5% in 2002 compared with 2001. All the production was sold with 43 thousand dozens of stock.

Item	Unit	Actual Production		Production Increase	Development	Stock		Increase or Decrease	Sales		Development
		2001	2002			30.6.2002	31.12.2002		2001	2002	
Cotton Textile	1000ms	45539	70885	+25346	55%	87519	74276	-4243	47664	75182	+58%
Readymade Garments	1000 pcs	1410	1951	+541	38%	270	263	-7	1557	1999	+28%
Underwear	1000 dzns	783	825	+42	5%	654	648	-6	684	868	+27%
Wool Carpets	Sq ms	286701	420563	+33862	9%	124788	72558	-52230 *	428802	399745	-7%

*- Winter high season

A reasonable development can be seen above to have occurred and that production has increased during 2002. The increase was 55% in cotton textile, 38% in readymade garments, 5% in underwear, and in wool carpets it was 9%.

Sales have developed similarly that 2002 witnessed an increase of 58% in cotton textile, 28% in readymade garments, 27% in underwear. Only wool carpets sales decreased by 7%. Despite of the increase in production, stock dropped by 7130 thousand meters in cotton textile, readymade garments 48 thousand pieces, underwear 43 thousand dozens. However, wool carpet stock increased by 20818 square meters. The valid measurements approved of by the government in response to the request of the Ministry of Industry and carried out in cooperation between the Ministry of Industry and the General Organization for Textile Industry resulting in pricing domestically sold cotton yarn at international prices with domestic freight and insurance led to developing production and largely increasing it especially in cotton textile at 55% and sales at 58% in this public sector.

Cotton textile production in the private sector increased as their yarn consumption increased by almost the double between 2001 and 2002 being 27102 tons and 40173 respectively.

Book Two:

***Strategic Development Required for the Spinning and
Weaving industry.
(On vertical integration basis)***

***Strategic Development required for spinning and weaving industry.
(on vertical completion basis)***

The political commandment has approved of preserving public property and avoiding privatization in the industrial public sector together with efficiency in performance and economical profiting through working in a market oriented mechanism. This imposes the need to reform this sector on the levels of organization, establishments, legal work, administration, finance, technology and production. Arriving at efficiency and profit requires obtaining high added value rates that would ensure safety from the negative effects of raw material price fluctuation; consecutively product prices in international markets. Cotton yarn industry makes only a little added value that is insufficient to maintain a margin of profit in case international yarn and cotton prices fluctuate. With privatization crossed out, this necessitates intensifying the productive structure of textile public sector facilities through enhancing vertical integration in production work. This entails as well developing public sector spinning and weaving industry, basically through investments that accomplish vertical integration in the current spinning industry of this sector. This is done through involving textile and garment production so that current yarn facilities become integrated facilities that include yarn, textile and garment production in addition to considering the restructuring of spinning industry. It is possible to achieve this development depending on cotton only. That is, to develop industry on a cotton-yarn-development basis. The required development can also be achieved as specified herewith depending on cotton yarn industry but including other investments of producing garments from synthetic fibers. Moreover, it is possible to invest in producing synthetic fibers if cooperation with an oil and gas producing country is available- such as Iraq or a country producing intermediate-petrochemical materials, such as Saudi Arabia.

Developing cotton yarn industry on vertical integration basis adding textile and garment manufacturing:

As we have mentioned earlier, cotton yarn production capacity is 130 thousand tons/year. 40 thousand of which are consumed locally. It is expected that the private sector will increase its consumption from 24 to 45 thousand tons / year upon issuing the act to sell cotton yarn locally at international prices. Thus, domestic consumption will be 45 thousand tons by the private sector and 20 thousand ton by the industrial public sector totaling 65 thousand tons/year. The remaining 55 thousand tons have to be marketed or manufactured domestically. It is necessary to boost yarn industry and develop it into textile and garment industry in order to achieve more added value in yarn production, employ more workforce, and widen the spectrum of products.

The following information sheds light on the approximate selling price of yarn, textile and cotton products in current prices:

<i>Kg of cotton is sold at less than</i>	<i>0.90</i>	<i>\$</i>
<i>Kg of yarn is sold at about</i>	<i>1.70</i>	<i>\$</i>
<i>Kg of fabric is sold at about</i>	<i>2.80</i>	<i>\$</i>
<i>Kg of dyed fabric is sold at about</i>	<i>4.50</i>	<i>\$</i>
<i>Kg of T-shirt dyed garment is at sold about</i>	<i>7.15</i>	<i>\$</i>
<i>Kg of stitched, embroidered, printed at about</i>	<i>13.00</i>	<i>\$</i>

These figures indicate that moving into producing processed textile and then garments makes the most added value. For this reason we have to adopt a policy that encourages setting up textile and garment factories and depending on cotton yarn. Investments required for these projects are estimated at \$ 200 million. Through these projects it is possible to transform operating spinning plants into integrated plants which involve spinning, weaving, and garment production thus manufacturing yarn surplus. If this is adopted together with the endorsement

of the government to allocate required funds to setup these projects, 4-5 years will be the period needed to complete them.

Developing cotton yarn industry on vertical integration basis adding textile and garment manufacturing out of synthetic fibers:

Planned capacity for cotton yarn in the industrial public sector will be 130 thousand tons/year when the New Jableh Mill is launched officially. This is hardly the quantity of synthetic fibers imported into Syria for domestic manufacturing originally meant to be exported. This is because:

1. The history of rising price curve of cotton yarn when sold to domestic private sector.
2. The difficulty of meeting the growing demand on domestic yarn and the turn of the private sector to import synthetic yarn and taking it to become the basis for profitable industry for export.

There's a necessity to evaluate current policies of the government and develop them regarding encouraging industrialists to turn to cotton yarn and use it as the basis for industrial expansion (part of which is lowering cotton yarn price for domestic production) together with allowing importing synthetic yarn and increasing production in order to promote export.

Alternative policies to achieve vertical integration in the textile sector:

Three alternatives are illustrated:

1. The government is to concentrate on encouraging the private sector to use cotton yarn and depend on industrial activity and achieving profit provided that this policy can adapt with the current limited policy by allowing increasing export of synthetic fibers by the private sector on the aim of manufacturing and exporting. In addition to making new expansions in producing textile and garments by the public textile sector utilizing cotton exclusively.
2. The government continues to apply the above mentioned policies. That is expansion in using cotton yarn by the private sector and adapting with the expansion in importing synthetic yarn side by side with the government making new investments to increase manufacturing raw material and expansion in manufacturing textile and garments depending exclusively on natural cotton. Yet the government will also invest in other or new projects to manufacture textile and garments using synthetic or blended brands complying with domestic and export demands.
3. The government is to continue to encourage expansion in using cotton and cotton yarn but it will replace its current policy based on facilitating import of synthetic fibers by the private sector for export purposes by another policy based on pushing the private sector to quit current expansion or activity in producing synthetic fiber through commercial, economical, taxation tools and others.

Alternative policies for the development of Syrian textile industry are set forth in the following perspective:

If it is true (in fact it is) that the expansion in spinning, weaving and garment industries which depend on synthetic fiber (petrochemical or cellulose) is an ongoing international trend, then Syrian textile industry has to make a choice between three alternatives:

1. First is to follow international industry. That is to gradually move towards textile industry that depends on synthetic material which contradicts with Syrian fundamental, economic and social interests as Syria is a cotton producing country and cotton is one of the major crops of Syrian farmers.
2. The other choice is that the Syrian textile industry maintains its current policy in encouraging growing dependence on cotton and cotton yarn in expanding investment and production in the private and public sectors without interference on the government's side in the development of the Syrian textile industry that depends on synthetic fibers which is strongly concentrated in the public sector.
3. The third choice is to continue its current policy related to expansion in manufacturing cotton and cotton yarn through realizing new investments in textile and garment activities in the industrial public sector and at the same time manufacturing synthetic and blended fibers to meet the growing demand on them in the local private sector on one hand and to produce garments from textile in the industrial public sector as well.

Comparing these choices and making a decision are necessary to make future expansion policies clear, especially vertical expansion considered to be deem necessary to provide an economical environment that can render success to the current national project of reforming the industrial public sector. Making those decisions and choices is also necessary to determine investments and the required programs to accomplish expansion in vertical integration operations in the industrial public sector.

The effect of raising salaries and wages and the rise in electric power and fuel prices on the cost of cotton yarns.

Increasing salaries and wages, as well as power prices on 13.5.2002 had an immense impact on industrial production costs in the companies affiliated to the General Organization for Textile Industry.

The following table shows this impact on the cost of one kg of cotton yarns in the companies affiliated to the GOTI:

Company	Jableh Spinning Project	Lattakia Spinning Co.		Hama cotton yarn co.	Al Waleed Spinning Co.	Idleb Cotton Yarn Co	Idleb Spinning Co.
	Average	Carded	Combed	Average	Average	Average	Average
<i>The raise and the costs' terms</i>	Average	Carded	Combed	Average	Average	Average	Average
<i>The wages and related expenses</i>	2.44	3.12	2.18	5.09	5.07	2.09	2.53
<i>Electric power and fuel</i>	6.25	7.59	5.23	4.60	9.5	5.48	2.75
<i>Total</i>	8.74	10.7	7.41	9.69	15.2	7.57	5.28

It is obvious in the table that the increment in salaries and wages had its effect on the cost of the kg of cotton yarn at different ratios from one company to another. It ranged between 2.09 SP./KG in Idleb Cotton Yarn Co. and 5.7 SP./KG in Al-Waleed Spinning Co. This difference is due to the following factors:

1. The length of time in service of workers resulting in high salaries in the old companies (Al-Waleed Spinning Co. - Hama Cotton Yarn Co.) while the workers of (Lattakia Spinning Co. - Idleb Cotton Yarns Co. – Jableh Spinning Project) are new and their wages are low.
2. The difference in product brands makes the rise proportional to the brands themselves. The rise in salaries affects the cost of carded and fine yarns more than that of combed and thick ones.

As the table shows, the effect of increasing the prices of the electric power and fuel was obvious and it ranged between 2.75 SP/KG in Idleb Spinning Co. and 9.5 SP.KG in AL-Waleed Spinning Co. This is due to the different technology used and the kind of product in each company. The table shows that the effect of increasing the power price on the cost of one KG of yarn was about twice the effect of raising the wages in the modern companies, while the effect of increasing the wages and the rise in the prices of power and fuel on the cost of one KG of yarn, was almost close in the old companies (Hama Cotton Yarn Co. – Idleb Spinning Co.) Studying the effect of the total increase on the cost of one product unit shows that the costs of production have increased in about (8-10%) on the cost calculated before the increase. This makes a real problem for the producing companies. It may be said that the total loss caused to spinning companies alone is about /900/ million Syrian Pounds / Year. The effect of the raise applies to the rest of the affiliated companies. This will have a negative effect on the financial performance of the companies and their cash. The increase in costs described above is another obstacle in the way of the GOTI and its companies in their efforts to market their yarn production.

Closing Recommendations :-

In the financial field:

1. Re-assessment of the capitals in the companies in the light of the principles given in the memorandum.
2. Providing spinning companies with the working capital estimated at 5.1 billion Syrian Pounds to buy ginned cotton without the need to get loans from banks.
3. Calling off the /6/ billion S.P interests due to the Cotton Ginning Establishment over due from the spinning and weaving companies.
4. Calling off the increment of 2 % added to the price of ginned cotton, in favor of the Cotton Establishment. As well as selling the cotton to the companies affiliated to the textile organization in the same manner as the export transactions, where the Cotton Ginning Establishment sells the cotton abroad as FOB Lattakia.
5. Calling off the real estate income tax on the textile public sector.
6. Amortization installments (as cash flow surplus) should be cancelled or reduced in line with economical standards.(The Ministry of Finance still collects half of the amortization installment on record depreciated machinery regardless of how long they have been in service).
7. Entering the wages of the excess workforce into the profit / loss account rather than the production cost account

In the field of marketing:

1. Selling the yarns domestically at the international prices (to agitate the market and to operate the entire textile production capacities anticipated in both the private and the public sectors).
2. Selling the yarns abroad at the ruling prices in the international market.
3. Selling by differed payment letters of credit for 60-120 days.
4. Adopting an arbitration system that enables those in charge of marketing of settling any breaches in exported goods as soon as they are reported, checked and identified.
5. Creating a specialized marketing bureau equipped with the qualified personnel capable of studying and running the marketing processes.
6. The companies should abide by product quality standards, specifications and shipment dates.
7. Expanding the network of commercial centers in the foreign markets that consume textile products for both the private and the public sectors. Also considering seriously expanding and thrusting the network of commercial attachés.
8. Increasing publicity and advertisement funds from 2 per thousand to 5 per thousand of the production value.

In the Field of Technology and Production:

1. Finalizing the modernization process of current companies to gain a position that fits within the international changes.
2. Furthering the training of highly technical and productive personnel domestically and abroad through long term courses.
3. Arranging cooperation agreements with foreign advanced scientific centers (France-Italy – China.) in respect with priorities which are to be stated.
4. Expanding the processes of vertical manufacturing to arrive at balance in production and to increase added value, as well as export revenues.
5. Providing contracts with local and foreign experiences to fill the gaps in the fields where there are deficiencies or the need arises in GOTI subsidiaries.
6. Establishing research and advisory centers for textile industries.