

## **INDUSTRIAL SITES IN SYRIA**

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The history of industry got to an early start in Syria but it really came to its own after 1973. Since then the industrial sector has grown considerably. This is due mainly to the support of the State in establishing, organising, and investing in industrial zones. This paper offers a broad survey of the question covering such issues as the legal and administrative framework for industrial estates, the importance of industrial sites in supporting SME development, the status of existing industrial zones, the industrial zones to be constructed, the general features of the industrial structure, the structural composition of production in the SME sector and the national industrial policies for the development of SMEs.

### **1. INTRODUCTION**

Syria is located on the eastern side of the Mediterranean. Its capital Damascus is one of the oldest cities in the world. It is in this country that the first alphabets in the world were discovered together with the traces of ancient man on the riverbanks. However, both Damascus and Aleppo are considered to be among the oldest industrial cities in Syria where the first vocational and professional organisations dating back to the Karamita era were found. The textile and spinning industries have been known since the nineteenth century. Modern industries such as cement, glass, sugar and textile entered Syria after World War I. After Syria got its independence in 1946, new industries appeared. These included metal industries, electrical systems, building and construction materials, textile, fertilisers, soap, tannery, rubber, conserved food and dairy products. The scope of the industrial sector has largely expanded after the October Liberation War in 1973. The Syrian industrial sector has contributed to the establishment and development of industry not only in Syria but also in the neighbouring Arab countries.

The industrial sector has grown considerably since 1973. In 1997, for instance, GNP at current prices amounted to \$23,182 million and per capita income to \$1,634. In the same year, the growth rate reached 18% and the share

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of industry in GDP 17%. The Syrian domestic labour force in the field of industry amounted approximately to one million.

The five-year plans for economic and social development have aimed at expanding and modernising the existing industries to enable them to meet the needs of local consumption and to export the surplus. Moreover, development opportunities were fairly distributed among the different regions in the country. The state has established industrial zones that would provide the basic services for the settlement of industries. The illegally existing industries and vocations within the cities and residential areas were moved into the new established zones. Legislations pertaining to the encouragement, organisation and investment of the said zones were issued. The first of those areas were established in Aleppo in 1937 and in Damascus in 1942. The aim behind establishing them at the time was to organise industry, lessen noise and limit pollution in those two cities bringing to life an integrated vocational, industrial and professional web and avoiding the random and disorganised spread of vocations and the attendant discomfort, and environmental and social problems. Under such circumstances, industry was classified into three categories according to their effect on society so that firms of the first category dealing with industries that were harmful to public hygiene would have to be established exclusively in the industrial zones which were located outside the metropolitan cities. As regards the industries of the second category which were less noisy and of a less polluting nature, they were allowed to be established in specialised industrial complexes at the limits of the cities. With respect to the third category such as tailoring, knitting and socks industries, etc., the total horse power of the engines of which was less than 5 hp, they could be established in the basements of residence buildings.

The establishment of such industrial zones has helped the promotion of industries in large cities due to the availability of the labour force as well as the raw materials, the markets and other industrial services. At any rate, in the subsequent five-year plans, industrial zones have been considered in the urban lay-outs of all Syrian cities and particularly in the growing industrial areas.

The establishment of industrial zones and the moving of the handicrafts sector thereto from the city of Damascus have saved the city from the threats to old buildings in the form of operating conditions such as vibrations, overloads and other matters related to the firms' activities. Thus, it was inevitable to transfer those firms out of the city limits into the industrial zones which were especially established for the vocational sector and distributed to the concerned people in this field taking into account the operating conditions of each type of activity: metal industry, electrical industry, building materials, etc.

Of course, the establishment of vocational societies, executive offices, trade unions and chambers of commerce and industry have contributed to the good performance of the said activities.

The government has provided support for the transfer or development of microenterprises in the rural areas, especially those vocations which promoted demographic stability by limiting migration and lessening the pressure on services in large cities particularly in the fields of:

- Loan granting.
- Providing lands in industrial zones for symbolic prices.
- Tax exemptions.
- Assistance in making available raw materials and marketability of products.
- Establishment of large public sector industries in those areas so as to be one of the sources of raw materials for these utilities and microenterprises in areas of lower growth such as vocational industries, house workshops particularly those run by women, productive co-operatives which were given special attention by the state in both public and private sectors, farming industries whether those that would meet the needs of farming/irrigation or those that manufactured such products.

Despite all these advantages, the rural areas of the large cities remain more attractive because of the availability of production services and the competitive prices of the raw materials, except for the deeply-rooted crafts in the rural areas which have maintained their originality and remained steadfast in their location. These vocations have been able to improve and compete with the production of the cities.

The most outstanding problems in the field of industrial zones establishment lie in: a) constructions severely creeping towards those zones, hence entering into the city body as one of its quarters; b) aggressions against those zones within which construction violations took place; c) utilisation of upper floors as residence by owners.

All these problems have, in the past, precluded the establishment of model industrial zones. However, in the establishment of modern industrial zones, such problems have been considered: such industrial zones are now located off the limits of the large cities (in the strip that separates industrial zones from the urban plans and lay-outs in which no building is allowed to be constructed).

**Rules and Regulations Related to Industrial Zones and Modes of Investment**

- Resolution No. 1858, dated 21 June 1986 comprising the System of establishment and investment of industrial zones relevant to administrative units and municipalities in Syria (issued by the Council of Ministers) and amendments.

- Resolution No. 326 (also issued by the Council of Ministers).

### **Industry-Supporting Centres and Agencies**

- Organisations of employment established in 1938.
- Trade Union of Vocational Societies.
- Organisation of productive societies in agriculture and industry.
- Training, qualification, research, testing, administrative qualification, specifications, and data processing centres, and laboratories.
- Industrial banks.
- Local and central organisation of industrial zones.
- Permanent Committee of Industrial Zones, Council of Ministers.

### **Industrial Zones**

- Salamia Zone of Damascus for Building Materials.
- Hosh Blas Zone Metal Industries and Vocations.
- Bab Mussalah Zone for Food Processing.
- Zablatani Zone for Tannery and Textile.
- Adra Industrial Free Zone.
- Industrial City Of Adra.

## **2. THE LEGAL AND ADMINISTRATIVE FRAMEWORK FOR INDUSTRIAL ESTATES**

The development of industrial zones is a major concern in Syria due to their significance in the industrial development process and due to the fact that they create developmental stability and balance. Furthermore, facts have proved that industrial zones constitute an effective tool which is indispensable for encouraging investment and extending the establishment of industries that would meet the demand of the national economy, hence availing the proper climate for the promotion, development and modernisation of SMEs through the advantages, facilities and services that would help in developing such industries.

The Syrian legislation governing industry has specified the industrial projects that are considered to be included in the framework of SMEs as follows:

- Industrial firms that are licensed in accordance with the provisions of Laws 21 and 82 of 1958.

- For small industrial firms (industrial handicraft), Decree 250 of 1969 has defined the vocationalist as the person who works on the production of materials or who renders services depending on his/her personal effort provided that the number of the firm's personnel does not exceed nine labourers.

As regards industrial zones, the Prime Minister's Resolution No. 1858 of 1986, amended by Resolution No. 2810 dated 28 October 1989, has covered the creation and organisation of industrial zones, where they are defined as lands which are public property, allocated for the establishment of industrial and vocational firms thereon in accordance with an organisational lay-out that would fulfil the needs of every one thereof. The land areas prepared for such firms have been classified into:

- Areas allocated for the construction of industrial and handicraft units.
- Areas allocated for the constructions of infrastructure.
- Areas allocated for the services and commercial premises, the construction and exploitation of which are undertaken by the administrative authorities according to Decree No. 228 of 1969.
- It is worth mentioning that the industrial vocations/industrial firms have been classified in pursuance of Decree No. 2680 of 1977 into three categories. The first and second categories would be definitely located in the industrial zones while it is not the case for the third. This is due to the fact that such units would not affect the environment and they are not harmful to public health since they are of traditional production that would meet the daily needs of the local market without negative effects on the environment.
- The Resolution of the Council of Ministers No. 326 of 1996 has specified the Status of Industrial Zones Exploitation.

The state, however, has given priority to the promotion of the new industrial zones and cities as well as to the development and expansion of the existing ones, particularly in the big cities such as Damascus, Aleppo and Homs, because of the large concentration of industries in their areas. Actually, Damascus and Aleppo have more than 72% of the industrial firms and contribute more than 67% of the global industrial production.

### **3. THE IMPORTANCE OF INDUSTRIAL SITES IN SUPPORTING SME DEVELOPMENT**

The availability of industrial cities and zones in all provinces and big cities is very important for national development as it would create a favourable climate for the stability of industry, the attraction of national, Arab and Foreign investment in the industrial sector, the promotion of basic industries as well as the build-up of the necessary infrastructure such as electricity, energy, water, labour force, etc. It would also facilitate the establishment of a database on the needs of the industry in terms of raw materials and other production inputs, ensure industrial safety, and provide the appropriate conditions for the protection of the environment and the construction of plants for waste treatment and used water. Furthermore, this would help put into force the health requirements of food and pharmaceutical industries and abiding by the quality, specification and standardisation criteria, and development of industrial research aimed at improving and increasing production and stopping the random growth of industry.

It is also worth mentioning that the establishment of industrial zones and cities will provide favourable conditions for:

- modernising the existing industries;
- determining the priorities related to the new industries and preparing the needed specialised labour force;
- directing investment towards meeting the needs of economic and social development;
- consolidating the ties between development and reconstruction;
- and, finally, finding radical solutions to avoid further concentration of industries in the large cities.

Most of the SMEs fall into two categories as defined by the International Labour Organisation:

- 1) The unorganised sector. This represents more than 80% of the total number of industrial firms and is characterised by the following:
  - Easy entry and development of new projects.
  - Dependence on local materials and human resources.
  - Family property in most of the cases.
  - Small and limited manufacturing processes.
  - Intensity of labour force.
  - Skills accomplished and obtained out of the scope of the educational systems.
  - Operation in unorganised and competitive markets.



2) The organised sector. It is characterised by the following:

- Difficult entry of new projects and activities.
- Mostly dependent on imported materials and requirements.
- Companies' properties.
- Large size industrial operations.
- Capital intensity and imported technologies.
- Skills acquired from local and foreign educational systems.
- Protected markets (customs, import license).

It is to be understood that there are no general and fixed provisions governing the distinction between the organised & unorganised sectors because the sector as a whole covers numerous activities of various sizes working in different environments.

#### 4. STATUS OF EXISTING INDUSTRIAL ZONES

Description	Less than 10 workers	10-50 workers	More than 50 workers
Number of functioning IZ in 1996	35	19	21
Degree of occupation of the IZ (in %)	46%	72%	54%*
Average area of the plots (in sq m)	70,000 sq m	350,000 sq m	240,000 sq m**
National industries settled (in % of the total)	34%	26%	12%***
IZ developed by public bodies or public enterprises (in %)	100%	86%	20%****

\* The largest areas are occupied by public sector firms.

\*\* The total area allocated to SMEs in the industrial estates is about 5562 hectares.

\*\*\* All public sector firms, 70% of small size industries, and 20% of medium size industries are located in industrial zones

\*\*\*\* All industrial zones have been developed by the public sector.

#### Main sectors settled

Major sectors located in the industrial zones mentioned above:

Textile	31%
Leather	4%

Chemicals	7%
Agro-industry	18%
Engineering / Mechanics	27%
Electronics/ Electrical	3%
Other	10% handicrafts

**Relative importance of industrial zones in relation to the rest of the national economy (in %):**

Creation of employment opportunities	19%
Industrial	31.2%

**Available services (in % IZ):**

Water	67%
Electricity	54%
Water treatment	20%
Telecommunications	62%
Gas	15%
Housing	36%
Fire systems	50%
Public lighting	44%
Roads	75%
Garden and other services	20%

**Commercialisation of the plots (in %):**

For sale:	70%
For rent (crafts associations):	30%

<b>Price of the plots (in US\$/ m2):</b>	Min. price	Max. price
For sale	15	25
For rent	5	10

<b>Size of the offered buildings (in m2):</b>	Minimum	Maximum
	2000	5000

<b>Price of the buildings (in \$/m2):</b>	Min. price	Max. price
For sale	15	25
For rent	5	10
Leasing	5	10

The municipality is responsible for the management of the IZ (regional body).

The Government gives to enterprises settled in or transferred to the IZ such incentives as the following: public subsidies, preferential loans, administrative facilities and fiscal advantages.

<b>Demand for plots (in %)</b>	National 98%	Foreign 2%
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### 5. INDUSTRIAL ZONES TO BE CONSTRUCTED

In view of the expansion of the Syrian industry during the past five years, the government has managed to allocate space to five large industrial zones in the three major cities, Damascus, Aleppo, and Homs, as follows:

City	Surface/hectares
Damascus	5200
Aleppo	9000
Homs	<u>3000</u>
TOTAL	1 7200

These regions are outside the organising chart of the cities. They are to contain large and medium scale industries, mainly cement, glass, building materials, tanneries, mechanical and engineering industries.

### 6. GENERAL FEATURES OF THE INDUSTRIAL STRUCTURE

SMEs occupy a distinct place in the structure of the Syrian industry. They represent more than 90% of the total industrial production firms. This sector contributes 68% of the local GDP but its contribution to employment opportunities amounts to 62% of the total labour force in the field of light industries.

SMEs play a strategic role in supporting the developmental balance and in the realisation of integration and collaboration with the sectors of large firms in the field of industry. Moreover, they play a distinct role in linking traditional production to the modern one, and in linking the industrial and agricultural sectors. Thus, they constitute a solid base for sustained development.

SMEs play an important role in the field of vocational training, especially for skilled young people of limited capital, hence creating a large field of opportunities at the lowest cost: 500,000 Syrian pounds for creating one employment opportunity.

If we consider the case of small enterprises (i.e., enterprises with less than ten workers, pursuant to Legislative Decree No. 250 of 1969), we notice that most of them are companies of persons with a limited capital.

There are in Syria 85615 SMEs operating in the field of light industries. These enterprises are classified by the Central Bureau of Statistics as follows:

Category	1 worker	33579
Category	1-9 workers	80678
Category	10-49 workers	4351
Category	50 workers and more	586

The total invested capital in these enterprises amounts to 141,833 million Syrian pounds. However, these enterprises provide 497,633 employment opportunities, and they operate in different light industries such as food, textile, engineering and chemical industries.

Since its independence and until the early 1960s, Syria chose the market economy option when the state adopted the controlled economy and thus it has, under this policy, restricted the large and strategic industries to the public sector while light consumer industries were left to the private sector, depending on SMEs.

In view of the Syrian experience regarding the significance and efficiency of the participation of public, private and joint sectors in the process of industrial development, the state has undertaken since 1970 the methodology of economic pluralism as a strategic developmental option, aiming thereby at getting all available efforts in the three sectors involved in the consolidation of a strong industrial base relying on a balanced development that would be able to mobilise all national human and material resources within the channels of industrial production. Therefore, most of the SMEs are almost restricted to the industrial private sector.

As a result of Investment Law No.10 of 1991, various industries, even those that had been allocated only to the public sector, were established by the private sector, so new developed industries were created.

## **7. STRUCTURAL COMPOSITION OF PRODUCTION IN THE SME SECTOR**

The most outstanding feature of the Syrian economy is that it is an agricultural industrial economy, where agriculture occupies a prominent position in economic growth due to the important raw materials provided by agriculture in terms of both animal and vegetable resources. Thus, local industries have depended on the manufacturing of these raw materials where cotton comes first. The cotton industry has been prosperous throughout the history of Syria, especially textile and knitting. The prosperity of this sector has been associated with the appearance of some industries that depend on other raw materials that meet the needs of the national economy such as food industries, chemical industries, cement, glass, fertiliser, paper, leather, rubber, detergents and some substitutes of the imported materials.

Regarding SMEs, we find that the most important industrial activities are those which depend on the manufacturing of the local agricultural raw materials, whereas the activities that depend on imported materials come second. Thus, there are five major activities, the top three of which are the spinning, textile and garment industries, since they contribute 25-33% of the light industries and 24-31% of the GDP. The food industry comes after; it contributes 20-23% of the production and 16-18% of the GDP.

After these two outstanding activities, come the processed metallic industries. They provide a wide collection of commodities. They contribute 19-20% of the production and 23-29% of the GDP. Wood furniture industry comes next in terms of significance and contribution (7-10%). Finally, the chemical industry contributes 7-9 % of the production and 6-8% of the GDP.

<b>Activities</b>	<b>Light Industries %</b>	<b>GDP %</b>
Spinning Textile & Garment Industries	25-33	24-31
Food Industries	20-23	16-18
Metallic Industries	19-20	23-29
Wood Furniture Industries	6-7	
Chemical Industries	7-9	6-8

### **8. THE NATIONAL INDUSTRIAL POLICIES FOR THE DEVELOPMENT OF SMEs**

Encouragement of investment in Syria has been met by good care and attention from the state on the grounds of economic pluralism. Of course this was incarnated in the series of measures, legislation and resolutions that aimed at encouraging private sector investments in the fields of industrial production in order to derive the utmost benefit from the human, material and know-how resources available to that sector. Moreover, the said measures have aimed at

the realisation of whatever may be possible from the interaction, integration and co-ordination between the activities of the three sectors.

The most important measures taken in support and encouragement of SMEs are the following:

- Investment Law No.10 of 1991 aimed at introducing sophisticated technologies and manufacturing of local raw materials, as well as providing opportunities for employment and attracting national, Arab and foreign investment. This Law has provided exemptions from fees and taxes as well as other advantages with the view of encouraging investment.
- Extending the available potentialities to the national capital to operate in all industrial fields and opening the door for licensing all activities that had been until recently restricted to the industrial public sector.
- Consolidation of the role of the industry-supporting enterprises, including SMEs, as regards standard specifications, quality control and application of ISO 9000, development of vocational training centres, production management centres as well as research centres.
- Consolidation of the role of banking institutions in supporting and financing industrial enterprises, including SMEs.
- Consolidation of the role of the chambers of industry and the Federation of Handicrafts in supporting SMEs.
- Finally, supporting the role of women in contributing to the production process.

This has led to the creation of a competitive environment in a co-operative context.

## **9. CONCLUSION**

Undoubtedly, extending support to the industrial zones through constructing new zones and expanding the existing ones and their services will help upgrade and modernise SMEs. This will also support their ability to contribute to the production and the GNP and, consequently, create new jobs for the growing manpower. It will also ensure an organised framework as well as a stable industrial activity.

In this respect, we believe that there should be a link between development and reconstruction. Thus, the establishment of such zones should be an integral part of a regional, developmental, comprehensive policy that would put an end to the spontaneous rush of industries to the large cities.



The development process should take into account the fields of agriculture, industry and housing.

- Encouragement of forward and backward linkages not only with the activities existing in the large enterprises, but also with various sectors of the national economy.
- Accomplishment of integration and co-operation between the three production sectors: public, private and joint, as well as encouragement of subcontracting between enterprises which would solidify the industrial network and the exchange of relations.
- Development of industrial zones will help consolidate the industry-supporting special service centres in the fields of technical, economic and engineering consultancy, management and employees training, quality control enhancement, including testing, analysis and research, as well as marketing and products exhibitions. Strengthening the computerised systems and the data processing tools will also help the enterprises in selecting the appropriate technologies and developing their production and maintenance systems.
- Creation of industrial zones capable of accommodating the industrial activities and meeting the requirements of industrial expansion will help organise the industrial sector by making available to the SMEs fundamental and environmental services such as energy, electricity, water, communication and roads, and protecting the environment from industrial pollution through treatment plants of industrial wastes. This will also meet the demand for raw materials and spare parts which would be reflected on the performance improvement of the industrial standards and quality control, hence increasing the size of exports.
- Furthermore, the importance of the industrial estates comes from the role they play, through the territorial distribution of SMEs, in establishing stronger relationships between centre and periphery, confirming social stability and cohesion, and having a good impact on the relationships between big and small enterprises and among SMEs (clusters, districts, consortia, informal networks).

They also create employment opportunities and chances to start up new companies where female entrepreneurship can be promoted along with innovation enterprises and the transition from informal to formal economy.

Plans for the development of industrial areas and urban communities in industrial and technological parks are tightly linked to all policies relating to localisation and decentralisation of economic development.

In short, the allocation and establishment of industrial zones in all Syrian cities have engendered the following:

- 1- Reduction of investment costs as regards industrial enterprises.
- 2- Encouragement of the transfer of the enterprises existing in residential areas within the cities to the industrial zones.
- 3- Better organised urbanism and demography in the cities.
- 4- More new employment opportunities.
- 5- A number of advantages and facilities as well as exemptions are provided to the industrial firms established in those zones, creating thereby great economic savings in the field of energy (power). This, of course, has led to the creation of a strong and consistent industrial web and integrated relationship between large, small, and medium enterprises. Moreover, it contributed to the reduction of production costs and to the strengthening of the competitive power of the Syrian industries helping thereby the stability of industry and promoting new industries. All these advantages help create new employment opportunities.
- 6- Reduction of environment pollution and limitation of industrial expansion at the expense of agricultural and urban areas.
- 7- Promotion of a new social and vocational organisation as well as production relations within the industrial construction complexes.