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ABSTRACT

This research aims to point out the general features of Palestinian industry and to suggest relevant strategies and possible alternatives for reforming the industrial sector. A management survey was carried out to collect the required data. A special instrument was used to interview the general managers of a random sample of 200 Palestinian factory firms.

The study showed that the Palestine factory firms, whether large or small, are family businesses, established exclusively by the private sector. In addition, the majority of the firms surveyed have managerial conflicts, were founded by entrepreneurs without previous technical or marketing experience, used rebuilt or old machines at inception, acquire their raw materials from outside the Palestinian area, and engage in limited marketing activities.

RÉSUMÉ

Cette recherche vise à dégager les caractéristiques générales de l'industrie palestinienne et à suggérer des stratégies pertinentes et des options possibles pour la réforme du secteur industriel. Une étude auprès des gestionnaires a été effectuée pour recueillir les données nécessaires. Les directeurs généraux d'un échantillon aléatoire de 200 entreprises manufacturières palestiniennes ont été interviewés selon une approche particulière.

L'étude révèle que les entreprises manufacturières palestiniennes, qu'elles soient grandes ou petites, sont des entreprises familiales, établies exclusivement par le secteur privé. De plus, la majorité des firmes sondées sont aux prises avec des conflits à la direction, ont été fondées par des entrepreneurs sans expérience technique ou en marketing, ont utilisé à leurs débuts des machines remises en état ou d'anciennes machines, achètent leurs matières premières à l'extérieur de la région palestinienne et réalisent peu d'activités de marketing.

RESUMEN

Esta investigación tiene como objetivo señalar las características generales de la industria palestina y recomendar estrategias pertinentes y opciones posibles para la reforma del sector industrial. Se llevó a cabo un sondeo empresarial para recoger los datos necesarios y se utilizó una metodología especial para entrevistar a los directores generales de 200 fábricas palestinas elegidas al azar para la muestra.

Los resultados indicaron que tanto las grandes fábricas como las pequeñas son empresas familiares establecidas exclusivamente en el sector privado. Además, la mayoría de las empresas seleccionadas para la muestra sufrían conflictos administrativos, fueron creadas por empresarios que carecían de experiencia en aspectos técnicos y de marketing, utilizaban maquinaria vieja o reconstruida desde el inicio de sus actividades empresariales, adquieren sus materias primas fuera de la región de Palestina y participan solamente de manera limitada en actividades de mercadotecnia.

To help Palestinian policy makers plan the industrial sector for the new state that is emerging, there is a need to identify the major features of the present situation. The Palestinian industrial sector makes a minor contribution of less than 10% of gross national product. The value of the output by Palestinian industry was $970 million, and total gross value added was $270 million in 1994 (PCPS, National Accounts, 1997). The Palestinian gross national product was $3,435 million in 1996, while the gross domestic product was $3,233 million. During the past 20 years the major contribution to GNP came mainly from the agricultural sector, which generated 40%, while the services sector contributed 30%, construction 11%, and the central and local government 11% (PMA, 1998, and UNCTAD, 1991). The total budget was $200 million in 1988, climbing to $866 million in 1997 (Sabri, 1994, and PMA, 1998). Palestine's total labour force was 368,900 in 1996. The industrial sector employs about 58,000 (Godfrey, 1997, and PHDP, 1997).

The industrial sector on the West Bank includes about 7,000 manufacturing firms. Of that total 90% are classified as small manufacturing firms, with 10 or fewer employees, and there are only 14 firms that employ more than 100. They produce food and beverages, tobacco products, textiles, clothing, leather, wood products, publications, chemicals, rubber, plastic, non-metallic products, metals, machinery and equipment, furniture and recycling products, as shown in Table 1 (PCBS Establishments Census, 1995). It is expected that the industrial sector will grow considerably when the Palestinian Authority expands its territories.

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TABLE 1

Manufacturing Firms on the West Bank

No.	Type of Industry
1,317	Food, beverages and tobacco
361	Textiles
1,571	Clothing and leather products
507	Wood products
164	Publications and paper
133	Chemicals
1,121	Rubber, plastic and non-metallic products
1,706	Metals
263	Machinery and equipment
984	Furniture and recycling
8,127	**Total in 1994**

Source: Adapted from the *PCPS Establishments Census, Final Results 1994* (PCBS, West Bank, August 1995) p. 59-63.

Literature Review

In the past 15 years several studies have focused on the Palestinian industrial sector. Most of the studies found that measures imposed as a result of the occupation posed the biggest obstacles to development of the industrial sector (Haifa, 1989, Sadler and Abu Kishk, 1983, UNIDO, 1984, Efttami, 1993). Other studies reported that the low use of available capacity (50%) was the major disadvantage of Palestinian industry (UNIDO, 1984). Another problem facing Palestinian industry is that most of the raw materials are imported. Even the agricultural industries import about 64% of their raw materials (Report on Agricultural Factories, 1993).

Sabri's study (1998) reported that the Palestinian manufacturing sector operates at about 40% of its normal capacity. The average net profit margin ranged from 15% to 25%. It concluded that small-scale industry offers advantages according to some performance measures while large industry presents advantages according to other performance measures. Finally, Naser's study (1995) concluded that small Palestinian businesses can play a major role if they are given the opportunity to operate efficiently. Therefore, the Palestinian Authority has to develop a sound strategy to enhance the role of small-scale industry in Palestine.

The studies pointed up specific problems faced by the Palestinian industries over the past 15 years. Still, there is a need to identify the general features of Palestinian industry on the West Bank, so as to make recommendations and to improve the situation.

Purpose of the Study

This study aims to point out the general features of Palestinian industry on the West Bank, in order to suggest relevant strategies and offer possible alternatives for industrial-sector reform. In other words, the purpose of the study may be stated as follows:

- First: To identify the major characteristics of Palestinian manufacturing firms.
- Second: To explore the marketing activities carried out by Palestinian manufacturing firms on the West Bank.
- Third: To define the most important common and unique problems facing Palestinian industries, as perceived by their managers.

Methodology

To accomplish the purposes of the study, a management survey was carried out with a special data-collection technique. The researcher interviewed the general managers of the selected firms. The survey was divided into four parts: the first part concerned general information, such as name of firm, legal entity, products, date of establishment, number of employees, location, and entrepreneurship information. The second part covered technical and operational features. The third part concerned credit sales policy and marketing strategies. The fourth part covered the problems facing the firms. It included a list of 20 statements describing possible problems, and the general managers of the manufacturing firms were asked to identify the major problems encountered most often.

Study Sample

A sample of 200 Palestinian factories was selected randomly from the lists of factories held by the Chamber of Commerce and Industry of the West Bank. Out of the 200, a sample of 40 firms from the following major Palestinian industry groups was chosen:

- Food, beverages and tobacco
- Metals
- Textiles
- Clothing and leather
- Rubber, plastic and non-metallic products

The distribution of the sample based on the five industry groups included two sizes: 20 small firms and 20 large firms. A small firm was defined in this study as a firm with fewer than 10 employees, while a large firm employs 10 or more.

Study Findings

The findings of this study are presented in three parts:

- General features;
- Marketing features;
- Problems facing Palestinian industry.

Part One: General Features of Palestinian Industry

Initiation of Ventures

Palestine factories are established exclusively by the private sector. There was some public contribution to the industrial sector from 1967 to 1993 (Sabri, 1994). The ventures were financed by local private savings and transfers from Palestinians working in the diaspora. The contribution by financial institutions and banks was negligible. The credit facilities offered by all banks in Palestine totalled only $62 million, or 13% of the credit granted (PMA, 1997).

The analysis of the study's findings determined that 26% of the manufacturing firms were founded by entrepreneurs with no previous technical experience in Palestine, as shown in Table 2. The table also shows that about 27% of the investors had experience in their field. In addition, about 17% of the investors were working in trade and expanded into industry using backward integration, and 16% of the factory ventures were small workshops that developed into small-scale industries. Other ventures based on employee entrepreneurship account for about 9%.

It is difficult to trace the degree of success for each type of manufacturing venture, or to conclude that ventures with no previous experience will be short-lived, but the study found that many owner-managers ascribe their problems to their lack of production and marketing experience.

TABLE 2

Initiation of Entrepreneurship in Palestinian Industries

%	Initiation of manufacturing ventures
26%	1. Investor entrepreneurs invested money without previous experience
28%	2. Investor entrepreneurs invested money with experience
17%	3. Working in trade and expanded to industry – backward integration
16%	4. Expansion of workshops into factories
9%	5. Employee entrepreneurship
4%	6. Other types of venture
100%	**Total**

Type of Business Organization

The majority of manufacturing firms were organized as private corporations. About 65% of the sample were organized as private corporations, while about one-third of the firms are partnerships or sole proprietorships. Organizing manufacturing firms as partnerships or sole proprietorships involves a lack of continuity as compared with corporations. Yet, only 3% of the manufacturing firms are public corporations or cooperatives, as shown in Table 3.

TABLE 3

Legal Status of the Palestinian Manufacturing Firms in the Study

	Legal form
2%	Public corporation
65%	Private corporation
18%	Partnership
14%	Sole proprietorship
1%	Cooperative
100%	**Total**

Ownership of Palestinian Factories

The Palestinian manufacturing company tends to be a family business. The study found that 94% of the sample on the West Bank are family businesses, as shown by Table 4. This characteristic applies to all industry groups as well as the three scales of industry, including firms with 100 or more employees.

TABLE 4

Percentage of Family-owned Firms in Palestinian Industries in 1996

Family-owned factory	Type of Industry
90%	Food, beverages and tobacco
100%	Textiles
85%	Clothing and leather, wood products
100%	Rubber, plastic and non-metallic products
95%	Metals
94%	**Average**
96%	Small firms
93%	Large firms

Family business means that the total capital of the firm is owned by one man and his sons and/or brothers. In some cases, first cousins are also involved. Family businesses may have some advantages in certain conditions, but in most cases are considered a disadvantage for the development of manufacturing firms. For example, a family business may encounter management conflict in subsequent generations, as discussed in the next paragraph.

Management Conflict

There is a saying that "the third generation in a business is cursed". This study found that a substantial portion of the manufacturing firms surveyed have management conflict. In some cases the management conflict appears among the founding partners themselves, although in most cases it appears in the second generation of partners. Management conflict in most cases cripples the firm's operations, and eventually the partners split the firm. The study found that about one-third of the sample have faced or are facing management conflict, as shown in Table 5.

TABLE 5

Percentage of Palestinian Factory Firms with Management Conflict

Management Conflict	Type of Industry
38%	Food, beverages and tobacco
32%	Textiles
36%	Clothing and leather, wood products
30%	Rubber, plastic and non-metallic products
24%	Metals
32%	**Average**
23%	Small firms
40%	Large firms

* In past and/or present

The management conflict among partners was either in the past and led to the division of the firm or is current. In addition, management conflict is found in all industry groups. Generally speaking, in large firms and firms organized as public corporations, there is less management conflict. This is not the case, however, for Palestinian factory firms. The number of large firms with management conflict exceeds the number of small firms by about 17%.

Subcontracting

A substantial part of the Palestinian manufacturing sector works as subcontractors to other firms outside the West Bank, as shown in Table 6. On the West Bank about 30% of the firms have subcontracting relationships with other firms. The industry group with the largest number of subcontracts is clothing and leather products (90%). Other industry groups have fewer subcontracting relationships, with 5% to 25% of the firms acting as subcontractors.

TABLE 6

Percentage of Subcontracting Firms in Palestinian Industries in 1995

Large	Small	Type of Industry
13%	22%	Food, beverages and tobacco
11%	11%	Textiles
90%	92%	Clothing and leather products
25%	22%	Rubber, plastic and non-metallic products
12%	5%	Metals
31%	**30%**	**Average**

The subcontracting relationship takes one of the following forms:

1. Obtaining raw materials from a contractor and selling finished products exclusively to the same contractor.
2. Obtaining raw materials from a contractor and selling the finished products in the market.
3. Obtaining raw materials from the market and selling finished products to the contractor and in the market.
4. Obtaining semi-manufactured goods from the contractor and selling the final product to the contractor, as is the case of the clothing industry.

Subcontracting presents many advantages, such as obtaining a secure supply of raw materials as well as marketing of the finished products. Nevertheless, this situation creates serious problems:

- Closures of the Palestinian Authority borders lead to temporary closure of subcontracting firms on the West Bank.
- The contractor may impose low prices and unfavourable conditions on the Palestinian subcontractors, leaving them little leeway.
- Subcontracting firms may have to shut down when the main contractor decides to sever its relationship with the subcontractor.

Source of Raw Materials

The materials required by Palestinian industry come from outside the Palestinian area. Domestic raw materials used for the manufacturing sector accounted for 11% in 1995, while 89% of the materials needed for industries were imported from outside the West Bank, as shown in Table 7. Importing the majority of raw materials increases the cost of production owing to the additional cost of purchasing. Moreover, there is no assurance that the raw materials will keep flowing when the West Bank's borders are closed.

TABLE 7

Sources of Raw Materials for Palestinian Industries in 1995

Import	West Bank	Type of Industry
75%	25%	Food, beverages and tobacco
91%	9%	Textiles
90%	10%	Clothing and leather products
95%	5%	Rubber, plastic and non-metallic products
82%	8%	Metals
89%	**11%**	**Average**

Condition of Equipment

Two-thirds of the Palestinian manufacturing firms initially buy rebuilt or old machines, while only about 35% acquire new machines. This situation applies to almost all groups of firms, although some groups use old machines more than others. For example, only 18% of plastic firms and 25% of metal industry firms started their business with new machines, as shown in Table 8.

TABLE 8

Condition of Equipment Used by Palestinian Industries at Inception

Rebuilt	Used	New	Type of Industry
22%	28%	50%	Food, beverages and tobacco
10%	50%	40%	Textiles
0%	55%	45%	Clothing and leather products
18%	69%	18%	Rubber, plastic and non-metallic products
5%	70%	25%	Metals
11%	**54%**	**35%**	**Average**
10%	60%	30%	Small firms
5%	56%	39%	Large firms

Small firms used more old machines at inception than did large firms. Using old machines may reduce the total capital invested in the firm, but will lead to higher operating costs, especially maintenance costs. In addition, old technology makes it very difficult for Palestinian industry to compete with imported industrial products in terms of quality and prices. Reducing fixed costs by using old or rebuilt machines has fewer advantages, since it increases variable costs and undermines product quality.

Condition of Premises

One-fourth of the Palestinian factories use rented premises. These rented premises are regular shops and apartments in residential and commercial buildings. Most of them are not designed for manufacturing firms. The percentage of factories in rented buildings is much higher in some industry groups, such as food and clothing, where it ranged from 35% to 40% of the firms, as shown in Table 9. This situation is more difficult for small-scale industry, since about 45% of these firms are in rented premises.

TABLE 9

Percentage of Owned (vs. Rented) Factory Buildings in Palestinian Industries

Rented	Owned	Type of Industry
35%	65%	Food, beverages and tobacco
10%	90%	Textiles
40%	60%	Clothing and leather products
30%	70%	Rubber, plastic and non-metallic products
15%	85%	Metals
26%	**74%**	**Average**
45%	55%	Small
14%	86%	Large

The rented buildings are spread out in various locations, because industrial zones are not found in all cities on the West Bank. The rented buildings create technical, storage, safety and environmental problems. This situation creates serious problems when firms need to expand.

Part Two: Marketing Conditions

This part will concentrate on the general marketing conditions of the Palestinian factories, including selling, distribution channels, sales credit policy and branding policies.

Geographic Distribution

There are three possible areas where Palestinian industry can market its products: the West Bank including East Jerusalem, the Gaza Strip, and outside the West Bank. In practice, during this stage of the peace process, the opportunity to export outside the West Bank is limited to one-third of sales value, as shown in Table 10. The sale of West Bank factory products in the Gaza Strip area accounts for only 11% of the total. The Gaza Strip was supposed to form one geographical unit with the West Bank, but thus far there has been no free passage between the two areas. Exports to areas outside the West Bank account for about one-fourth of the products and are mainly clothing. Small firms have less opportunity than large firms to export outside the West Bank.

TABLE 10

Geographic Distribution of Palestinian Industrial Products Sold in 1995

Export	Gaza	West Bank	Type of Industry
14%	17%	70%	Food, beverages and tobacco
12%	8%	81%	Textiles
85%	4%	11%	Clothing and leather products
11%	18%	70%	Rubber, plastic and non-metallic products
9%	8%	83%	Metals
26%	**11%**	**63%**	**Total**
		73%	Small industry
		54%	Large industry

Distribution Channels

The main distribution channels for Palestinian industrial products are factory outlets, with about 60% of products sold and distributed without any marketing effort, as shown in Table 11. Two-thirds of Palestinian factory firms do no marketing whatsoever. Nevertheless, some industries, such as plastic and metals, depend on their authorized agents to market their products in addition to selling directly from the factory. The food industry uses sales representatives in addition to selling directly from the factory. Using retail outlets to sell manufacturing products is limited to 2% of the products.

TABLE 11

Distribution for Palestinian Industrial Products in 1995

Factory outlet	Retail outlet	Sales-men	Exclusive agents	Type of Industry
34%	3%	43%	10%	Food, beverages and tobacco
60%	3%	24%	23%	Textiles
88%	2%	10%		Clothing and leather products
53%	2%	5%	40%	Rubber, plastic
63%	1%	2%	34%	Metals
60%	**2%**	**17%**	**21%**	**Average of industries**
63%	0%	19%	18%	Small industry
59%	6%	12%	23%	Large industry

Use of Brand Names

About one-half of the Palestinian manufacturing industry use their own brands, while the rest use generic brands, contractors' brands or other brands. A total of 80% of the clothing industry use contractors' brands, while 60% of the food industry and 70% of the textile industry use their own brands, and 40% of the metals industry use generic branding, as shown in Table 12. Some firms in the food industry prefer to use generic brands and other brands that give customers the impression that the product is manufactured outside the country. Other firms, such as plastic firms, find no reason to put their brand name on products that are used in construction. Half of the small firms use generic branding on their products, compared with 8% of the large firms. Most of the manufacturing products produced by large-scale firms use their own brand names, while only 26% of the small-scale firms use their own brands in their products.

TABLE 12

Brand Policy in Palestinian Industries

Con-tractor brand	Piracy brand-ing	Generic brand-ing	Com-pany brand	Type of Industry
10%	12%	18%	60%	Food, beverages and tobacco
6%	5%	19%	70%	Textiles
80%	6%	2%	12%	Clothing and leather products
10%	5%	30%	55%	Rubber, plastic and non-metallic products
12%	3%	40%	45%	Metals
24%	**6%**	**22%**	**48%**	**Average**
22%	4%	48%	26%	Small industry
25%	7%	8%	60%	Large industry

TABLE 13

Summary of Sales Credit Policy Used by Palestinian Industries

90 days or more	60 days	30 days	Cash basic	Type of Industry
5%	35%	45%	15%	Food, beverages and tobacco
3%	52%	25%	20%	Textiles
23%	42%	30%	5%	Clothing and leather products
2%	60%	23%	15%	Rubber, plastic and non-metallic products
3%	12%	60%	25%	Metals
7%	**40%**	**37%**	**16%**	**Average**
5%	15%	50%	30%	Small industry
10%	61%	21%	8%	Large industry

Sales Credit Policies

Cash sales constitute about 16% of the sales by the Palestinian manufacturing sector, as shown in Table 13. Of the total, 77% of the industrial products were sold on credit for a period of one to two months, while 7% of the total was sold on three-month terms. Still, the credit policy differs from one industry group to another and from small industry to large industry. For example, the majority of metal and food products firms use either cash sales or 30 days' credit, while the majority of clothing, plastic and textile firms opt for a 60-day credit period. In small industries, 30% of sales are on a cash basis compared with only 8% sales in large-scale industries. On the other hand 71% of the sales in large industries are sold on credit for 60 days or more, compared with 20% for small industries.

Part Three: Problems Facing Palestinian Industry

The manufacturing sector on the West Bank faces the following general problems:

1. Frequent closures of the Palestinian territories, which create serious problems concerning the movement of workers and goods among the Palestinian districts.
2. Most raw materials (89%) used by Palestinian industry are imported.
3. There is a lack of credit financing for the purchase of fixed assets or the upgrading of old machines and equipment. Long- and short-term loans form only 3% of the total investment in the Palestinian manufacturing sector.
4. The major source of working capital is overdrafts from current accounts with high interest rates.
5. The majority of the manufacturing firms (70%) started with old technology and machines.
6. The Palestinian manufacturing firms are working at less than 50% of capacity, which increases costs and makes it difficult to compete with imported products.

In addition, there are unique problems in each industry. This study summarizes the unique problems in Table 14. For example, it shows that the first problem facing the food, beverage and tobacco industries is related to the lack of raw materials, which forces firms to reduce their capacity to less than 25% during some periods and even to shut down for short periods.

TABLE 14

Problems of Palestinian Industry as Perceived by Managers

List of unique problems	Rank	Comments
Food, beverage and tobacco industries		
• Lack of raw materials (milk and fruit)	1	
• Strong competition from imported products	2	
• Shortage of storage space	3	Refrigerators
• Lack of containers and packages	4	Jars, cans
Clothing and leather industries		
• Breach of contract by contractors	1	
• Bankruptcy of contractors	2	
• Lack of skilled labour	3	Machine operators
• Lack of parts and maintenance	4	
Textiles		
• High ratio of idle capacity	1	
• Strong competition from imported products	2	
• Need for parts and maintenance	3	
• Shortage of storage space	4	
Rubber, plastic and non-metallic products		
• No national standards	1	
• No brand names used	2	
• Old technology	3	
• Lack of parts and maintenance	4	
Metals		
• Old technology	1	
• Lack of parts and maintenance	2	
• Lack of power facilities	3	
• Lack of skilled labour	4	

Other problems facing the food industries are competition from low-priced, imported products, a shortage of storage space and a lack of working capital. While the first problem facing the clothing and leather industry is breaches of contract by contractors, other problems stem from the lack of skilled labour and maintenance of machines. The first problem facing the Palestinian textile industry is strong competition from imported products; as a result the industry operates at a very low capacity. Other problems are obtaining spare parts, machine maintenance and limited storage facilities.

The plastic and rubber industries face two main problems: there are no national standards to certify the quality of their products, and the use of old technology is widespread. The metals industry faces problems similar to those of the plastic industry in addition to a lack of skilled labour.

In comparing the above findings to the problems facing small industries in other Arab counties, we find that there are significant differences as well as similarities. For example, a recent study summarized the problems facing small industries in Arab countries as follows: they are located in rural districts and do not have the necessary infrastructure; there is a lack of internal sources of working capital; there are problems of applying international standards for working conditions; there is a scarcity of technical consultants; there is conflict among the various bodies that supervise small industry; and old technology is still in use (Arab Labour Conference, 1994).

Summary and Conclusions

The purpose of this paper is to study the general situation in Palestinian industry, including characteristics, marketing conditions and problems facing the different groups. Based on the collected data, the study shows that the majority of Palestinian industrial firms are family businesses that are organized as private corporations or partnerships, use rebuilt or old machines at inception, and acquire raw materials from outside the Palestinian area. Some of these firms have managerial conflicts. Other firms work as subcontractors for firms outside the West Bank.

Entrepreneurs initiated a substantial number of these factories without previous experience in their industry. One-fourth of the Palestinian factories use rented premises that were intended for small shops and are not suitable for a factory. The above characteristics apply to small and large industries as well as all selected groups of manufacturing firms on the West Bank with some variations. In addition, the study shows that marketing by Palestinian industry is very limited. Thus Palestinian industry has difficulty establishing marketing strategies for national products and expanding customer targets.

To compare small and large industries, Table 15 summarizes the main operational measures based on size of firm.

TABLE 15

Summary of General Characteristics of Palestinian Manufacturing Firms

Major Features	Size of Firm Small	Size of Firm Large
1. Family business (ownership-management)	96%	93%
2. Management conflict	23%	40%
3. Subcontract for other firms	30%	31%
4. Firms started with new machines	30%	39%
5. Firms located in rented factory buildings	45%	14%
6. Sale of products outside the West Bank	27%	46%
7. Sale from factory outlets	63%	59%
8. Sale through exclusive agents	18%	23%
9. Firms use own product brand	26%	60%
10. Firms use generic product brands	48%	8%
11. Cash sales	30%	8%

Finally, the study found that small industry enjoys some advantages, while large industries enjoy others. For example, management conflict is more obvious at large firms. The large firms are more likely to start with new machines than are small firms. Large firms have more opportunities to sell their products outside the West Bank than do small firms. Large firms have their own brands more often than do small firms.

Recommendations

The findings of the study have led to some recommendations that can be implemented to strengthen the Palestinian industrial sector. These recommendations may be summarized as follows:

- Introduce differentiated tax systems in favour of public corporations, to encourage manufacturing firms to organize as public corporations, since they present the advantage of separating management from ownership.
- Activate the role of controller of corporations by applying business legislation.
- Give tax and financial incentives to firms that use domestic raw materials.
- Exempt new machines purchased by manufacturing firms from all types of tax, including customs duties, value-added tax and sales tax.
- Establish special funds for small industry to provide working capital, to facilitate the export of manufactured products to Arab and European markets, to replace old machines, to establish new product lines and product brands, and to create a special marketing institute (International Trade Centre, 1993) that would promote the export of products manufactured by small firms, provide information on quality control, packaging, export credit procedures, and identify Arab and international markets to be targeted.
- Establish new industrial zones in cities as well as in rural areas to accommodate small industry, in order to replace rented premises.
- Develop standard quality-control specifications to assure product quality.
- Consider the introduction of new depreciation methods, such as accelerated depreciation, to encourage the purchase of new machines ▪

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