

THE STATE OF PALESTINE NATIONAL EXPORT STRATEGY TEXTILE AND GARMENT SECTOR EXPORT STRATEGY 2014-2018



This publication has been produced with the assistance of the European Union. The contents of this publication can in no way be taken to reflect the views of the European Union.

The National Export Strategy of the State of Palestine was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC). The views expressed herein do not reflect the official opinion of the ITC. This document has not formally been edited by the ITC.

Photo next page: Paltrade
Layout: Jesús Alés (sputnix.es)

**The International Trade Centre (ITC) is the joint agency
of the World Trade Organization and the United Nations**

Street address: ITC 54-56, rue de Montbrillant 1202 Geneva, Switzerland
Postal address: ITC Palais des Nations 1211 Geneva 10, Switzerland
Telephone: +41-22 730 0111
Fax: +41-22 733 4439
E-mail: itcreg@intracen.org
Internet: <http://www.intracen.org>

Ministry of National Economy (MONE)

Address: Ramallah – Im Al-Sharayet
Tel: +970 2 2981218
Fax: +970 2 2981207
P.O.Box: Ramallah 1629
Email: info@met.gov.ps

Palestine Trade Center (PalTrade)

Head Quarters
(Ramallah Office): Alwatanieh Towers Bldg | 5th floor, Albireh
P.O. Box: 883 | Ramallah | Palestine
Tel: +970 2 240 8383
Fax: +970 2 240 8370
Email: info@paltrade.org

THE STATE OF PALESTINE
NATIONAL EXPORT STRATEGY
TEXTILE AND GARMENT
SECTOR EXPORT STRATEGY • 2014-2018





Source: PalTrade

ACKNOWLEDGEMENTS

The Textile and Garment strategy of the National Export Strategy of the State of Palestine was made possible with the support of the Trade Diversification and Competitiveness Enhancement Project of the European Union (EU), the sponsorship of the Palestinian Ministry of National Economy, the committed leadership of PalTrade, and the Foreign Affairs, Trade and Development Canada-DFATD.

This document represents the ambitions of the private and public stakeholders who dedicated long hours to define the enhancements and future orientations for the sector to increase its export performance and growth (full list of stakeholders in Appendix 1).

Guidance and support were provided to the project by the following key personnel.

Sector Strategy Team

- **Khalid Arja**
Arja Textile Co.
- **Abdallah Hodali**
Hodali Textile Co.
- **Hani Murad**
Consultant
- **Ibrahim Mukarker**
Mukarker Textile Co.
- **Zeyad Fadel**
Ministry of National Economy
- **Ahmad Al Qinnah**
Ministry of National Economy
- **Lubna Jaber**
UPTI
- **Mamoun Nazzal**
PalTrade
- **Akef Hamouda**
UPTI
- **Tareq Sous**
UPTI
- **Khader Rizkallah**
Rizkallah Co.
- **Bassam Abdul Rahim**
Team Coordinator
- **Nafez Nieroukh**
Nieroukh Co.
- **Tarek Sous**
UPTI
- **Saiph Sharabati**
Saiph Wear
- **Tamara Arja**
Arja Textile Co.
- **Tareq Saqf Al Hait**
Al Huda Textile Company
- **Majdi Abu Ruman**
National Textile Company
- **Emad Bali**
Home Touch Industrial Co.
- **Jamil Jaraysah**
Models Dress Co.
- **Mohammoud Zarour**
PalTrade

Ministry of National Economy (MoNE):

- **Manal Farhan**
NES Navigator
- **Nahid Qudsi**
Assistant Navigator

PalTrade and Ministry of National Economy (MoNE):

- **Hanan Taha**
Chief Executive Officer
- **Shawqi Makhtoub**
Trade Policy Manager
- **Samir Maree**
NES Specialist
- **Mohammed Al Ram'ah**
NES Coordinator
- **Mayada Diab**
Program Coordinator

International Trade Centre :

- **Anton J. Said**
Chief, Export Strategy
- **Darius Kurek**
Project Manager
- **Charles Roberge**
Lead technical Advisor
- **Rahul Bhatnagar**
Lead Author
- **Bassam Abdul Rahim**
Team Coordinator in Palestine

CONTENTS

ACKNOWLEDGEMENTS	III
OFFICIAL STATEMENTS.....	III
ACRONYMS.....	VII
<hr/>	
EXECUTIVE SUMMARY	1
<hr/>	
INTRODUCTION	5
<hr/>	
WHERE WE ARE NOW	7
<hr/>	
STRUCTURE OF THE SECTOR.....	7
INVESTMENT NEEDS OF THE SECTOR	9
FIGURE 5: SECTOR VALUE CHAIN	10
VALUE CHAIN OPERATIONS	11
SECTOR IMPORTS	11
GLOBAL MARKETS	13
EXPORT COMPETITIVENESS ISSUES.....	25
<hr/>	
WHERE WE WANT TO GO	31
<hr/>	
VISION.....	31
FIGURE 8: FUTURE VALUE CHAIN.....	32
MARKET IDENTIFICATION	33
STRUCTURAL IMPROVEMENTS TO THE VALUE CHAIN.....	36
<hr/>	
HOW TO GET THERE	38
<hr/>	
STRATEGIC OBJECTIVES	38
IMPORTANCE OF COORDINATED IMPLEMENTATION.....	39
IMPLEMENTATION PARTNERS – LEADING AND SUPPORTING INSTITUTIONS	39

PLAN OF ACTION	41
BIBLIOGRAPHY	47
APPENDIX 1: LIST OF STAKEHOLDERS	47

LIST OF FIGURES

Figure 1: Declines in Palestinian domestic market size and share of domestic producers, textiles and garments, 2000-2005	6
Figure 2: Share of Palestinian textile and garment production, 2011, by destination (in US\$ thousands)	8
Figure 3: Capacity utilization rates of Palestinian textile and garment manufacturers, 2008	8
Figure 4: Sector investment needs as expressed by PalTrade 2008 survey respondents (%)	9
Figure 6: Year-by-year survival rate of export relationships between Palestinian textile and garment manufacturers and foreign buyers, 2002-2011	17
Figure 7: Decomposition of Palestinian textile and garment export growth, 2002-2010	20

TABLES

Table 1: The Palestinian textile and garment sector's decline in numbers	7
Table 2: Top 10 Palestinian textile and garment imports, by value in 2011	12
Table 3: Leading global importers of textiles and garments (HS-50 through HS-63) . .	13
Table 4: Leading global exporters of textiles and garments (HS-50 through HS-63) . .	14
Table 5: Top 10 Palestinian textile and garment exports to Israel, by value in 2011 . .	15
Table 6: Seven countries with steady imports or new importers of Palestinian textiles and garments 2007-2011	16
Table 7: Textile and garment markets in the seven most important non-Israeli markets in which the State of Palestine is participating	18
Table 8: Palestine's export performance for textiles and garments in top target markets	20
Table 9: Palestinian textile and garment policy support network	22
Table 10: Palestinian textile and garment trade services network	23
Table 11: Palestinian textile and garment business services network.	24
Table 12: Perception of Palestinian textile and garment TSIs – influence vs. capability	25
Table 13: Recommended textile and garment product-market priorities	34

ACRONYMS

B2B	Business to Business	PCBS	Palestinian Central Bureau of Statistics
EU	European Union	PEC	Palestinian Export Council
FPCCIA	Federation of Palestinian Chambers of Commerce, Industry, and Agriculture	PFI	Palestinian Federation of Industries
HS	Harmonized System	PoA	Plan of Action
ISO	International Organization for Standardization	PPU	Palestine Polytechnic University
ITC	International Trade Centre	PSI	Palestine Standards Institution
MoNE	Ministry of National Economy	SME	Small or Medium Enterprise
NES	National Export Strategy	TSI	Trade Support Institution
PNA	Palestinian National Authority	TSN	Trade Support Network
PalTrade	Palestine Trade Centre	UAE	United Arab Emirates
		UPTI	Union of Palestinian Textile Industries



Source: PalTrade

EXECUTIVE SUMMARY

CURRENT CONTEXT

In the year 2000 the Palestinian textile and garment sector was a major pillar of the national economy, representing the largest sector in the Gaza Strip and the third largest in the West Bank. Since then a series of international economic and political developments has made a highly competitive, low-margin sector even more challenging for Palestinian enterprises, approximately 95% of which had depended on subcontracts with Israeli firms. The start of the second intifada; China's entry into the World Trade Organization; the expiration of the Multi-Fibre Agreement; and the Turkey–Palestine Free Trade Agreement have all contributed to an Israeli sector moving away from low- and medium-cost goods in favour of high-end fashion products, and a Palestinian market that has both shrunk and been taken over by imports. Since 2001 the Palestinian textile and garment sector has lost half of its domestic market share, two-thirds of its enterprises, 60% of its sales, and over three-quarters of its waged workers. It is a sector in crisis and requires deliberate, transformative action if it is to survive and thrive again.

EXPORT PERFORMANCE

Only 5-7 of the largest Palestinian enterprises have experience exporting. For enterprises already operating at low capacity utilization rates, further price pressures from cheap imports will present them with a stark choice between exporting and closing. Between 2007 and 2011 the State of Palestine exported an annual average of US\$ 12.8 million in textiles and garments. Of this, 98.4% went to Israel in the form of 82 different products at the 6-digit

level of Harmonized System (HS) classification. Nearly half of this was finished garments (HS-62 and HS-63), most of which was likely for sale in Israel and does not represent the type of export-oriented subcontracting work that promises the State of Palestine a link to the much larger international market.

Between 2007 and 2011 the State of Palestine exported textiles and garments to 23 countries, but most of them imported goods in only one of those years. This signals a very low survival rate for trade relationships, with Palestinian exporters unable to convert new customers into regular ones. Over the same period only Israel, Jordan and Japan received imports in all five years, while the United States of America and Algeria imported from the State of Palestine in four of five years. These countries represent ongoing potential which should be explored further.

A decomposition analysis of the State of Palestine's negative export growth shows that effectively no new products are being exported, no new markets are being penetrated, and there is a significant decline in old products sold in old markets. In fact, a significant number of products are becoming extinct. This is the trajectory of a sector in clear decline, and it requires a very different approach if that is to be reversed.

OPTIONS FOR FUTURE DEVELOPMENT

In order to realize the export potential and increase the export competitiveness of the Palestinian textile and garment sector, the following vision has been adopted.

“ To become an export-oriented sector with high socioeconomic impact by specializing in higher-end and niche products, through a targeted, concerted, and decisive acquisition of the needed skills, technologies, and market intelligence. ”



Source: © Kara Newhouse. Herbawi Textile Factory

To achieve this vision the strategy will reduce binding constraints on trade competitiveness and capitalize on identified strategic options. The strategic orientations for the next five years aim at developing key markets in the short and medium terms for Palestinian exporters and facilitating structural changes in the value chain to increase its efficiency and value generation.

The short-term market development of the sector will focus on selected products in such target destinations as Israel, Jordan, the United States, the United Arab Emirates (UAE), Japan, Algeria, the Russian Federation and Poland. In the medium term the strategy will enable exporters to expand their export reach through the supply of new products to selected target markets such as Israel and Libya.

To achieve efficiency gains in the sector's value chain, structural improvements are needed in terms of its eco-friendliness; its linkages to training institutions; its use of female workers; the provision of trade intelligence by trade support institutions (TSIs); and cooperative supply of large-volume orders.

ROADMAP FOR SECTOR DEVELOPMENT

The sector strategy vision will be achieved through the implementation of the sector's Plan of Action (PoA). This PoA revolves around the following three strategic objectives, each spelling out specific sets of activities intended to address both challenges and opportunities facing the sector.

1. Enable the sector to increase its production capacity to respond to volume, design and quality requirements of current and emerging target markets.
2. Strengthen the ability of sector stakeholders to mobilize for developing the sector and linking to required support institutions.
3. Enhance the textile sector's market entry and survival capabilities in target markets.

TARGET MEASURES

Provided the PoA is fully implemented, key targets of the strategy as defined by the sector exporters are to:

- Exceed the global market growth rate, which was about 7% per year over the last decade. An annual growth rate of 10%, which is achievable under the PoA, corresponds to a doubling of the State of Palestine's exports by 2020;
- Triple the number of countries importing Palestinian goods every year from three in 2011 to nine by 2016.
- Increase exports to Israel, Jordan and UAE by 20% respectively;
- Enter new EU markets: Germany, Italy and the Netherlands.

IMPLEMENTATION MANAGEMENT

The achievement of these ambitious targets will require continuous and coordinated efforts from all relevant private and public stakeholders, as well as support from key financial and technical partners, donors and investors. Several institutions are designated to play a leading role in the implementation of the sector PoA and bear the overall responsibility for successful execution of the strategy. They will be assisted by a range of support institutions that are active in the textile and garment sector. Each institution mandated to support the sector's export development is clearly identified in the strategy PoA. Moreover, the proposed Palestinian Export Council (PEC) and its Executive Secretariat will play a coordinating and monitoring role in the implementation of the strategy within the overall framework of the National Export Strategy (NES). In particular, PEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders.

Box 1: Methodological note

The approach used by ITC in the strategy design process relies on a number of analytical elements such as value chain analysis, trade support network (TSN) analysis, problem tree, and strategic options selection, all of which form major building blocks of this sector export strategy document.

Value chain analysis

A comprehensive analysis of the sector's value chain is an integral part of the strategy development process. This analysis results in the identification of all players, processes and linkages within the sector. The process served as the basis for analysing the current performance of the value chain and for deliberating on options for the future development of the sector.

The analysis charts the main stages involved in the sector's export process, from inputs sourcing to distribution in market segments. This is followed by the identification of key stakeholders, which includes not just the primary players (e.g. producers, processors, distributors etc.) but also those fulfilling support functions with direct linkages to the primary players. These support services include input providers (yarn suppliers, equipment suppliers etc.), transportation service providers, packaging houses and financial service providers, among others.

Trade Support Network (TSN) analysis

The trade support network comprises the support services available to the primary value chain players discussed above. It is comprised of policy institutions, trade support organizations, business services providers and civil society. An analysis of the quality of service delivery and constraints affecting the constituent trade support institutions (TSIs) is an important input to highlight gaps in service delivery relative to specific sector needs. A second analysis of TSIs assessed their level of influence (i.e. their ability to influence public policy and other development drivers in the country and therefore make things happen or change) and their level of capacity to respond to the sector's needs.

Problem tree analysis

The problem tree analysis used is based on the principles of root cause analysis and the Pareto principle. The reason for using the problem tree exercise is to gain a deeper understanding of *what* is causing the high level constraints, and *where* solution-seeking activities should be directed. This exercise involves a two-step process:

- *First*, the value chain analysis, surveys, and consultations with key public and private stakeholders identify constraints affecting sector-specific export value chains. These constraints are abstract and a more thorough breakdown is required to identify the specific root causes of constraints. Multiple levels of root causes are identified for each high level constraint.
- *Second*, the problem tree uses the Pareto principle to identify critical root causes in the problem tree. This is especially important for resource limitations that usually exist during the strategy implementation phase. Therefore, focus is needed on the 20% of the root causes which result in 80% of constraints affecting the sector. Critical paths through the problem tree are charted to discover the most significant root causes constraining the sector.

These steps resulted in a comprehensive problem tree detailing the constraints affecting the sector's export value chain, along with characterizations related to the types, granularity and intensity of the root causes. The problem tree then guided the design of the solution-seeking phase of the strategy.

Defining where we want to go

The strategic options for the development of the sector are reflected in the future value chain, which is the result of consultations, surveys and analysis conducted as part of the sector strategy design process. The future perspective has two components:

- A market-related component involving identification of key markets in the short and medium-to-long term for Palestinian exporters; and
- Structural changes to the value chain that result in either strengthening of linkages or introduction of new linkages.

Both components are integral parts of the future value chain, which is the basis of the strategic action plan developed for the sector.



Source: © mohammedbensaber. Hébron – Fabrique de Keffieh

INTRODUCTION

The analysis and strategy presented in this document is for the Palestinian textile and garment sector, which has been historically crucial to the stability and growth of the Palestinian economy. It forms an integral part of the National Export Strategy of the State of Palestine. The sector's export performance has been oriented primarily towards Israel, for consumption or for processing and re-export. However, this market has dwindled with rapid and severe changes to the global market. At the same time, the domestic demand for Palestinian-made products has fallen by half from its peak. Enterprises in the sector are at high risk of closure. However, there are clear steps which, if taken, can reverse the sector's decline. Taking these steps will require concerted efforts from private and public stakeholders to address critical impediments and develop new markets. This is the essence of the ambitious but achievable five-year plan of action which concludes this strategy document.

HISTORICAL OVERVIEW

The 1980s and 1990s saw strong growth of the Palestinian textile and garment sector as Palestinian sewing factories and other enterprises increasingly undertook subcontracting arrangements with Israeli manufacturers supplying both domestic and foreign markets. This vastly increased potential demand for Palestinian enterprises, which were otherwise effectively limited to the relatively small Palestinian market.

By the year 2000 the textile and garment sector was a major pillar of the Palestinian economy. In terms of the number of enterprises, it was the largest sector in Gaza and the third largest in the West Bank, with a total of 2,650 enterprises.¹ Together they employed more than

20,000² people and earned US\$ 126 million,³ mostly in the production of higher volume, low-cost and medium-cost goods.

Since that peak, however, a series of international economic and political developments has made a highly competitive, low-margin sector even more challenging for Palestinian enterprises, approximately 95% of which had depended on Israeli firms for their business.⁴ These developments, which also severely affected Israeli manufacturers, include the start of the second intifada in September 2000; China's entry into the World Trade Organization in December 2001; the expiration of the Multi-Fibre Agreement in January 2005; and the Turkey–Palestine Free Trade Agreement coming into force in June 2005.

The consequence has been an Israeli sector that has largely moved away from low-and medium-cost goods in favour of high-end fashion products, and a Palestinian market that has both shrunk and been taken over by imports. In 2001 Palestinian enterprises still held a 60% domestic market share but that was halved by 2005, together with the number of textile and garment jobs (see figure 1).

Since 2005 the size of the Palestinian domestic market has largely recovered, reaching US\$ 123 million in 2011, but the market share of domestic producers remains low at 28%.

Reversing the sector's losses depends on the ability of Palestinian enterprises to improve their capacities in terms of design, quality management and marketing. This will be needed to counteract an inferior image domestically, to provide Israeli manufacturers with the high-end inputs they now demand, and to penetrate new export markets directly.

2. A 2012 sector need assessment commissioned by PalTrade and conducted by Core Associates estimated sector employment to be in excess of 20,000 just prior to the start of the second intifada.

3. United States Agency for International Development and Palestinian Federation of Industries (2009). *The Current Status of Industrial Sector in Palestine*.

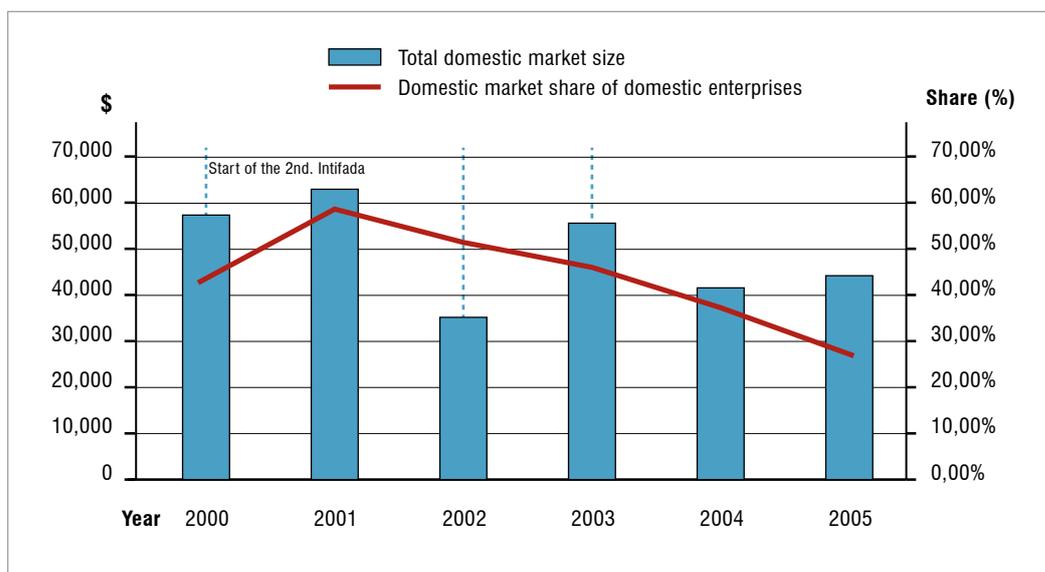
4. Palestinian Trade Center and United States Agency for International Development (2008). *Market Share Assessments*.

1. Palestinian Trade Center and United States Agency for International Development (2008). *Market Share Assessments*.



Source: © David Masters.

Figure 1: Declines in Palestinian domestic market size and share of domestic producers, textiles and garments, 2000-2005



Source: Palestinian Trade Center and United States Agency for International Development (2008). Market Share Assessments.

WHERE WE ARE NOW

STRUCTURE OF THE SECTOR

The Palestinian Federation of Industries (PFI) estimated the number of textile and garment enterprises operating in 2009 to be between 700 and 1,000,⁵ or about one-third of the number of enterprises operating at the sector's peak more than a decade ago. These are mostly small and medium-sized enterprises (SMEs) employing an average of six people.⁶ Total employment in the sector is estimated at 5,000,⁷ or about a quarter of the pre-intifada peak of more than 20,000, which corresponds to a significant decrease in output. Whereas domestic sales and exports were a total of US\$ 126 million in 2000, total sales were only US\$51 million in 2011.⁸

The sector's products are exceptionally diverse at the 6-digit level of classification under the Harmonized System of tariffs (HS). More than 100 products were exported from the State of Palestine in 2011, and many more were produced solely for domestic sale. These

were almost evenly split between textiles (HS-50 through HS-60, and HS-63) and garments (HS-61 and HS-62). Although detailed production data is not available by product, export composition provides a sense of the sector's most important products. These are various articles of apparel, not knit or crochet (HS-62) and manmade filaments (HS-54), in particular woven fabrics of synthetic filaments (HS-540791). Together these appear to account for about half of production.

Palestinian production has traditionally focused on low- and medium-cost goods, but the increasing availability of cheaper alternatives – especially those from China and Turkey – has greatly cut into the domestic market share of Palestinian enterprises. This relative lack of competitiveness is aggravated by a poor public image of Palestinian goods which, according to Palestinian producers, garner lower prices when sold alongside imports of equal quality. This trend would argue for a shift to high-end goods for sale domestically and especially abroad. However, the large majority of Palestinian enterprises are hindered by a lack of design expertise, quality management capacity, and familiarity with international markets.

Subcontracting arrangements with Israeli firms allow Palestinian enterprises to participate in international markets indirectly, without the design and marketing know-how needed to do so directly. However, with contracts of this sort declining, Palestinian enterprises are increasingly dependent on the small domestic market, as shown in figure 2.

5. United States Agency for International Development and Palestinian Federation of Industries (2009). *The Current Status of Industrial Sector in Palestine*.

6. ITC calculation dividing 5,000 by 850, where 5,000 is the approximate number of sector employees and 850 is the middle of the range of the estimated number of enterprises in the sector (700-1,000).

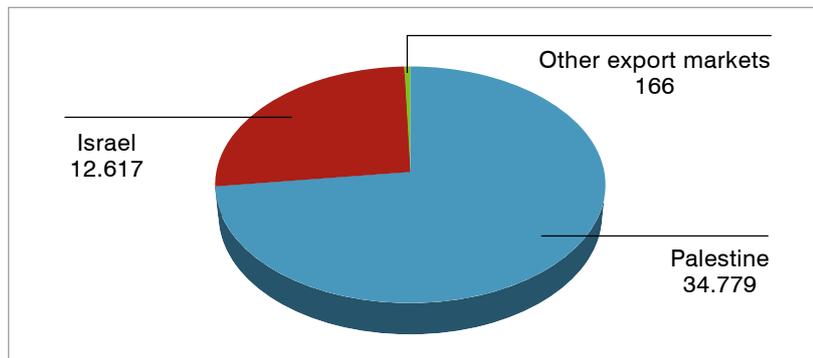
7. United States Agency for International Development and Palestinian Federation of Industries (2009). *The Current Status of Industrial Sector in Palestine*.

8. Palestinian Central Bureau of Statistics (2012). *Economic Surveys Series 2011 Main Results (Book 1922). Issue number 17*.

Table 1: *The Palestinian textile and garment sector's decline in numbers*

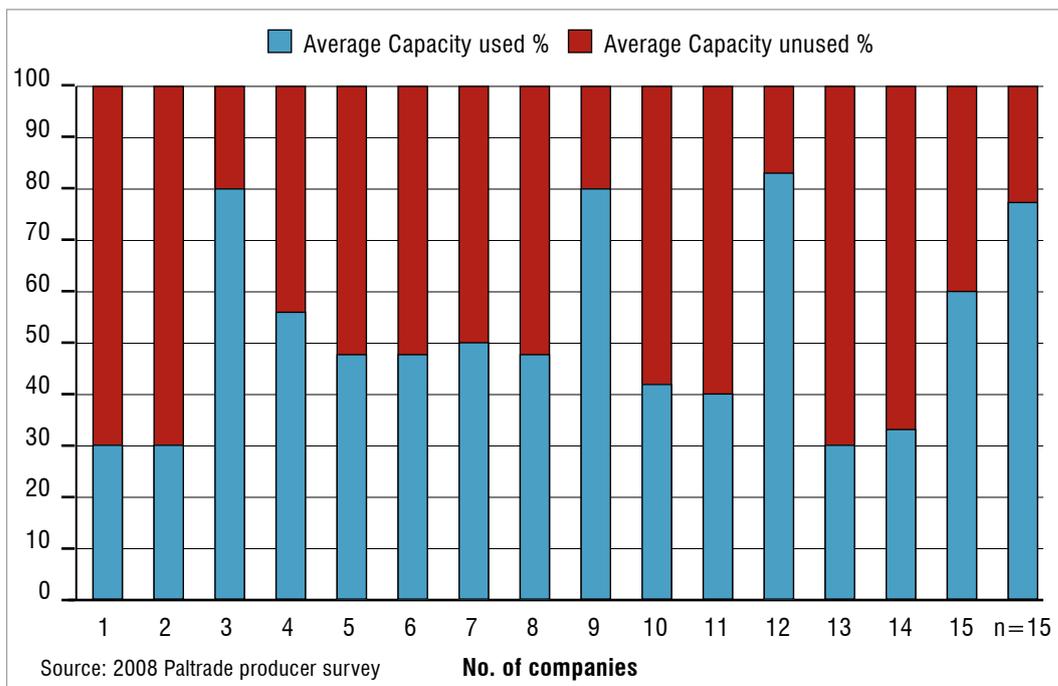
	Pre-intifada (~2000 levels)	Current state
Number of enterprises	2 650	850 (est.)
Production value	US\$ 126 million	US\$51 million
Direct employment	20 000+	5 000 (est.)

Figure 2: Share of Palestinian textile and garment production, 2011, by destination (in US\$ thousands)



Source: ITC calculations based on PCBS statistics for domestic sales and UN Comtrade data for exports

Figure 3: Capacity utilization rates of Palestinian textile and garment manufacturers, 2008



Source: 2008 PalTrade producer survey

As a consequence, unused production capacity is quite high (see figure 3). A representative survey of 18 producers conducted by PalTrade in 2008 showed an average capacity utilization rate of about 56%,⁹ and a current PFI estimate puts that rate at a mere 30%.

Although this unused capacity is a reflection of the sector's past weakness, it presents a strong advantage for

expanding exports in the future. The sector's other major strengths are strong technical skills, long experience and a relatively high worker productivity of US\$31,400.¹⁰ Products lack sophistication but they are fundamentally of decent quality.

9. Palestinian Trade Center and United States Agency for International Development (2008). *Market Share Assessments*.

10. United States Agency for International Development and Palestinian Federation of Industries (2009). *The Current Status of Industrial Sector in Palestine*.



Source: © Danilo Guiral. Última fábrica de kufiyah (lenço tradicional palestino) - Hebron/Al-Khalil - Palestina

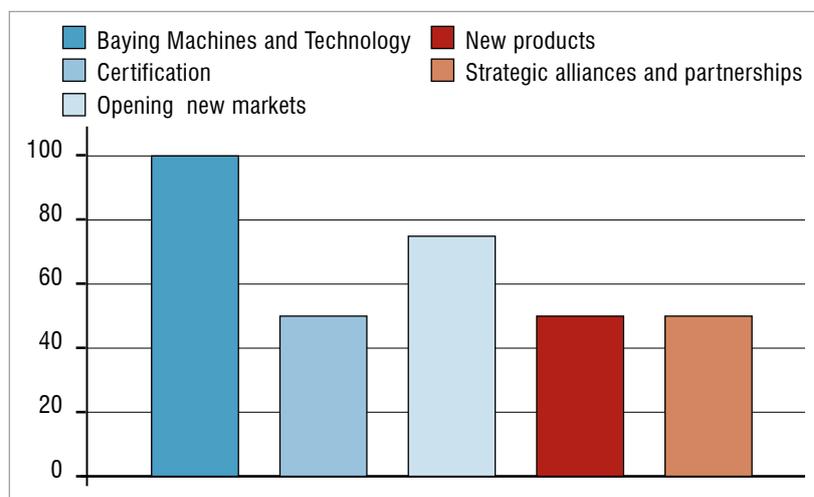
INVESTMENT NEEDS OF THE SECTOR

The negative sector trends and political instability which have characterized the last dozen years have severely weakened the sector. Improving its competitiveness domestically and abroad requires certain structural improvements to the value chain which will require an increase in private and public sector investment. These are detailed in the section 'Structural improvements to the value chain'.

In the 2008 PalTrade survey 89% of respondents were using machinery more than 10 years old and 28% were using machinery more than 20 years old.¹¹ The importance of modern machinery and technology is made greater by the market pressure for Palestinian producers to shift towards high-quality, high-value-added goods. It comes as little surprise, therefore, that respondents to a 2009 PFI survey about the sector's top investment needs unanimously cited new machinery and technology (see figure 4). A large majority (75%) also agreed on the need for investment designed help to open new markets.

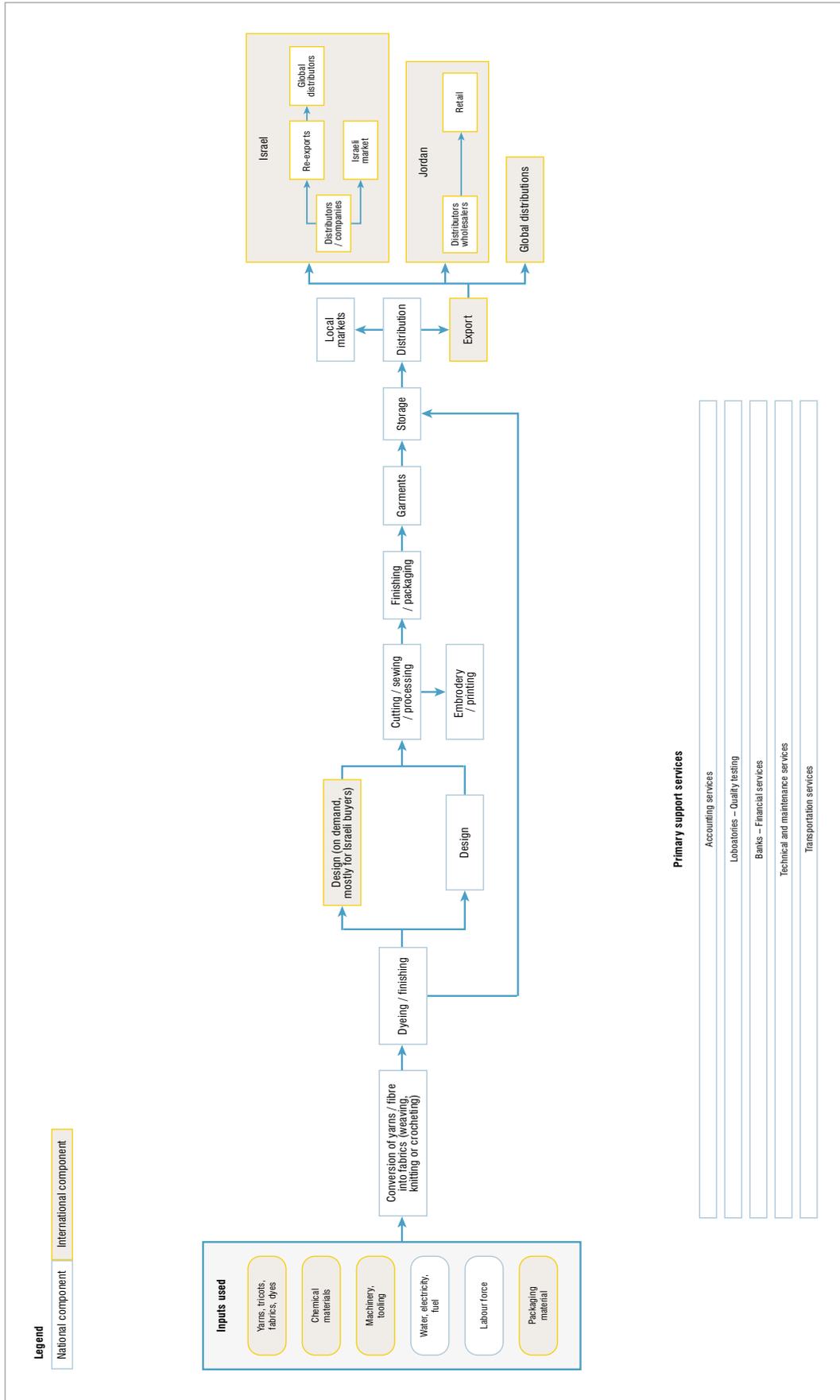
11. Palestinian Trade Center and United States Agency for International Development (2008). *Market Share Assessments*.

Figure 4: Sector investment needs as expressed by PalTrade 2008 survey respondents (%)



Source: United States Agency for International Development and Palestinian Federation of Industries (2009). *The Current Status of Industrial Sector in Palestine*.

FIGURE 5: SECTOR VALUE CHAIN



VALUE CHAIN OPERATIONS

Input sourcing

The primary input for textiles and garments is yarn, whether of natural or manmade fibres, for weaving, knitting, crocheting, embroidery, or use as thread. Other garment components include buttons, zippers, snaps and other forms of trim; dyes; pigments; and finishes. Chemical inputs for production processes include soaps and detergents, alkalis (usually sodium hydroxide), bleaching agents (usually hydrogen peroxide) and other chemicals, depending on the fibre type and final form. Machinery and equipment include looms, sewing machines, equipment for chemical treatments, software for design and automation, and packaging materials.

Production and transformation

Textile production primarily involves the conversion of yarns, and sometimes fibres, into fabrics by means of weaving, and sometimes knitting or crocheting. This typically also involves some combination of dyeing, printing and finishing, giving the fabric different appearances, feel, and sometimes functional characteristics (e.g. non-flammability). The exact processes vary widely depending on the product, for example cotton, nylon, silk and felt.

Garment production converts textiles, thread and trim through four main steps: design, cutting, sewing, and pressing. In subcontracting work, Palestinian enterprises will receive the design from Israeli garment manufacturers. With fully Palestinian-made garments the design may be created by the Palestinian enterprise or, less commonly, it may be agreed with a buyer making a custom order. According to Encyclopaedia Britannica there are five other processes which may be used in assembly, decoration, and finishing. These are 'baking or curing, cementing, fusing, moulding, and riveting, including grommeting and nailing'.

Sub-processes and equipment used in the above processes likewise vary widely depending on the product and technological sophistication, with much work able to be done either manually or automatically. As an example of sub-processes and the equipment used in them, the cutting process involves spreading material out, marking it for cutting, and cutting it. Each may use different machines, with their costs normally being inversely proportional to their precision and maximum volumes. Cutting tools, for example, range from basic rotary blade machines to automated, computerized, laser-beam cutting machines.

Distribution to market

The value chain then progresses to distribution, which can be either local or foreign. Products destined for the local market are passed through wholesalers and eventually to retailers who then, with the help of factory outlets, distribute the products to consumers.

Products destined for export may be sent either directly from companies – mainly production factories – or else passed through export service providers. At present, Israel is the only major market for Palestinian textiles and garments, importing 98.4% of their exports in 2007-2011. Three other countries – Jordan, the UAE, and the United States – have averaged imports in the tens of thousands of dollars in at least four of the last five years. Goods imported for sale in the Israeli and Jordanian markets are acquired by wholesale importers and sold to retailers. Many of the goods imported by Israel, however, are in fact imported as components by garment manufacturers which then assemble the goods for export.

Textiles and garments imported by the UAE are received directly by retail chains or by importing wholesalers who then sell them to retailers or domestic wholesalers.

SECTOR IMPORTS

In 2011 the State of Palestine imported US\$88.2 million worth of textiles and garments. Half of this (49.9%) was garments, purchased mostly by distributors and retailers for resale. The other half was textiles, which were either sold as is, as in the case of carpets and linens, or used as inputs for the manufacture of garments or other finished textiles. The sector's trade balance has been on a negative trajectory since 2002, with the deficit at US\$75 million in 2011.

For most other sector inputs, the State of Palestine is even more highly dependent on imports. This is especially true of chemicals, which are highly regulated by Israel as 'dual-use' items, and often available only in diluted form. For most other inputs there are domestic suppliers, but in most cases they are unable to produce quality inputs at the volume demanded by garment enterprises.

The State of Palestine's three largest sources of textile and garment imports in 2011 were China, Turkey, and Israel, with respective shares of 38%, 25%, and 24%. Jordan is a very distant fourth with US\$3 million in exports, 48% of which were knitted dresses made of material other than cotton and synthetic fibres (HS-610449).

Unlike their source countries, the textiles and garments imported by the State of Palestine are very diverse. The most imported product, tufted carpets of man-made materials other than polyamides (HS-570330), accounts for only 5%. The top 10 imports are shown in table 2 with information on total imported value, growth rate, and top suppliers.



Source: © D'Arcy Vallance. Scarves, Nablus Market

Table 2: Top 10 Palestinian textile and garment imports, by value in 2011

Code		Product label	2011 value (US\$ thousands)	% change from 2010	Top suppliers (% share)
Textiles	Garments				
570330		Carpets of other man-made textile materials, tufted	4 608	10	Turkey (67) Belgium (17) Netherlands (10)
	620449	Women's/girl's dresses of other textile materials, not knitted	3 559	133	Turkey (64) China (28)
	620429	Women's/girl's ensembles of other textile materials, not knitted	3 378	29	China (66) Turkey (31)
540791		Woven fabrics of synthetic filaments unbleached or bleached n.e.s.	3 254	-28	Israel (99.9)
	610449	Women's/girl's dresses of other textile materials, knitted	2 492	-2	Jordan (58) Israel (17) Turkey (16)
580900		Woven fabrics of metal thread/of metallised yarn for apparel etc. n.e.s.	2 248	19	Israel (99.6)
550320		Staple fibres of polyesters not carded or combed	1 937	53	China (42) Thailand (32)
630140		Blankets (other than electric) and travelling rugs of synthetic fibres	1 663	-14	China (84) Turkey (12)
570390		Carpets of other textile materials, tufted	1 544	-5	Turkey (71) Israel (14)
	620690	Women's/girl's blouses and shirts of other textile materials, not knitted	1 409	12	Israel (48) Turkey (31) China (15)

Source: ITC Trade Map

GLOBAL MARKETS

GLOBAL IMPORTS

In 2011 the global import market for textiles and garments was a massive US\$ 705 billion, accounting for 3.8% of all international trade. The sector has shown slight but consistent growth, nearly doubling between 2001 and 2011. The only annual decline during that period was in 2009 at the peak of the global recession.

The United States is the world's largest importer of textiles and garments, importing as much as Germany (#2) and Japan (#3) combined. There are a total of 17 countries which import more than US\$ 10 billion worth per year (see table 3). Among these, the United Arab Emirates (UAE), one of the State of Palestine's most important trading partners, had by far the highest sustained annual average growth, 37%, between 2007 and 2011. The Russian Federation, Viet Nam, China, South Korea, Turkey and

Japan were the only others to top 10%, showing Asia to be the region of greatest import growth.

Of the nine European and North American markets in table 3, only Germany and the Netherlands come close to these rates, with 8% and 9% growth respectively. The other seven have grown more slowly than the already modest global rate of 5%.

It is notable that the two exporting countries which most threaten domestic producers in the Palestinian market, China and Turkey, are among the countries with the fastest growing imports. This points to the high degree of segmentation within the broad label of textiles and garments. China and Turkey may be strong exporters of low- and medium-cost goods, while their economic growth leads to stronger demand for high-end goods which must be imported. Similarly, the UAE's strong growth is not necessarily the opportunity it may appear to be for Palestinian enterprises if a high share of that growth is in high-end goods.

Table 3: Leading global importers of textiles and garments (HS-50 through HS-63)

Rank	Importers	Value imported in 2011 (US\$ thousand)	Annual growth in value 2007-2011 (%)	Annual growth in value 2010-2011 (%)	Share in world imports (%)
	World	704,811,025	6	17	100
1	United States of America	107 978 908	1	2	15.3
2	Germany	56 511 418	8	4	8.0
3	Japan	40 938 493	10	6	5.8
4	China	37 587 817	12	7	5.3
5	United Kingdom	33 107 803	0	3	4.7
6	France	31 366 168	2	3	4.5
7	Italy	29 960 225	3	4	4.3
8	Hong Kong, China	27 335 883	-4	0	3.9
9	Spain	20 401 668	3	4	2.9
10	Netherlands	15 205 622	9	6	2.2
11	Belgium	13 748 728	0	4	2.0
12	Turkey	13 746 840	10	4	2.0
13	Canada	13 379 961	4	3	1.9
14	Republic of Korea	12 695 759	11	8	1.8
15	United Arab Emirates	11 823 867	37	7	1.7
16	Russian Federation	11 131 939	25	6	1.6
17	Viet Nam	10 733 773	21	7	1.5

Source: ITC Trade Map

Table 4: *Leading global exporters of textiles and garments (HS-50 through HS-63)*

Rank	Exporters	Value exported in 2011 (US\$ thousand)	Annual growth in value 2007-2011 (%)	Annual growth in value 2010-2011 (%)	Share in world exports (%)
	World	759 366 823	5	4	100
1	China	240 539 593	11	5	31.7
2	Germany	38 155 892	4	4	5.0
3	Italy	36 769 544	-1	4	4.8
4	Hong Kong, China	34 570 196	-4	0	4.6
5	India	33 374 091	15	6	4.4
6	United States of America	28 725 893	8	5	3.8
7	Turkey	24 961 495	2	4	3.3
8	Bangladesh	23 524 187	30	8	3.1
9	Viet Nam	16 760 022	24	6	2.2
10	France	16 480 624	-2	2	2.2
11	Belgium	16 205 002	-1	3	2.1
12	Republic of Korea	15 735 752	5	4	2.1
13	Netherlands	13 743 040	7	7	1.8
14	Pakistan	13 582 493	7	4	1.8
15	Spain	13 311 137	8	4	1.8
16	Indonesia	13 256 792	9	5	1.7
17	Chinese Taipei	12 664 489	2	3	1.7
18	United Kingdom	11 793 064	1	6	1.6

Source: ITC Trade Map

GLOBAL EXPORTS

Textile and garment exports are dominated by China, which exported nearly a quarter of a billion dollars' worth in 2011, accounting for almost a third of the global market. Eighteen countries each export more than US\$ 10 billion worth of textiles and garments (see table 4). Together these account for 80% of global exports. This group includes high-volume, low-cost manufacturers such as China, India, and Bangladesh; international trading hubs such as Hong Kong (China), Belgium and the Netherlands; and medium-to-high-cost producers such as Germany, Italy and the United States.

The only countries to enjoy double-digit export growth between 2007 and 2011 were Bangladesh (30%), Viet Nam (24%), India (15%) and China (11%). Four of the top 11 exporters, all medium-to-high-cost producers, actually saw exports shrink as price pressure from countries like China pushed them into higher-end, fashion and niche products.

THE STATE OF PALESTINE'S EXPORT PERFORMANCE

THE PATH TO EXPORTS

Of the 700-1,000 enterprises estimated to be operating in this sector, only 5-7 of the largest have experience exporting. If the proportion of exporting enterprises is to increase it will be out of necessity and/or ambition, not as a matter of course. For enterprises already operating at low capacity utilization rates, further price pressures from cheap producers will present them with the stark choice between adaptation and closure.

Many developed countries with a history of textile and garment production have retained their industries, albeit on smaller scales, by specializing in high-end fashion or niche markets. They have been able to do this because they had – or were able to quickly create – four crucial

conditions for adaptation: pools of skilled labour, top-notch quality management practices, the ability to invest in specialized or high-tech machinery, and the marketing savvy to penetrate new markets quickly. On the whole, the Palestinian textile and garment sector does not possess these advantages but some small number of enterprises do, and that number can be increased through support coordinated among the Palestinian National Authority (PNA), the private sector, and the international donor community. Some additional number of existing enterprises will undoubtedly go out of business but that number can be decreased by the prompt implementation of said support in a way that targets the products in which Palestinian enterprises have the most competitive potential.

In many of the State of Palestine's priority sectors, venturing into export markets may start by taking existing products to countries with strong existing trade relationships. The temptation to follow the same path should be resisted in the textile and garment sector, which is much more globally competitive. The Gulf Cooperation Council countries should not be excluded from consideration, but the most Palestinian export success is likely to be found by producing new products for new markets. At least initially, this is more likely to occur indirectly than directly, through revitalized subcontracting work with the

Israeli firms that are already demonstrating the four crucial conditions for adaptation described above. However, the Palestinian textile and garment sector must develop those same conditions if it is to expand autonomous exports and eliminate the risk that comes with the near complete dependence on Israeli firms described in the following section.

PRODUCTS

Over the last five years for which complete data is available, 2007-2011, the State of Palestine exported an annual average of US\$ 12.8 million. Of this, 98.4% went to Israel in the form of 82 different products at the 6-digit level of HS classification. Nearly half of this (45%) was finished garments (HS-62 and HS-63), most of which were likely for sale in Israel and do not represent the type of export-oriented subcontracting work that promises the State of Palestine a link to the much larger international market.

The 10 most exported products comprise two-thirds of the sector's total trade volume, as shown in table 5. The relatively small volumes and erratic growth figures suggest that national statistics may be dependent on a small number of contracts.

Table 5: Top 10 Palestinian textile and garment exports to Israel, by value in 2011

Code		Product label	2011 value (US\$ thousands)	% change from 2010
Textiles	Garments			
540791		Woven fabrics of synthetic filaments, unbleached or bleached, n.e.s.	2 298	179
570190		Carpets of other textile materials, knotted	1 076	-32
580900		Woven fabrics of metal thread/of metallised yarn, for apparel, etc., n.e.s.	813	58
	611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	795	279
	620469	Women's/girl's trousers & shorts, of other textile materials, not knitted	743	345
	620990	Babies' garments & clothing accessories of other textile materials, not knitted	663	-42
	620690	Women's/girl's blouses and shirts, of other textile materials, not knitted	593	164
521139		Woven fabrics of cotton, <85% mixed with man-made fibre, more than 200 g/m ² , dyed, n.e.s.	576	31
540110		Sewing thread of synthetic filaments	460	241
	630499	Furnishing articles n.e.s. ,of other textile materials, not knitted or crocheted	418	113

Source: ITC Trade Map

Besides Israel, there are 23 countries which have imported some quantity of textiles or garments over the last five years of available data. Many of these exports appear to have been one-time transactions, as only four countries have imported from the State of Palestine in four or five of the last five years: Jordan, the United States, Japan, and Algeria. These countries present ongoing potential which should be explored. Two other countries have only imported from the State of Palestine in one year, 2011, but as this is the most recent year, any trade relationships recently established should be nurtured. Table 6 presents the seven countries which meet these criteria and the products they have imported.

The only two products which the State of Palestine exported to at least three countries in 2011 are 581099 and

630499. In 2009-2011, the State of Palestine exported an average of US\$26,000 per year of 581099 to the UAE, Japan, and the Russian Federation, and it was the top Palestinian product in each of those markets. None was exported to Israel. In 2011, the State of Palestine exported a record high US\$418,000 worth of 630499 to Israel, as well as the first-ever exports to other countries (according to data available since 2007). The State of Palestine exported US\$10,000 and US\$2,000 worth of 630499 to Jordan and the UAE, respectively.

It is noteworthy that the top product imported by six of the seven markets in table 6 is not among the top 50 products imported by Israel. In other words, what sells well in Israel does not sell well in other markets and vice versa.

Table 6: Seven countries with steady imports or new importers of Palestinian textiles and garments 2007-2011

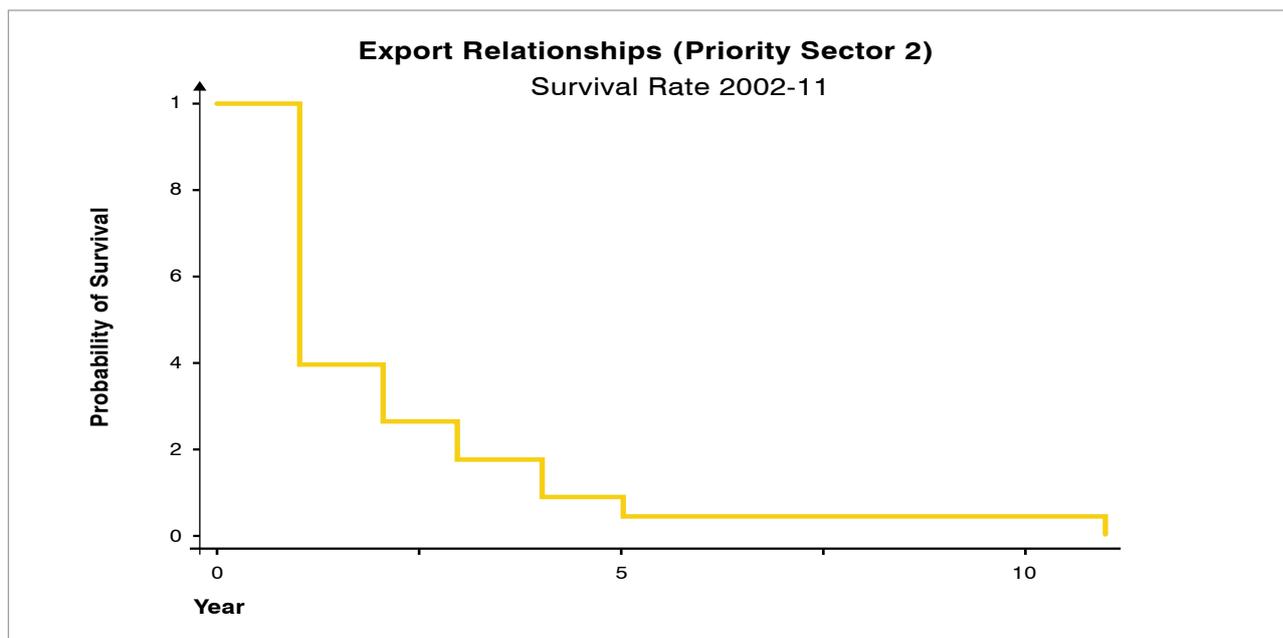
Importing country	Average annual value, 2007-2011 (US\$ thousands)	Annual average growth in value, 2007-2011 (%)	Number of years importing in the last five	Product code	Products imported from the State of Palestine in 2011 (or 2010, if no imports registered in 2011)
Jordan	96	33	5	540753	Woven fabrics, \geq 85% of textured polyester filaments, yarn dyed, n.e.s.
				540791	Woven fabrics of synthetic filaments, unbleached or bleached, n.e.s.
				620630	Women's/girl's blouses and shirts, of cotton, not knitted
				630499	Furnishing articles n.e.s., of other textile materials, not knitted or crocheted
				630900	Worn clothing and other worn articles
United Arab Emirates	33	No imports in 2007	2	581099	Embroidery of other textile materials, in the piece, in strips/motifs, n.e.s.
				610690	Women's/girl's blouses and shirts, of other materials, knitted
				630499	Furnishing articles n.e.s., of other textile materials, not knitted or crocheted
United States	21	-25	4	610610	Women's/girl's blouses and shirts, of cotton, knitted (Note: the State of Palestine had no exports to the United States in this sector in 2011. The product listed is the only product exported in 2010.)
Japan	8	-10	5	581099	Embroidery of other textile materials, in the piece, in strips/motifs, n.e.s.
Algeria	6	17	4	590320	Textile fabrics impregnated, coated, covered, or laminated with polyurethane, n.e.s.
Italy	4	No imports in 2007	1	560121	Wadding of cotton and articles thereof, other sanitary articles
Russian Federation	1	No imports in 2007	1	581099	Embroidery of other textile materials, in the piece, in strips/motifs, n.e.s.

Source: ITC Trade Map



Source: © Labour2Palestine. shopping in old town, Hebron

Figure 6: Year-by-year survival rate of export relationships between Palestinian textile and garment manufacturers and foreign buyers, 2002-2011



Source: ITC calculations based on UN Comtrade statistics.

MARKETS

Between 2007 and 2011, the State of Palestine exported textiles and garments to 23 countries. Thirteen of these countries received imports in only one of the five years and only Israel, Jordan, and Japan received imports in all five years. This signals a very low survival rate for trade relationships, with Palestinian exporters unable to convert new customers into regular customers (see figure 6).

The seven countries in table 6 represent the markets with the most stable export relationships (exports in at least four of the last five years) and/or markets with recent imports that could be further developed. Table 7 presents a description of each market, their most imported products, and the place of Palestinian exports in those markets.

Table 7: Textile and garment markets in the seven most important non-Israeli markets in which the State of Palestine is participating

Importing country	Average annual value, 2007-2011 (US\$ thousands)	Annual average growth in value, 2007-2011 (%)	Rank by value of Palestinian imports (excl. Israel)	Products imported from the world
United States of America	107 978 908	1	3	The top 50 products imported by the United States account for two-thirds of import value in this sector. Forty-five of these are garments (HS-61 and HS-62). Four of the other five are classified under HS-63. The only product exported by the State of Palestine to the United States, 610610, is the 35th most imported product with a 2011 import market value of US\$632 million. Palestinian enterprises sold US\$4,000 worth to United States customers in 2010, but none in 2011.
Japan	40 938 493	10	4	The top 50 products imported by Japan account for two-thirds of import value in this sector. Of these 50, 42 are garments (HS-61 and HS-62). Five of the other eight are classified under HS-63. The only product exported by the State of Palestine to Japan, 581099, is the 360th most imported product with a 2011 import market value of US\$6 million. In 2011, Palestinian enterprises sold US\$7,000 worth to Japanese customers.
Italy	29 960 225	3	6	The top 50 products imported by Italy account for 54% of import value in this sector. Two-thirds of these products are garments (HS-61 and HS-62). Wool, animal hair yarn, and products thereof (HS-51) is the next largest category of product. The only product exported by the State of Palestine to Italy, 560121, is the 368th most imported product with a 2011 import market value of US\$11 million. In 2011, Palestinian enterprises sold US\$4,000 worth to Italian customers.
United Arab Emirates	11 823 867	37	2	The top 50 products imported by the UAE account for 60% of import value in this sector. Among these, 29 garment products (HS-61 and HS-62) accounted for 53% of the value, and man-made filaments (HS-54) accounted for another 22%. The three products which the State of Palestine exported to the UAE had a combined 2011 import market value of US\$25 million. In 2011, Palestinian enterprises sold US\$24,000 worth to Emirati customers.
Russian Federation	11 131 939	25	7	The top 50 products imported by the Russian Federation account for 60% of import value in this sector. Two-thirds of these products are garments (HS-61 and HS-62). The remaining products are distributed among eight of the 12 two-digit HS codes for textiles, with a slight concentration in HS-63. The only product exported by the State of Palestine to the Russian Federation, 581099, is the 617th most imported product with a 2011 import market value of US\$245,000. In 2011, Palestinian enterprises sold US\$3,000 worth to Russian Federation customers.

Importing country	Average annual value, 2007-2011 (US\$ thousands)	Annual average growth in value, 2007-2011 (%)	Rank by value of Palestinian imports (excl. Israel)	Products imported from the world
Jordan	969 864	0	1	Contrary to the five markets described above, the Jordanian market involves fewer products and is more concentrated in textiles. The top 50 products imported by Jordan account for 82% of import value in this sector. Among these, almost half of the value comes from four knitted or crocheted fabric products (HS-60). Of the five products which the State of Palestine has exported to Jordan, one is a major product: worn clothing and other worn articles (630900). However, this is a second-hand market and does not directly relate to the marketing of new Palestinian production. The other four had a combined 2011 import market value of US\$2 million, of which US\$95,000 worth came from the State of Palestine.
Algeria	652 483	25	5	As with Jordan, Algeria's imports in this sector are concentrated in textiles rather than garments. Among the top 50 products, textiles accounted for 70% of the value, and among these textiles 60% came from manmade filaments (HS-54) and 'wadding, felt, nonwovens, yarns, twine, cordage, etc.' (HS-56). However, the Algerian market is much more diverse in its range of products than Jordan, with the top 50 representing only 58% of imported value in 2011. Of the markets described in this table, only Italy is more diverse. The only product exported by the State of Palestine to Algeria, 590320, is the 53rd most imported product with a 2011 import market value of US\$3 million, of which US\$10,000 worth was provided by Palestinian enterprises.

Source: ITC Trade Map

COMPETITION IN TARGET MARKETS

China is the dominant exporter to the State of Palestine's mainstay market, Israel, and all seven of the countries in which Palestinian exporters have made promising inroads. Other competitors vary from market to market but Turkey, India, and Italy are each among the top five competitors in half or more of the markets.



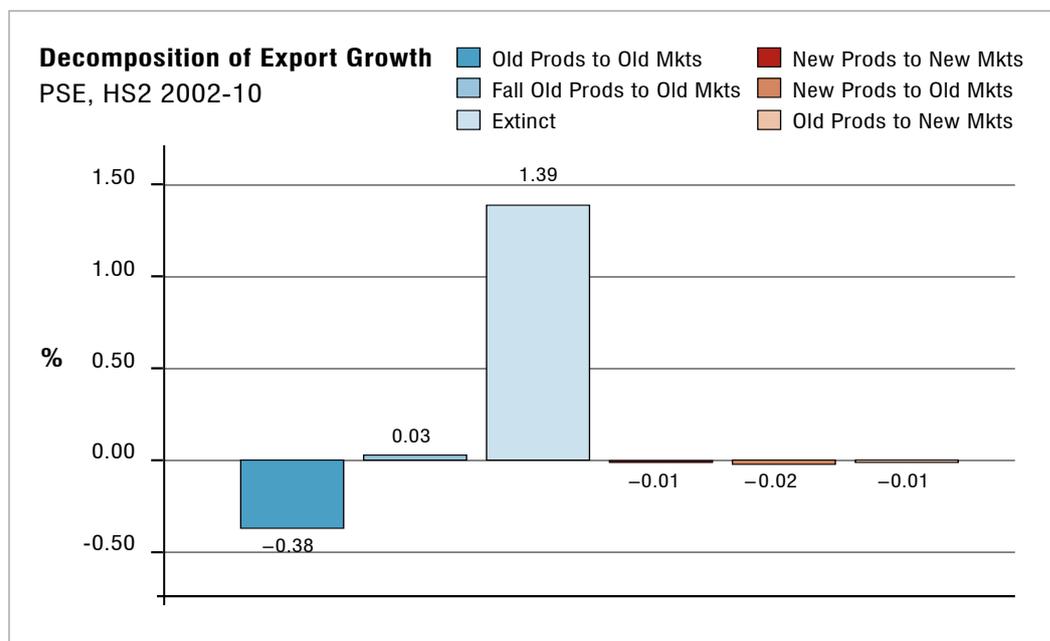
Source: © Christyn. Market

Table 8: Palestine's export performance for textiles and garments in top target markets

Importing country (in descending order of import value from the State of Palestine)	Average annual value, 2007-2011 (US\$ millions)	Annual average growth in value, 2007-2011 (%)	Top five competitors in importing market (2011 % market share)
Israel	2 256	7	China (41), Turkey (9), Spain (6), Italy (6), United States (5)
Jordan	970	0	China (43), Chinese Taipei (16), Turkey (8), Syria (5), Israel (5), India (4)
United Arab Emirates	11 824	10	China (50), India (19), Republic of Korea (4), Indonesia (3), Pakistan (2)
United States of America	107 979	1	China (38), Viet Nam (7), India (6), Indonesia (5), Mexico (5)
Japan	40 938	10	China (75), Viet Nam (5), Indonesia (3), Italy (2), Thailand (2)
Algeria	652	25	China (42), Turkey (12), Italy (6), India (5), Spain (5)
Italy	29 960	3	China (25), Germany (6), Turkey (6), France (6), Romania (6)
Russian Federation	11 132	25	China (44), Turkey (10), Italy (6), Uzbekistan (4), Germany (3)

Source: ITC calculations based on UN Comtrade statistics.

Figure 7: Decomposition of Palestinian textile and garment export growth, 2002-2010



Source: ITC calculations based on UN Comtrade statistics.

As part of the NES design process sector enterprises and stakeholders made quantitative assessments of their collective competitiveness in three of their major export markets: Israel, Jordan, and the United States. In each of these countries, product quality and price were estimated to account for 63%-70% of a buyer's decision about where to buy textiles and garments from. Secondary criteria differed among markets, with exporter capacity for high volume influencing Israeli buyers, supply consistency influencing Jordanian buyers, and marketing and promotion influencing United States buyers.

On this basis the State of Palestine's greatest competitors in Israel and Jordan were found to be domestic suppliers and Turkey. The State of Palestine and China lag somewhat in these two markets. The State of Palestine leads China in Israel on the relative strength of its quality, supply consistency, and delivery reliability. However, China leads the State of Palestine in Jordan, where it is stronger in terms of price, supply consistency and delivery reliability. In the United States market, where the State of Palestine scores extremely low for marketing and promotion, delivery reliability, supply consistency and volume, it is a distant fourth behind China, domestic suppliers, and the EU.

Making significant inroads into the United States market will depend on Palestinian improvements in these areas. However, the single biggest factor against the State of Palestine's competitiveness across all markets is its small but persistent price disadvantage. This suggests that the key to Palestinian export success lies in changing the nature of its competition in target markets by developing specialized capabilities for high-end or niche markets.

The State of Palestine's goal should not be to compete head-to-head in mass markets with low-cost producers like those from China and India. The United States and Italy each import textiles and garments from nearly 200 countries and territories, and more than half of their respective suppliers delivered US\$1 million worth of exports or more in 2011. The State of Palestine is unlikely to become a top supplier to any of these markets, but with its exports to every country but Israel currently measured in thousands of dollars, reaching a million dollars in non-Israeli exports would have a big impact on the internationalization of the sector. If this is achieved it will be because Palestinian enterprises succeeded in strategic specialization.

COMPOSITION OF THE STATE OF PALESTINE'S EXPORT GROWTH

Decomposing the State of Palestine's export performance in textiles and garments over the period 2002-2010 illustrates the extent of the sector's weakness. Decomposition, as an analytical methodology, separates the sources of growth into four categories:



Source: PalTrade

4. Existing ('old') products to existing markets;
5. Existing products to new markets;
6. New products to existing markets; and
7. New products to new markets.

The picture painted by figure 7 is one of effectively no new products or markets but a significant decline in old products sold in old markets and, in fact, a significant number of products becoming extinct. This is the trajectory of a sector in clear decline and must be reversed.

THE INSTITUTIONAL PERSPECTIVE

The trade services institutions (TSIs) that provide important services to the Palestinian textile and garment sector can be categorized in the following support areas:

- Policy support network
- Trade services network
- Business services network.

Tables 9 to 11 identify the main TSIs whose service delivery affects the textile and garment sector in the State of Palestine. An assessment of the TSIs along four key dimensions – coordination, human capital, financial sustainability, and advocacy – is provided. The ranking (high/medium/low) for each TSI was selected on the basis of the service delivery of the TSI relative to the textile and garment sector. In other words, the assessment was conducted based on the evaluation of TSIs by stakeholders from the perspective of how well they serve the sector.

POLICY SUPPORT NETWORK

These institutions represent ministries and competent authorities responsible for influencing or implementing policies at the national level.

Table 9: *Palestinian textile and garment policy support network*

Policy support network					
Name	Function/role	Coordination*	Human capital**	Financial resources***	Advocacy****
Ministry of National Economy (MoNE)	<ul style="list-style-type: none"> • For the textile and garment sector MoNE is responsible for: • Standards and legislation enforcement • Duty draw back payments • Release of financial guarantees • Industrial licences • Renewal of industrial operating licences • Verification of names • Certification of a Certificate of Origin • Re-exporting transactions • Certified Exporter certificates. 	M	M	L	M

* Coordination with other TSIs: measures the strength of this institution's linkages with other institutions as well as the beneficiaries of their services (in particular, the private sector) in terms of collaboration and information sharing.

** Human capital: assesses the general level of capability of this institution's staff in terms of their training, and responsiveness to the sector stakeholders.

*** Financial resources: assesses the financial resources/capacity available to the institution to provide service delivery in an efficient manner.

**** Advocacy: the efficacy of this institution's advocacy mechanisms, and how well/frequently this institution disseminates important information to the sector.



Source: © mohammedbensaber. Hébron – Fabrique de Keffieh

TRADE SERVICES NETWORK

These institutions or agencies provide a wide range of trade-related services to both government and enterprises. They support and promote sectors and are concerned with the delivery of trade and export solutions within a developing country. They are also responsible for assessing trade information, trade finance, and quality management services.

Table 10: *Palestinian textile and garment trade services network*

Trade services network					
Name	Function/role	Coordination	Human capital	Financial resources	Advocacy
Palestine Trade Center (PalTrade)	PalTrade is the trade promotion organization of the State of Palestine with the mandate to develop exports. PalTrade's mission for the textile and garment sector is improving trade competitiveness through trade promotion and capacity building; fostering international business practices and standards among professionals, firms and business organizations; and providing trade-enabling knowledge.	H	H	L	H
Palestine Polytechnic University (PPU)	The primary mission of PPU is to emphasize quality technical and vocational education and training (TVET). This is achieved by providing students with practical knowledge to help them acquire up-to-date experience directly related to their disciplines.	M	H	L	L
Palestine Standards Institution (PSI)	PSI provides technical services to meet the sector's quality needs, supporting importers, exporters, manufacturers, service providers, the government and the public. It monitors conformity to market entry requirements into the State of Palestine, or for Palestinian exporters targeting worldwide markets.	L	M	L	L
Palestinian Central Bureau of Statistics (PCBS)	The responsibility of PCBS for the textile and garment sector is to: <ul style="list-style-type: none"> • Serve the needs of businesses and their organizations for statistical information on states and trends; • Participate effectively in building the different administrative records and central registers to meet the administrative and statistical needs of Palestinian society; • Publish a statistical yearbook annually. 	H	H	M	H

BUSINESS SERVICES NETWORK

These are associations, or major representatives, of commercial services providers used by exporters to effect international trade transactions.

Table 11: *Palestinian textile and garment business services network*

Business services network					
Name	Function/role	Coordination	Human capital	Financial resources	Advocacy
Union of Palestinian Textile Industries (UPTI)	The union, created from a merger of three trade associations early last decade, is a membership organization representing textile and garment manufacturers in the West Bank and the Gaza Strip. Its role is to provide members with trade information and to advocate their policy positions before the government.	L	L	L	L
Palestinian Federation of Industries (PFI)	PFI facilitates industrial development as the basis for economic performance. PFI's representational role is to educate, advocate, and communicate the value of a developed, socially responsible and globally competitive industry.	M	M	L	L
Palestinian Federation of Chambers of Commerce, Industry and Agriculture (FPCCIA)	The Federation's main task is to help local chambers of commerce and their members meet the requirements of the global business environment. It aims to ensure that the private sector operates freely and has a voice in policy formulation at the national level. The Federation also strives to create strong regional and international links to global markets and works with SMEs to improve their performance, focusing on market access, quality, costing and financial management. FPCCIA is a lobbying and advocacy institution for the private sector.	H	M	H	L

A lack of shared strategic vision and coordinated action has created redundancies and overlaps in the operations of TSIs in the sector, leading to wasted effort and resources while retaining certain service gaps. From the perspective of Palestinian textile and garment sector stakeholders, PSI and PPU have been significantly deficient in terms of coordinating their service delivery with the specific requirements of the sector.

From the perspective of stakeholders in the textile and garment sector, PSI, PPU, and UPTI all suffer from significant human capital deficiencies. This might be improved by raising staff skill levels and/or realigning the organizations. From the point of view of financial stability, MoNE, PSI, UPTI and PFI are assessed to possess significant challenges. This is a direct result of the economic crisis and its effect on the Palestinian public budget.

OVERALL PERCEPTION OF PALESTINIAN TSIS IN THE TEXTILE AND GARMENT SECTOR – INFLUENCE VS. CAPABILITY

Table 12 shows the perception of stakeholders in the sector regarding the level of influence and capacity to respond of each TSI.

Table 12: Perception of Palestinian textile and garment TSIs – influence vs. capability

		Capacity of institution to respond to sector's needs	
		Low	High
Level of influence on the sector	High	<ul style="list-style-type: none"> Ministry of National Economy (MoNE) Palestine Standards Institution (PSI) Union of Palestinian Textile Industries (UPTI) Palestinian Federation of Industries (PFI) 	<ul style="list-style-type: none"> Palestine Trade Center (PalTrade) Federation of Palestinian Chambers of Commerce and Industry (FPCCIA)
	Low	<ul style="list-style-type: none"> Palestine Polytechnic University (PPU) 	<ul style="list-style-type: none"> Palestinian Central Bureau of Statistics (PCBS)

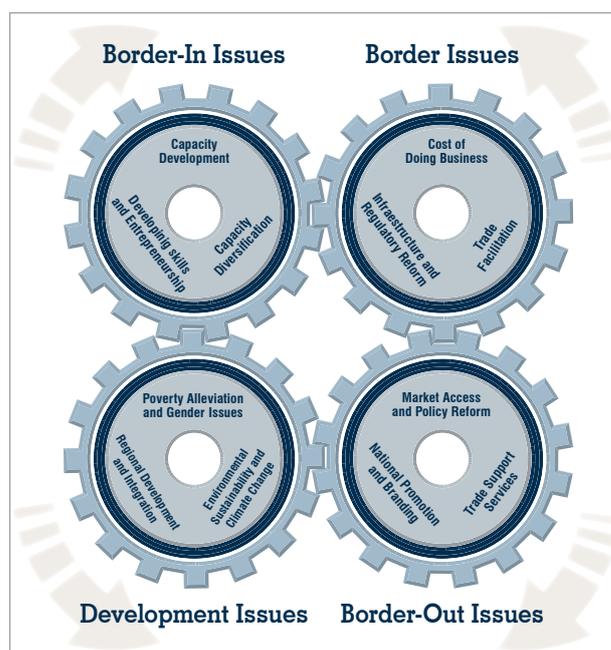
As indicated:

- PalTrade and FPCCIA are both in a relatively good position in terms of their levels of influence on the sector, as well as their resource capacities;
- Institutions at the policymaking level, like MoNE and PSI, have a high level of influence but generally little resource capacity to respond to the sector's needs;
- PCBS proved to have high capacity in terms of providing high quality/timely statistics, however it lacks influence on the sector because of the complicated process of extracting information from traders, producers, and border control authorities;
- TVET provider PPU is the main organization supplying skilled labour to the textile and garment sector, but it does not have the capacity to respond to the sector's needs, lacking financial resources and up-to-date curricula in line with the sector's needs.
- The quality of the business environment** are constraints that influence transaction costs, such as regulatory environment; administrative procedures and documentation; infrastructure bottlenecks; certification costs; Internet access; and cost of support services.
- Market entry issues:** are essentially external to the country (but may also be manifested internally), such as market access, market development, market diversification and export promotion.
- Social and economic concerns** include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.

EXPORT COMPETITIVENESS ISSUES

The export constraints analysis uses the four gears framework presented below to determine the major concerns to export development. The analysis presents the main export competitiveness constraints in for the textile and garment sector. However, the assessment also explores issues limiting socioeconomic spillovers of exports to the larger society:

- Supply-side issues** impact production capacity and include challenges in areas such as availability of appropriate skills and competencies; diversification capacity; technology; and low value addition in the sector's products.



THE BORDER-IN GEAR (SUPPLY-SIDE)

Box 2: Overview of supply-side issues

- As a whole, the sector is slow to adapt to ever-changing market circumstances.
- Very few textile and garment manufacturers have any experience exporting.
- Skills are lacking in design, quality management and marketing.
- The average enterprise size is too small to possess all the skills and know-how needed for international competitiveness.
- The sector is over-dependent on subcontracting work with Israeli firms for participation in global markets.
- Exports appear to occur more often as one-time transactions rather than ongoing business.
- As a whole, the sector is not attuned to global preferences and trends in fashion.

AS A WHOLE, THE SECTOR IS SLOW TO ADAPT TO EVER-CHANGING MARKET CIRCUMSTANCES

The rapid decline in the sector's number of enterprises and the fact that surviving enterprises are holding on to large stocks of outdated and unused production capacity suggest that enterprises are not adapting quickly enough to the market pressures that have been pushing them out of low- and medium-cost markets for the past decade. Continued survival in the new environment will require nimbleness in product lines, the readiness to save costs by disposing of excess capacity that is unlikely to be used again, and a willingness to accept a degree of risk (although this may be mitigated by government support) to make the new investments needed for future success. These investments are not only for large purchases, such as new machinery, but also for design software and raw materials, which many Palestinian enterprises are reportedly loath to purchase without guaranteed returns.

VERY FEW TEXTILE AND GARMENT MANUFACTURERS HAVE ANY EXPERIENCE EXPORTING

Of the 700-1,000 enterprises estimated to be operating in this sector, only 5-7 of the larger ones are thought to have experience exporting. The rest have not ventured into exports, despite the strong competitive pressures that have shrunk their share of the domestic market. Getting reluctant enterprises to venture into new markets, especially when their current product lines and export-readiness are severely inadequate, will likely require more than simply making resources available to them. It may require a

public-private campaign to proactively and directly engage large numbers of manufacturers in strategic discussions and hand-holding through the process of becoming export-ready.

SKILLS ARE LACKING IN DESIGN, QUALITY MANAGEMENT AND MARKETING

Broader participation in export markets requires that Palestinian producers successfully market new products of consistently high quality to distant customers amid a wide range of customer requirements and competitor characteristics. This will require new capacities in product design, quality management, and marketing. These capacities are possessed by Israeli firms that subcontract Palestinian enterprises to produce portions of goods for export from Israel. If Palestinian enterprises are to become more autonomous and have direct success in export markets they must develop the same capacities.

THE AVERAGE ENTERPRISE SIZE IS TOO SMALL TO POSSESS ALL THE SKILLS AND KNOW-HOW NEEDED FOR INTERNATIONAL COMPETITIVENESS

The average number of workers employed by a Palestinian textile and garment enterprise is six. This number is too small to accommodate all the experience needed in-house. Enterprises will need to invest in larger staffs (with individuals specialized in the additional skills sought), outsource new needs (for example, to design consultants), or pool resources with strategic partners (for example, combining marketing efforts with other enterprises).

THE SECTOR IS OVER-DEPENDENT ON SUBCONTRACTING WORK WITH ISRAELI FIRMS FOR PARTICIPATION IN GLOBAL MARKETS

At the peak prevalence of subcontracting arrangements 95% of Palestinian enterprises depended to one degree or another on work from Israeli firms, while having no direct exports. The Israeli textile and garment sector has responded to price pressure by shifting its production to high-end and niche products. However, the Palestinian sector has not adjusted in parallel, contributing to a decrease in subcontracting. Although Palestinian enterprises should pursue revitalized subcontracting arrangements as an achievable, high-impact, short-term goal, it should do so in parallel with efforts to export directly, as a diverse customer base is essential to their long-term survival.

EXPORTS APPEAR TO OCCUR MORE OFTEN AS ONE-TIME TRANSACTIONS RATHER THAN ONGOING BUSINESS

As shown in figure 6, export relationships in this sector are more likely to die than to survive after even one year. This gives the impression that exports to non-Israeli markets are seen as one-time transactions by Palestinian enterprises, which lack the interest or ability to convert a first-time customer into a recurring one. These exports may occur in reaction to foreign distributors casting about for an extraordinary remedy to a sudden supply shortage; a Palestinian enterprise's need to dispose of excess inventory; or other short-term reasons. Even so, all new relationships should be seen as business development

opportunities and be fully explored. Achieving that attitude toward exports will be essential to transforming the State of Palestine's inward-looking, shrinking sector into an export-oriented, growing one.

AS A WHOLE, THE SECTOR IS NOT ATTUNED TO GLOBAL PREFERENCES AND TRENDS IN FASHION

Product lines in this sector are relatively undiversified, slow to change and disconnected from international fashion trends. Designs are generally unsophisticated and intended for the domestic market. Producing goods that are more desirable in foreign markets requires enterprises to track international developments, have channels by which they can ascertain customer preferences, and make meaningful investments of time and resources up front.

THE BORDER GEAR (QUALITY OF THE BUSINESS ENVIRONMENT)

THERE IS LITTLE EXPERIENCE IN, OR GUIDANCE FOR, COOPERATIVE SUPPLY OF HIGH-VOLUME ORDERS

The small size of the typical Palestinian enterprise does not permit it to participate in high-volume orders, which are commonplace in the sector globally. There is scope for cooperative supply by several enterprises, but there is little experience in navigating the practical obstacles and legal issues which such arrangements entail.

Box 3: Overview of business environment issues

- There is little experience in, or guidance for, cooperative supply of high-volume orders.
- There is an inadequate supply of skilled labour for the maintenance of machinery. (Lack of coordination between textile sector representatives and TVET institutions.)
- Finance and financial support is difficult to obtain for specialized equipment for producing high-end goods (dyeing technology; design software).
- The supply of affordable water is inadequate.
- Bleaching agents are only available in low concentrations.
- The sector's union does not have full-time, paid advocates.



Source: PalTrade

THERE IS AN INADEQUATE SUPPLY OF SKILLED LABOUR FOR THE MAINTENANCE OF MACHINERY.

(LACK OF COORDINATION BETWEEN TEXTILE SECTOR REPRESENTATIVES AND TVET INSTITUTIONS)

Palestinian TVET institutions do not graduate enough workers with the skills to maintain the sector's machinery, and Israeli technicians are not normally allowed to enter the State of Palestine to make necessary repairs. Better coordination between sector representatives, TVET institutions and the relevant ministries could produce a small cadre of technicians able to extend the lives of vital equipment and reduce immediate needs for investment in replacements. The shortage in design, quality management, and marketing capacities may be addressed in a similar fashion.

FINANCE AND FINANCIAL SUPPORT IS DIFFICULT TO OBTAIN FOR SPECIALIZED EQUIPMENT FOR PRODUCING HIGH-END GOODS (DYEING TECHNOLOGY; DESIGN SOFTWARE)

With 89% of enterprises thought to be using machinery more than 10 years old, many enterprises are faced with the unpalatable choice of paying for increasingly frequent and costly repairs or buying expensive new equipment. Those choosing to purchase new equipment are faced by the even more difficult choice of investing in similar equipment or more specialized, and possibly expensive, equipment that will allow a strategic transition to higher-end or niche manufacturing.

In a dwindling, low-margin, low-volume sector like the Palestinian textile and garment sector there is tremendous risk in making large purchases and an even graver risk of making purchases that commit the enterprise to a doomed strategy. The PNA can help more enterprises take such necessary risks and mitigate those risks through financial or technical assistance, but the current level of such assistance is unlikely to spur transformation of the sector.

THE SUPPLY OF AFFORDABLE WATER IS INADEQUATE

The process of dyeing and treating textiles and garments is water-intensive, making water costs an important aspect of enterprises' price competitiveness. The limited supply of water in the State of Palestine, and in particular the lack of an industrial tariff for water usage, detracts from the sector's competitiveness. Possible remedies include a lower industrial tariff; training and assistance for implementation of manufacturing best practices that improve efficiency of water usage; and investment in more efficient machines and technology (e.g. waterless dyeing).

BLEACHING AGENTS ARE ONLY AVAILABLE IN LOW CONCENTRATIONS

Israeli restrictions on 'dual-use' goods prevent the import of bleaching agents in the standard concentration needed for the whitening which most fabrics undergo prior to dyeing. The maximum allowable concentration requires that fabric be bleached three times for the lightest colours, raising costs and lead times. As enterprises contemplate future products and markets, darker-coloured products which do not need to be bleached to the same level of initial whiteness may offer one cost advantage.

THE SECTOR'S UNION DOES NOT HAVE FULL-TIME, PAID ADVOCATES

UPTI is a loose, membership-based organization whose initiatives are executed by volunteers. The precarious position of the sector and the urgent transformation it demands argues for a full-time, paid staff. Even if that staff consists of only two or three people the advocacy, coordination and support needed to reverse the sector's decline is unlikely to be provided by part-time volunteers.

The cost of the staff could be supported by annual membership dues and cost-covering fees for special events and services. The likely return on this modest investment should make it cost-effective, especially if the staff is working towards a clear vision for the sector with a strong mandate from the union's members.

Box 4: Overview of market entry issues

- Export procedures are cumbersome, time-consuming, and poorly understood.
- Opportunities presented by preferential market access are not well understood.
- Enterprises and TSIs have weak trade intelligence.

THE BORDER-OUT GEAR (MARKET ENTRY)

EXPORT PROCEDURES ARE CUMBERSOME, TIME-CONSUMING, AND POORLY UNDERSTOOD

The World Bank's *Doing Business* report ranks the State of Palestine 116th among 185 countries for the ease of trading across borders. Complicated and cumbersome export procedures create unpredictability for exporters, and in a sector as inward-looking and thin-margined as the Palestinian textile and garment sector they can be enough to deter enterprises from attempting to export. Fewer enterprises will attempt it as uncertainty increases about the length of time between shipment and receiving payment. MoNE could improve this environment through better dissemination of trade procedures and regulations.

OPPORTUNITIES PRESENTED BY PREFERENTIAL MARKET ACCESS ARE NOT WELL UNDERSTOOD

In a low-margin sector such as textiles and garments, preferential tariffs in foreign markets may have an unusually large effect on a product's competitiveness. Through various negotiated agreements the State of Palestine enjoys preferential access over competitors in some potential markets, but the details of these advantages are not well understood by those who would most benefit from them.

Sector-specific TSIs should have a more complete sense of their constituency's product lines and international markets, so they can proactively provide targeted information on vital tariff advantages to the enterprises that would benefit most from them.

ENTERPRISES AND TSIS HAVE WEAK TRADE INTELLIGENCE

Small-scale manufacturers do not typically possess an adequate understanding of foreign markets, international marketing, and foreign languages to venture into exports.



Source: © mohammedbensaber. Hébron – Fabrique de Keffieh

If they do, they may attempt to export to a few countries where they have personal connections or where particular opportunities have been brought to their attention. They are unlikely to have the wherewithal to identify the global markets where they are most competitive, or to develop and implement an appropriate marketing strategy.

Palestinian TSIs therefore have a vital role to play in consolidating this intelligence need and systematically collecting, synthesizing, and disseminating trade intelligence with the biggest effect on the sector's exports. They should provide detailed and regularly updated market analysis for target markets, including on customers, products, competitors, distribution channels and market access. However, the TSIs meant to support this and other strategic sectors have not had a big impact to date. In part, this may be due to a lack of strategic vision for the sector and of a strategic division of labour among the TSIs. A shared vision and plan of action that systematically mobilizes all assets, including commercial attachés and the Palestinian diaspora, will be much more effective and is the subject of one of the NES cross-sector strategies.



Source: PalTrade

Box 5: Overview of development issues

- The sector's manufacturing processes and waste management are not optimized for a balance between competitive production and environmental preservation.
- Women are under-represented in highly skilled positions in this sector.

DEVELOPMENT GEAR

THE SECTOR'S MANUFACTURING PROCESSES AND WASTE MANAGEMENT ARE NOT OPTIMIZED FOR A BALANCE BETWEEN COMPETITIVE PRODUCTION AND ENVIRONMENTAL PRESERVATION

The textile and garment sector is notorious as a polluting industry. According to the World Bank 17%-20% of industrial water pollution comes from this industry's dyeing and treatment of textiles. Dyeing alone introduces 72 toxic chemicals into wastewater, 30 of which cannot be removed. Israeli restrictions on chemical imports likely makes the number of chemicals lower, but the sector nonetheless needs cleaner processes and technologies to minimize its negative impact on the Palestinian environment and to preserve water resources limited by Israeli regulations.

Palestinian enterprises have shown interest in adopting the recent innovation of waterless dyeing and should be supported in doing so by the PNA, which itself should seek to implement best practices in sewage treatment.

WOMEN ARE UNDER-REPRESENTED IN HIGHLY SKILLED POSITIONS IN THIS SECTOR

This sector historically has a high rate of female employment, but these jobs tend to be lower-skill, lower-paying jobs in cutting and sewing. As skill and pay levels rise through machine operation and up to senior managers, the proportion of women drops. Counteracting this trend would be an effective way of improving the economic standing of women in the State of Palestine.

Small-scale operations may be family-run, with job duties and pay being assigned according to family structure and relationships. Although the PNA may certainly encourage the hiring and elevation of women through the provision of incentives and assistance such as child support and transport services, this will have limited effect on family-run operations. Rather, by disproportionately equipping women with the skills the sector is going to need to succeed (e.g. design, quality management, marketing), more of them will enter the workforce in good positions as the sector grows and enterprises expand beyond family operations.

WHERE WE WANT TO GO

VISION

The Palestinian textile and garment sector was traditionally a pillar of the economy but has been in rapid decline for a decade in accord with global trends. In this context, an ambitious but achievable sector vision is:

“ To become an export-oriented sector with high socioeconomic impact by specializing in higher-end and niche products, through a targeted, concerted, and decisive acquisition of the needed skills, technologies, and market intelligence. ”

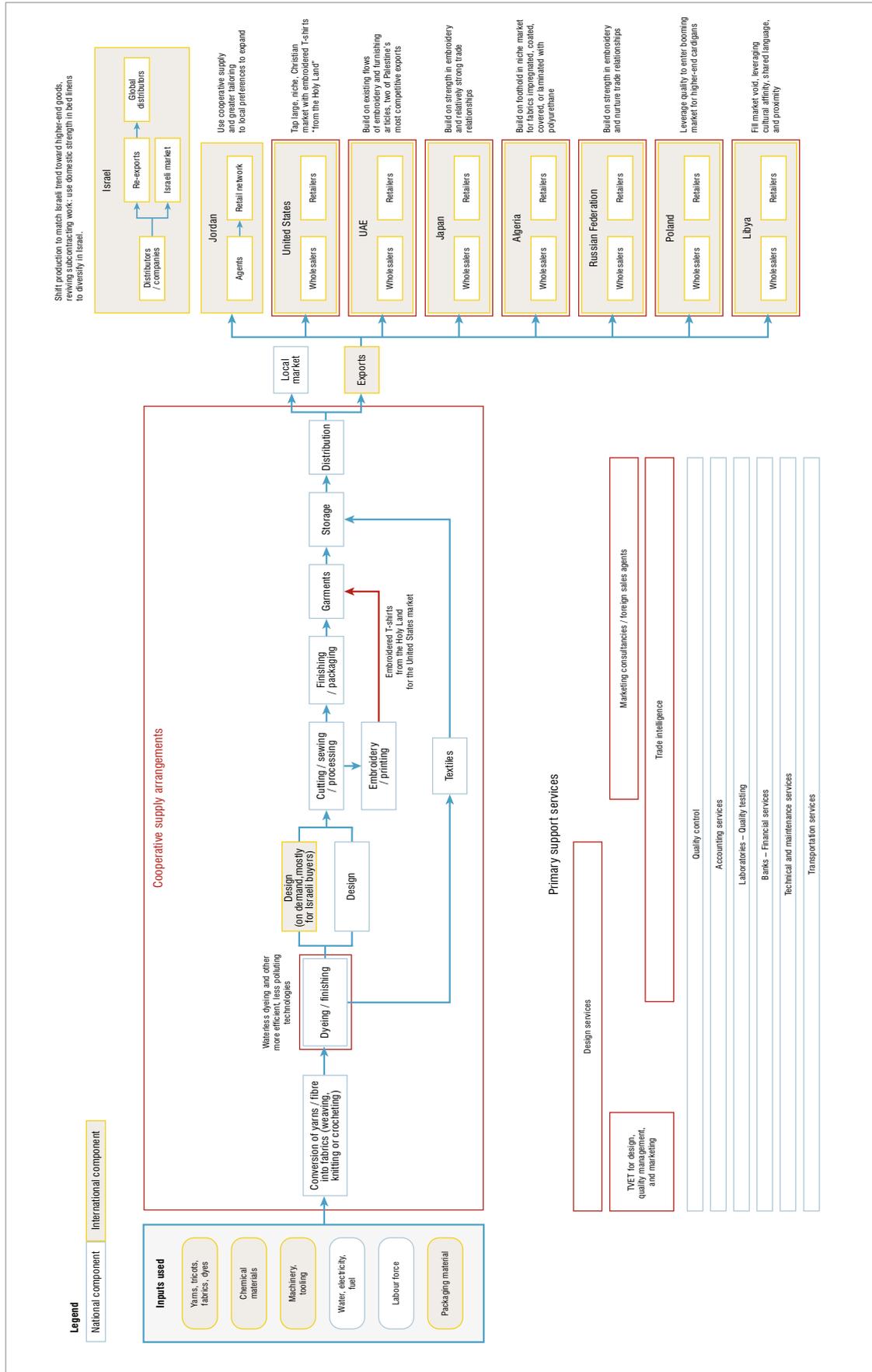
This chapter lays out the actions needed from private stakeholders along the value chain to realize these strategic objectives. The following chapter and the Plan of Action lay out the supporting initiatives needed from government, international donors, and civil society to enable this.

As discussed throughout this document, the Palestinian textile and garment sector possesses significant potential for succeeding in export markets based on its competitive advantages such as good quality, long experience and ready production capacity, but is hampered by constraints along multiple dimensions. In order to succeed in its transformation, the sector's competitiveness can be raised through the following actions:

1. Surrender uncompetitive territory;
2. Move into higher-end or niche markets;
3. Transform from an inward-facing sector to an export-oriented one;
4. Build the corresponding capacities for design, quality management, and marketing;
5. Establish a system for pooling production capacity for larger orders;
6. Reform unsound environmental practices that are cost-ineffective in the long run;
7. Make fuller use of women as a human resource.

The scope for improvements is immense and extends across the value chain. In some cases, the scope involves strengthening of existing linkages, while in other areas there is a requirement for structural modifications. Both of these dimensions of improvements must lead to *market penetration* (increasing exports in existing markets), *product development* (increasing exports of new products in existing markets), *market development* (increasing exports of existing products in new markets), or *full diversification* (increasing exports of new products in new markets). The future shape of the sector is depicted and discussed in greater detail below.

FIGURE 8: FUTURE VALUE CHAIN



MARKET IDENTIFICATION

A list of 19 current and potential products for export to 10 current or potential markets was arrived at through stakeholder consultations and ITC analysis. Table 13 presents all of these graphically, segmenting product–market combinations into four categories, each of which typically calls for a different approach in terms of product development and marketing. These categories, which were used in the section decomposing the sector’s export growth, are:

- 1. Old products going to old markets:** these include the bright spots in the State of Palestine’s current exports.
- 2. Old products going to new markets:** this includes cardigans, one of the State of Palestine’s fastest growing, higher-volume, and potentially higher-margin exports, and a product targeting the newly dynamic and underserved market of Libya.
- 3. New products going to old markets:** these products take old products for which the Palestinian sector has strong experience, such as embroidery and linens, and adapts them for use in new products tailored to existing markets.
- 4. New products going to new markets:** this category is empty at present. Palestinian enterprises are still developing the capacity 1) to explore new markets and 2) to devise new products according to the particular needs of each market. Once there is a sector-wide track record of doing each separately it may be more practical to identify opportunities for doing both simultaneously.

These product–market combinations are further divided by priority, as indicated by the colour legend at the bottom of the table. All recommendations for prioritization are made at the sector-wide level for coordinated action by the PNA, sector representatives, and the international donor community. They have been selected as the product–market combinations expected to provide the greatest returns on these joint efforts, based on the recommendations of this strategy. Individual enterprises acting on their own strengths and weaknesses will almost certainly produce items not listed here and have the potential to export them. These recommendations should not deter them, and in fact they are likely to benefit equally from the support and structural improvements to the value chain which should result from implementation of this strategy.

Three priority labels are used in table 13. They are:

- 1. Short-term priority (0-2 years):** These are products which are exporting well but could either a) be performing better in existing markets with implementation of the shorter-term improvements recommended in this strategy, or b) be translated into quick success with promising markets or variations on other successful products.



Source: © PalTrade

- 2. Medium-term priority (2-4 years):** These are products which the sector is well prepared to produce. However, additional market understanding, product development, and the strategy implementation required is unlikely to be completed in a timeframe that permits full penetration of new markets in less than two years.
- 3. Products recommended for de-prioritization at the sector level:** These are old products to old markets, which have one or more of the following unfavourable characteristics: low value, negative growth, low volume, or sold in only one country where no other Palestinian textiles or garments are sold. Some individual enterprises may find it worthwhile to pursue these product–markets, but they should not be priorities at the sector level.

The lower end of the textile and garment sector is relatively footloose, with global production patterns shifting as changing costs erase and create narrow profit margins. For this reason, the short term is defined here as two years or less and the medium term as two to four years. As more of the present strategy is implemented and, for example, the capacity for design, quality management, marketing, and high-volume supply are increased, new opportunities will arise both at the higher end and, to a lesser degree, at the lower end.

New linkages to other sectors, arranged by high-level technical personnel at ministries such as MoNE and the Ministry of Industry, may also help to identify niche markets for technical textiles used in agriculture, construction, medicine, and other fields.

Table 13: Recommended textile and garment product–market priorities

		Old markets							New markets		
		Israel	Jordan	UAE	USA	Japan	Algeria	Italy	Russian Federation	Poland	Libya
Old textiles (by HS code)	540110	Short-term priority									
	540753		Short-term priority								
	540791	Short-term priority	Short-term priority								
	560121							Recommended for de-prioritization at the sector level			
	581099			Short-term priority		Short-term priority			Short-term priority		
	590320						Short-term priority				
	6005	Medium-term priority									
	6006	Medium-term priority									
	630499	Short-term priority	Short-term priority	Short-term priority							
	630900		Recommended for de-prioritization at the sector level								
Old garments (by HS code)	610610							Recommended for de-prioritization at the sector level			
	610690							Recommended for de-prioritization at the sector level			
	611030	Short-term priority							Short-term priority		
	611420									Medium-term priority	
	620469	Short-term priority									
	620630		Short-term priority								
620690	Short-term priority										
New textile	630222	Medium-term priority									
New garment	610990										

Colour legend

Short-term priority

Medium-term priority

Recommended for de-prioritization at the sector level

SHORT-TERM PRIORITIES (0-2 YEARS)

The outlook for exports in the short term (0-2 years) is expected to focus on consolidating footholds in existing markets (market penetration) and leveraging existing relationships and distribution channels to bring new products to market (product development).

During this phase cultural affinity, bilateral geographical distances and existing trade relationships will form the major criteria determining the markets for Palestinian textile and garment products. Market development – in which export relationships in new markets are established – will be difficult to achieve due to the weak business environment and low capacities of enterprises

and the TSN. Therefore, the focus during this phase will lie in strengthening current export relationships (in existing markets) and bringing new products to market (in current markets).

EXISTING PRODUCTS EXPORTED TO ISRAEL

In 2011 the six old products destined for Israel in table 13 were among the State of Palestine's 10 biggest exports in the sector by value and had very high growth, at least doubling over the previous year. These should be maintained as priorities and could provide a good testing ground for more formal and regular cooperative supply arrangements among smaller enterprises.

EXISTING PRODUCTS EXPORTED TO JORDAN

Four of the five products regularly exported to Jordan now should be built upon, using cooperative supply and additional tailoring to increase volume and penetration and to build relationships that may lead to demand for higher-value products.

EXISTING PRODUCTS EXPORTED TO THE UAE

The two products recommended for intensification in this market, 581099 (embroidery) and 630499 (furnishing articles, other than bedspreads, not made of cotton or synthetic fibre, and not knitted or crocheted), are the State of Palestine's most broadly appealing, with each being exported to three countries. 630499 is one of the top products exported to Israel with a 2011 total export value of US\$418,000. This diversity of buyers suggests that the State of Palestine is unusually competitive in these products. That competitiveness, and the fact that the UAE is traditionally one of the easier markets for the State of Palestine to penetrate after Israel and Jordan, makes these two product-markets good targets for intensification.

EXISTING PRODUCTS EXPORTED TO JAPAN AND THE RUSSIAN FEDERATION

The only product exported to these two markets has been 581099 (embroidery). 581099 is also the top product exported to the UAE. Stakeholder consultations confirm embroidery as one of the more promising products/services that the sector has, and it is one of only two products to be exported to at least three countries.

NEW PRODUCT FOR EXPORT TO THE UNITED STATES

The country's expertise in embroidery is a major reason behind the targeting of 610990 (non-cotton T-shirts) in the United States, where enterprises believe they can use embroidery to add high value to 'From the Holy Land' T-shirts for sale in Christian markets.

MEDIUM-TERM PRIORITIES (2+ YEARS)

The outlook for exports in the medium term (2+ years) is expected to focus on expansion of export relationships in hitherto unexplored markets (market development), or focus on the more ambitious aspects of new product development in altogether new markets (full diversification). It is expected that the evolving capacities of Palestinian exporters, together with improvements in the business environment and value chain flowing from this strategy,

will allow exporters to target markets in the medium term which seem hard to penetrate at the moment.

EXISTING PRODUCT FOR EXPORT TO LIBYA

The State of Palestine did not export any of 611420 (cotton knit garments not elsewhere specified) in the period 2007-2011; however, domestic producers seem to be very competitive in the domestic market for products under this code, with the country averaging imports of only US\$3,000 per year. Libya's newly opened and underserved market is close to the State of Palestine and has a cultural affinity for it. This makes Libya an attractive location for Palestinian enterprises to test their competitiveness with respect to domestically strong products like those under 611420.

EXISTING PRODUCT FOR EXPORT TO ISRAEL

As with 611420, 630222 (bed linen, of man-made fibres, printed, not knitted) is domestically strong, with total imports falling each of the last four years to a 2011 total of US\$15,000. Israel's import demand for this product has been increasing steadily, growing five-fold between 2001 and 2012.

EXISTING PRODUCT FOR EXPORT TO POLAND

Cardigans are one of the State of Palestine's fastest growing and higher-volume exports to Israel. It is also a product with potential for higher value-added with high-quality fabrics, sophisticated design and other special features. Certain Palestinian enterprises have identified Poland as a good market because of a high product import growth rate, membership in the EU – in which no tariff is imposed on Palestinian cardigans – and a history of good relations between the two countries. However, it will take some time for Palestinian exporters to understand the Polish market, develop appropriate products, and establish connections to the right distribution channels.

PRODUCTS RECOMMENDED FOR DE-PRIORITIZATION AT THE SECTOR LEVEL

If the customers purchasing the following products are major retailers or distributors with which a useful relationship could be built, then they may deserve review as possible priorities. Otherwise, no special resources should be spent on their sector-wide promotion.

560121 (cotton wadding) was sold to Italy in 2011. This is a very low-value good sold to a country in which Palestinian enterprises have demonstrated no other success exporting.



Source: PalTrade

610610 and 610690 are both types of knitted shirts or blouses for women and girls. The State of Palestine exported 610610 to the United States in 2010 and 610690 to the UAE in 2011. There were no other instances of these products being shipped in the period 2007-2011. These products tend to require a higher degree of design sophistication and be more competitive. This combination of a minimal Palestinian track record and a competitive field argue against their sector-wide promotion.

However, the fifth product, 630900 (worn garments), is a second-hand market with no direct relation to new production. No sector-wide effort need be allocated to this product.

STRUCTURAL IMPROVEMENTS TO THE VALUE CHAIN

In addition to the new focus on particular product–markets described above, the future perspective for the Palestinian textile and garment sector involves structural additions and modifications to the sector's value chain. The most prominent of these are described as follows.

IMPROVING THE ECO-FRIENDLINESS OF THE TEXTILE AND GARMENT SECTOR

Textiles and garments is one of the most water-polluting sectors, accounting for 17%-20% of industrial water pollution according to the World Bank. Minimizing the sector's negative environmental impact is both a vital public goal and a potential commercial advantage. Upgrading processes, many of which have been passed from

generation to generation in family-run operations, and equipment, most of which is more than a decade old, has the potential to bring down long-term costs and give the sector a powerful branding tool. An 'eco-friendly' label is the sort of branding element which Palestinian producers will need to compete in higher-end or niche markets.

To increase international recognition of the sector's eco-friendliness, as well as quality, enterprises should be encouraged to obtain ISO 14000 certification for environmental management. This certification provides the management of companies and external stakeholders with assurance that environmental impact is being measured and improved. This initiative would help to differentiate sector products by demonstrating reduced water use or reuse of wastewater, use of renewable energy or biodegradable inputs in production, and other activities aligned with international market trends for greener products.

TARGETING TVET PROGRAMMES TO THE NEEDS OF THE SECTOR

The textile and garment sector's export-preventing deficiencies in design, quality management, and marketing prevent the sector from delivering quality-assured products that are in line with the latest global trends. Remedying this requires improvements in the TVET infrastructure, which should include the upgrading of curricula and infrastructure at training institutions such as PPU. Achieving this will require stronger linkages between sector representatives and TVET institutions for collaborative tailoring of educational offerings and job placement, as well as between TVET institutions and international fashion houses.

REGULAR FLOWS OF DETAILED, HIGH QUALITY MARKET INTELLIGENCE AND TRAINING FROM TSIS TO TEXTILE AND GARMENT MANUFACTURERS

In addition to awareness-raising workshops and request-based services, sector TSIs should take a more targeted and proactive approach to mobilizing the textile and garment sector for exports. The sector's survival depends on its transformation, which will require influential champions. TSIs are best positioned to assume this role and should, therefore, take ownership of the goals in this strategy and proactively engage enterprises to encourage their sales abroad and to understand and meet their information needs. TSIs should use this engagement to identify training gaps which they can fill with regularly scheduled and well-publicized trainings.

FORMALIZATION OF COOPERATIVE SUPPLY ARRANGEMENTS AMONG SMALL-SCALE PRODUCERS

Even with the lower volumes expected in higher-end and niche markets, many Palestinian producers are too small to consistently meet supplier requirements in terms of volume and lead time. A formal framework, with operational and legal guidelines for cooperative supply by multiple producers to a single customer, is needed to give enterprises the know-how and security to participate in such arrangements.

GREATER INVOLVEMENT OF WOMEN

The role of women will be strengthened at two important links in the value chain: design and marketing. Design is a critical factor in the ability of products to meet consumer tastes and preferences. However, design capacity is lacking in the sector, in particular the skills to use computer-aided design programs like AutoCAD. Although Palestinian designs are considered to be of high quality, the fact that they are hand-made does not allow designers to keep up to date with the latest fashion trends. As improvements are made to the TVET infrastructure, such as the creation of design training centres, special measures should be taken to ensure a high rate of participation, graduation, and professional placement of women.

Marketing and customer relations are critical skill sets to the exporting process. They are also high value and highly transferable to other sectors. TVET programmes in marketing and project management should likewise target high inclusion rates for women as a way of transitioning the existing, but low-skilled, female workforce in the sector to positions that add more value.



Source: © <Sin datos de vínculo>. <Sin datos de vínculo>

HOW TO GET THERE

STRATEGIC OBJECTIVES

The NES design process was highly inclusive of all major stakeholders in the textile and garment sector. This was critical to understanding the real situation on the ground from every angle, to build consensus on the strategic steps to be taken and to start the work of assembling a coalition of actors with the interest and ability to jointly implement the strategy in a decisive and effective manner. The plan of action for this implementation is included in the following section. It is broken down into targeted activities or projects, each with its own concrete goals, beneficiaries, and responsible parties. Implementing partners include the Ministries of National Economy, Industry, and Foreign Affairs; PalTrade; PCBS; PFI; PSI; FPCCIA; and various consulting firms hired through these partners, among others.

Each of the activities contributes in one or more ways to the accomplishment of the three following **strategic objectives**:

1. **Enable the sector to increase its production capacity to respond to volume, design and quality requirements of current and emerging target markets.** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives).
 - Increase and enhance quality checks on imported products to protect local products.
 - Strengthen the ability of the sector to use updated technological skills.
 - Increase the volume of goods available for export through joint companies.
 - Strengthen the capacity of the sector to access the required financial capital to increase its production.
 - Integrate global value chains.
 - Raise the quality and design capacities of the sector.
 - Raise the standards of Palestinian textile products.
 - Increase access to quality dyeing products.
2. **Strengthen the ability of sector stakeholders to mobilize for developing the sector and linking to required support institutions.** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
 - Enhance the capabilities of UPTI.
 - Increase visibility of the textile sector.
 - Lobby for increased support to the sector to ensure it maintains its current profile.
3. **Enhance the textile sector's market entry and survival capabilities in target markets.** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
 - Increase the Palestinian textile sector's exposure in international markets.
 - Re-establish and strengthen Palestinian textile products in the Israeli market.
 - Increase the sector's access to external trade- and market-related information.

These strategic objectives are structured around a specific set of activities that are intended to address the wide range of issues confronting the textile and garment sector. Independent, yet mutually supporting activities, will bolster specific areas of weakness. This, in turn, will lead to the realization of the strategic objectives, and ultimately, the sector vision.

Each of the strategic objectives relies upon a set of operational objectives. The operational objectives are intermediate achievements that must be reached in order for the strategic objectives to be met. At the most basic level, the operational objectives are realized through the implementation of various concrete activities, each of which serves to support a specific priority area within the relevant operational objective. Ideally, each activity will be translated into a project of its own by a donor with relevant priorities and competencies.

The **types of activities** undertaken will include training, provision of information and assistance, institutional strengthening and funding, and stakeholder outreach. The **immediate outputs** of these activities should be improved performance by textile and garment manufacturers and their TSIs through a new strategic focus, improved product/service quality, improved skills, reduced costs, and a transformation in the export preparedness of enterprises, many of which will be exporting for the first time.

The first step to rolling out the plan of action is matching the activities to **donors**, many of whom were heavily consulted during the NES design process. If all activities are fully funded and implemented the **impact** of the initiative is expected to be a doubling of export value by 2020. The most immediate export growth is expected to occur in the sector's current line-up of medium-cost goods through renewed subcontracting to Israel and intensification of the sector's strongest exports in their strongest markets. However, as the value chain strengthens and enterprises become more specialized in higher-end or niche products, Palestinian textiles and garments should become more competitive in more global markets and achieve stronger growth. As Palestinian exporters get more experience in a diversity of countries they will be able to analyse the needs and preferences of international markets more systematically and produce tailor-made products of relatively high value, where countries like China and Turkey are not competitive or not competing.

Palestinian textile and garment enterprises are faced with a grave challenge. They operate in a massive sector notorious for its low margins, quick-moving trends, and consequent competitiveness. National industries can be built and destroyed with relatively small changes in costs and the value chain. If Palestinian enterprises are to survive and thrive they will likely have to surrender the low- and medium-cost markets and quickly build the skills and capacity they need to compete in higher value or niche markets. Depending on the suitability and condition of the sector's high level of excess capacity, that capacity could be an advantage in quickly ramping up production for new markets.

Overall, the sector is advantaged by good quality, long experience, ready production capacity, and a reliably strong global market. If enterprises can fill critical skill gaps (i.e. design, quality management, and marketing), regularly obtain sound market intelligence and achieve export readiness, the sector has a fair chance of transforming itself in such a way that the rapid decline of the last decade can be reversed.

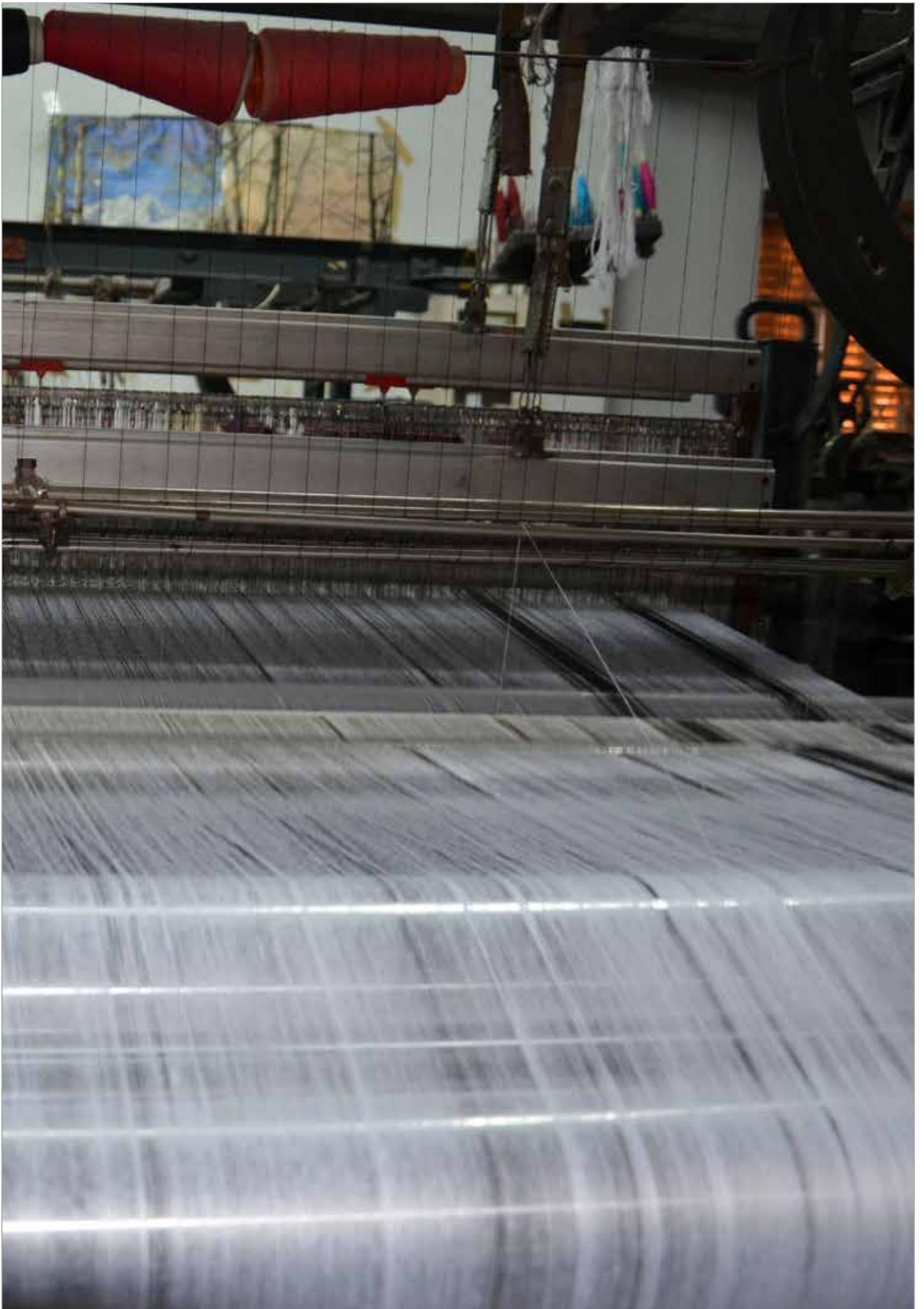
IMPORTANCE OF COORDINATED IMPLEMENTATION

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation involving efficient allocation of resources and monitoring of results at both the micro and macro levels. To this end, the Palestinian Export Council (PEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating, and implementing the NES. In particular, PEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, the implementation of the textile and garment strategy will fall within the purview of PEC.

Specific efforts will be made to direct donor, private and public sector organizations towards the various NES priorities in order to avoid duplication and guarantee maximum impact. Responsibilities will also include monitoring the results of activities and outputs, while at the same time recommending policies that could serve to enhance the realization of the strategic objectives. With a 360 degree view of progress, PEC will be best-placed to manage funding and provide regular reports to donors and stakeholders. Moreover, PEC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with the State of Palestine's changing needs.

IMPLEMENTATION PARTNERS – LEADING AND SUPPORTING INSTITUTIONS

A number of institutions will play a key role in the implementation of this export strategy for the textile and garment sector, as illustrated in the TSI section and the PoA. These are institutions that have the overall responsibility for successful execution of the strategy, as well as support institutions that are active partners but not leading institutions. Each institution mandated to support the export development of the textile and garment sector is clearly identified in the strategy plan of action.



Source: © mohammedbensaber. Hébron – Fabrique de Keffieh

THE STATE OF PALESTINE NATIONAL EXPORT STRATEGY

PLAN OF ACTION



Strategic objective 1: Enable the sector to increase its production capacity to respond to volume, design and quality requirements of current and emerging target markets.									
Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US\$)
1.1 Increase and enhance quality checks on imported products to protect local products.	1.1.1 Disseminate the PSI standards for textiles and garments	3	Local consumers, textile and garment companies	Standards disseminated and published	Document of standards	PSI	UPTI, PFI, MoNE		50 000
	1.1.2 Distribute PSI and international standards for textile and garment products through an awareness-raising campaign.	1	Local consumers, textile and garment companies	Standards disseminated	Documents, awareness-raising campaign material	PSI	UPTI, PFI		100 000
	1.1.3 Contract a consulting firm to list the products that do not comply with standards, in order to negotiate with the authorities to ban their entry to the national market.	1	Local consumers, textile and garment companies	List of non-complying products	Contract with consulting firm	PFI	UPTI, PSI, MoNE, Customs department		60 000
1.2 Strengthen the ability of the sector to use updated technological skills.	1.2.1 Conduct vocational training courses aimed at increasing the expertise in machine maintenance related to textile and garment manufacturing, in order to reduce down time for machines.	1	Textile and garment companies	Yearly number of individuals participating	Survey of textile and garment manufacturers on down time, qualitative numbers on production increases	UPTI	Consultants, donors, MoNE		200 000
	1.2.2 Contract machine maintenance professionals to tackle key issues and create a training plan for machine maintenance.	3	Textile and garment companies	Key maintenance issues identified	Contracts	UPTI	Consultants, PFI, MoNE		150 000
	1.2.3 Conduct vocational training courses on technical textiles. Develop training materials in the technical textile subsector on requirements and standards. It is important for the Palestinian textile industry to differentiate and diversify their products.	1	Textile companies	Number of participants	Course attendees, training material	UPTI	Consultants, MoNE		100 000
1.3 Increase the volume of goods available for export through joint companies.	1.2.4 Ensure contact with maintenance companies is in place through creating a database of existing credited machine maintenance professionals from the West Bank and the Arabs inside Israel.	1	Textile and garment companies	Database available	List of professionals	UPTI	Consultants, MoNE, Israeli machine agents		25 000
	1.2.5 Promote the use of alternative energy sources (solar power) by conducting seminars on the advantages of this kind of energy.	1	Textile and garment companies	Number of seminars	Materials of seminars	PFI	UPTI, MoNE, Environment Authority		100 000
	1.3.1 Establish a cooperative among textile and garment SMEs in order to handle and apply for large order contracts.	1	Textile and garment companies	Cooperative established	List of SMEs joining cooperatives	PFI	UPTI, MoNE		200 000
1.4 Strengthen the capacity of the sector to access the required financial capital to increase its production.	1.3.2 Provide training programmes to educate the higher management levels at family-owned businesses about running family-owned businesses.	1	Textile and garment companies	Number of programmes	List of participating executives	PFI	UPTI, MoNE, consulting firms		150 000
	1.4.1 Form a committee to lobby for approving the law on using movable assets as collateral for loans.	1	Industrial sector	Committee formed	List of members	PFI	MoNE, Palestine Monetary Authority, FPCCIA, PalTrade, Palestinian Federation of Businessmen Associations		50 000

Strategic objective 1: Enable the sector to increase its production capacity to respond to volume, design and quality requirements of current and emerging target markets.									
Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US\$)
1.4 Strengthen the capacity of the sector to access the required financial capital to increase its production.	1.4.2 Organize training programmes to increase the business skills of SME employees regarding finance.	1	Textile and garment companies	Programmes conducted	List of attendance, attendance sheets	PFI	Consulting firm, UPTI		120 000
1.5 Integrate global value chains.	1.5.1 Organize trade missions to Jordan, Egypt, Tunisia and Algeria to explore how to benefit from the Agadir Agreement in exporting to global markets. This will enhance the value chain through integrating regional partners into it.	3	Textile and garment companies	Trade missions implemented	Number of trade missions, list of participants	PalTrade	UPTI, MoNE		360 000
1.6 Raise the quality and design capacities of the sector.	1.6.1 Provide training courses in textile and garment design in order to move away from exclusively "Cut, Make and Trim" (CMT) towards a more developed industry. This is important to fill the gap left by subcontracting and develop new skills to enter new markets. 1.6.2 Increase the electronic design and "Cut, Make and Trim" (CMT) techniques of the sector through introducing companies to the latest technologies used in the field in seminars, and providing them with a list of providers of these technologies.	2	Textile and garment companies	Training programmes conducted	Attendance sheets	PFI	UPTI, consultants, MoNE		180 000
	1.6.3 Provide training courses in textile and garment quality control through contracting quality control experts and external consultants. This will assist in ensuring the Palestinian textile and garment sector adopts appropriate quality control mechanisms.	2	Textile and garment companies	Training programmes conducted	Attendance sheet	PFI	UPTI, consultants, MoNE		180 000
	1.6.4 Increase participation in global fairs in order for textile and garment sector producers to be increasingly exposed to global trends and techniques.	3	Textile and garment companies	Participation levels	Number of participants in each event, attendance lists	PalTrade	UPTI, MoNE		1 250 000
1.7 Raise the standards of Palestinian textile and garment products.	1.7.1 Prepare and disseminate a guide about the international standards and technical requirements of the global textile industry. The guide to include methods for their implementation in the Palestinian textile and garment sector. Hold bilateral meetings and workshops to disseminate to Palestinian textile and garment sector. 1.7.2 Conduct trainings through UPTI to increase the sector's compliance with international certifications and standards. 1.7.3 Initiate a programme to help certify companies, using specialized training consulting companies. 1.7.4 Train the textile and garment sector (in cooperation with PSI) on best practices in line with internationally recognized environmental standards in the textile and garment sector. The new trend in global markets is textile and garment products that are environmentally sustainable and friendly.	3	Textile and garment companies	Guide disseminated	Documents of the guide	PalTrade	PFI, UPTI, MoNE		200 000
		3	Textile and garment companies	Trainings conducted	Attendance sheets, training material	UPTI	PFI, consultants, PSI, PalTrade		100 000
		2	Textile and garment companies	Programme initiated	Programme documents	PFI	UPTI, PalTrade, MoNE		200 000
		2	Textile and garment companies	Trainings conducted	Training materials and documents, attendance sheets	PSI	PFI, MoNE, UPTI, PalTrade		200 000
1.8 Increase access to quality dyeing products.	1.8.1 Educate members/non-members through seminars on the need for and advantages of waterless dyeing. Draw up a list of providers.	1	Textile and garment companies	Seminars conducted	Seminar materials, attendance lists	PFI	UPTI, PSI, PalTrade, Environment Authority		120 000

Strategic objective 2: Strengthen the ability of sector stakeholders to mobilize for developing the sector and linking to required support institutions.									
Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US\$)
2.1 Enhance the capabilities of UPTI.	2.1.1 Create a list of incentives for textile and garment companies to join the union.	3	UPTI	New members	List of incentives	MoNE	PFI, UPTI		300 000
	2.1.2 Hire a qualified staff for the union and train them in several skills, including outreach.	3	UPTI	Employees hired	Number of employees hired	PFI	UPTI, MoNE		360 000
	2.1.3 Form a committee for following up on enforcing the regulations of PFI and specialized federations.	3	UPTI	Committee formed	Committee documents	PFI	UPTI, MoNE, PalTrade, chambers of commerce		200 000
	2.1.4 Formulate a list of advanced services to be provided by the union UPTI to members.	3	UPTI	Services provided	Number of services provided	UPTI	MoNE, PFI, PalTrade, PSI		600 000
2.2 Increase visibility of the textile and garment sector.	2.2.1 Integrate e-marketing methods such as e-brochures, e-flyers and social media into the marketing and promotion strategies of each company. Hire consulting companies to conduct group and one-on-one sessions for each company, in order to advise on e-marketing implementation and mechanisms.	2	Textile and garment companies	Number of distributed documents and other e-marketing information sources	Links, digital documents	UPTI	Donors, consultants, MoNE		360 000
	2.2.2 Develop a website for UPTI to disseminate sector-related articles and up-to-date information frequently. The published material should include a tutorial section where companies are provided with information on upcoming events such as exhibitions, workshops and the latest developments of the industry. This will be achieved through the assistance of donors in cooperation with UPTI.	3	Textile and garment companies	Number of articles added to the website	Website operating, counter statistics for the website	UPTI	Software solutions company, PalTrade, donors		60 000
2.3 Lobby for increased support to the sector to ensure it maintains its current profile.	2.3.1 Strengthen the capacity of UPTI to periodically sit with industrial lenders (banks, lending institutions) and ministries to lobby for financial support in the form of industrial loans, better interest rates, incentives, adequate legislation, and preferred utilities rates.	1	Textile and garment companies	Meetings conducted	Minutes of meetings	PFI	UPTI, business associations, MoNE, PSI		100 000
	2.3.2 Conduct quarterly meetings between UPTI and other Palestinian business associations to ensure the sector is well-informed and updated on areas of development and potential opportunities.	1	Textile and garment companies, PalTrade, PFI	Number of meetings conducted, number of attendees	Meeting minutes, attendance sheets	UPTI	Private sector institutions		100 000

Strategic objective 3: Enhance the textile and garment sector's market entry and survival capabilities in target markets.									
Operational objectives	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US\$)
3.3. Increase the sector's access to external trade- and market-related information.	3.3.1 Provide regular trade information about market trends, fairs and events, to be disseminated widely to textile and garment producers.	2	Textile and garment companies	Documents disseminated	Number of documents disseminated	PalTrade	UPTI, MoNE		60 000
	3.3.2 Provide training courses to UPTI members and staff on gathering and disseminating trade- and market-related information. Greater market knowledge can contribute to development of new markets by textile and garment producers.	2	UPTI, textile and garment companies	Training courses conducted	Training documents, list of participants	PalTrade	UPTI, MoNE		120 000
	3.3.3 Create clusters among the sector's companies to be able to respond to Israeli market requirements in terms of quantity and quality.	3	Textile and garment companies	Clusters formed	Number of companies in each cluster, contracts	UPTI	PFI, MoNE, PSI		120 000
	3.3.4 Set regular meetings between UPTI and the Israeli textile and fashion union to negotiate possible deals.	2	Textile and garment companies	Meetings conducted	Minutes of meetings	UPTI	PFI, PalTrade, MoNE		80 000
	3.3.5 Organize B2B meetings in Poland to explore and promote Palestinian textile and garment products in Poland based on well-prepared samples, catalogues, designs and packaging.	2	Textile and garment companies	Meetings conducted	Number of participants	PalTrade	UPTI, MoNE, Polish business association, Polish marketing company		180 000
	3.3.6 Organize B2B meetings with Israeli textile and garment companies to explore what new products the Israeli market is in need of.	2	Textile and garment companies	Meetings conducted	Attendance sheets, minutes of meetings	PalTrade	UPTI, PFI, MoNE		100 000
	3.3.7 Organize trade missions to the United States to negotiate producing T-shirts with the embroidery 'Made in the Holy Land' for the niche Christian market in the United States.	2	Garment companies	Trade missions conducted	Number of trade missions	PalTrade	UPTI, MoNE		300 000
	3.3.8 Organize B2B meetings with Arab-American associations to export embroidered T-shirts to the United States market.	2	Garment companies	B2B meetings implemented	Number of B2B meetings, list of participants	PalTrade	UPTI, MoNE		450 000
	3.3.9 Prepare and disseminate a booklet summarizing current and active trade agreements and how to benefit from them.	1	Textile and garment companies	Booklet distributed	Copy of booklet	MoNE	PalTrade, PFI, UPTI, FPCCIA		50 000

BIBLIOGRAPHY

Encyclopaedia Britannica (2013). Clothing and Footwear Industry. Available from <http://www.britannica.com/EBchecked/topic/122281/clothing-and-footwear-industry/66774/Design-in-clothing-and-footwear#toc66775>

Palestinian Central Bureau of Statistics (2012). *Economic Surveys Series 2011 Main Results (Book 1922). Issue number 17.*

Palestinian Trade Center and United States Agency for International Development (2008). *Market Share Assessments.*

PalTrade (2006). Garment & Textile Sector. Available from: <http://www.paltrade.org/en/about-palestine/sectors/textile.php>

United States Agency for International Development and Palestinian Federation of Industries (2009). *The Current Status of Industrial Sector in Palestine.*

APPENDIX 1: LIST OF STAKEHOLDERS

Name	Organization	E-mail
Khalid Arja	Arja Textile Co.	info@arja-textile.com
Abdallah Hodali	Hodali Textile Co.	ashodali@palnet.com
Hani Murad	Consultant	hani_mourad@yahoo.com
Ibrahim Mukarker	Mukarker Textile Co.	N/A
Zeyad Fadel	Ministry of National Economy	zeiad62@yahoo.com
Ahmad Al Qinnah	Ministry of National Economy	ahmada@met.gov.ps
Lubna Jaber	UPTI	paltex@p-ol.com
Mamoun Nazzal	PalTrade	mnazzal@paltrade.org
Akef Hamouda	UPTI	akef_h@yahoo.com
Tareq Sous	UPTI	paltex@p-ol.com
Khader Rizkallah	Rizkallah Co.	
Bassam Abdul Rahim	Team Coordinator	samrahim02@gmail.com
Nafez Nieroukh	Nieroukh Co.	
Tarek Sous	UPTI	paltex@pool.com
Saiph Sharabati	Saiph Wear	sharabati@saiph.bz
Tamara Arja	Arja Textile Co.	
Tareq Saqf Al Hait	Al Huda Textile Company	tareq_ziyad@hotmail.com
Majdi Abu Ruman	National Textile Company	majdi@ntc-pal.com
Emad Bali	Home Touch Industrial Co.	atabi@palnet.com
Jamil Jaraysah	Models Dress Co.	
Mohammoud Zarour	PalTrade	



Source: PalTrade

