



Ministry of Trade &
Industry
QIZ Unit

QIZ EGYPT
Qualifying Industrial Zones



EGYPT

QIZ Export: Limits to Growth?

April 2009



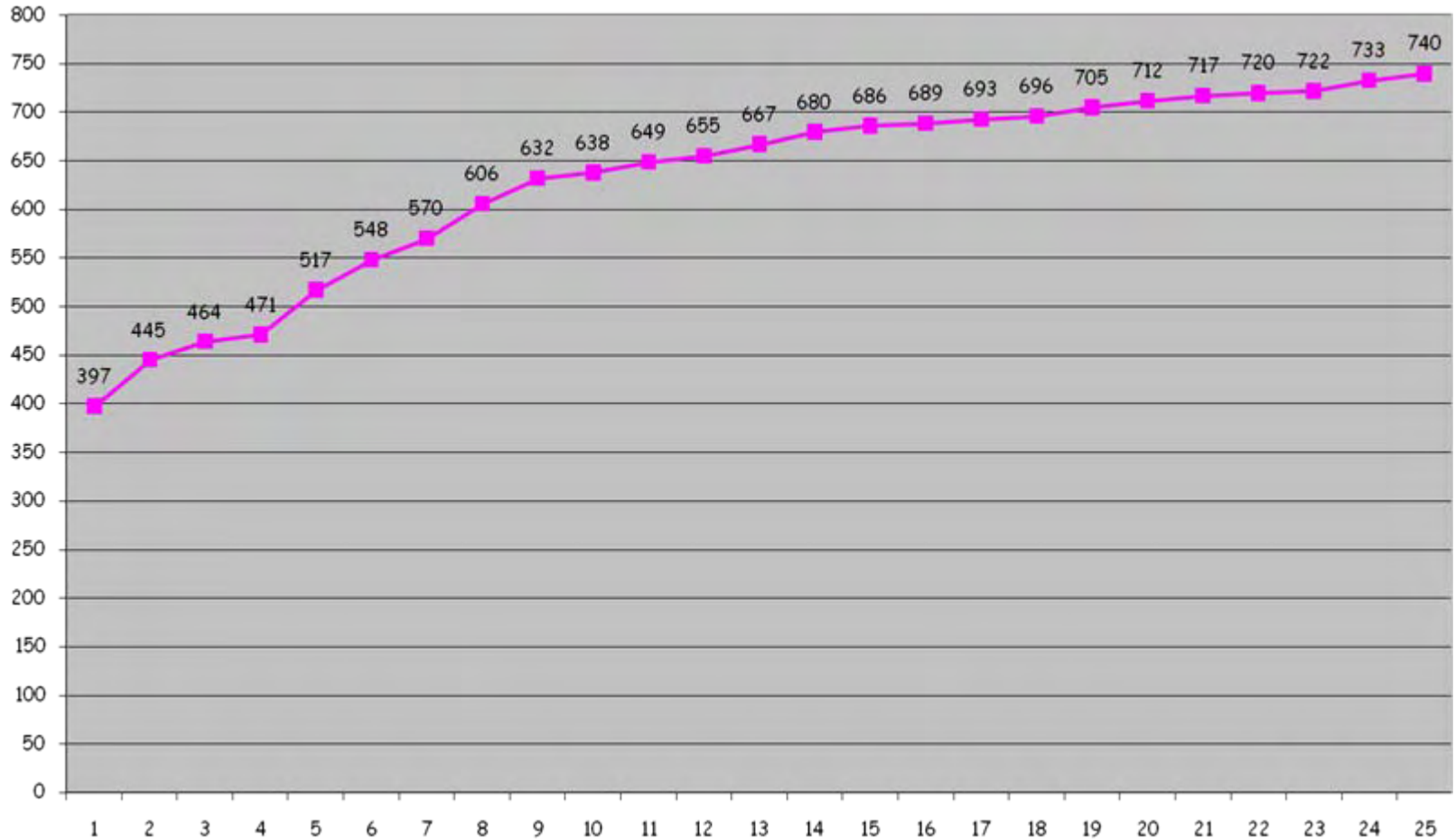
Observation

- Growth for all the QIZ numbers (registration, exports, and number of exporting companies) bumped up against limits.



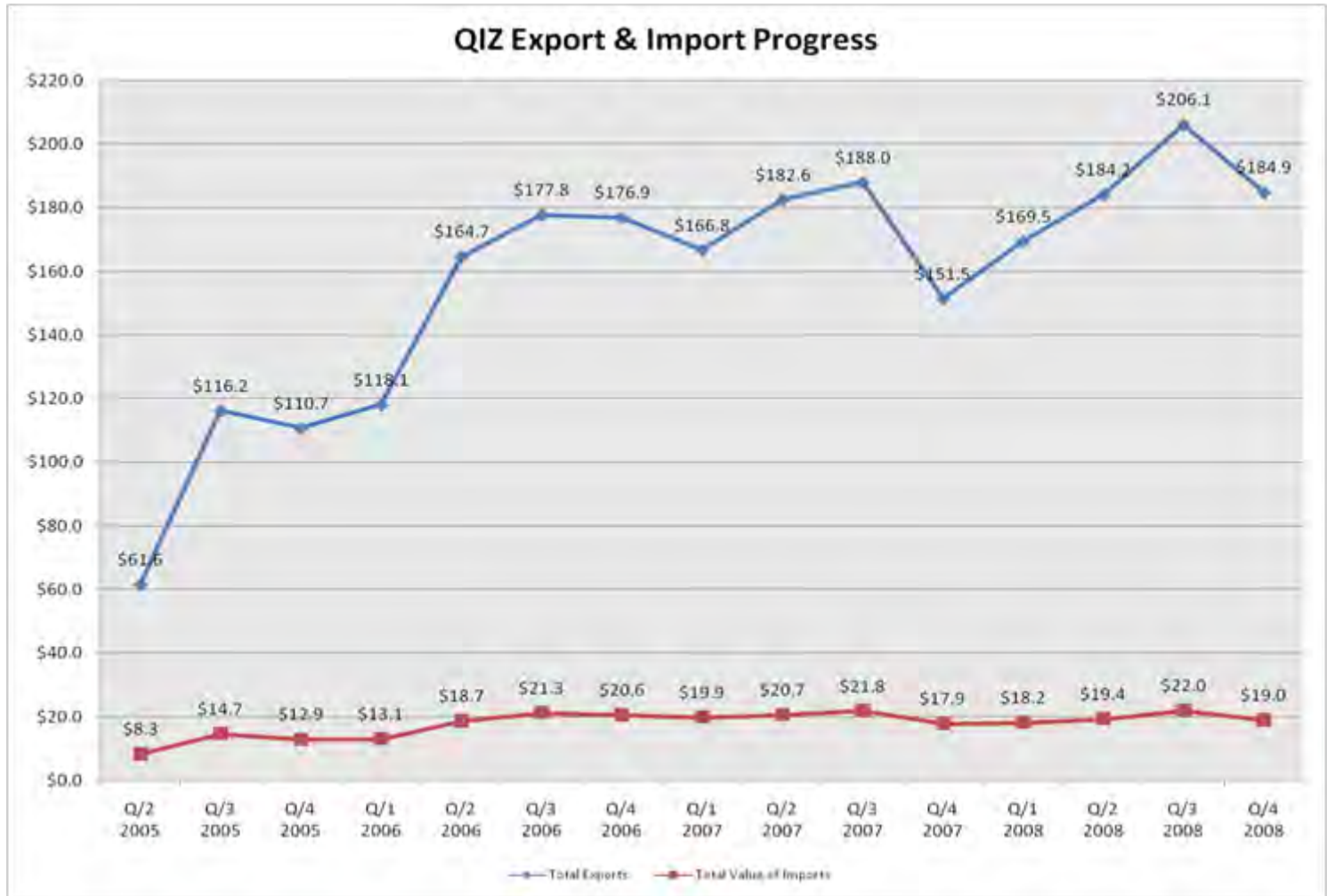


Companies Register Progress



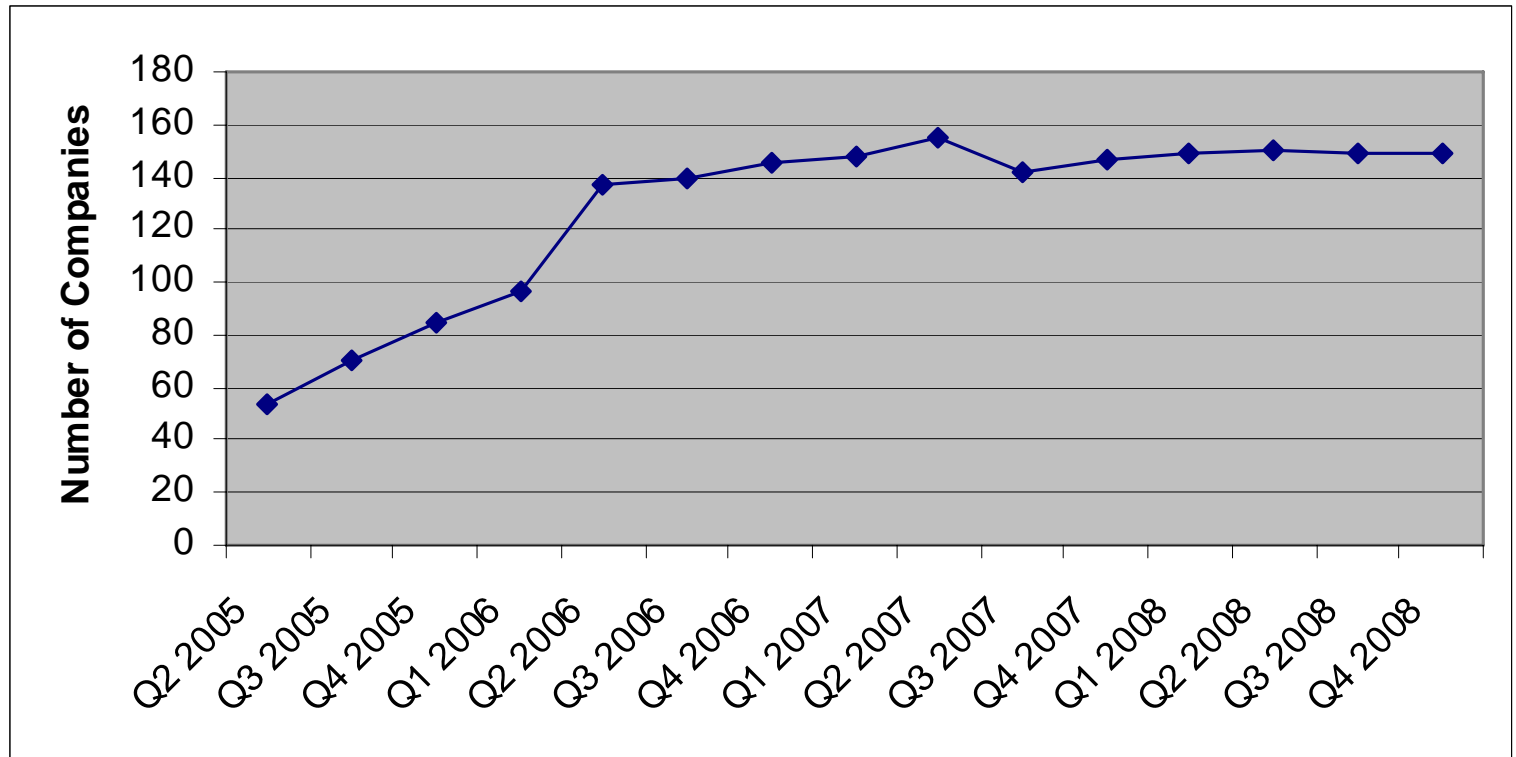


Export & Import Progress





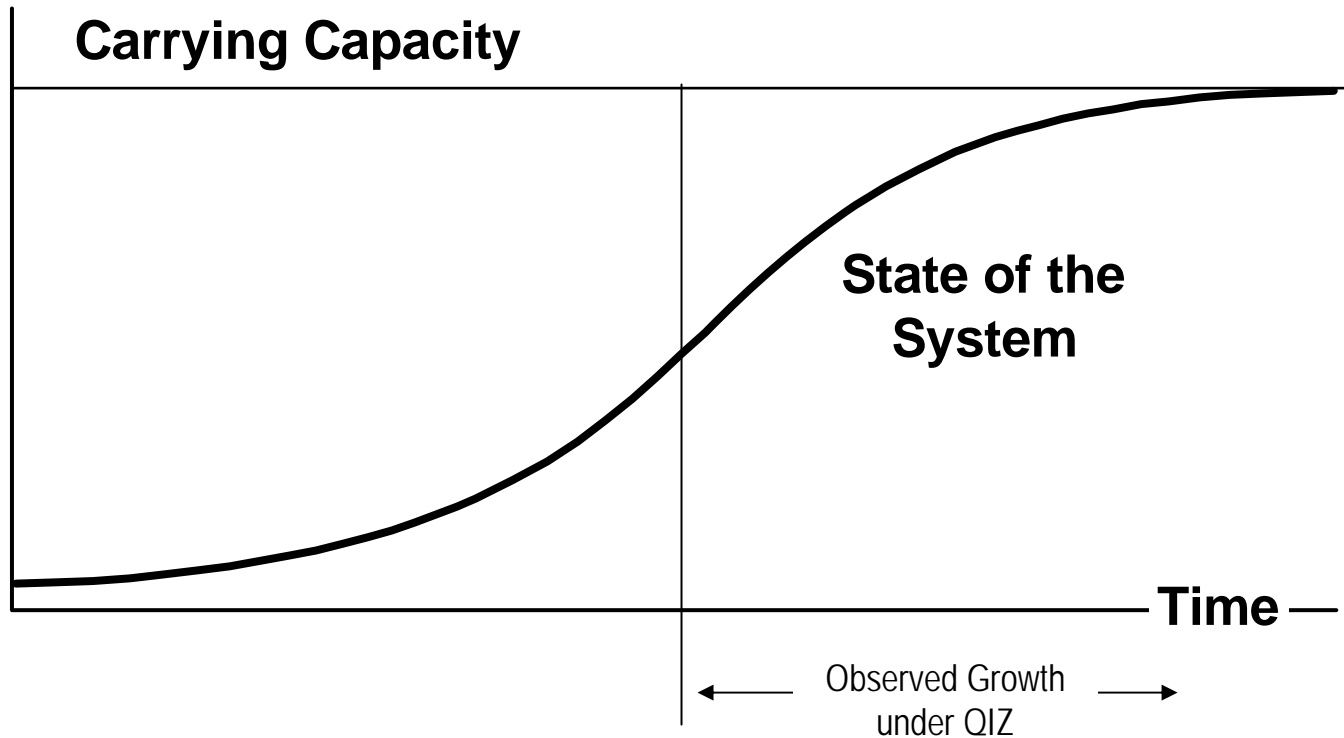
Number of Exporting Companies





Growth Models

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Explanation of the Observation

- The QIZ exports initially exhibited good growth.
- There are “limits to growth” that eventually made themselves known and felt.
 - It is typical that growth would hit a limit that indicates capacity of the system.
- Management Principle: *Don't push growth. Remove the factors that limit growth!*

The question is: What are those limits to growth?



Main Factors of Limits to Growth

- Skilled Labor
- Availability of suitable locations for operations.
- Ease of doing business (government procedures)





Some of What we are doing to help QIZ investors...

Industrial Zones Program

- Provides ready-to-rent or built-to-specs units.
- Targets Services to focused industrial clusters
- Shields investors from the local details.

Technical & Vocational Training

- Industry-focused programs
- Heavily subsidized
- Customized to fit individual company needs

Individual Support & Follow-up

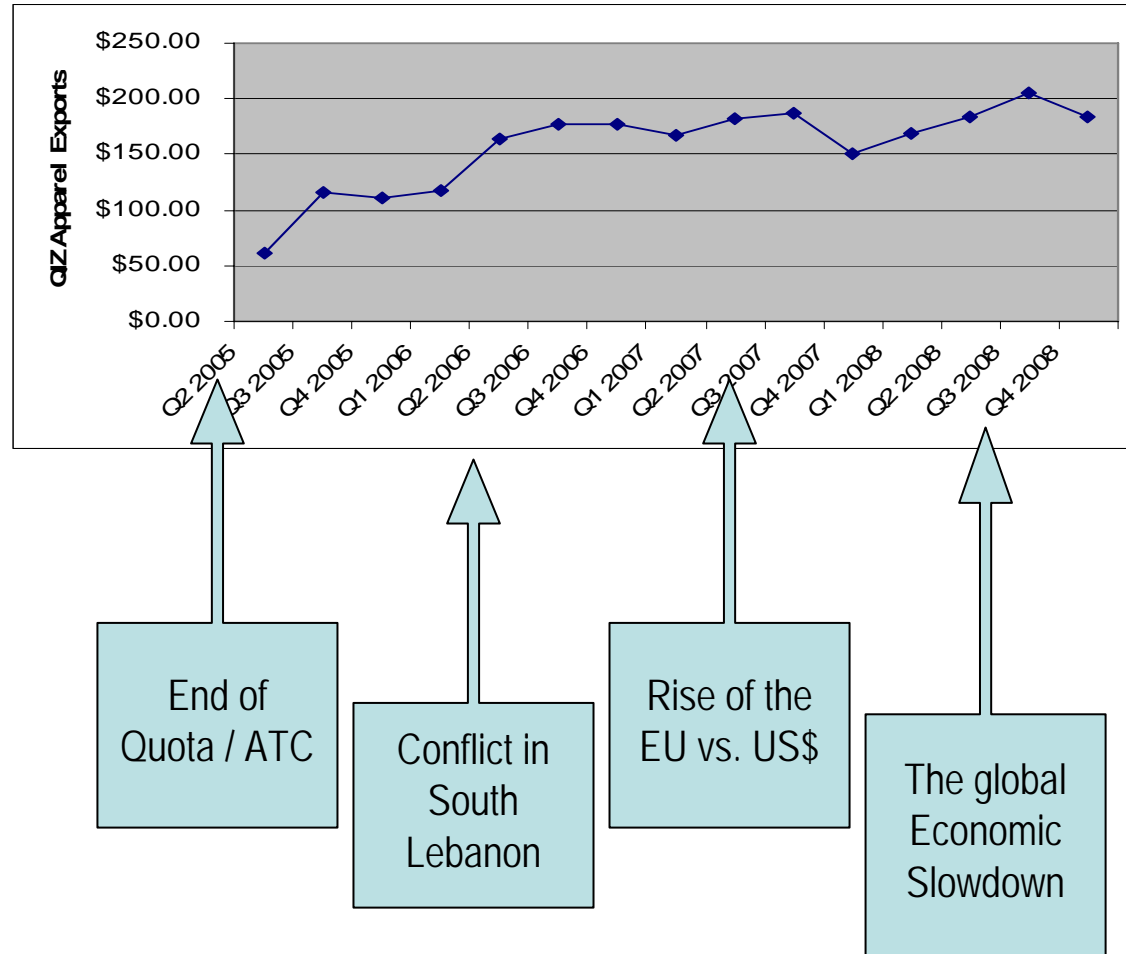
- Account Manager (at GAFI) works one-on-one basis to facilitate investments process.
- Ensures that everything runs smooth and fast.

***Are focused on those limits of
growth!***





QIZ Exports Survived Many Disrupting Events ...





Skilled Labor ...

- One of the most significant factors affecting the competitiveness of the garment industry is low productivity.
 - Inadequate training of managers and workers.
 - High labor turnover and absenteeism.
 - Restrictive labor regulations?
- Buyers & Investors (eventually) will follow value, not cheap labor cost!
 - Capacity of any apparel company to generate value is primarily determined by the number and quality of its workers, including top management.





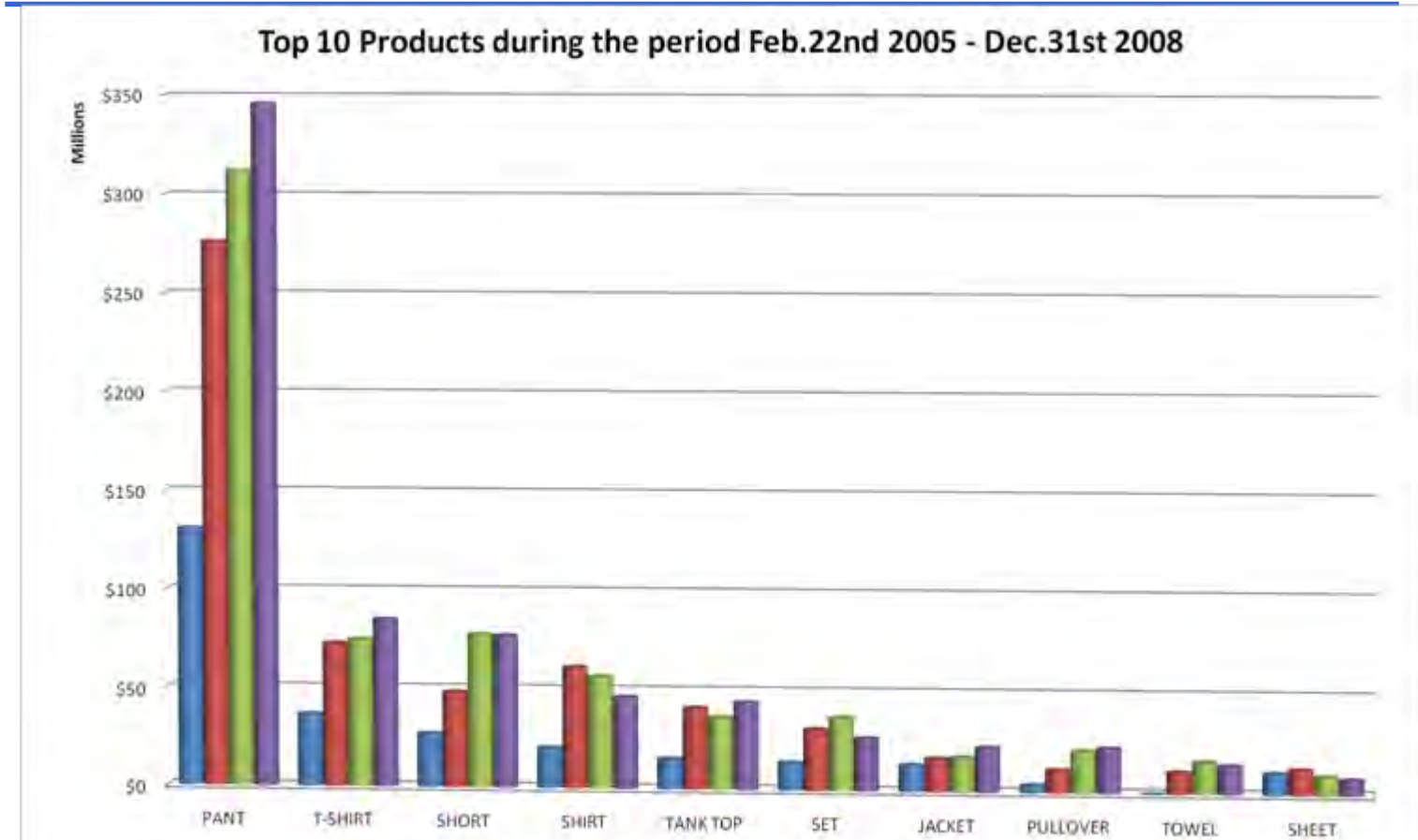
Evidence Skilled Labor Shortage

- In addition to strong feedback from local and foreign investors, and sourcing offices in QIZ Egypt, we also have supporting evidence.
 - QIZ data
 - Export readiness project





QIZ Exports by Products

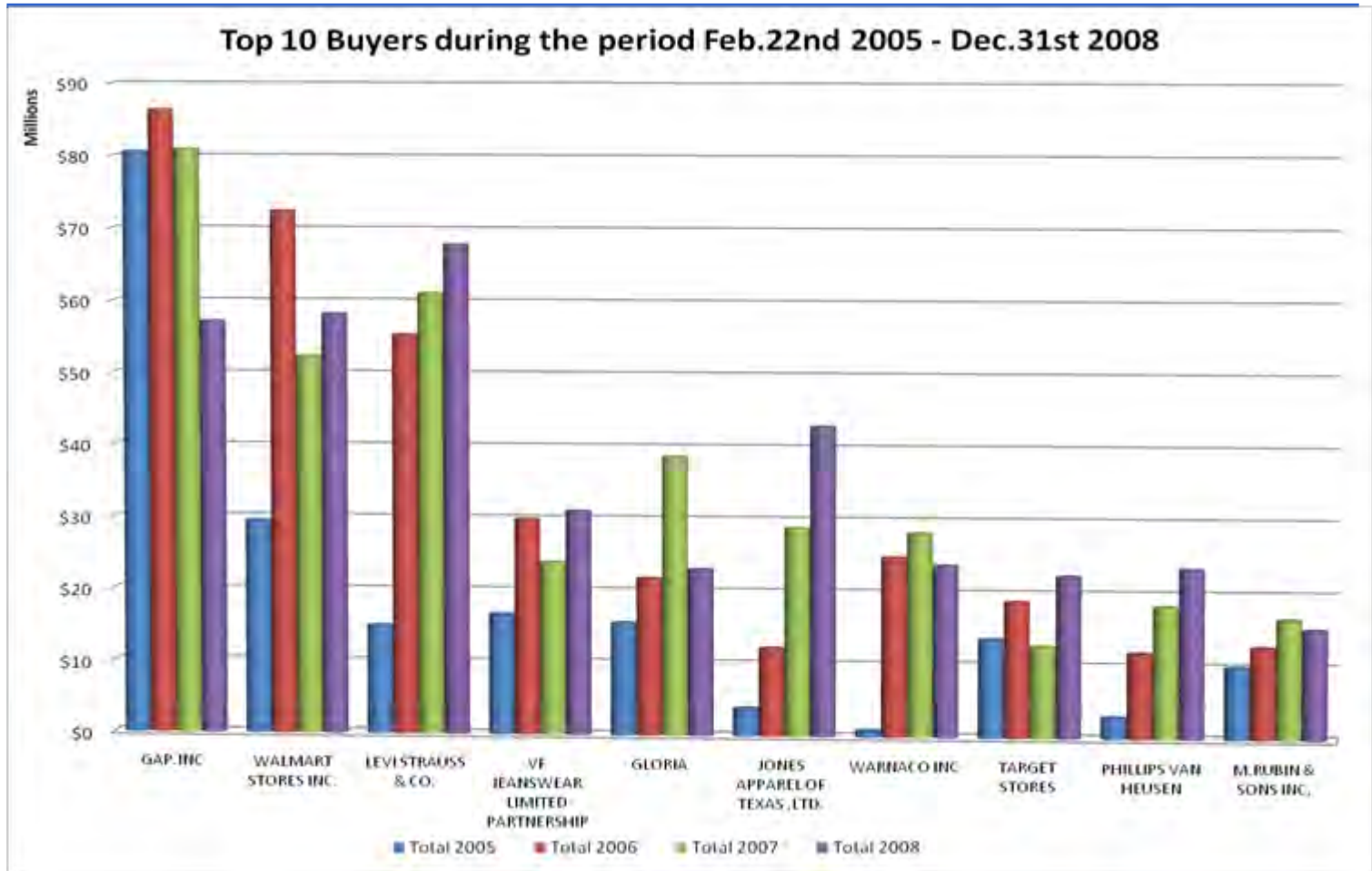


Almost 50% of QIZ Exports are denim pants. Why?





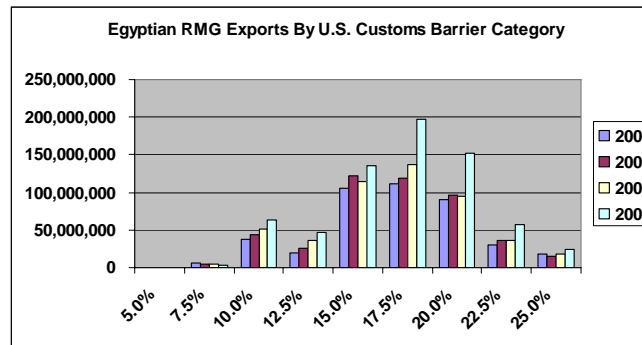
Top 10 US Buyers ...



No major new major players in the last 2 years!



The Custom-Free Opportunity ...



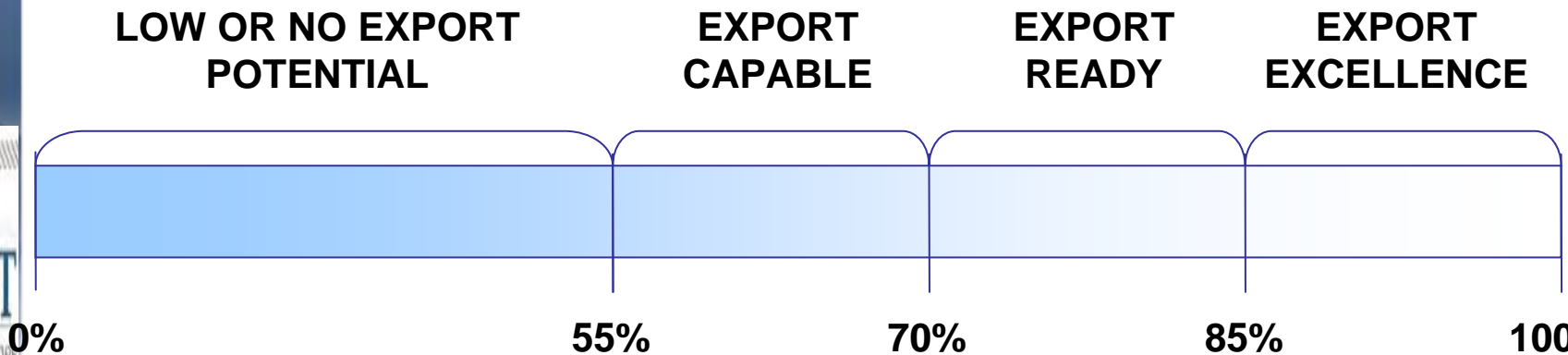
... for apparel products with custom rates above 30% (mainly man-made fiber based) is still not fully exploited in QIZ Egypt!

WHY?





QIZ Export Readiness Project* Gherzi - 2006

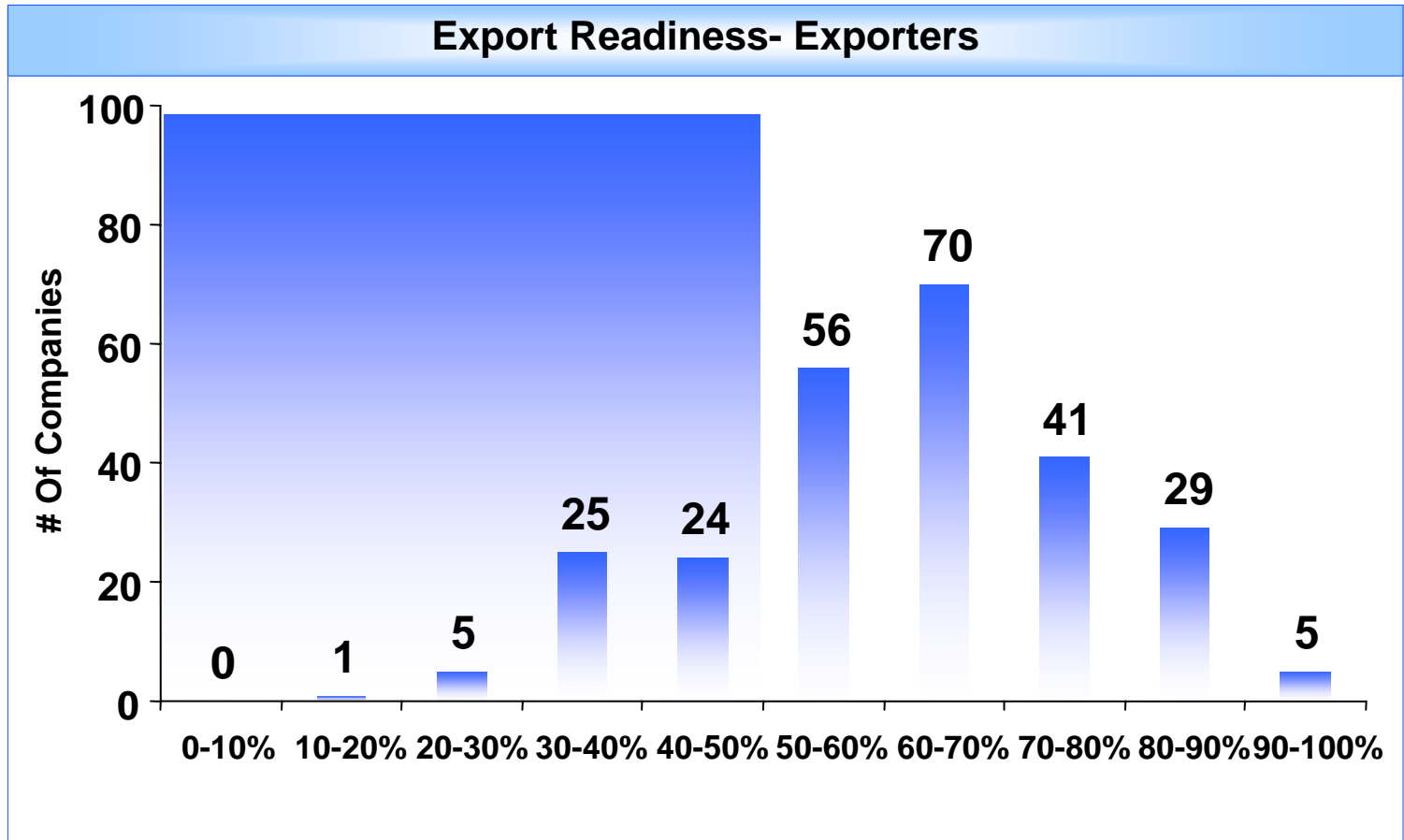


Companies are classified according to their scoring

*** Project performed on first 500 QIZ companies**



Findings-Export Readiness: Export Readiness Overview

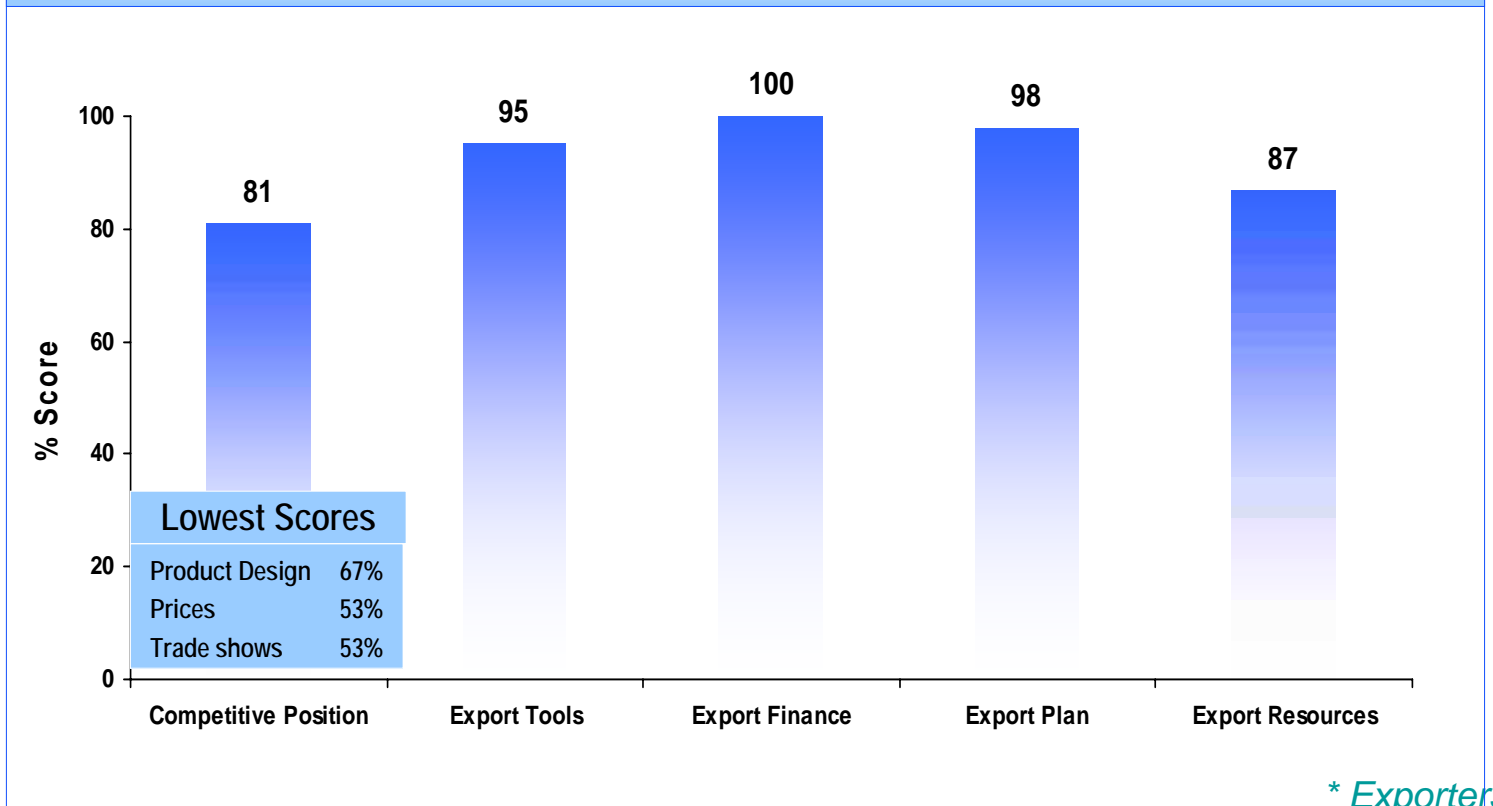


1/3 of all exporters were below 50%. These companies should be the first target for upgrade efforts..



Findings-Export Readiness: Export Readiness Distribution

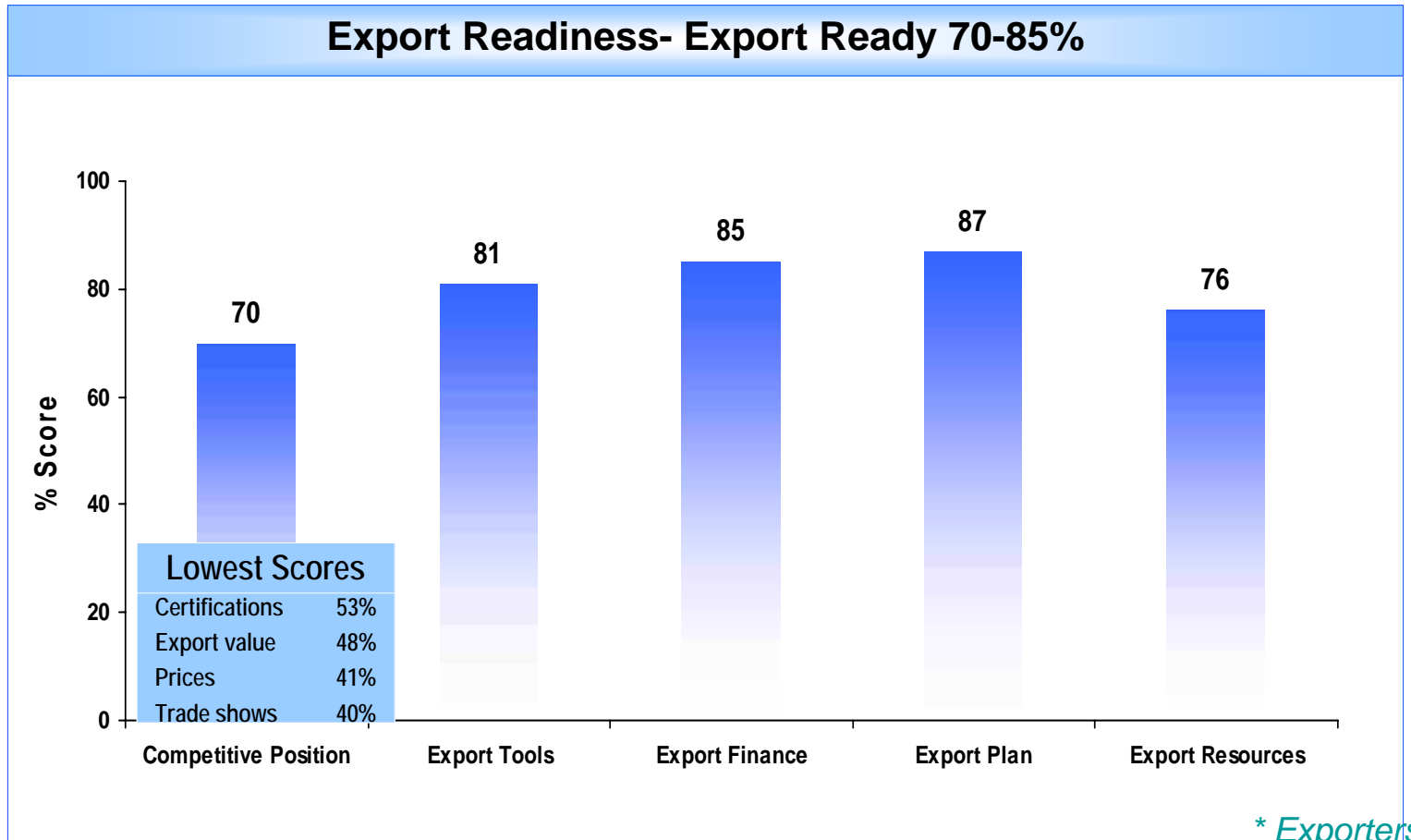
Export Readiness- Export Excellent 85-100%



Export Excellent companies have scored their lowest in competitive position..



Findings-Export Readiness: Export Readiness Distribution (2)



Export Ready companies have scored their lowest in competitive position..



Interesting Findings of the Gherzi Study

- There is a strong correlation between Export Readiness and training..
- Export Excellent companies provide training across the organization, low potential companies train operators only..





Shifting the Burden Game

- Government: we are offering subsidized training and upgrading services to industry.
- Industry: we need more subsidies in able to perform in this hostile environment. We cannot operate with the local labor as efficiently as our competitors.
- Workforce: we get the wrong training/education, and get paid almost nothing to work in hostile environment.

The burden should fall on ALL PARTIES.





Thank you ...

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