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Egypt to Create 15 Industrial Zones to Double Exports

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(Adds cost of the zone in seventh paragraph, analyst quote in ninth)

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By Dania Saadi

Egypt, the third largest Arab economy، plans to create at least 15 more industrial zones within two years to help double exports over the next six years and cut unemployment, the country's Trade and Industry Minister said.

The government plans to add industrial areas in port cities such as Alexandria on the Mediterranean Sea and Port Said at the mouth of the Suez Canal, to the 86 it already has, Rachid Mohamed Rachid said yesterday in an interview in Cairo.

" Our industrial growth is now in excess of 6 percent and our target is to go up to 9 percent over the next six years and double exports," said Rachid.

Egypt, the most populous Arab nation, has an unemployment rate of about 10 percent and needs to create at least 650,000 jobs a year to keep unemployment from rising, according to government figures. The World Bank says the unemployment rate is higher, without specifying a figure.

Industrial zones are the only areas where factories are allowed to function without special permits. The government leases or sells land in the zones to industrial factories and provides basic infrastructure such as water and electricity.

President Hosni Mubarak pledged during his election campaign last year to create 4 million jobs before his fifth six-year term expires in 2011. The industrial sector is expected to contribute 1.5 million of those jobs .

Rising Exports

The cost of creating each industrial zone is about 2 billion Egyptian pounds ($347 million) and is expected to attract as much as $5 billion in investments, Rachid said.

The creation of the zones hasn't significantly lowered the unemployment rate, said Reham El-Desoki, an economist at EFG-Hermes Holding SAE, Egypt's largest investment bank .

"The zones have been used as political carrots to set up communities and create jobs while encouraging expansion of industries," El-Desoki said in a telephone interview in Cairo.
`` They are trying to set up zones in the middle of nowhere ''.

Exports, excluding oil, reached $8.2 billion between July 2005 and June 2006, according to estimates by the trade and industry ministry. Between July 2004 and July 2005, non-oil exports reached about $6 billion.

Industry is forecast to contribute about 25 percent of the country's gross domestic product over the next ten years, up from 19.5 percent now, Rachid said .

Foreign Investment

Egypt relies on foreign direct investment to help finance industrial projects. Western countries are the biggest source of financing, followed by Arab nations and countries from the Far East, such as India and China.

``Investments are increasing dramatically because of the cash accumulation in Persian Gulf countries as a result of oil prices"، Rachid said.

Persian Gulf countries, the source of a quarter of the world's oil production, are boosting their investments in Egypt and other countries in the Middle East to diversify their holdings amid record oil prices.

The government of Prime Minister Ahmed Nazif, which took office in July 2004, last year cut customs duties from an average of 14 percent to 9 percent to boost industrial production. It plans further reductions on duties, mainly on machinery, this year .

Since its appointment, the new Cabinet has negotiated a free trade agreement with Israel and halved income taxes as part of a plan to boost economic growth, which is forecast to reach 6.1 percent in the fiscal year that ends June 30.

The economy grew by 5.2 percent in the 12 months through June ،2005 compared with 3 percent in 2004, thanks to tax and tariff cuts and other measures to boost investment and trade.

The government is targeting growth investments.

--Editor: Sanders

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