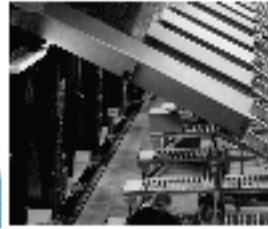


QIZ EGYPT
Qualifying Industrial Zones



EGYPT

QIZ Opportunities for non-Apparel

28 November 2005



Historical Background

- US-Israel FTA agreement became effective September 1, 1985.
- FTA Implementation Act was amended on October 2, 1996, authorizing the President to implement certain changes affecting the duty status of goods from qualifying industrial zones (QIZs).
- By Presidential Proclamation 6955 of November 13, 1996, duty-free treatment is allowed for products of a QIZ, imported directly from QIZ, provided certain requirements are met.
- In 1998, Jordan signed the protocol.
- In 14 December 2004 Egypt signed the Protocol.





What is a Qualified Industrial Zone (QIZ)?

Any area that

1. encompasses portions of the territory of Israel and Jordan or Israel and Egypt;
2. has been designated by local authorities as an enclave where merchandise may enter without payment of duty or excise taxes; and
3. has been designated by the United States Trade Representative (USTR) in a notice published in the Federal Register as a QIZ.





QIZ Custom-Free Eligibility Criteria

- **Product must meet the country of origin criteria.**
 - Most rules of origins of the protocol are similar to those of the Generalized System of Preferences of the U.S. (GSP).
 - Special rules apply to textile and apparel as per Section 334 of Uruguay Round Agreement Act, 19 U.S.C. 3592.
- **Product must meet the value content requirements of 35%.**
 - The sum of materials and direct costs of processing in qualifying industrial zone and Israel must exceed 35% of the finished product's value (ex factory price).
 - QIZ factories and Israeli side each contribute and maintain at least one third (11.7%) of the minimum 35% of local content required, on a quarterly basis.
- **Product must be exported to the US directly from QIZ.**





QIZ Chronicle of Events

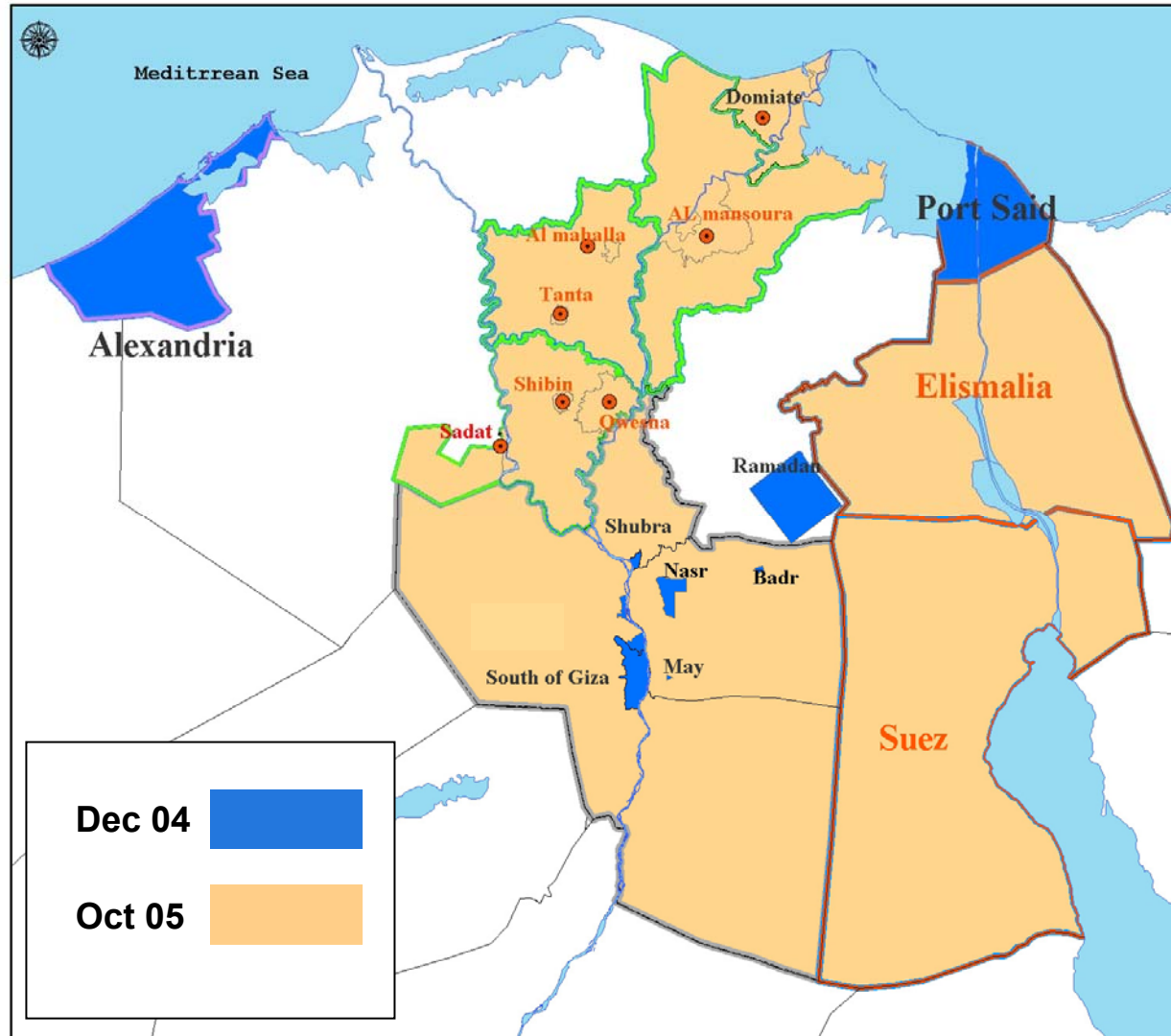
Dec. 14, 2004	Protocol Signed
Feb 16, 2005	Protocol Ratified
Feb 22, 2005	Joint Committee met to approve 397 companies.
June 6, 2005	48 more companies are approved.
Aug 14, 2005	2nd QIZ Joint Committee meeting held; approved 19 new companies; and reviewed QIZ compliance (4 non-complied companies were suspended for 3 month).
Oct 21, 2005	USTR approved expansion of the QIZ coverage.
Nov 23, 2005	QIZ Joint Committee met to review QIZ company compliance for the second quarter, 4 companies are suspended for non-compliance and to 6 new companies are approved.





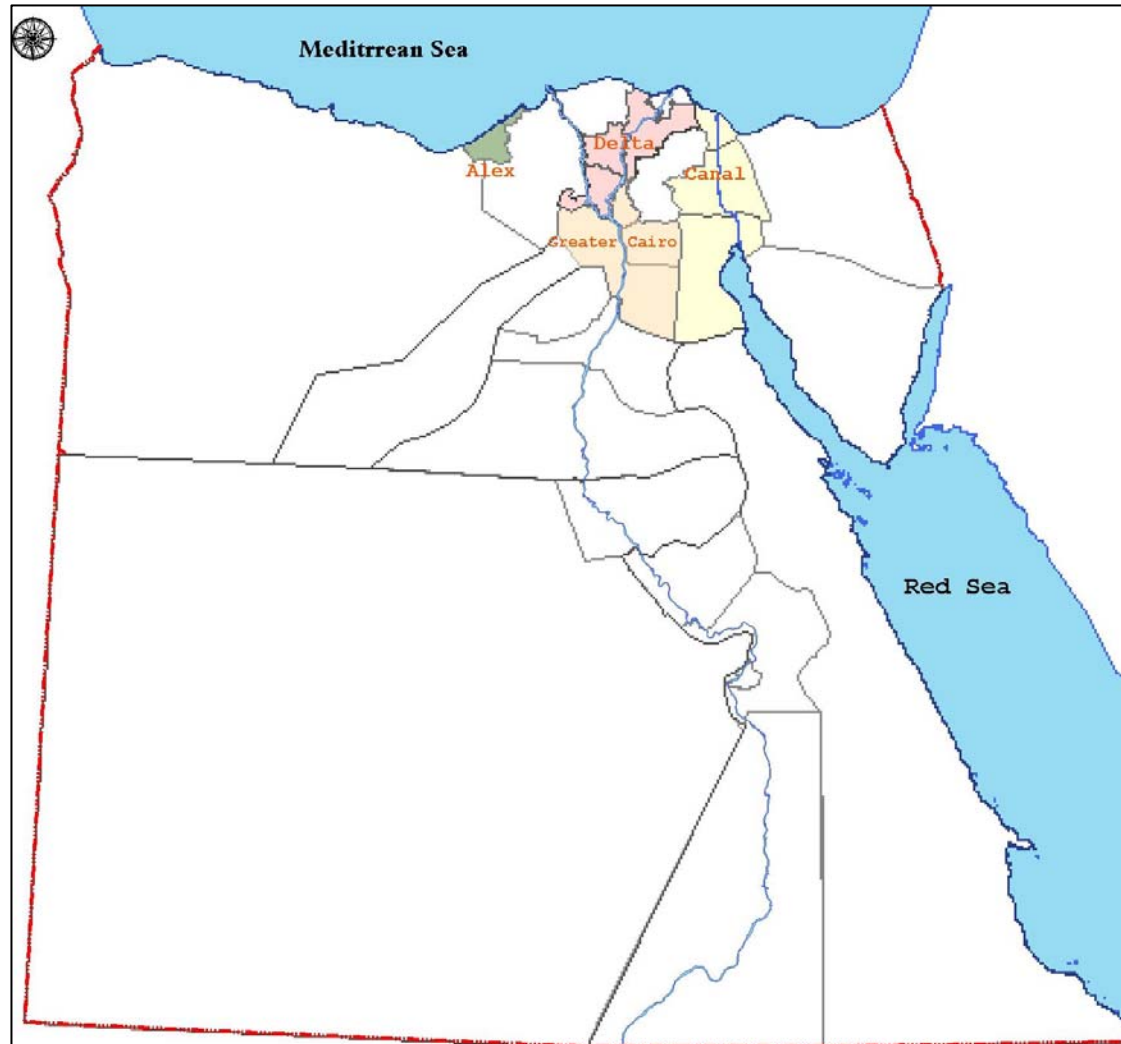
QIZ Locations

December 04 vs. October 05



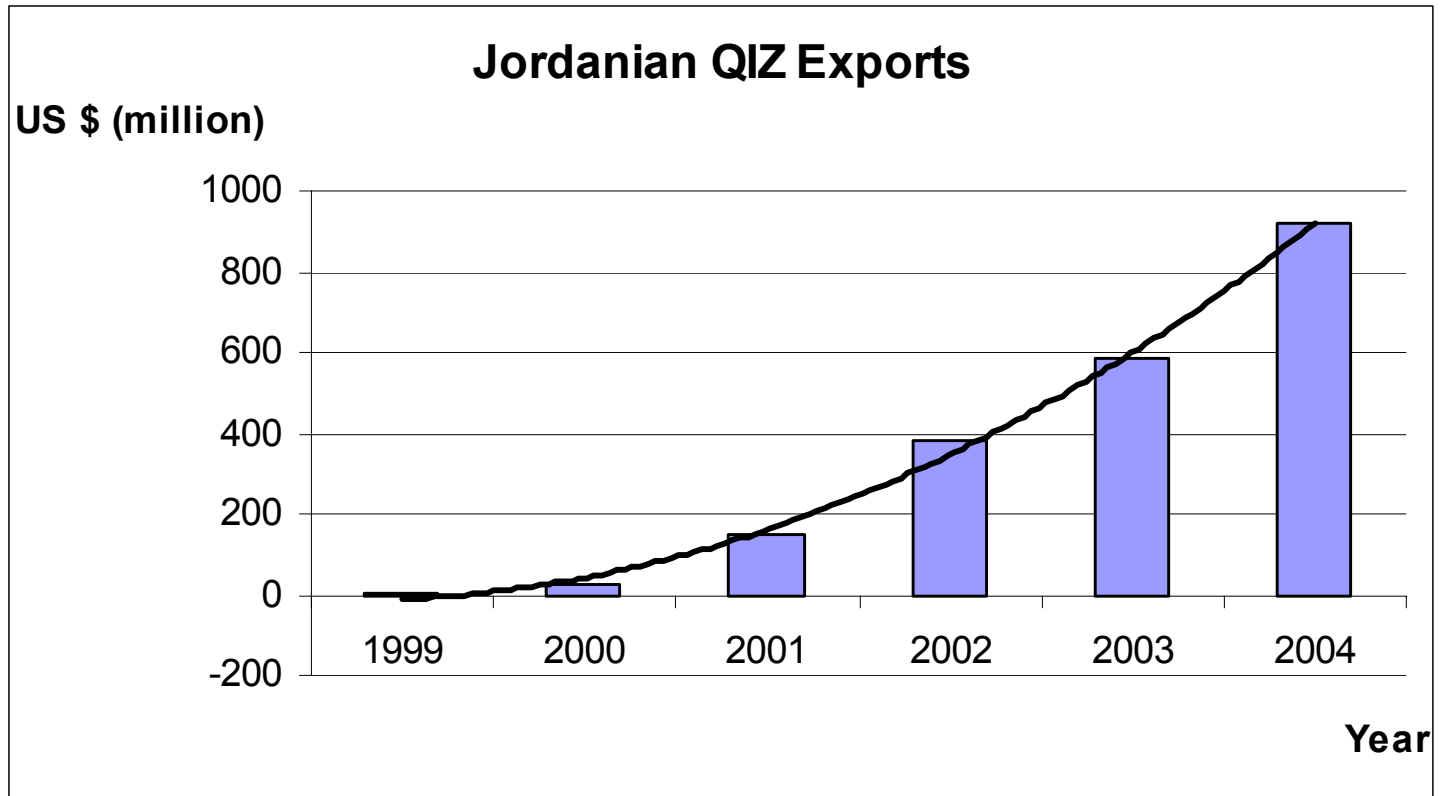


QIZ Locations





Why Should anyone be interested in QIZ?



Custom-free market access to the US, the largest consumer market in the world!



Is QIZ for you?

1. If your company is located in a QIZ, Check the USA customs rate for your products.
 - a) Some products have no customs, while some have up to 35% customs.
2. Check if this “margin” provides you with the needed competitive advantage.
3. The most important factor is whether you can produce up to the specifications/requirements of the USA market!

Some of the high tariff rates are for non-apparel products.





Main QIZ Processes

- A Company, located in a Qualified Industrial Zone, will register with the QIZ unit.
- A QIZ certificate is issued to the company upon approval of the Joint Committee.
- QIZ Exported Goods to the USA enjoy custom-free access.
- QIZ Unit audits compliance of companies to rules of the protocol.





What do I buy from Israel?

1. Depends on your industry.
2. Examples from Ready Made Garment and Food & Beverage.
3. QIZ Unit will help you find information on where to buy it from.
4. Notice that the Israeli content is more expensive than whatever you get from your current suppliers.





Impact of QIZ on Egypt

- QIZ is credited for keeping the apparel export levels around same levels of last year.
 - QIZ = Survival of Apparel Exporters
- Positive Indications of future impact are:
 - Expansion in capacity of all major players
 - Major players exploring sourcing options from QIZ Egypt
 - FDI in Textile/Apparel





Egypt's Apparel Exports to the USA

Calendar Years		Year-to-Date			Year-Endings			
2003	2004	8/2004	8/2005	% Change	Aug-04	Aug-05	% Change	% Share
138.55	156.03	103.969	101.157	-2.70	145.194	153.217	5.53	0.71

Source: OTEXA – US Department of Commerce





QIZ Trade Statistics

	QIZ Exports to USA (million USD)	Number of Exporters
Quarter 1 Feb 22 to June 30	61	54
Quarter 2 July 1 to Sept. 30	116	70

* Inbound shipments based on Egyptian custom declaration documents

** Outbound shipments based on GOEIC export statistical form





QIZ Investment Statistics*

1/05 to 9/05

Number of companies	Declared Capital (million US \$)	Investment (million US \$)	Size of Workforce
16	36.7	52.4	5762

QIZ EGYPT
Qualifying Industrial Zones



* Data from GAFI



The Lost Opportunities

Other industries that Can benefit from QIZ

- Footwear
- Leather Products
- Food and Beverage
- Glassware

QIZ is not just for Ready Made Garments.





Summary Table P1

Industry	Product	Trade Barrier	Total U.S Imports
Food & Beverage	Meats	10%-26.40%	\$272,078,579
	Seafood: Tuna & Skipjack, Caviar	12.50%-15%	\$512,861,719
	Dairy: Yogurt, Butter, Milk Cheese...etc	10%-77.20%	\$564,784,415
	Vegetables: Dried Garlic, Cassava, Artichokes, Tomatoes, Asparagus	10.20%-29.80%	\$573,137,965
	Fruits & Nuts: Strawberries, Pears	11.20%-17.90%	\$165,981,310
	Desert Items: Confectioners Sugar, Chocolate	10.40%-21.20%	\$39,300,413
	Condiments: Tomato Sauces, Mustard	11.60%-73.68%	\$67,727,932
	Drinks: Grape Juice, Wine, Spirits	13.51%-50.02%	\$164,081,009
	Cereals	14.90%	\$34,147,806.00
Subtotal			\$2,394,101,148
Leather Products	Trunks, Suitcases, Vanity & Attaché Cases	17.60%-20%	\$672,522,148
	Handbags & Wallets	10%-20%	\$1,345,877,019
	Gloves	12.60%-14%	\$173,524,038
Subtotal			\$2,191,923,205
Footwear	Shoes	10%-57.95%	\$8,053,806,492
Subtotal			\$8,053,806,492





Summary Table P2

Industry	Product	Trade Barrier	Total U.S Imports
Glassware	Drinking Glasses	12.50%-28.50%	\$210,446,972.00
	Glassware for Kitchen	15%-22.50%	\$88,670,382.00
	Glassware for Toilette	11.30%-30%	\$138,272,398.00
Subtotal			\$437,389,752
Industrial Goods	Ferrosilicon Chromium	10%	\$32,581,471
	Titanium Wrought	15%	\$75,007,541
	Parts of Ball Bearings	9.90%	\$36,507,188
Subtotal			\$144,096,200
Transportation	Railway Passenger Coaches	14%	\$29,950,679
	Cars	25%	\$10,357,169,616
Subtotal			\$10,387,120,295



Summary Table P3

Industry	Product	Trade Barrier	Total U.S Imports
Miscellaneous	Silver, Semiprecious Stones and Imitation Jewelry	10.50%-13.50	\$327,126,993
	Forks and Knives	12.10%-18.87%	\$24,125,933
	Hair Slides and Accessories	11%	\$44,657,849
	Watches and Watch Straps	11.20%-11.36%	\$30,274,971
	Bamboo Baskets	10%	\$32,247,605
	Quilts	12.80%	\$521,245,324
	Lamps	12%	\$31,281,637
	Telescopic Sights for Rifles	14.90%	\$67,932,212
	Cathode Ray Tubes	15%	\$402,981,528
	Flashlights	12.50%	\$149,014,121
	Artificial Flowers	17%	\$14,732,480
	Small Ceramic Objects & Non Household Porcelain and China	10%-26%	\$222,614,132
Subtotal			\$1,868,234,785
Total			\$25,476,671,877





2005 Chinese Exports to the USA and Duties Levied [Jan-Sep.]

Industry	2005 YTD Total Imports	2005 YTD Calculated Duties	Trade Barrier
Garments	\$10,483,247,632	\$1,439,600,013	8% - 24.50%
Footwear	\$8,451,240,814	\$851,338,873	9% - 36%
Articles of Leather	\$3,726,671,883	\$437,158,257	6.71% - 14.62%
Home Textiles	\$2,134,059,883	\$172,310,900	7% - 11.40%
Ceramic and Glassware	\$1,945,213,812	\$151,648,833	3.70% - 21.73%
Articles of Plastic and Rubber	\$4,230,395,091	\$150,540,487	3% - 14%
Transportation Equipment	\$2,001,975,593	\$90,190,346	2.50% - 25%
Metal Items	\$2,435,504,342	\$84,409,035	2.50% - 19.40%
Fabrics	\$274,309,116	\$34,370,604	10% - 24.32%
Artificial Flowers	\$387,162,109	\$30,543,701	9%
Headgear and Umbrellas	\$379,606,236	\$24,923,570	6.50% - 12%
Articles of Wood	\$504,915,787	\$16,586,472	3.20% - 14%
Food and Beverage	\$75,078,673	\$8,920,293	10% - 50.66%





2005 Turkish Exports to the USA and Duties Levied [Jan-June]

<i>Industry</i>	<i>Product</i>	<i>Total Imports from Turkey</i>	<i>Calculated Duties</i>	<i>Trade Barrier</i>
Textiles	Yarns and Fabrics	\$105,993,029	\$9,312,561	6.50%- 25%
	Garments	\$548,899,442	\$89,644,575	6.50%- 32%
	Home Textiles	\$189,625,126	\$17,298,270	6%- 20.90%
	Subtotal	\$844,517,597	\$116,255,406	
Leather Goods	Travel Goods	\$7,751,723	\$1,159,052	9%- 17.60%
	Leather Apparel	\$7,723,244	\$463,409	6%
	Subtotal	\$15,474,967	\$1,622,461	
Ceramics and Glassware	Ceramics and China	\$31,389,142	\$2,669,400	8.50%- 25%
	Glassware for Home	\$11,671,460	\$2,076,064	7.20%- 38%
	Subtotal	\$43,060,602	\$4,745,464	
Footwear	Shoes	\$26,861	\$8,645	20%- 37.50%
	Subtotal	\$26,861	\$8,645	





QIZ is attracting ...

- Major investments from readymade garment investors.
 - Local companies are expanding capacities
 - Foreign Direct Investments
- Soon it should attract investors from other sectors.

Do not miss the opportunity!





Thank you ...

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