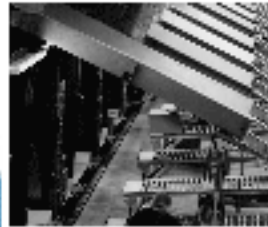


**QIZ** EGYPT  
Qualifying Industrial Zones



EGYPT

# **QIZ Opportunities for non-Apparel**

**28 November 2005**



# Historical Background

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- 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)?

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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

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- **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

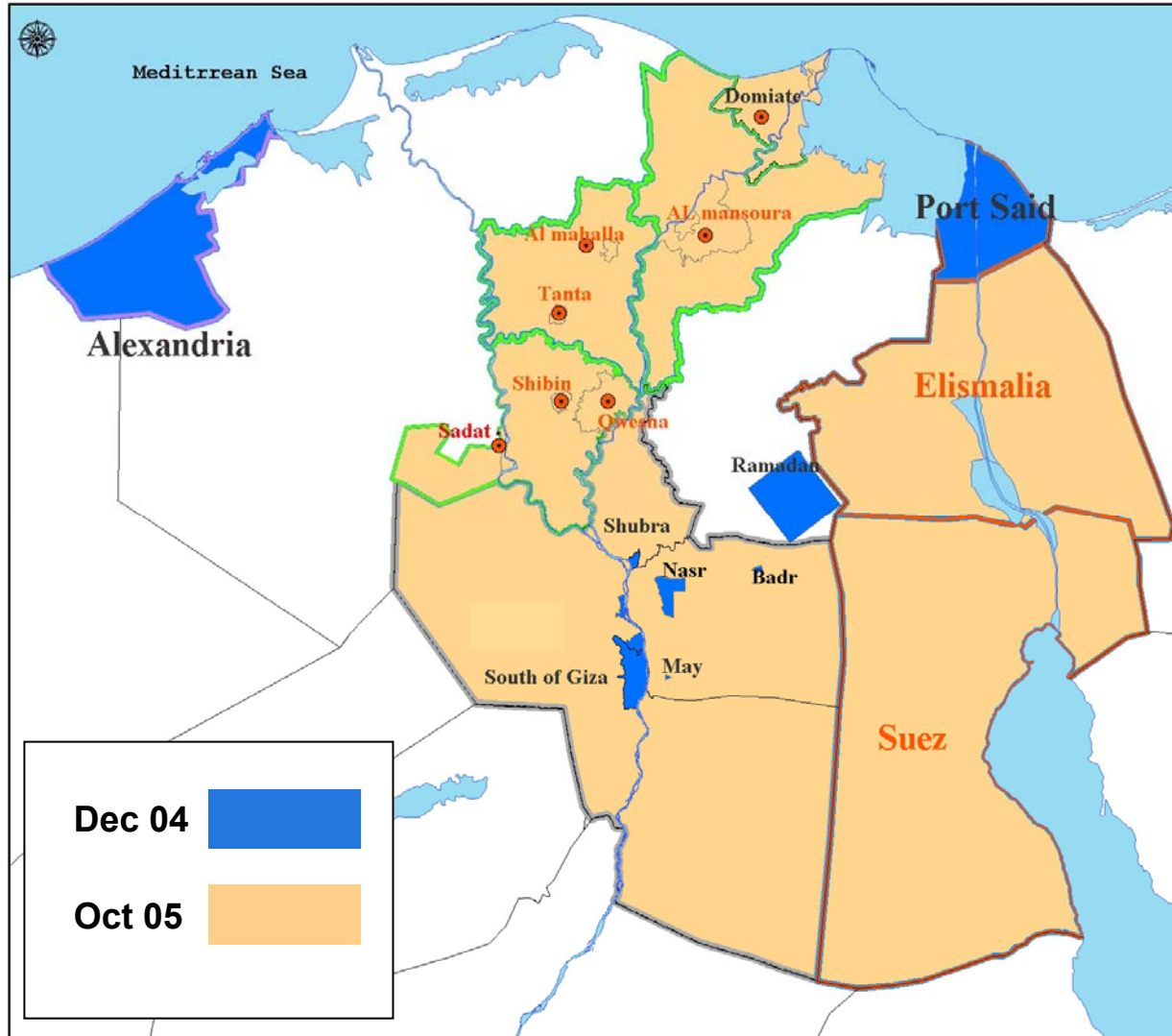
<b>Dec. 14, 2004</b>	<b>Protocol Signed</b>
<b>Feb 16, 2005</b>	<b>Protocol Ratified</b>
<b>Feb 22, 2005</b>	<b>Joint Committee met to approve 397 companies.</b>
<b>June 6, 2005</b>	<b>48 more companies are approved.</b>
<b>Aug 14, 2005</b>	<b>2<sup>nd</sup> QIZ Joint Committee meeting held; approved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





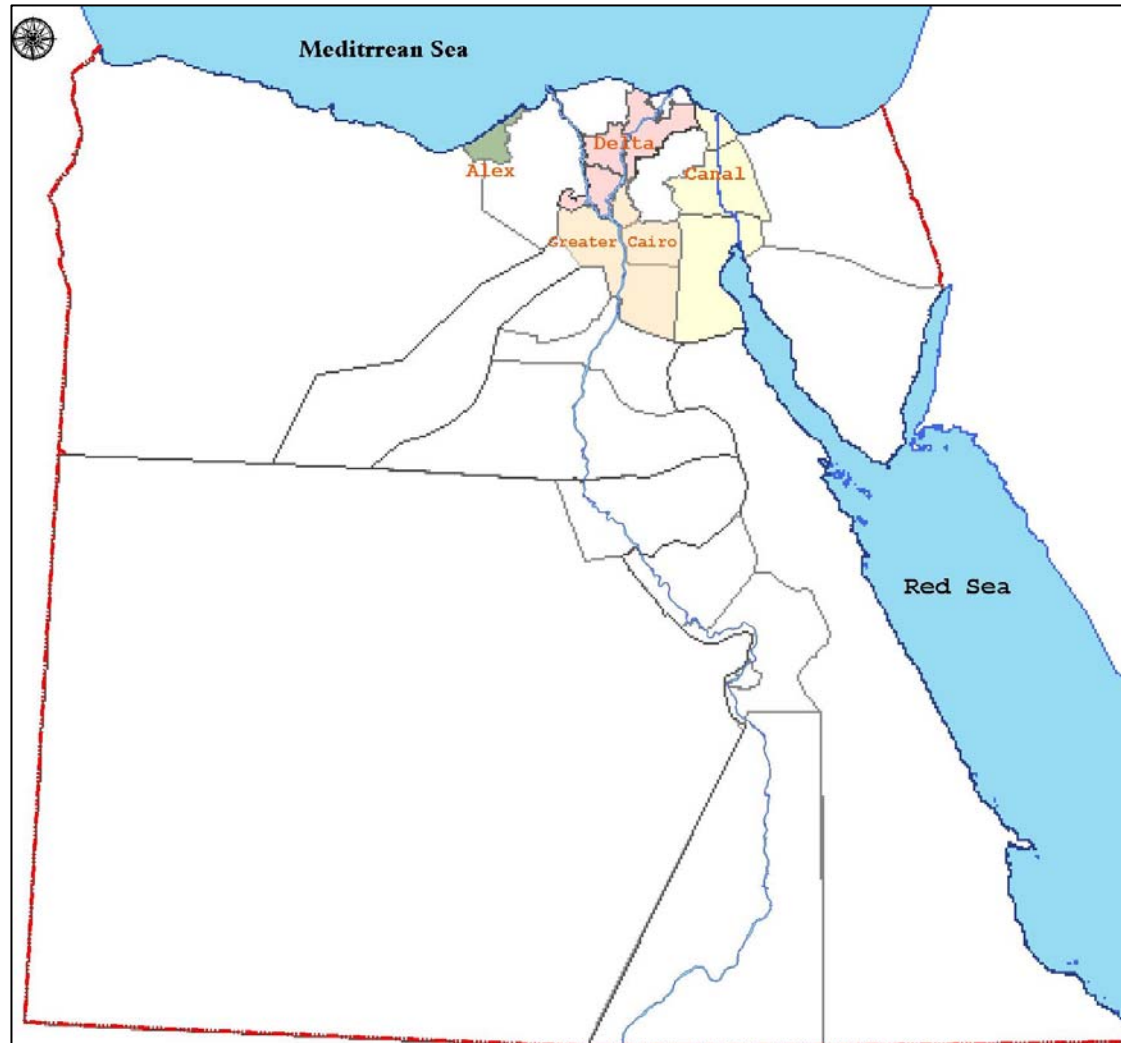
# QIZ Locations

## December 04 vs. October 05



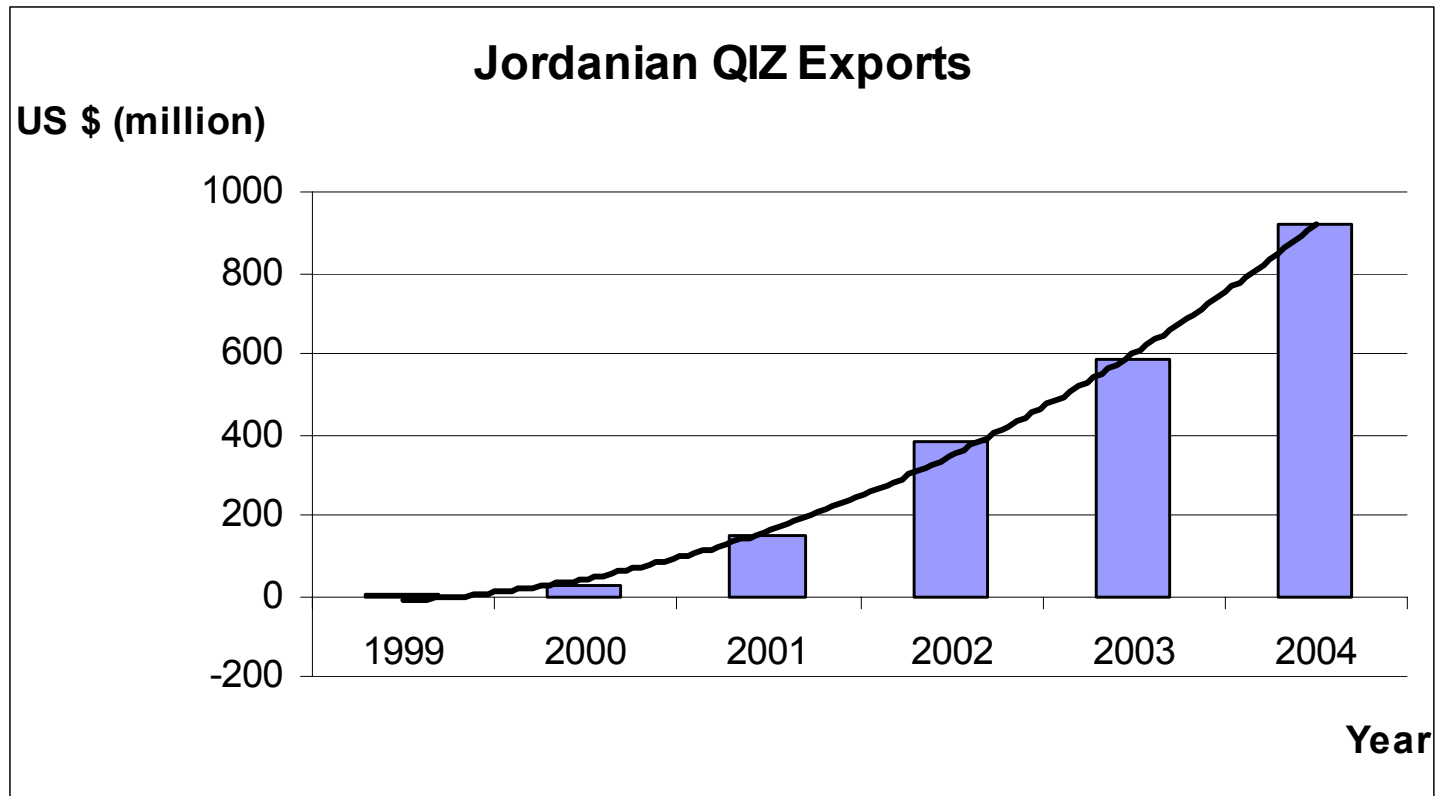


# QIZ Locations





# 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?

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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

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- 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?

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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

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- 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	<b>61</b>	<b>54</b>
Quarter 2 July 1 to Sept. 30	<b>116</b>	<b>70</b>

\* Inbound shipments based on Egyptian custom declaration documents

\*\* Outbound shipments based on GOEIC export statistical form





# QIZ Investment Statistics\*

## 1/05 to 9/05

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



\* Data from GAFI



# The Lost Opportunities

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## 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
<b>Subtotal</b>			<b>\$2,394,101,148</b>
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
<b>Subtotal</b>			<b>\$2,191,923,205</b>
Footwear	Shoes	10%-57.95%	\$8,053,806,492
<b>Subtotal</b>			<b>\$8,053,806,492</b>





# 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%
	<b>Subtotal</b>	<b>\$844,517,597</b>	<b>\$116,255,406</b>	
Leather Goods	Travel Goods	\$7,751,723	\$1,159,052	9%- 17.60%
	Leather Apparel	\$7,723,244	\$463,409	6%
	<b>Subtotal</b>	<b>\$15,474,967</b>	<b>\$1,622,461</b>	
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%
	<b>Subtotal</b>	<b>\$43,060,602</b>	<b>\$4,745,464</b>	
Footwear	Shoes	\$26,861	\$8,645	20%- 37.50%
	<b>Subtotal</b>	<b>\$26,861</b>	<b>\$8,645</b>	





# QIZ is attracting ...

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- 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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**QIZ Unit**  
**Ministry of Foreign Trade and Industry**  
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