



EGYPT TOMORROW ECONOMIC FORUM
Video Interviews

THE CORONA ECONOMY: CRISIS & OPPORTUNITIES

**EPISODE FOUR: INDUSTRIAL ZONES:
A LOOK AT HOW BUSINESSES
OUTSIDE OF CAIRO ARE DEALING WITH THE CRISIS**

*Interview with Ahmed Sultan, member of the CIPE's
Egypt Tomorrow Economic Forum
and Board Member of the Sohag Investors Association*

*Interview conducted by Lobna Afify, CIPE Egypt Program Officer,
on April 1, 2020*

CIPE: Welcome, Ahmed, to CIPE Egypt's series of video interviews on the Corona Economy: Crisis and Opportunities. Ahmed Sultan is a member of the Egypt Tomorrow Economic Forum and a board member of the Sohag Investors Association.

Sultan: My pleasure, Lobna, to see you and to be part of this endeavor.

CIPE: We would like to hear from you on several issues related to business and the economy at this time of the corona crisis. Let's start with the situation in the industrial zones, how is it affected, and are the effects different for each sector and size?

Sultan: Overall, all sectors are affected. Over the last two weeks, the industrial map has been reshaped. I can name two sectors that have been positively affected, and those are the detergent and medical supplies sectors. Other than that, the effect is, so far, negative for all other sectors. The sectors related to tourism are the ones affected the most. Some of them have completely stopped production; it is not a slowdown, but a total shutdown. Distributors of fruits and vegetables have stopped working entirely. The appliances production sector is greatly harmed as well. Some companies have reduced production while others have completely stopped in the second week of the curfew, as there are no sales and no supplies from Cairo to the provinces. We see a large deficit when it comes to transporting raw materials and transporting our products. The transportation chain is highly affected—the transportation sector in general. I cannot say it is paralyzed, but it has been hit hard.

Link to Arabic Video: <https://www.facebook.com/CIPEArabia/videos/644113529717957/>

CIPE: Since you mentioned the tourism sector, today the IMF published a tracking report to show the policies undertaken by each country to address the virus's economic effects. The IMF tracking report shows that Egypt allocated 100 billion pounds as an economic stimulus package, of which 50% is allocated to the tourism sector. How do you see the allocation giving more weight to the tourism sector? Has such a decision made a difference for you in the industrial zones?

Sultan: Tourism is one of the economy's key sectors. Anything that negatively impacts tourism will have a domino effect on all other sectors. If we take one industrial zone as an example, let's say El-Kawthar zone, which is so close to the Red Sea province. There are factories in Al-Kawthar that only produce for the touristic enterprises in the Red Sea. Some mineral water factories and other food and beverage factories don't supply any market except those touristic enterprises. Our factory produces packaging material, and when these factories work, I supply them with packages. Thus, any initiative that benefits tourism benefits us.

CIPE: During our preparation for this episode, you mentioned that small businesses have an opportunity now, can you elaborate more on that, given your knowledge of industrial zones and the investors association's work?

Sultan: All manufacturers in Sohag are reporting difficulty accessing Cairo and Alexandria; our supply chain of raw material is in Cairo and Alexandria. Transportation is affected, as I have mentioned, so I have a low supply of raw material and problems shipping my final products back to the big cities. That hit some markets hard, while it benefits others, as when the big companies stopped sending materials and/or products to Upper Egypt, for which they had previously been the sole suppliers. The small companies in Upper Egypt were given a good opportunity to fill the gap and make large sales, and they did in a very short period of time. They were not that ready, but they acted quickly. Some are working 24/7 to fill the market gap that occurred due to the exit of big Cairo companies from the Sohag market. The example I have in mind is the detergents market.

CIPE: Now that you have mentioned Cairo and big cities, let me ask you, how do you perceive the difference between the capital and the provinces, whether in the effect of the crisis or the reaction to the crisis?

Sultan: Life is going on in a very normal way in my province. If it hadn't been for the curfew, you would have never noticed any difference. We don't have a single infected case. Hospitals are working the same way, and no cases have shown up. We feel things are alright over here and we see no problem. Our fear comes when we follow the media and the news, but nothing is happening here. I don't see a difference in people's lives except for the effect of the decisions coming from the capital like the curfew, which affected the work of restaurants and other recreational places.

CIPE: But you mentioned raw materials and other stuff you needed from Cairo?

Sultan: This has had an impact on the time span for delivering goods. Our trucks used to make a round trip between Sohag and Cairo every other day. Currently, it takes 3 days. Now I only send two trucks a week, which means I work at most 4 days a week instead of 6, and the effect starts at this point. Some factories are facing the same conditions, while others are facing even worse ones, so we hope it doesn't last long.

CIPE: *I would like to ask you about the role of the Sohag Investors Association, what actions do you take to support the factories and the businesses during the crisis? You told me before the interview about the exception you secured for the industrial zone regarding working hours.*

Sultan: We started early as an association, at the very beginning of the crisis. Our objective was to have no infection cases inside the factories. We urged the factories to start separation and isolation of divisions and to preserve the safety of workers through using sanitizers. We started as soon as we heard of the first coronavirus case in Egypt. We started an awareness campaign and directed the medical supply factories and detergent factories to supply all manufacturers in the five industrial zones with needed gloves, masks, sanitizers, and detergents. We then urged factories to make sure they sterilize the buses for workers and isolate divisions; we did that long before the government issued the policy reducing working hours. We decided that any factory with an infected case shall be shut down. By acting on these measures, people started to respond for the sake of the workers' safety and protecting their own interests. After the government announced the curfew that starts at 7pm, we faced a problem with how far the industrial zones are from the city. At rush hour, it can take more than two hours for the workers to get home, so when the factories close at 5pm, they don't get home before 7pm. Besides, by the time they reach the bus stops in the city, it is already 6pm so they find no transportation to take them home. We contacted the security directorate and the governor and secured an exception. We agreed that our buses will take the workers home and they won't be stopped on their way back after 7pm. We got the factories that needed to work after 7pm an exception as well. Later, we received a circular from the Federation of Egyptian Industries (FEI) that factories in industrial zones received an exception from the curfew and so did the transportation trucks for goods and raw materials. FEI is doing a great job.

CIPE: *How can the small businesses that have had the opportunity to expand their market share use this period to set themselves up to maintain that market share in the future, especially since demand is expected to increase, whether for sectors like detergent, or ones with an indirect relationship to the current situation, like food industries?*

Sultan: The real opportunity for these businesses is to prove their products to be of good quality and to work on improving them. They are already competent when it comes to prices due to low transportation expenses, since they serve the local market. They just needed the chance to penetrate the bigger markets that were dominated by big companies, and they got it; now they need to maintain the market share they captured through maintaining good quality. Manufacturers are well aware that if they don't produce good quality products, they will be pushed back out of the market as soon as Cairo producers get back in the market, with their more sophisticated marketing and commercials. All they needed was the opportunity, and they got it. They have good quality and good prices.

CIPE: *What do you believe is still missing in the policies issued to handle the current situation, in regard to fiscal and monetary policies, or the ones that have to do with factory working conditions?*

Sultan: All the decisions and policies have been positive ones, except for the new limits on cash deposits and withdrawals for enterprises. This decision has shaken up all factories. It was announced suddenly at 9:30am, effective immediately. Later in the day, the Central Bank of Egypt (CBE) revoked the decision on deposit limits, but even for the cash withdrawal, it is a very small limit, not to mention that the state itself is not ready for such a decision. To give you an example, the tolls our drivers pay on highways are all paid in cash, so we give each truck about EGP 10,000 in cash, just to pay for the tolls in a round trip, depending on the kind of goods. We give them around EGP 15,000 in cash to cover fuel, tolls and other costs on the road. What will EGP 50,000 as a limit for enterprises do? And is the factory for which sales are up to EGP 40 million subject to the same limits as the one with EGP 1 million or the one with EGP 100 million? All are subject to the daily limit of EGP 50,000 in cash withdrawals. The decision needed to be studied and needed more time.

The first decision that affected us was the curfew and the second was the cash limit. It was odd they imposed a limit for deposits, yet they took it back the same day. But for the withdrawal policy, they should have at least divided the enterprises into categories and adjusted the limits according to the size of the business.

CIPE: *You already have an exception now when it comes to the curfew, right? It is just the cash limit?*

Sultan: Up till yesterday, our trucks were facing issues moving across the country during curfew, even though they were carrying a copy of the exemption decision. Some authorities are not aware of it.

CIPE: *So the decision has been announced but it still lacks full execution?*

Sultan: Yes.

CIPE: *Are you working on that as an association? And on the cash limit issue as well?*

Sultan: We reached out to FEI, which in turn contacted the CBE and sent us a copy of the letter it received from CBE. FEI now is very active addressing these day by day issues and its response to us is always prompt; they act fast. They are efficiently and proactively handling the situation and we are in direct contact with them. In turn, they are in direct contact with the Federation of Egyptian Banks (FEB) and the CBE, and the discussion is still ongoing.

CIPE: *We hope things change for the better, and I am glad things are good in Sohag and Upper Egypt in general.*

Sultan: Things might change if a coronavirus case appears here. That's why people are not worried yet.

CIPE: *By the way, do you give the drivers safety and sanitization instructions and kits the same way you give them cash for the road?*

Sultan: Yes, we do. The drivers are the ones with the highest risk of getting infected, as they are the ones that move between cities. We give special care to their safety.

CIPE: *Do you do that in an individual manner? Do you act separately as factories or collectively as industrial zones? Who makes the decision?*

Sultan: During this crisis, the factories work together through the association. This is the time when people come together. What I see now, I haven't seen before, whether during the revolution time in 2011 or during the currency floating in 2016. For example, factories that have trucks, cooperate with factories producing raw materials—they cover each other's needs. This is a good thing, and when we give instructions, we spread them to all factories, and if a factory finds a better solution they share it with all.

CIPE: *This is good to hear, and I hope all industrial zones follow your steps.*

Sultan: I believe all Egypt is the doing same thing. They all work together.

CIPE: *Happy to hear that. Thank you, Ahmed.*

Sultan: Thank you Lobna, my pleasure.