The Arab Mediterranean Free Trade Agreement

Agadir Technical Unit

Origin accumulation and complementarities' opportunities in the textile-apparel sector in the member countries of the Arab-Mediterranean Free Trade Agreement (Egypt, Jordan, Morocco Tunisia)

Final report

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I. Introduction: the Stakes

With close to 10,000 companies, 1.5 million employees, and an export value of 7.5 billion euros, the textile/apparel sector plays a key role in the socio-economic balances of the four Agadir Agreement countries.

Two of them, Morocco and Tunisia, are considered among the most important clothing suppliers of the E.U., whereas Egypt and especially Jordan are much more geared towards the North American markets.
Thanks to competitive production costs, their responsiveness, their products and services quality, the textile/apparel sector in the four countries witnessed a relative prosperity during the last years and registered excellent results at export.

However, the dismantling of the Multi-fibers Agreement quotas, which occurred in January 2005, reinforced the Asian suppliers' capability to penetrate and even invade the international markets. This situation led to major risks of negative impact on Mediterranean manufacturers. In reality, this problem is aggravated by the final liberalization of Chinese exports to European markets, which occurred on January 1st, 2008. In fact, despite quotas, which were supposed to slow down the sales, China already supplied more than one third of European imports in 2007.

In addition to Asian competition, Mediterranean manufacturers must address the issues posed by large distribution. Large outlets such as Zara, H&M, Mango, Zannir, Decathlon, Gap,… now increasingly require their suppliers to be able to ensure all functions of material sourcing, product development, model making, gradation, confection and logistics. The traditional job of cutting "seller of production minutes" is in reality eliminated for the benefit of integrated functions of "developers" who ensure the integrality of the production processes, including material purchasing.

This basic transformation of the economic environment and the international demand leads to a three-fold problem:
- Valorization of the Mediterranean countries' supply
- Product and services competitiveness
- Textile-apparel production chain control and of productive investments, especially at the sector's upstream.

Within this context lies the difficulty faced by the Agadir Group countries. The difficulty is to face the challenge of trade globalization and the export market's new expectations.

Therefore, the approach's general objective is to contribute to the sustainable development of the Agadir zone's textile-apparel sector through a strengthened cooperation based on cross-fertilization of the four countries' competitive assets.

This leads to the following questions:
How can we create an additional value-added by combining the four countries' resources?
How can we help the Agadir countries to overcome traditional national behaviors to the benefit of a common competitive "Agadir" strategy?
How can we promote textile-apparel global supply of the Agadir zone with the European

buyers and transform the zone into a zone of excellence, powerful and very attractive to major international distributors? Or, in a way, how can we identify and labelize the “Agadir concept”?
How can we make of the Agadir zone a privileged and attractive land of international investment in textile and clothing?

In conformity of the spirit of the terms of reference, the mission aims at suggesting the venues and means able to start a large cooperation process between the four countries signatories of the Agadir Agreement and on the basis of their complementary resources; this is within a common promising strategy and shared prosperity and cross-fertilization of resources, generating value-added and developed on four plans:

- Commercial, in order to develop trade among the Agadir zone countries
- Structural, in order to stimlate industrial and commercial investments among them
- Promotional, in order to gain new export market shares
- Cooperative, in order to improve global competitiveness (price, quality, deadlines, responsiveness, innovation, services of the four sectors)

This report is made up of two parts. The first consists of:
- a presentation of characteristics, performances and strategic positioning of the textile-apparel sector in each of the four countries
- an analysis of the European demand and distribution
- an analysis of international competition context

The second part of the report presents the axes and objectives of a competitive strategy along with an action plan.

For the achievement of this mission, which led to the elaboration of this report, the two consultants’ team got the support of the Agadir Agreement Technical Unit and the Piloting Committee of the study. The public authorities, professional organizations and various manufacturers of the four countries warmly welcomed them and made their task easier by providing them information and counsel.
We thank them all very much.

The rapporteur,
Jean-Francois Limantour

I. General framework

Objectives:

For the purpose of this report the following terms of reference, which were set by the client (The Technical Unit of the Agadir Agreement) were adopted and are broadly outlined as follows:

- Identifying the cooperation fields between the four Agadir Agreement countries through analyzing complementarity’s opportunities, accumulation of origin and integration in the textiles and apparel sector.

- Strengthening of regional trade between the Agadir agreement countries.

- Promoting exports to the European Union in the textiles and apparel sector.

- Presenting scenarios and concepts on leveling up of the secondary production sectors of textiles and apparel, which enable it to have the necessary competitive edge to enter the E.U markets.

- Identifying the existing opportunities to develop the sector among the countries and to realize complementary projects.

- Attracting European and other investments to the Agadir Agreement countries.

The report took also into consideration the demands which are part of the terms of reference regarding the preparation of the first phase of the study and foremost the necessity to:

- Concentrate on analyzing the current situation according to a comprehensive outlook emphasizing the strength of the textiles and apparel sector in the Agadir countries (cost of production, monitoring of export markets needs, quality…)and its weaknesses like shortcomings on the production of raw materials or semi-finished or finished fabrics, cloths and marketing either in local or export markets.

- Determine the industrial sector outlook (number of enterprises per country, their size, their successes and problems whether in production, marketing or investment environment in terms of infrastructure, incentive and transportation cost) in addition to identifying major export markets by sub- sectors value and share as well as showing the comparative advantage of each state part of the international market in the textiles and apparel sector (international competition rankings and in the countries suppliers of the EU, studying the European demand, identify the EU market needs and the components of the imports).

- Present a summary of the current situation and preliminary conceptions on the operational suggestions to take advantage of the accumulation opportunities to be dealt with in depth in the second phase of the study.

I.2 Challenges

The textiles and apparel sector plays a significant role in ensuring social and economic balances of the four countries of the Agadir Agreement as it counts 10 000 enterprises, one million and a half employees and 7.5 million EURO of export value.

Morocco and Tunisia (which are parties to the agreement) are considered among the major suppliers of the EU with apparel whereas the North American markets represent the main destination of the Egyptian and particularly the Jordanian exports.

With a competitive production cost, a quick response to the market needs and a quality of products and services, the textiles and apparel sector of the four countries witnessed relative prosperity and development during the past years achieving excellent results in export.

However the elimination of quotas within the multi-fiber agreement in January 2005 strengthened the ability of the Asian suppliers to enter and even to control the international market with all the risks they bring by negatively influencing the producers of the Mediterranean basin. This problem will grow with the complete liberalization of the Chinese exports to the western markets in January 1, 2008. Despite the system of quotas, China represents alone more than the third of the EU imports.

Regardless of the issue of the Asian competition, the Mediterranean producers should respond by addressing the existing problem in the widespread distribution spaces since the major specialized distribution channels such as ZARA, MANGO, ZANIA, DECATHLON and GAP… require from the companies they supply to be able to secure all supply functions as for the product origins, promote products development, clothing design, weaving and logistic services. To some extent, the tailoring profession in its classic form (sell production time) is disappearing for the benefit of integrated tasks for the entrepreneurs who secure the full production cycle including the purchase of raw materials.

This radical change of the economic environment leads us to the three following issues that need to be solved:

- strengthening the supply value offered by the Mediterranean countries.
- The competitiveness of products and services
- Control of textile production chain including high yield investment needs particularly in the initial stages of the production process (raw materials)

In light of this background lies the issue, which faces the countries of the “Aghadir Group” consisting of meeting the double challenge resulting from the globalization of trade exchange and the high expectations of the new export markets.

Based on the above we can say that the general purpose of this process is contributing to the promotion of sustainable development of the textile and apparel sector in the countries of the Agadir region by strengthening the cooperation based by nature on focusing on strengths in competitiveness in the four countries.

This leads us to ask the following questions:

- How can we create an additional added value through integrating and reinvigorating the resources of the four countries?

- How can the Agadir countries overcome the natural behavior based on the notion of the national interest for the benefit of a competitive and cooperative Aghadir strategy based on coopetition?

- How can we develop a comprehensive offer for the textile and apparel sector in the Agadir zone to the European buyers and make the area itself a synonym of one known for its high yield and excellence in product sourcing. In other words how the marketing activity for the “Agadir trademark” could be implemented?

- How can we make the region attractive to international investment in the textile and apparel sector?

Our main mission according to the above mentioned terms of reference requires putting forward clear visions and concepts as well as operational recommendations that ensure close cooperation between the four countries within a common strategy based on investing the common resources in order to create an added value and ensure a better future for the sector. This strategy can be developed on four levels:

- Commercial: develop trade among Agadir countries

- Industrial: attract investments from Agadir countries and developing them.

- Promotional: to win new market shares for export

- Cooperative: to improve the general competitiveness and yield of the sector in the Agadir countries.

For the first phase, this report contains:

- Introduction of the characteristics, strengths, and the strategic position of the textiles and apparel in each of the Agadir countries.

- Analysis of the European demand and distribution channels

- Analysis of the situation of international competitiveness.

- Preliminary conclusions and recommendations that prepare for the second report that will recommend a competitiveness strategy and action plan.

In order to implement the first phase, the working group composed of the two experts relied on the support and directions of the Technical Team for the Agadir Agreement, the study conducting group as well as officials from the public sector, the professional organizations, and manufacturers in the four countries Who welcomed us with hospitality and made our mission easier through their efforts, information and advise.

General data on the sector:

In 2005, the Textiles and Apparel exports reached a value of 479 billion dollars including 227 billion dollars of Asian exports or about 47% of international textile and apparel exports. The main producers of this region are China, India, Bangladesh, Hong Kong, Indonesia, Vietnam and Thailand. As for textiles, Japan, Korea and Taiwan are considered among the major exporters. One third of Asian exports are directed to the North American market, one fourth to Europe and the other third is exported within the Asian market.

80% of the European exports are realized within the European markets. They reached 182 billion dollars in 2005, which accounts for 40% of total world exports. In 2005, the Agadir zone (Egypt, Jordan, Morocco and Tunisia) exports reached the equivalent of 8 billion dollars, or 1.7 % of world textiles and apparel trade.

The Apparel exports represent 58% of world textiles and apparel exports; half of it is realized by Asia and especially China which became the world factory in addition to India, Bangladesh, Vietnam, Hong Kong, Sri Lanka, Thailand, Indonesia and Malaysia. As a result of Trade liberalization, the Asian exports are growing at a pace and rates faster than the other geographical regions in the world with a total of 132 billion dollars mainly for the US market (48 billion dollars), Europe (35 billion dollars) and the Asian markets (32 billions dollars). European exports are also considered important but they are realized within the European region itself. In 2005, the Agadir zone apparel exports reached a value of about 7 billion dollars, or 25% of world apparel exports. The analysis of the sector situation in each country is the following:

II. "Agadir Group" analysis

Common denominators in the international Trade Agreements:

- **Members of World Trade Organization (WTO)**
- **Members of the Arab League (Great Arab Free Trade Agreement)**
- **Members of Arab unique Free Trade Agreement**
- **Contracting Association Agreement with the EU**
- **Applying of the Euro med Protocol on the rules of origin**

II.1 Egypt

II.1.1 The sector's General characteristics

The apparel and textiles manufacturing play an extremely important role in the Egyptian economy. It is the second producing sector after agro-industry and the first in terms of jobs. According to the Central Bank statistics, the sector accounts for 3% of GDP, 27% of industrial output and 24% of exports (excluding oil).

Industrial environment and institutional framework

Many systems were set and implemented to improve the investment environment and to promote the export sector reflecting a real political willingness to support the private sector and create a vigorous institutional framework by restructuring the overall economy.

The industry enjoys a priority concerning within the structural reform as it is included in the industrial modernization program through the cooperation and financing by the EU the beneficiary ministry of Trade, Industry and special industries. The sector is increasingly geared towards export and it relies on an important domestic market of 74 millions people.

The economic institutions operate generally in an environment that stimulates economic liberalization and encourages competitive sectors privatization.

In this context, it should be stressed that the government allowed the private sector through the Egyptian Industries Union the private sector to conduct export subsidy programs such as organizing exhibitions, , training, financial support in addition to the work conducted by the National Institutions in charge of Training, investment, and exports (among the results of the reform in the area of exports Egypt achieved a clear improvement in customs payment operations of merchandise at export which take no more than two days).

Institutions and number of workers:

According to official sources, the Apparel and textiles sector counts 3270 enterprises employing more than 25 workers on average, 2000 of which are the Apparel sector and 1370 in the Textiles sector. The public sector counts 27 companies. They are generally big companies, vertically complementary under the authority of cotton and textiles manufacturing company.

For example, Ghazi MAHALLA General Company is considered the largest and oldest company in Egypt and is the pride of the city of Greater MAHALLA which is 120km north of Cairo and employs 27000 workers. The companies employing more than 25 persons absorb 380 000 workers, 175 000 of them are employed in the apparel sector, 70 000 in the fabric sector and 65 000 in the threading sector.

On average, there are 116 workers in each company and according to various unofficial sources, the apparel and textiles sector absorbs about one million workers if we take into consideration the thousands of companies that employ less than 25 workers.

Contrary to the other three Agadir countries, Egypt possesses a textile industry very important in terms of production operations besides tens of threading, weaving, tanning and equipping units.

This is due to the fact that Egypt produces long silk cotton of “Bima” variety enjoying high international reputation.

Production, added-value:

According to the Ministry of Trade and Industry, the Apparel and textiles sector’s turnover in Egypt reached more than 20 billion Egyptian Pound (EP) or 3.7 billion US dollars.

This production is geared towards the US and EU but also in the domestic market which counts 74 million consumers. The domestic market is valued at 17 billion EP (around 3 billion US $) including 5 billion (1 billion US$) of imported products.

As for the public sector, the Government took important steps to privatize it. And after transforming it into totally independent commercial holding companies, the Government authorities are looking for ways to leave the sector permanently.

The Para-public companies account only for 25% of Egyptian apparel and textiles exports due to the absence of organization and investments and therefore competitiveness. They employ 120 000 workers and their equipment are absolute and will not be renewed until they are privatized.

In the threading sector, half of the production is secured by public companies and the bulk of the production is realized by 30 of a total of 200 companies that form the sector. It should be noted that the number of private threading companies equipped with the latest technologies is increasing and this reflects the private sector's confidence in the Government policy, in order to promote the textiles sector in general.

The private sector accounts for 75% of exports. It is divided into a great number of small enterprises operating mainly in the domestic market. But it also counts important production units operating primarily in the export markets. There are close to 250 companies employing more than 500 workers each, out of a total of 2000 clothing companies.

This allows them to export quality needed products to the US and EU markets. They operate primarily through subcontracting and they are allowed to import fabrics needed for clothing manufacturing free of customs duties on the basis of temporary entry system.

Aware of the great importance of the Textiles and Apparels sector to the social and economic balance, and to face international competition, the government made it a priority and provided gave the necessary support to its leveling up and qualification.

This policy aims at:

- Restructuring the industry and improving the productivity and the quality
- Increasing exports
- Promoting domestic and foreign investment

Consequently, the Egyptian Government signed in December 2004 the Agreement on Qualified Industrial zones (QIZs) with the United States and Israel by which exports of products manufactured enter the United states free of customs duties on the condition that the average production value in Egypt and Israel amounts to 35% including 10.5% minimum of Israeli components that may include accessories and additional services such as broidery and washing.

There are currently 690 registered companies in the QIZs, including 204 that started production.
In 2006, apparel companies in the QIZ5 achieved an export value of 626 million US dollars whereas they reached 116 millions dollars during the first half of 2005 which coincided with the beginning of their activities.

In 2006 exports increased by 197% in comparison with 2005. This growth is similar to the annual increase realized in Jordan during the first five years following the creation of QIZs.
It is expected that the export growth rates during the next five years will greatly increase to reach more than 85% per year.

Foreign Direct Investments.

A greater number of investors started showing interest for Egypt as they are attracted by the QIZs, the low costs and the local production of cotton..
In addition to the 204 companies operating the in the QIZs, There are 15 foreign companies including 4 Turkish, 8 Indonesian, 2 Chinese, and 1 Taiwanese.

The creation of an increasing number of foreign companies in the Egyptian free zones was also observed. They are oriented for export to the European market. Like the the Asian manufacturers, the Turkish companies consider Egypt as an attractive zone for the subcontracting activity enabling them to increase their competitiveness (price and lead times) in the European export markets. In this regard it should be noted that the Egyptian wages are five times lower than the average Turkish wage. Due to the new Turkish experience in the industrial investment in Egypt, we can confirm that this is primarily pushed by the improvement of the Turkish industrial competitiveness vis à vis the Asian competition especially where the cost factors and the availability of raw materials are the major reasons behind the Turkish investment experience in Egypt.

The Qualified Industrial Zones (QIZs) in Egypt in numbers:

Number of registered companies to operate within the QIZs regime	689
Number of effectively exporting companies within the QIZs regime	204
Number of Foreign Companies	15 (4 Turkish, 8 Indian, 2 Chinese, 1 Taiwanese)
Number of Egyptian Companies	189

Almost all companies operate in the apparel-manufacturing sector. The export value of the apparel and textiles sector e reached 626 million US dollars in 2006 compared to one million dollars for the food manufacturing sector. This represents 2 per thousand of the textile sector exports.

Cost of Production factors:

a- Salaries and social expenses:

The minimum monthly wage amounts to approximately 60 US dollars and the average cost per hour worked is 0.6 US dollars.

The average wage for a beginner worker for an average experience period up to 2 years ranges between 80 and 100 US dollar including insurance and transportation.

b- Electricity, water, and oil derivatives:

- Electricity costs 0.03 US dollar/km/ hour
- A cubic meter of water costs 0.23 US dollar
- A cubic meter of natural gas costs 0.04 US dollar.

c- Lands:

- The average cost per a square meter construction is 150 US dollars.
- The location cost per one square meter is 18 dollars.

d- **Transportation:**

Egypt made a great effort to reduce customs clearances to 48 hours. However the average time that takes merchandise export operation is still long because the shipping is made primarily by containers.

Due to the absence of a direct permanent transportation link, the exchange of goods among Agadir countries takes approximately three weeks. Therefore these countries are urged to create or find a direct link because the promotion of inter-trade requires a maximum of one week of transportation time.

Strengths and weaknesses.

The textiles and apparel sector has been constantly strengthening year to year and is more geared now towards the confirming of Egypt's position as a major exporting country.

Egypt's strengths are primarily the low cost of labor (five times less than in Turkey and three times less than in Morocco), competitive energy costs: compared to Turkey, the price of KW/hour is lower by 60% and one cubic meter of water is three times lower etc …. .
The skilled labor force represents an equally important source of strength for manufacturers who may possess adequate long silk cotton very appropriate for shirts, apparel and home textiles manufacturing with the "Egyptian Cotton "trademark.

Compared to public companies, many private companies are very dynamic, they integrate new technologies, develop a network of retail businesses including abroad and achieve excellent export results.

The preferential agreement with Europe and QIZs Agreement with the United States are important factors that support the exports.

Besides the creation of foreign companies (Turkish, Chinese...) in many free zones, the strong domestic market and the state supported Research and Development activities are among the other factors that help expand the sector.

However, the industry faces many challenges due primarily to the relatively new renaissance witnessed by the sector on the one hand which requires the creation of the necessary means to respond to its development needs in terms of training and technical assistance in order to increase productivity and to the relatively non existent competition in the public sector on the other hand.

II.1.2 Egypt's Exports:

In 2006, Egypt's exports to the EU reached 733 millions Euro (approx one billion dollars) whereas exports to the US amounted to 570 million Euro (approx 806 million dollars). Total Egyptian exports reached about 1.3 million Euros.

In order to identify and analyze Egypt's growth, a list was established that measure the growth rate of Egyptian exports for every important product compared to Chinese and world exports so as to identify the products on which to focus to promote Egyptian exports.

On this basis, the study we conducted on market share and exports growth rate during 2002-2006 periods for the Agadir countries compared to world and Chinese exports for threads and textiles in part three of this report showed a high growth for cotton threads and fabric exports.

The following tables that represent market share and Egyptian women apparel export growth rate for 2002-2006 compared with world and Chinese apparel and women clothing and home textiles identify all products registering high growth rate compared to the world and China in addition to a high market share.

Egypt's market share and textiles export growth rate in 2002-2006 compared to China and the World

2002-2006 growth rate	**2002-2006 growth rate**			**Market share**	**Products**
	China	World	Egypt		
920	54	8	335	10.18%	610311: Men wool Izar
109	24	12	17	1.33	610343 : Men synthetic overalls and trousers
62	63	30	43	0.29	610452 : Women and girls cotton skirts and trousers
98		19	5	0.67	610462 : Women cotton overalls and trousers
8504	27	16	490	0.67	610469 : Women overalls and trousers from other fabrics

63	97	11	20	1.18	610510 : Men and boys cotton shirts
45	64	4	52	1.05	610520 : Men synthetic shirts
142	1	20	49	0.08	610590 : Men shirts from other fabrics
85	103	12	26	0.36	610610 : Women and girls cotton shirts
29	20	5	18	2.12	610711 : Men and boys cotton shorts and short trousers
2593	51	19	74	1.15	610712 : Men and boys synthetic shorts
138	41	7	29	0.59	610791 : Men other cotton underwear
25	31	6	31	0.71	610831 : Women cotton sleeping shirts and pajamas
326	40	18	56	0.80	610891 : Other women cotton underwear
21	31	16	19	0.78	610910 : Women and girls cotton shirts
15	35	17	29	0.14	610990 : other fabric Women and girls shirts
38	34	12	7	0.44	611020 : Cotton

					pullover
37	14	7	104	0.37	611212 : Synthetic sportswear
155	34	17	33	0.67	611420 : other cotton clothes
920	54	8	335	10.18	610311 : wool men izar
109	24	12	17	1.33	610343 : synthetic men overall and trousers
62	63	30	43	0.29	610452 : Women and girls cotton skirts and trousers
98		19	5	0.67	610462 : Women cotton overalls and trousers
8504	27	16	490	0.67	610469 : Women overalls and trousers from other fabrics
63	97	11	20	1.18	610510 : Men and boys cotton shirts
45	64	4	52	1.05	610520 : Men synthetic shirts
142	1	20	49	0.08	610590 : Men shirts from other fabrics
85	103	12	26	0.36	610610 : Women and girls cotton shirts

Source : according to data of World Trade Map

Egypt 's market share and woven apparel export growth rate in 2002-2006 compared to the World and China

2005-2006 growth rate	**2002-2006 growth rate**			**Market share**	**Products**
	Egypt	World	China		
57	17	5	98	1.53	620341 : Wool Trousers from for Men and Boys
43	21	7	101	1.37	620331 : Wool sweaters for Men
49	22	10	29	1.25	620920 : cotton clothes and accessories for babies
33	24	10	20	1.04	620342 : Cotton Trousers from for Men and Boys
19	26	11	16	0.91	620462 : Women and girls cotton trousers
57	8	-2	40	0.6	620530 : synthetic shirts for men and boys
9	26	4	208	0.48	620461 : wool trousers for women and girls
9	18	6	26	0.47	610343 : synthetic men trousers
29	13	7	-20	0.46	620721 : cotton sleeping shirts and

					pajamas for men and boys
40	23	10	6	0.4	620520 : Men and boys cotton shirts
49	16	-2	-21	0.39	620791 : men and boys cotton sweaters
137	5	6	24	0.24	620451 : Women and girls cotton skirts
309	14	7	14	0.22	620349 : Other fabric Trousers from for Men and Boys
114	26	4	24	0.20	620412 : women and girls cotton izar
28	14	1	40	0.19	610463 : other fabric Women and girls trousers
50	29	21	-2	0.15	620452 : Women cotton skirts
22	7	5	161	0.15	620339 : other fabrics men and boys sweaters
11	38	5	11	0.135	620891 : other cotton clothes for women and girls
336	19	4	4	0.11	620930: synthetic clothes and accessories for babies

Source : World Trade Map International Trade Center

Egypt ‘s market share and home textiles export growth rate in 2002-2006 compared to China and the World

2005-2006 growth rate	2002-2006 growth rate			Market share	Products
	China	World	Egypt		
2	8	3	-8	3.565288047	630291 : cotton table cloth for decoration and kitchen
0	8	1	8	2.152690262	630251 : cotton table cloth
25	27	10	30	1.917126356	630231 : other cotton bed sheets
53	27	12	34	1.588370295	630221 : printed cotton bed sheets
4	22	14	15	1.465205898	630260 : cotton sponge table cloth for decoration and kitchen
2575	28	12	93	1.18415228	630292 : cotton towels for decoration and kitchen
65	47	37	36	0.608050118	630232 : other synthetic bed sheets
22	34	19	44	0.537687669	630533 : other suitcases ands bags for tapestry
90	14	6	46	0.336130364	630130 : other cotton bedcover not for heating
479	2	2	70	0.266454619	630800 : tapestry fabric with accessories for carpet

					manufacturing (retail sales)
466	-1	18	173	0.262071559	630239 : other bed sheets from other fabrics
17	-6	-4	12	0.230330673	630240:table clothes
6	10	12	30	0.178079732	630299 : other woven table clothes sheets for decoration and kitchen
1400	-21	37	139	0.110198957	630229 : woven bed sheets
7	31	18	71	0.09740343	630252:cotton table cloth

Source : World Trade Map International Trade Center

Egypt ‘s market share and export growth rate for products that registered a reduction in 2005-2006 due to the dismantling of the multi-fiber Agreement quotas compared to China and the World

2005-2006 growth rate	2002-2006 growth rate			Market share	Products
	Egypt	World	China		
-36	24	4	9	0.23	610463 : synthetic Women overalls and trousers
-16	21	5	7	1.52	610821 : Women and girls cotton shorts and trousers
-72	24	13	52	0.10	610832 : Women synthetic sleeping shirts and pajamas
-70	50	28	88	0.25	611211 : cotton sportswear
-10	16	6	22	0.56	620333 : synthetic sweaters for men and boys

-9	17	8	49	0.27	620311 : wool izar for men and boys
-41	5	6	65	0.18	621131 : other wool clothes for men and boys
2	22	22	90	0.14	620332 : cotton sweaters for men and boys
-19	13	5	120	0.63	630259 : table cloth from other fabrics

Source : World Trade Map International Trade Center

Exports to the European Union (EU):

Britain and Italy are considered the main destinations of Egyptian exports in EU market in 2006 as they absorbed 56% of total Egyptian exports with an estimated value of about a billion US dollars.

Egypt exports also to Germany, which absorbs 10 % of its sales to Europe. The other markets like Belgium, the Netherlands and France occupy a marginal position.

Egypt exports a wide range of textiles and apparel products. As for Apparel, it exports particularly Tee-shirts, trousers and men underwear. With regard to textiles, Egypt exports cotton threads, raw wool as well as finished woven products such as carpets, bed filling and bath fabrics from the sponge variety.

For years Egyptian exports witness a positive trend despite a general small decrease in 2005 because of the impact of the dismantling of quotas of the multi-fiber Agreement.

The Textiles and Apparel European import growth curves from all sources and the Egyptian imports are very similar with acceleration in 2006. During the period 2001-2006, the average import growth from Egypt reached 3.19% against 3.7 for total European imports.

This positive progress was confirmed for Egypt in 2007 : 6.3 % growth rate for the first eight months of the year compared to the same period of 2006 and Egypt improved its position passing to the 16th rank as a textile and apparel supplier to Europe ahead of other exporting countries such as Japan, Taiwan, Mauritius, Cambodia. At the end of august 2007, Egypt advanced to the 11th position as a textiles supplier.

Egypt occupies the 8th position in men and women underpants as a supplier.

Egyptian exports to the Unites States (US):

In 2006, Egypt's textiles and apparel exports to the US reached 806 million dollars increasing by 31.3% compared to 2005.

Three quarters of these exports (77.5%) are centered on clothing products. These products grew substantially in 2006 at a rate of 40.6%.

In 2006, the bulk of Egypt's apparel exports was in cotton products and is divided as follow:

- Cotton apparel: 524.178 million dollars
- Wool apparel: 5.753 million dollars
- Apparel made from industrial fiber: 94.645 million dollars
- Apparel made from other fiber: 0.245 million dollars

Apparel exports are especially centered on cotton trousers (299 million dollars), men's shirts and polo shirts (90 million dollars), women cotton shirts (45 million dollars), women shirts made from industrial fiber (24million dollars), trousers made from industrial fiber (24 million dollars) and children clothing (19 million dollars). Egyptian textile products exports to the US amounted to 190 million dollars in 2006. It increased by 6.7% compared with 2005. These products are divided as follows:

- Threads : 21.131 million dollar
- Fabrics : 8.042 million dollar
- Finished textile products: 161.221 million dollar including industrial fibers carpeting (82 million dollars), bath towels (021 million dollars) and cotton bed fillings (18 million dollars).

II.1.3 Egypt's Imports:

Custom duties applied to threads, textile and clothing products are respectively (5%, 10%, 15% and 0%)

For imports under the temporary entry system there are neither duties nor taxes.

In 2006, Egypt imported textile and clothing products for an amount of 1.387 billion dollars. The main imports are:

- cotton threads and cotton fabrics for a value of 274 millions dollars
- industrial fiber threads and fabrics for a value of 294 million dollars
- clothing for a value of 227 million dollars
- woven clothing for a value of 149 million dollars

China is considered among Egypt's major suppliers as imports reached in 2006 a value of 695 million dollars or 50.1% of total imports.
China supplies mainly industrial fiber threads and fabrics (116 million dollars), knitted clothing (205 million dollars) and woven clothing (100 million dollars).

Many Asian suppliers entered the Egyptian market: the main countries are Hong Kong, Thailand, Indonesia and Malaysia. Turkey is considered as a small supplier with a value not more than 36 million dollars.

II.2 Jordan

Industrial setting and institutional framework

The manufacturing sector in Jordan is mainly operated by the private sector. The Commercial Banks operating in Jordan are private and the foreign currency, exchanges and transportation are markets free. Among the emerging markets, the Jordanian market is the most open and with the highest share for the private sector. With regard to foreign investment, Jordan has the biggest competitive advantage in comparison with China and Eastern European countries and even Morocco and Tunisia.

Jordan created an industrial modernization program which enabled close to twenty apparel exporting companies to conduct a qualifying program. In addition the qualifying program in the Jordanian company was integrated to encourage exports under the umbrella of the Jordanian Company for Economic Projects Developing: during the recent years this company organized the clothing sector's participation in the specialized fair in Las Vegas.

The extended investments in international transportation, customs facilitation, information technologies (internet, e-government) will contribute in reducing the distance between buyers and sellers and delivery time. It is expected that confidence between importers and exporters will increase and therefore the delivery confidence will increase. But the exiguity of the port of Aqaba may preclude the fulfillment of the expected quick delivery time.

Jordan concluded many trade agreements including in particular two agreements of great importance to the Agadir Agreement, the Free Trade Agreement with the United States which allows the entry of Jordanian exports to the US market free of customs duties progressively in a ten year period according to products lists with an import of a minimum of 35% of the estimated value of the product.

Many products and especially cotton fiber manufactured clothing benefit from the immediate dismantling of the customs duties whereas the industrial fiber and manufactured clothing must wait until 2010 to enter the US market totally free of customs duties with some few exceptions.

The second agreement which was prepared through its conclusion for the adherence to the Agadir Agreement is the Trade Agreement with the EU which enables Jordan to export products free of custom duties to Europe. These products are totally produced in Jordan using domestic input material or EU input considered as Jordanian.

Qualified Industrial Zones: THE QIZs Memorandum of Understanding (MOU) was included in the US decree 6955 as a support to the peace agreement between the Palestinian authority and Israel Jordan joined this MOU in 1999, which entered into force in 2001 and applies the following rules of origin:

- the total cost of raw materials and direct costs in the QIZs (Jordan and Egypt) and in Israel must not exceed 35% of the finished products value, 8% of which must be produced in Israel for Jordan with the possibility of using 15% of raw materials from the US which are included within the 35%.

II.2.1 General Characteristics of the sector

Institutions and number of workers

In 2005, the Jordanian Apparel and Textiles sector counted 2660 companies which represent 13% of the total count of the industrial sector including 52 companies subjected to the QIZs regime and which account for the bulk of Jordanian exports in this sector within the QIZs agreement with the US and Israel and the Free Trade Agreement with US.

The majority of Apparel and Textiles production is concentrated in the thirteen QIZs.

In 2006, the number of workers in these zones reached 54 062 including 17 004 of Jordanian citizenship and 37058 foreigners. This cheap labor, which generally functions according to contracts limited in time, comes mainly from countries like China, Bangladesh, Sri Lanka, India and Pakistan.

In general, the textiles and Apparel sector outside the QIZs absorbs 24 441 workers (reference year 2005) employed mainly in enterprises of no more than 25 workers.

Production, value-added:

The production is almost exclusively geared towards export. It is primarily based on the apparel sector as other textile production is very limited. Imports cover the apparel sector needs in terms of threads and fabrics. They come primarily from China.

In 2006, production value reached about 1.300 million dollars. 95% of this production is directed towards the US market and comes from the following 13 QIZs currently operating in Jordan, which are: Hassan Industrial city in Irbid, DHALIL Industrial Group in North East Amman, Industrial Groups city in the Center of Amman, Cyber city Group in Irbid, Industrial Portal Group on the Jordanian-Israeli border, Hassan Industrial city in KARAK, Kastal Industrial zone in Amman, ZAI Free zone in ZARKAA, MOUCHTI International Group in Amman, International Industrial city in AQABA, MOUAKAR Industrial Resources city (east Amman), Hallabat Industrial Group in ZARKAA.

More than one third (37%) of the production is focused on trousers manufacturing. The Jordanian manufacturers also produce large quantities of men and women shirts, polo shirts, knitted and woven cotton s clothing as shown in the following tables

Direct Foreign Investments:

The nationality of the companies established in the QIZs is mainly Chinese, Pakistani, Indian and Turkish. This sector's total investment value in Jordan is 699 million Jordanian Dinars (JD)or (987 million dollars).

Cost of Production factors:

a/ - Wages:

247.8 Jordanian Dinars or the equivalent of 349 US dollars.

b/ - Electricity, water:

• The Kilowatt per hour costs 6 cents of the dollar,
•The cubic meter of natural gas costs 41 cents of the dollar.

c/ - Lands:

•The average cost of construction is 250 dollars / square meter
•The average cost of location (land) is around 45 dollars/square meter.

Sales prices and Leasing costs for the operating Industrial Cities

City's Name	Leasing costs of qualified plots/sq meter annually	Leasing costs for buildings sq meter annually	Sales Price for qualified plots/sq meter	Sales Price for buildings /sq meter
▪ Abdallah II Ibn Hussein City	▪ 2.5 JD ▪ 3.5 USD	▪ 15 JD ▪ 21.1 USD	▪ 50 JD ▪ 70.5 USD	▪ 85-110 ▪ 120-155 USD ▪ the price does not include the plot's cost
▪ Hassen Industrial City ▪ QIZ	▪ 2.5 JD ▪ 3.5 USD	▪ 15 JD ▪ 21.1 USD	▪ 50 JD ▪ 70.5 USD	▪ 75-100 JD ▪ 105.6-140.8 USD ▪ The price does not include the plot's cost

Hussein Ibn Abdallah II Industrial City -QIZ	2.5 JD 3.5 USD	15 JD 21.1 USD	50 JD 70.5 USD	70JD 98 USD the price does not include the plot's cost
International Industrial City Of Aqaba				
Maan Industrial City	1JD 1.4 USD	10 JD 14.1 USD	15 JD 20.1 USD	120 JD 169 USD the price does not include the plot's cost
Mawkar Industrial City For the first three years starting from January 2006 (source : Jordanian Ministry of Industry and Trade	3 JD 4.2 USD		50 JD 70.60 USD	

d/ Transportation:

A great effort was made to shorten customs clearance to 48 hours. However, the average lead time for a merchandise export operation is still long especially from Aqaba port as it takes 30 days to reach the eastern coast of the US and 35 days for the west coast (compared to 45 days for merchandise sent from Haifa).

It should be noted also that as it is the case for the other Agadir countries, the loading method mainly used is in containers, which takes more time than the direct transportation customer/supplier method.

In this venue and in order to improve the port infrastructure in Aqaba, the government is making important efforts through the creation and construction of a land port near Amman and a rail line to link it to Aqaba port which will ultimately shorten the terms.

Strengths and weaknesses

The Jordanian Apparel and Textiles sector benefits from strengths that allow it to realize an excellent export performance in the US market.

These strengths include first competitive production costs, which are higher than those in Egypt but lower than those in Turkey, Morocco and Tunisia.

The QIZs are considered another source of strength of the sector, as in addition to the possibilities to export to the US free of customs duties (according to the conditions set above), provide a number of advantages which aim mainly at creating an attractive environment for investments:

• Tax and legal advantages (tax and customs exemption besides the right to construction registering, the absence of restrictions on companies' ownership or on foreign currency transactions)
• Investment infrastructure (availability of lands and buildings offered for sale or rent, an adequate electricity network, domestic and international communication network, savage and water treatment and an efficient domestic road network).

Concordance with international work and safety standards and availability of support services (clearance and foreign trade insurance companies and leasing institutions)

As mentioned above, the sector benefits also from the preferential QIZs Agreement with US and the Association Agreement with the EU. It employs a relatively qualified work force especially of foreign origin. In addition, it is worth to mention the domestic market dynamic despite its small size as the retail stores that enjoy exclusivity rights in shopping malls (centers) has doubled contributing to the modernization of Jordanian trading network.

Nevertheless, the sector suffers from obstacles especially its need to import almost all fabrics and threads for ready-to-wear apparel manufacturers particularly from China affecting, thus, the trade balance, but most importantly precluding the manufacturers from benefiting and responding to the short-term distribution system.

The other obstacles are the shortage of Jordanian labor force (unavailability of skilled workers and of the required training), the low exports to the EU markets, average productivity, and weak marketing activity.

II.2.2 Jordan's Exports:

In 2006, Jordan's export value to the E.U did not exceed 10 million Euros (about 13.5 M dollars) and its exports to the US reached 1.254 million dollars.

- **Exports to the European Union (EU)**

In 2006, exports to the EU were valued at 10.5 million euros.

Exports to the EU 25 states (the year 2006) were mainly concentrated on Britain and Ireland who absorbed two thirds of Jordan's exports (67%) for a value of 9 million dollars of a 13.5 million dollars total.

Jordan also exports clothing products o Cyprus that absorbs 7% of its sales.
The other markets like Italy, the Netherlands, Spain and Belgium occupy a marginal position.

Jordan exports a variety of clothing products especially woven trousers, wool blouses, polo shirts, cotton suits, work uniforms and career apparel, knitted trousers, men's and women's underpants.

In 2001, Jordanian exports to the EU witnessed a decreasing trend with a sharp reduction in 2005 due to the dismantling of the multi-fiber agreement quotas. But in 2006, a recovery was registered. During the 2001-2006 period, Jordan's exports to the EU decreased by a yearly average of -6.36% whereas European imports from all sources increased by +3.7%.

Between 2001 and 2006, Jordan lost some market shares in Ireland and Italy and generally in all European markets.
Its position slightly strengthened in the other markets (the Netherlands, Belgium, Britain and Spain). Some progress has been registered in Cyprus.

Jordan occupies the 50th position as a supplier of the EU for the majority of products. Its best position is the 36th in men clothing and 37th in work uniforms and career (professional) clothing.

- **Exports to the US**:

The following table represents the exports to the US that registered a high growth in addition to a high market share.

Exports and Woven Clothes growth rate from 2002 to 2006

Product	2002	2006	Annual growth rate 2006
611020 : Pullover… from cotton fabric	119191744	251085552	22
611030 : Pullover… from synthetic fabrics	37112286	98561355	28
610462 : Women Overall and trousers from cotton knitted fabric	20587153	65789433	41
610610 : cotton Shirts	11479315	63429893	62
610510 : cotton shirts	27782412	53624746	23
610821 :, Women and Girls cotton shorts and trousers	1634	38555877	8.453
610343 : Men and Boys overall, trousers from synthetic fabrics	1794429	26720619	105
610990 : Women and Girls Tee –shirts from knitted fabric	232612	22798299	259
610910 : Women and Girls Tee –shirts from knitted fabric	12794185	21978182	37
610822 : Women shorts and trousers from knitted fabric	1963129	19371288	85
610520 : Men and Boys synthetic shirts	2188024	16839465	109
610130 : Men and Boys coats…, from synthetic fabric	11252274	14139707	11
611420 : other cotton clothes	154181	11421173	290
610342 : Men and Boys cotton overall and trousers	1206935	11239994	91
611430 : clothes from synthetic fabric	42012	7022286	291
610892 : other women synthetic underwear	644660	4188704	65
610891 : Other	124101	3561072	268

Women cotton underwear			
610711 : Men and Boys cotton shorts and short trousers	0	3380748	
610453 : Women and Girls synthetic skirts	1756781	3131871	17

Source : World Trade Map International Trade Center

Product	**2002**	**2006**	**Annual growth rate**
620463 : Trousers made of synthetic fabric for Women and Girls	10204478	65287976	62.2
621143 :Other synthetic and processed apparel for Women and Girls	2471307	30118573	290
620343 : Trousers from synthetic fabric for Men and Boys	830952	29960710	147.3
620333 : sweater from synthetic fabric for Men and Boys	12642	6067175	4039.8
620530 :shirts from synthetic fabric for Men and Boys	407098	5599227	378.8
620452 : cotton skirts and trousers for Women and Girls	250397	4776293	120.7
621142 : other cotton apparel for Women and Girls	2974332	4719774	14.9
620293 :Jacket, …other synthetic textiles for Women and Girls	2035031	4379830	21.9
621210 : Bras, … from knitted apparel	0	4375475	
620630 : cotton shirts for Women and Girls	22440	2895401	564.5
620453: skirts, synthetic textiles, trousers for Women and Girls	1119314	2853501	31.3
620349: Trousers,…,from woven materials for	55758	2742649	269.1

Men and Boys			
621111 : Swimming suits, trousers, swimming shorts for Men and Boys	96723	2278002	
620469 : Trousers, … knitted and woven products for Women and Girls	1897976	2210048	19.7

Source : World Trade Map International Trade Center

The following tables include the list of products that registered high growth during the period 2002-2006 and a regression in 2006 due to Chinese competition as a consequence of the dismantling of the multi-fiber agreement on January 1, 2005.

Total exports and growth rate for the products that registered a reduction in 2006 due to the dismantling of the multi-fiber Agreement

Total exports			Average Growth rate
2006	2006	2006	
610463 : Overall, trousers from synthetic fabrics for Women	8849211	25254161	37.57
610220 : Coats, … from cotton fabrics for Women	3338393	13820359	65.78
610230 : Coats, … from synthetic fabrics for Women	4544515	9810757	52.04
610620 : Shirts from synthetic fabrics for Women and Girls	2860562	7853560	91.88
610120 : Coats from cotton fabric for Men	579161	3637668	933.18
610832 : sleeping shirts and pajamas from synthetic fabric for Women and Girls	469768	1870247	85.80
620462 : Trousers, … from cotton for Women and Girls	56592133	193121119	41.39
620342 : Trousers, … from cotton for Men and Boys	10006494	51863750	66.03
620341 :Trousers, … from wool for Men and Boys	1925626	6160920	38.19
620331 : Wool sweaters for Men and Boys	2333772	6129608	37.14

Source :United States statistics

In 2006, Jordan's exports to the US reached 1.253 billion dollars registering a growth rate of 15.8% compared to 2005.

This performance which places Jordan among the main suppliers of the US can be explained by the presence of preferential agreements (the Free Trade Agreement, QIZs and the General System of Preferences GSP) particularly those that allow Jordanian products to enter the US free of customs, taxes and duties.

Jordanian exports are centered on clothing products as the other textile sales are rare.

These exports are divided as follows:

- Cotton apparel: 808 million dollars
- Apparel made from industrial fiber: 408 million dollars
- Wool apparel: 37 million dollars

Cotton apparel exports consist especially of:

- Men shirts, men and boys polo shirts for a value of 123 million dollars
- Women shirts and similar sewed products for a value of 267 million dollars
- Trousers (Jeans, pants with suspenders …) for a value of 321 million dollars
- Underwear for a value of 49 million dollars

Exports of clothing products made from industrial fiber consist mainly of:

- Men knitted shirts, men and boys polo shirts for a value of 52 million dollars
- Trousers for a value of 142 million dollars
- Underwear for a value of 22 million dollars
- Woven men and women shirts for a value of 34 million dollars

The final dismantling of the US quotas imposed on China on January 1, 2009 will only result into a sharp increase of competition that Jordan, whose interest would be to diversify its exports though intensifying and developing those oriented to the EU, will face.

II.2.3 Jordan’s Imports:

Customs duties rate applied in Jordan for imported threads and textiles is 0%, whereas that applied for clothing products is 23%.
There are neither duties nor taxes on temporary entry imports.
In 2006, Jordan’s Apparel and textile imports value reached 936 million dollars. They are divided in 238 million dollars for apparel, 65 million dollars of which for knitted apparel and 173 million dollars for woven apparel.

Jordan also imported finished textile products for a value of 2 million dollars (home textiles etc..). The main imports include fabrics, tailored apparel and textiles accessories. These imports reached 675 million dollars. The tailored fabrics are the most important as their value amounts to 462 million dollars.

Jordan also imports synthetic fabrics and threads for an amount of 92 million dollars, in addition to cotton fabrics and threads for 55 million dollars.

These fabrics and threads imports aim at feeding the apparel plants located in the QIZs, because of the weak domestic production.

Jordan’s main supplier is China followed by the European Union.

In 2006, China supplied Jordan with 56 % of its tailored fabrics imports, 37 % of woven fabrics, 61 % of tailored apparel, 35 % of industrial fiber fabrics and 33 % of cotton fabrics. There are other Asian countries supplying Jordan, like India, but to a lesser degree compared to China, which occupy the first position.

II.3 Morocco

Industrial environment and institutional framework

Morocco’s textile sector is also benefiting from substantial government support on different levels including modernization, training, and development through providing an adequate investment environment, encouraging the private sector to enrol in the textile manufacturing and production qualifying process in order to reach an integrated and sustainable development. Besides the presence of a professional and efficient organization as well as Executive administrations that provide efficient support..

According to the new industrial policy, the major reform lines focus on the three following areas:

- Change in the overall environment: it includes improving the legislation, creating commercial courts, setting a law that govern and organize entrepreneurships and companies, facilitate administrative and financial procedures, and create employment record.
- Industry development system: levelling industrial zones, and creating regional centres for investment.
- Levelling textile production: privatising a number of institutions and public production units and encouraging the use of computers and innovative technologies.

Morocco’s membership in the World Trade Organization (WTO) contributed, besides liberalizing the economy in providing an adequate environment to attract foreign investments. Moreover, Morocco’s Association Agreement with the European Union represents an important impetus to increase its exports, and the Agadir Agreement which allows origin accumulation with the other three countries complements it. Morocco’s Association Agreement with the United States serves also the textile sector since it sets a level of preferential exports at 30 million square meters of final products which could be an impetus to enter this large and important market.

II.3.1 General Characteristics of the sector:

Institutions and number of workers:

The apparel and textile sector counts 1612 institutions employing more than 10 employees, or 21% of Morocco’s industrial institutions. The great majority of these institutions are clothing manufacturers exclusively for export.

The average number of employees per institution is 115.

In 2006, the total number of employees in the sector reached 210 000, or 40% of industrial employment in Morocco, 38 150 of them work in the basic textile industry (threading, weaving, and finalizing).

According to the Ministry of Industry statistics, permanent employees number is 185 076 workers, 38 688 of them in textiles and 146 390 in the apparel. Female workers represent 75.4% of total employees.

Production, value added:

In 2006, the total turnover of the sector reached 30. 373 million Dirhams (3.3 million Dollars). Manufacturing activities (weaving, stitching, pasting) account for 2/3 of all activities.

The average rate of investment from the capital cycle is 6.2% ranging from 4.4% in the apparel sector to more than 10% in the other textiles. The average rate of the value added from capital is 37.9% ranging from 24.4% for the threading sector to 42.1% for apparel.

Foreign Direct Investment:

Since mid 2005, the value of investment projects that were implemented or being implemented reached 4.5 billion Dirhams (about 500 million Dollars). It included principally production operations. European, particularly British, French, Spanish and Italian (Fruit of the Loom, Tavex, Legler) are among the most important foreign investors in recent years.

Cost of production factors:

a/Wage and social security expenses:

The minimum guaranteed wage for all professions reached in November 2007 about 9.66 Dirhams / hour for the 44 hours/week system. For extra hours worked between 6:00 and 9:00 PM, a 25% wage increase is given. Between 9:00 PM and 6:00 AM, a 50% increase is given.

The social security contributions of 24.39% paid to the National Social Security Fund are divided between the employer (18.1%) and the employee (6.29%).

b/electricity and water:

Basic fees for the engine force and low tension for manufacturing purposes are 1.06 Dirham / kilowatt/hour (0.08 Dollar).

Water fees used in manufacturing operations relating to the distribution centres range from 1.91 to 8.36 Dirham/cubic meter (from 0.238 to 1 Dollar).

c/Lands

Construction cost may range from 1.200 and 2.000 Dirham for each cubic meter (6.25 to 43.7 Dollars).

The price of land for construction increased from 50 to 350 Dirham/square meter.

d/Transportation:

The transportation system used by the textile exporters is based mainly on direct transport supplier/client by trucks and is more expensive than the container system but takes a longer time since a shipment from the exporter's storage area to that of a British client, for instance, takes 5 days and customs clearance procedures do not exceed 24 hours.

The cost of a 90-cubic meter loaded truck (land international shipping) for export from Casablanca to Valencia (Spain) is about 3220 Dollars. As for import, the same truck cost is 2100 Dollars.

Strengths and weaknesses:

Morocco's apparel and textile sector enjoys numerous points of strength and is competitive internationally which allows it to take an important position as a major supplier of the European Union. Strengths consist particularly of geographic proximity, good performance in terms of industrial organization (responsiveness, flexibility, lead time) which allows the sector to efficiently benefit from a fast distribution system and to enjoy an excellent image internationally (particularly in sportswear, blouses, women underwear, women shirts, and home textiles).

In addition, products are of good quality, manufactured by qualified workers having a low rate of absenteeism (6 to 7% for all reasons) and using the adequate materials. The integration of new technologies is also well developed.

The signing of the free trade Agreement with the United States is also an advantage for Morocco which is now attracting investors interested in exporting to two of the largest world markets, The EU and the US. During the past three years more than 4 billion Dirham were invested in this sector.

As a result, a number of Moroccan and foreign economic groups showed their confidence in the investment's environment in Morocco and the potentials offered by export opportunities through the free trade Agreements concluded between Morocco and its international partners.

- The textile sector is the first beneficiary from subsidy programs directed to renew the institutions' competitiveness. The national agency for small and medium-size project development has a diverse program to modernize the sector to meet the needs of technical support and the restructuring of the institutions in terms of organization and finance. Companies belonging to the sector used more than the third of the actions offered by the agency.

- Morocco's textile and apparel sector is very active in trade exhibition abroad either through organized in groups or individually in addition to the annual exhibition organized in Morocco "Maroc sourcing".

- In order to update and develop this sector, a budget of 20 million Dirham was allocated to its development. This budget represents a support action open for renewal on a three-year basis that allow professionals to set a growth strategy for their field of activities covering the following three areas:

- Commercial marketing and selling.

- Partnership and investment strengthening
- Development of products' origins.

By contrast, the sector is still facing different obstacles such as the following:

- Limitation of domestic fabrics and accessories' supply.
- Low productivity.
- Lack of technical support in spite of the training efforts.
- High cost of production factors (salaries, energy, and transportation...costs) compared to competitors countries (Tunisia, Romania...).
- Low marketing performance of subsidy and support structures.
- Extensive use of the sub-contracting system in spite of the increasing use of partnerships and final production but still on an insufficient level.

II.3. 2 Morocco's exports:

In 2006 Morocco's apparel and textiles exports were almost all directed to Europe reaching a value of 3.5 billion Dollars in addition to its exports towards the United States of 102 million Dollars.

In 2006, the value of Morocco's total apparel and textile exports .reached 30.37 billon Dirham ($3.79 billion). The rate of exports to the EU reached 97% whereas that directed to the US was 1%.

All other markets are totally marginal: Saudi Arabia: 72 million Dirham (9 million Dollars), Canada: 21 million Dirham (2.6 million Dollars), Libya: 18 million Dirham (2.2 million dollars).

- Exports directed to the European Union:

In 2006, Morocco was the eighth apparel and textile supplier of the EU and by the end of August 2007; it advanced to the sixth position implying an increased competitiveness of the sector.

Morocco's exports are extensively centred on Spain, the main market, and France. Both markets absorb 66% of Morocco's exports due to the geographic proximity to Spain, fast market growth, and to Morocco's strong historic relationship with France.

Morocco also exports large quantities to Great Britain which represents its third market, and to Germany, the Benelux countries and Italy but in much lower quantities.

The sector exports all product varieties to the EU, particularly apparel.

Its main exports include woven trousers (including jeans), T-shirts, polo shirts, collar blouses, women shirts (Morocco's speciality), wool blouses, wool sweaters, women's suits, skirts and dresses, in addition to workers' uniforms and career clothing.

Morocco's exports decreased from 2003 to 2005 and they were sharply down in 2005 due to the cancellation of the quota system in Europe and the increasing share of Asian countries in this market. The situation has been significantly better in 2006 and the improvement continued during the first semester of 2007.

Although the annual average growth rate of the European total apparel and textile imports reached 3.7% between the 2001-2006 period, that coming from Morocco decreased by 2.3%.

However, this growth that resumed in Morocco starting from 2006 was confirmed by an increase of 5.7% in the first 8 months of the year in spite of a sharply increased competition.

Between 2001 and 2006, Morocco lost some market share: internationally, its share of the European apparel and textile imports decreased from 4.1 to 3.3% and is decreasing in all markets including Spain. The decrease is particularly significant in France where Morocco's market share was cut from 13.0 to 8.8%.

Morocco occupies several strong positions as it is the third EU supplier of work uniforms, the fourth of women coats and suits, the fifth of women shirts, skirts, dresses, and bras ….

Morocco is also better positioned than the other three Agadir countries concerning T-shirts, women shirts, coats and waterproof coats, women suits, men's clothing, men's suits, dresses, and skirts.

- Morocco's exports to the US:

In 2006, the value of Morocco's exports to the US reached 102 million Dollars increasing by 69.9% compared to the previous year. These exports consist mainly of clothing products. And when measured in square meters, (the equivalent in square meters), Morocco's exports reached 11.15 million square meters.
It is worth mentioning also that the bilateral agreement between Morocco and the US includes a preferential quota of a 30-million square meter. Consequently, the average use of quotas is 37.2%.
During the first 8 months of 2007, Morocco's exports to the US decreased by 16.1% compared to the same period of the previous year.

Morocco's export value for 2006 is distributed as follows:

Wool apparel: 18.562 million Dollars.
Cotton apparel: 33.992 million Dollars.
Apparel made of synthetic fibers: 44.920 million Dollars.
Knitted apparel (silk, cotton…): 2.372 million Dollars.

Morocco's major exports to the US consist of trousers, and to a lesser extent women underwear, wool suits, women shirts, polo shirts, and collar blouses.

II.3.3 Morocco's imports:

The total of Morocco's textiles and apparel imports increased in 2006 to 20.4 billion Dirham. These imports come mainly from the EU. Morocco's main suppliers are: Spain, France, Italy, Portugal, Great Britain, Germany, and the Benelux countries. These imports consist mainly of fabrics, threads and accessories delivered by bidders to the apparel manufacturers in Morocco who operate through subcontracting.

Other suppliers are marking their presence, particularly, Turkey which is benefiting from the bilateral agreement with Morocco offering the preferential origin accumulation.

II.4 Tunisia

Industrial environment and institutional framework:

The textiles and apparel sector activity is part of a comprehensive reform process which was reinforced during the last decade and stipulates the continuation of the liberalization policy and the progressive dismantling of protectionism in line with Tunisia's commitments within the Association Agreement with the EU and its obligations within the World Trade Organization (WTO). In addition to developing Technical centers, increase their numbers and the establishment of quality systems (Technical Textiles Center).

The Government decided for years a policy of industrial lands readying arrangement as five new industrial zones were finished during 2002-2004 and which cover an area of 109 hectares and the implementation of 10 other zones is underway to cover a total area of 401 hectares in addition to rehabilitation of a number of existing industrial zones.

According to its declared programs, the Government endeavors to:

- Develop the institutions and reinforce the private sector's role through the training of new entrepreneurs and assistance of enterprises in adapting to the innovative economic needs.

- Provide an attractive investment environment by adapting the legislative framework to the market requirements in addition to supporting the Funds directed at encouraging industrial investment, reducing customs duties on imported equipment as well as controlling investment costs and encouraging foreign investment through supporting partnerships.

- Reinforcing the strategic position of some industrial activities like the textiles and apparel in particular in the export markets and the selection of promising activities.

II.4.1 General Characteristics of the sector

Institutions and number of workers

The sector counts 2128 enterprises/ including 1646 totally export oriented and the great majority produces apparel.

The sector employs 203.809 prisons including 178604 in totally exporting companies.

On average, the textile and apparel companies employ 96 persons. This average reaches 102 employees in the apparel sector.

Production, added value

In 2006, the sector's production was estimated at about 4.868 billion dinars in (around 3 700 million dollars) and the added value at 1504 million dinars (1156 million dollars). The added value represents 30.9% of total sales.

Direct foreign Investments

Direct foreign investments are very important for the sector. In December 2006, there were 1139 companies with mixed capital or 100% foreign capital. Total investment reached 982 million dinars (773 million dollars).

Direct foreign investments include primarily textiles and apparel activities. They are pushed by Tunisia's attractiveness on all levels: investment legislation, geo-strategic location, industrial zones, labor-force qualifications, investment freedom vocational training, infrastructure, cost factors….

Costs of Production factors

The minimum guaranteed wage was increased as of July 2007. The minimum guaranteed wage reached 207.828 dinars per month (170 dollars) and 1.199 dinars per hour for the 40 hours week regime.

The social contribution applied to the wages and the in kind benefits amount to 18% for the non-totally exporting companies and 16.5% for the totally exporting companies whereas, the workers contributions amount to 7.75%.

Since July 1, 2007, a new compulsory health insurance regime was introduced with a rate of 4% paid by the employers and 2.75% by the workers.

There are also a demulsified set of incentives to encourage employment including especially the coverage by the state of the expenses during a one year period and a global salary paid to the unemployed youth holders of University diploma and participant to any project. There are also plans supported by the government to bear the costs of training and the contributions by the employers in the social security system.

- **Electricity, water and oil derivatives:**

The new electricity prices were fixed on July 1, 2007. They are on average about 70 to 80 millions/KW per hour for the economic price of the low intensity for a consumption not higher than 50KW/month.

Water prices vary between 0.140 dinar/cubic meter for consumption up to 20m and 0.840 for consumption up to 150 m.

Diesel prices are 0.790 dinar/ liter and heavy oil 300 dinars/ton.

- **Land:**

Land prices in the industrial zones range from 3 to 6 dollars per square meter depending on the used space. They vary between 15 and 25 dollars per square meter for garages and warehouses.

In 2007, the price of land ranges from 18 dinars/square m (15 dollars) in regional development areas (with a 50%contribution of the state) and 60 dinars (48 dollars) in the suburbs of Tunis.

Strengths and weaknesses:

The Tunisian textiles and apparel sector considered internationally competitive as proven by its export performances. This competition in prices and beyond prices gave it in reality a prominent position among major European suppliers. Its competitions relies on geographic proximity to the big European markets, to the good quality of its product and services (just in time, responsiveness, lead time), new investments, the presence of a great number of foreign companies, the high level of workers skills supported with a effective training program and competitive cost factors.

While enjoying a good image abroad the Tunisian sector benefits also from an effective government support plan and quality technical center. This sector is increasingly oriented to a common contracting and final producer system. It is therefore especially competitive in the field of lingerie, sports apparel and work uniforms.

The main problem facing the sector may be the absence of a local diversified offer in fabrics and accessories on the one hand, and of competition in terms of price and quality on the other hand. In addition the growing request by distributors of their suppliers a final product at the expense of subcontracting, deepens this problem.

The main other weaknesses include a shortage in designers, a high level of absenteeism (10 to 12% for all reasons), the weakness of specialized executive staff in marketing in addition to the weakness of small enterprises that do not have sufficient financial and human resources to face international competition.

II.4.2 Tunisia’s exports

In 2006, Tunisia’s exports reached 4.423 billion dinars (3.750 billion dollars). 95% are directed to the E.U whereas exports directed to the Agadir countries are very low.

Exports directed to the EU:

In 2006 Tunisia’s exports to the European Union (25 states) reached 2.7 billion euros.

Tunisia’s exports are densely concentrated on France and Italy who absorb 68% of them. This is primarily due to the strong presence of apparel companies from those two countries for reasons of geographic proximity and competitive production costs, but also, because of the appropriate environment given by Tunisia to foreign investors. Tunisia exports as well to

Germany and the Benelux countries, whereas other markets such as Spain and Great Britain, take a marginal position.

Tunisia exports all products varieties to the EU especially apparel. Its main exports include woven trousers (including jeans), wool sweaters, tee-shirts, polo shirts and blouses. In addition workers uniforms and lingerie are two sub-sectors considered important and give Tunisia a good reputation.

Tunisia’s exports went through a period of decrease during 2003-2006 due primarily to the opening the borders to foreign imports.

Despite that the average annual growth for total European textiles and apparel imports from all sources reached 3.7% during the period 2001-2206, the European imports from Tunisia decreased at an average rate of 2.97%.

Nevertheless, in 2006 Tunisian exports recovered its activity after its decrease in 2004 and 2005. In 2007 the recovery trend was confirmed with a growth rate of 7.8% for the first eight months against 6.1% for the European imports from all sources and the advance to the fifth rank of European suppliers after China, Turkey, India and Bangladesh.

Tunisia lost some shares of the market between 2001 and 2006. Its share of European textile and apparel supports decreased from 4.6% to 3.3% and this reduction applied to all markets except Spain.

Tunisia is the second supplier of work uniforms, bras and swimming suits to the European Union. It ranks fourth in terms of woven trousers, denim jeans, men and women underwear.

Tunisia is considered in a better position than the other three Agadir countries for wool blouses, trousers, denim jeans, shirts, men and women underwear, coats, men rain coats, sports suits, hooded fur coats, bras, swimming suits and working uniforms.

- **Tunisian exports to the United States:**

In 2006, Tunisian textiles and apparel exports to the US amounted to 49 million dollars, decreasing at a rate of 8.8% in comparison to the previous year. These exports represent 0.08% of total US imports.

Due to its geographic remoteness from the US and to the absence of benefit from the right of preferential arrival and contrary to the three Agadir countries, Tunisia is unable to present an attractive offer in the US market characterized by an abundance of Asian products, especially Chinese as well as by Caribbean basin apparel produced especially to the American consumers with very competitive conditions

II.4.3 Tunisia’s imports

In 2006, Tunisia’s imports reached 2927.56 million dinars. Fabrics represent more than 60% while apparel account for the quarters. About 93% of this is imported under the Temporary Admission regime. The threads of reference (used in producing apparel) imports amount to 310 million linear meter. Cotton fabrics represent 68% of these imports for a value of about one billion dinars, including 397 million dinars (312 million dollars) for denim fabric. 85 % of imports come from European suppliers particularly Italian and French. The other mark suppliers are Turkey (6th supplier) and China 7th. In 2006, the imports from Turkey increased strongly (68%) as a result of the implementation of preferential accumulation of origin in the Euro-Mediterranean countries.

The imports from the other countries of Agadir Agreement are almost non-existent. In 2006, Egypt was the only country that exported textile products for a value of 7.3 million dinars.

III. Europe's demand

III.1 The European market

The EU includes 27 member countries and 492 millions consumers. The finished textiles and apparel market is valued at 280 billion Euros.

The main section of this market is Women apparel which represents about 40% of total consumption. It is also the most dynamic market. The major markets are Germany, Great Britain, Italy and France. All these countries account for 53% of Europe's population and around three quarters of finished textiles and apparel market.

The European finished textiles and apparel market is supplied at a rate of 35% from the European industry and 65% by imports.
The European industry is going through a decrease in its output volume from year to year due to the combined impact of the delocalization of activities to Eastern Europe or the Mediterranean region and to subcontracting strategies of main retail companies directed primarily towards Asia. This phenomenon is growing since dismantling the multi-fiber Agreement on January 1, 2005.

III.2 Europe's imports

III.2.1 General Evolution

In 2006, the total value of European textiles and apparel imports amounted to 80.6 billion Euros, including 58.7 billions in apparel.

These imports are based on specific products. As for textiles, there are cotton fabrics, bedding, carpeting, and trousers. With regard to apparel, there are tee-shirts and blouses. In addition they are concentrated in some markets like Germany and Britain. Imports are increasingly coming from Asia on the expense of the "Euro-Med" region. There is an additional characteristic which consists in the fact that exports are growing faster than the market which leads to a reduction of the European production directed to local consumption.

The European imports increased between 2001 and 2006 at a rate of 20% and at a growth annual rate of 3.7% while the European textiles consumption growth doubled.

The European imports are very diverse. But they are primarily concentrated in some products and especially cotton fabric bedding, draperies (curtains). The European apparel imports are also based on few products especially trousers (including jeans), tee-shirts and blouses. These categories alone amount to 25.3 billion Euros or one third of total European textile and apparel imports in term of value and 43% of the overall apparel imports.

In addition to the first three products (trousers, blouses and tee-shirts) the European imports volume of shirts is important (9% of the total for women and men shirts) and the sports suits, wooded fur overcoats and jackets account for 4%.

The European Union is considered as a group of markets diverse in terms of size, structure and behavior. The imports are to a large extent geographically concentrated as Germany, Britain, France, Italy absorb 75%. On the other hand, the smaller markets such as Greece or Portugal as well as the new members of the EU cover the great part of their consumption by their local production.

III.2.2 European Imports by market:

Germany, Britain, Italy and France are considered among the most important European markets that import the biggest quantities. Whereas Spain, Belgium and the Netherlands are smaller markets as the Netherlands and Belgium together import almost one quarter of Germany's imports and one third of Britain's. However the biggest European markets much as Germany and Britain are not considered the most attractive because their growth is relatively slow.

The major increase in imports observed in Spain (13.8% at an average annual rate since 2001) can be explained by the healthy situation of the Spanish economy in the last years and by the big loss of the apparel industry competitiveness (in this country) whose production cost became less competitive now despite being lower in comparison with those in France and Germany as well as with Asian producers. There is also the phenomenon of making up after the long production by the state from imports and combating the numerous Spanish companies for many years the desire to delocalize it production to other countries.

Italy experienced the same phenomenon. Italian companies are to a large extent keen to delocalization. Romania for example is considered today the first base of subcontracting in Italy for economic reasons but also because of the establishment of big branches of retail companies (French and Spanish especially) in this market which was characterized until now by a limited distribution and therefore unable to import large quantities. During the period 2001-2006 Italian imports increased by 32% with an annual growth average of 5.7%.

Finally, the most attractive markets in terms of future export opportunities for "Agadir Group" exporters are Spain and Italy whereas the least attractive are the Netherlands and France.

The attractiveness capacities within every market, by product, are very changing. But in general, the most attractive merchandise is woven trousers, tee-shirts and wool blouses.

III.3 European distribution

III.3.1 Structures

During the lat years, we observed an increase in sales centers particularly specialized Department Stores chains. Organized distribution accounts for 75% of sales in Great Britain, 70% in France, 60% in Germany, 31% in Italy, and 38% in Spain. The independent still make up the majority. However major distribution companies' dynamic is increasing year after year.

III.3.2 Strategies

Major distributions companies (specialized store chains like Zara, Heines and Moritz, Mango, Zanier, Marks and Spencer etc…)
(mail sales: Redoute, Kil, Trois Suisses and big super- markets such as Auchan, Carrefour, Le Clerc) follow a world policy based on enlisting the help of foreign sources in harmony with shopping where the conditions are the best.

The success of these channels in the first place comes from a continuous renewal of their offers so that they continue to be always attractive to consumers. Thus, some distributors have groups up to ten per year, whereas the market offers usually only two (spring/summer and Autumn/Winter).

This is the reason for developing every detailed distribution strategies as offers are made for the bottom level at the beginning of the season so that it is completed later on through the replenishing of stocks in case the products are popular or innovation if need be, through correcting these products according to the needs based on the consumer reaction.

The policy of enlisting the assistance of foreign sources adopted by major retail companies is divided in two sub-groups compatible in planning with two clear logics:

- **the logic of price: basic products**

It deals with the search for least costly producers who offer the best value for money. This logic leads in essence to purchases from producers such as China, India, Bangladesh, Pakistan, Sri Lanka, Vietnam and Malaysia etc. As the costs and production's condition are not compatible with those in Europe and even in the Mediterranean.

This logic deals essentially with consumer products produced in bulk that do not require much genius and delivered within weeks: men shirts from Bangladesh, women shirts from India and trousers from China etc.

It is therefore only natural that this approach leads to the elimination of the European sub-contractors but also those from the Mediterranean basin whose competition power relies primarily on costs.

- **The logic of responsiveness: modern "models" made according to the short distribution system.**

The logic of retaining local sub-contractors (outsourcing) relies on the technical specifications of the producer and his performance in term of productivity and services (original models' development, limited production, re-supply, respect for deadlines etc.) in addition to the quality of "company conditions": working conditions, facilities safety, terms of payment…. Since major channels require "clean" industrial partners.

Local sub-contracting relies on the principles of short distribution, responsiveness, good quality, limited quantities of production. It satisfies the supply needs in the beginning of and during the season (increase the number of shifts, accelerate the pace of re-supply), is undertaken by sub-contractors from the E.U as well as from Eastern Europe and the Mediterranean. Tunisia, Morocco and Turkey are considered the best examples in this regard.

This commercial and industrial logic is met with a tremendous development in organization methods, creation and management of groups by distributors but also by producers of Apparel and trademarks: specialized retail stores and apparel companies reinforce innovation phase and re-supply according to group category.

III.3.3. Operating processes:

Most distributions diversify sources of supply to get the best offers of a certain category of products and the search for the best suppliers is very important for distributors because they have to achieve a multi criteria equation and to benefit to the maximum from it (price, quality, the lead time, just in time, logistic costs, products availability, political and social risks, political stability, risks of change, and customs duties etc.)

The best relations with their suppliers are "cooperative" in nature and collective work as the added value can be added in addition to the qualification and technical specifications of distributor and producer as well as the producer's design until it reaches the market so that the offers presented by the distribution to the final consumer can be as attractive as possible.

With regard to the distributors, the cooperation and partnership concepts is closely linked to that of the "innovator" which is a notion that means that the apparel manufacturer implements the following actions:

1- Purchase of materials and accessories according to the distributor's directives and recommendations.
2- Materials testing in collaboration with the distributor's labs.
3- Design, fostering, rating
4- Elaboration of initial sketches.
5- Development
6- Apparel production (pieces, assembly, ironing…)
7- Freight

The distributors use many rehabilitation criteria to choose their suppliers. These criteria are influenced by changing hedging factors based on their strategic option and their marketing situation:

- Detailed costs
- Production planning
- Types of materials for production

- Computerized communication
- Professional skills, including design and classification.
- Short presentation on the company’s director and his immediate assistants.
- The company’s director strategies
- Employee’s skills
- Products’ quality
- Lead time
- Just in time and responsiveness
- Commercial reference criteria
- Respect for social and environmental criteria
- Cleanliness and safety
- Transport conditions
- Production capacity and chain’s length.
- Lead time for original model conception
- Capacities and financial situation.

With regard to the relations with the suppliers, the distributors usually resort to execute global contracts but without commitment for sizes. The suppliers’ list is determined every year by evaluation staff. It is observed that the identification of new “good” suppliers is not easy for distributors as they try to do it in an experimental way.

In this regard, they complain about the difficulty of obtaining precise information on companies. Also in the perspective of reinforcing the offer in the Agadir countries, it is wiser to respond in a proper manner to this issue. For example, a web site specific to the supply in Agadir countries can be created and search engine can be used as well as the determination of precise ability criteria.

It is observed that major distributors are not sticking to the notion of “Nationalism”. In other words the fact that one of the suppliers is Turkish or Moroccan or Egyptian is not important to them. What is important is only their satisfaction of the selection criteria.

When asked about this they insist that they do not know anything about the Agadir Agreement and that they are not interested in the “Agadir” offer except what deals only with the existence of a strong competition quality relating for instance to the identification aspects, the issue usually united to the fabric origin

III.4 Summary and conclusions:

1- The EU with its 500 million consumers represent the main market in the western world before the US (300 millions). The value of final textiles and apparel products consumption is about 280 billion euro. In general the European apparel and textiles market is not dynamic enough due to the fact that families spending directed to recreation and health hygiene.

2- The market is supplied with imports valued at more than 60% and its size is greater than 70%. The imports grow fast on the expense of local production. The dismantling of quotes accelerates its growth.

3- The European markets are very diverse in terms of size and growth. The main markets that experience the highest growth are Spain and Italy. Imports are concentrated on three product families: trousers, tee-shirts and wool blouses.

4- The textiles and apparel distribution are greatly concentrated (Germany, France and Britain) or is in a phase of fast concentrating (Italy, Spain). Major supermarkets chains represent the most important and dynamic distribution channel and occupy sometimes very dominant areas: Haines and Moritz, ZARA, MANGO etc…

5- The European Apparel market is made up of two sub-sectors equally important:

- Basic commodity market, consumption merchandise relatively cheap and not modern and that realizes profit to distributors. These products can be bought primarily from Asia and in large quantities for two reasons: low price and inexistence of lead time.

- Short distribution market characterized by "modern" products manufactured in medium or small quantities according to a three-week cycle against several months for consumer products.

This quick responsive market and very short is fed by domestic suppliers for lead time reasons. It includes a big part of re-supply production and new production, therefore it is especially important for the four producing Mediterranean countries part of Agadir Agreement.

6- The short distribution market is advanced compared to that of consumer products due to adequate marketing strategies of major specialized supermarket chains. Therefore, it is promising for the Agadir countries especially Morocco and Tunisia because it is far from the reach of Asian suppliers for reason of lead time and transformation costs

7- Major retailer companies are increasingly looking for local producers at proximity to be their partners, in other words able to provide very competitively in terms of prices and quality products and services as well as all production functions and logistics: design, sketching, classifications, cutting, apparel manufacturing, in addition to the specialized activities silk screen printing, broidery, filling, washing, special treatment operations, finishing, breaking, upholstery, assembly, freight…

8- In this perspective, major retail companies increasingly require from their manufacturing partners to bear textiles and accessories purchases causing major problems:

- Problems related to human resources and new skills.

- Organizational problems because the textiles competitive award in Asia lead to European loss of preferential tariffs.

- Financial problems because operating capital needs compared to those of traditional manufactures.

9- There is hence, a profound change in market and the way they are fed leads to reduce the role and number of traditional manufacturers. But at the same time it represents an opportunity and great challenge for the Agadir countries producers in the Mediterranean basin.

The challenge that will define their future and ability to satisfy globalization requirements expects them to be able to find ways and means to adapt to the requirements of big retail trade: complementarities of their resources and skill in all training fields and new technologies integration, communication, organization, high yield investments, marketing, as well as adapting to their financial and organizational environment is also an important strategic axis for the future of their activities and labor.

10- The major retail companies face difficulties in finding good potential suppliers which leads us to believe that an efficient communication policy for the Agadir Group should be implemented.

Besides, it pays no interest to the offer in Agadir, except if there is an additional competitive advantage such as the rules of preferential origin simplified and based on a minor modification.

IV. The International context

1- Contrary to the perceived idea on a large scale, the dismantling of quotas of multi-fiber agreement would not leave had a destructive impact on the activity and exports of the countries of the Mediterranean. Indeed, the Agadir countries witnessed a decrease in their exports to Europe in 2005 and beginning of 2006. But since the beginning of 2007, they witnessed a big recovery. With regard to the export index 100 at the end of august 2004, Tunisia and Morocco reached the index 101 at the end of august 2007, whereas Egypt reached index 115.

2- The globalization of markets leads to an increase in imports at the expense of European production. This trend will continue with the durable dismantling of the last Chinese quotas in January 1, 2008. Due to the development of sub-contracting strategies organized by specialized major supermarkets chains such as ZARA and Haines and Moritz.

3- The opening of western borders benefited Asia and caused the reduction of the relative quota of markets dominated by suppliers from other geographic areas. But a different situation can be observed in within each area. For instance, the main beneficiary in Asia is China which in spite of the quotas that limit its exports reinforced its position as the world supplier of Apparel and textiles in the expense of the main suppliers including India.

4- It is not expected that the dismantling of the last Chinese quotas in 2008 will cause a big increase of Chinese exports to Europe and will reinforce its dominating position.

In reality the problem of geographic remoteness which limits its smooth and responsive intervention capacity in short distribution markets precludes, the Chinese expansion.

5- China has several competitive advantages in term of labor cost and social legislation, which are advantages that adds to other competition practices subject to critics and doubt (financial and economic dumping) that do not respect WTO, International labor Organization rules and the environmental criteria. However, the principal Chinese international competitive advantage is the capacity to produce on a national level and the use of fabrics and accessories at very competitive prices, 40% to 50% lower than on the international markets.

6- Despite the globalization of markets, Turkey is still the second apparel and textiles supplier to the EU in spite of the much higher production costs compared to those in Asia and to most countries of the Mediterranean. Behind this position lies the advantage that gives Turkish textiles industry the capacity to rely on the manufacturing of strong textiles and on competition in terms of manufacturing, supplies it with fabrics of very high quality and very competitive prices compared to those of the other countries of the Mediterranean.

7- Turkish competitiveness stands on factors outside the scope of prices such as:

- Executives quality
- Master of marketing skills
- Strong partnership with major international Trade companies
- Strong domestic market of 70 million consumers.
- Dynamic partnership between Turkish producers and major western retail companies present in Turkey or those practicing sub-contracting operations with it.
- Clear trend (policy) to words common contracting, final producer and supply groups.
- Competitive activities in marketing and economic supervision.
- Production unit creation in the least cost countries like Egypt.

xxx6- Bilateral exchanges among the Agadir countries and cooperative possibilities analysis:

6.1 Exchanges

For the purpose of evaluating the bilateral exchanges among the Agadir countries and their relations with the EU, especially, and other markets such as the American and Arab countries in general, the rate of import and export was fixed for the Agadir countries among themselves and were compared with their total imports and exports. The rate of import and export was also fixed for the Arab countries among themselves and were compared with their overall imports and exports.

For the purpose of determining and analysis of cooperation between the Agadir countries, a list was established to determine for every exporting and importing in large quantities within the Agadir countries the rate of his exports growth to the international markets compared to

Chinese, Turkish, and Italian exports in order to identify the products or which we can rely to develop cooperation between Agadir and the EU.

The bilateral exchanges among the Agadir countries:

The attached table in the annex follows according to products categories the share of Aghadir countries imports and exports in 2006 from the overall exports and imports.

The summary of this table is a follows:

Unit:US $ 1000

Product identification	**Imports rate**	**Exports rate**
50-silk	0.02	0.3
51-wool	0.02	0.7
52-threads and woven cotton	0.7	3
53-threads and other plant fiber	0.1	0.2
Product 54 industrial and composite threads	0.7	13
Product 55 industrial and composite fiber	0.2	1.6
56-cotton wool	1.4	6.7
Product 57 carpet	3.4	0.5
Product 58 special fabric	0.07	0.8
Product59 fabrics	0.007	0.002
Product 60 fabrics	0.17	4.1
Product 61 clothes	0.1	0.03
Product 62 clothes and accessories	0.3	0.04
Average	0.6	2

Trade map of the International trade center

Through the table study the following points can be clarified:

- The part of imports from Agadir countries in the overall imports is very low. It amounts to 0.55% on average.

- The part of exports to Agadir countries in the overall exports is also very low as it amounts to an average of 2.4%.

Exchanges between the Arab countries: the attached table according to product categories follows the share of Arab countries imports and exports in 2006 and their overall exports and imports:
The table summary is as follows:

Unit:US $ 1000

Product identification	Imports rate	Exports rate
50-silk	0.8	22
51-wool	0.5	6
52-threads and woven cotton	1.2	3.3
53-threads and other plant fiber	0.24	0.46
Product 54 industrial and composite threads	1.7	24
Product 55 industrial and composite fiber	2	24
56-cotton wool	3	26
Product 57 carpet	9	10
Product 58 special fabric	1	26
Product59 fabrics	0.2	1
Product 60 fabrics	0.7	17
Product 61 clothes	09	0.7
Product 62 clothes and accessories	2.7	1.5
Average	2	12

Trade map of the International trade center

The study of this table enabled us to classify the following points:

- the share of imports and exports from the Arab countries remain very few as it amounts to 1.8% in average. However, they share is larger than Aghadir because there is a bigger complementarity between the Middle Eastern countries: Jordan, Gulf countries, Syria, Lebanon.

Agadir countries and Arab countries imports

Unit in US $1000

Product identification	Agadir		Arab countries	
	Imports	exports	imports	exports
50-silk	47154	3209	211229	6825
51-wool	236960	8748	419540	28332
52-threads and woven cotton	1636243	453424	2361611	846274
53-threads and other plant fiber	80785	42731	99325	45171
Product 54 industrial and composite threads	729138	39458	3363717	257760
Product 55 industrial and composite fiber	876166	86259	2129764	172008
56-cotton wool	183693	37073	465607	71223
Product 57 carpet	37295	258023	420688	344726
Product 58 special fabric	350881	25171	1183596	55744
Product59 fabrics	205213	76610	440379	102382
Product 60 fabrics	1012027	42511	1472320	60391
Product 61 clothes	600936	3236461	4100046	3721687
Product 62 clothes and accessories	706919	5785167	4227416	6484232
Product 63 home textiles	199663	407381	1694250	559270
total	6903073	10502226	22589488	12756025

Trade map of the International trade center

The study of the above table leads us to the following conclusions:

The value of Agadir and Arab countries apparel and textile products imports 6.9 billion us dollars and 22.5 billion us dollars respectively.

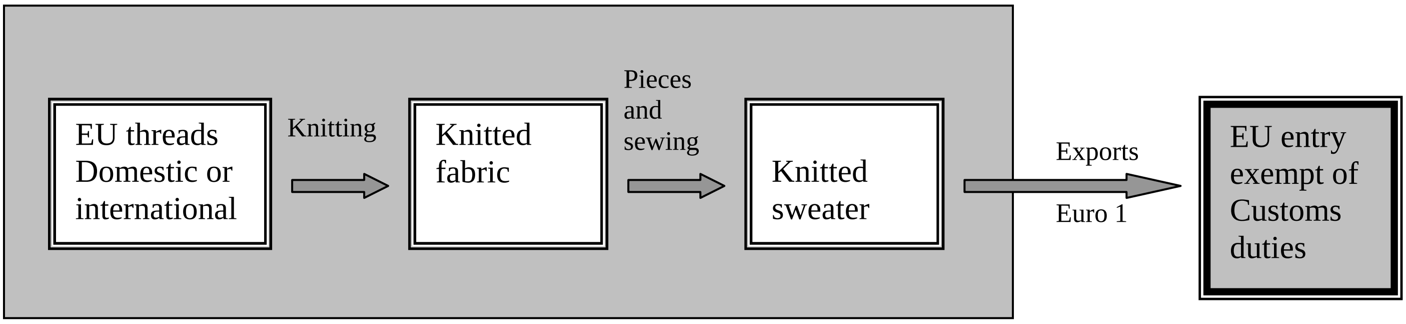
These imports are very important and represent great opportunity for Agadir countries that are considered primarily apparel and textiles exporting countries contrary to the other Arab countries that are considered total importing countries. These opportunities are not, at all, taken advantage of by the Agadir countries due to the unavailability of information among the professionals of the sector about the importance of the production in the region and especially because most exporters are linked to the EU or the US through subcontracting.

The goods imported in great quantities from Agadir countries and that have a strong export potential by those countries are those made out of cotton material including thread, woven, and clothing products which could take advantage from origin regulations to increase exports to Europe.

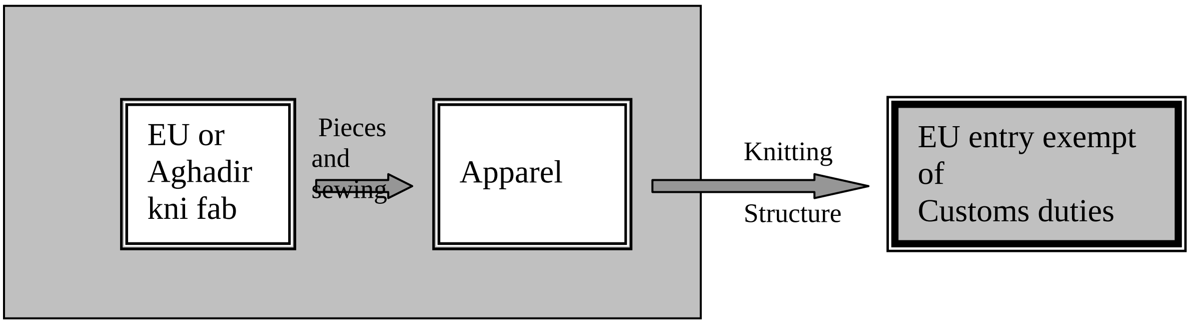
2.6 cooperation possibilities:

By the accumulation of the rules of origin in order to increase exports towards Europe (bilateral accumulation of the rules of origin) :
Bilateral origin accumulation is possible between a member country of the Agadir Agreement and a member country of the European Union and allows entry of the product to the EU exempt from custom duty and taxes. No country can take advantage of origin accumulation but the principle Agadir members or EU members.
There are three options that allow the accumulation of the rules of origin:

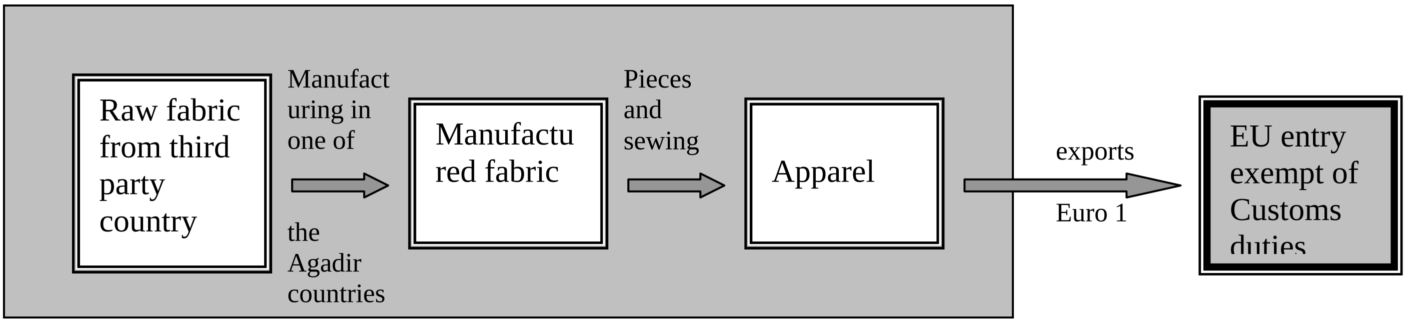
1st option:



2nd option



3rd option



Identifying cooperation opportunities and export development through origin accumulation;

A list was prepared specifying for every apparel and woven textile producer and for every country of the Agadir Agreement, as well as for the world, Italy, Turkey, and China, Imports, exports, the growth rates for the 2002-2006 period and the growth rate for 2006as well as the market share for every country subject of this study.

Products that are imported or exported in small quantities and consequently have no industry basis that could improve the export development policy were eliminated.

The following table shows the most important products imported from countries members of the Agadir Agreement that relate to the strategy of cooperation and export development:

(Unit: US $1000)

Products	Tunisia	Egypt	Jordan	Morocco
5204 cotton sawing threads	1795	371	1158	2112
5205 cotton threads >=85% cotton	13089	42149	1491	40101
5208 cotton fabric, containing <= 85% in cotton of its weight, weight=200g/m2	199509	30479	14968	197048
5209 cotton fabric containing <=85% cotton, weighing 200g/m2	321074	96780	33911	269292
5401 sawing threads of	17513	2713	4217	11394

industrial and composite fiber				
60 threaded fabric	268341	51892	461221	229873
61 threaded clothes	166696	227046	64887	142307
62 woven clothes	271308	148836	173388	113387

To determine and analyze the fields of cooperation between Agadir member countries, a list specifying all important products that have high growth rates for export by those countries to the International markets has been established and compared to exports by China, Turkey, and Italy In order to Identify the products on which to focus the most to develop cooperation between Agadir countries.

Table number 1 lists the products of strategic Importance for Agadir countries, the market quota, and those countries export growth rate compared to world exports during 2002-2006.

The first table sets the following conclusions:

- The growth rate of Egypt's exports for sawing threads during 2002-2006 were remarkably Increasing by 28% exceeding the growth of world exports by 8% apart from Its world market share of 1,6% . The situation for Industrial sawing threads Is the same.

- Egypt's export growth rate of cotton threads for textiles of 7% In 2006 exceeds world export growth rate besides Its high market share of 1,4%.

- Egypt's cotton fabric over 200 g of weight for every square meter registered an Important growth of 48% exceeding world exports by 2%.

- Fabric exports by Egypt, Jordan, and Morocco grew successively by 28, 30, and 11% during 2002-2006 and exceeded world exports growth of these materials which reached 8%. It is worth mentioning, however, that those countries export volume Is still low since this Industry export development In Egypt Is new and the sector Is lacking export power due to the fact that most exported fabric by Agadir countries are also used for the clothing domestic production Intended for export.

- Regarding clothing exports for 2002-2006 periods, Egypt's exports grew by 15% and Jordan by 86% exceeding by far world exports of 12%, Tunisia's exports of 5%, and Morocco's exports of 1%. This Is due to this Industry well development In Jordan since the Implementation of the ready regions Agreement with the United States and Israel. As for the low growth of Tunisia's and Morocco exports, they are due to both countries less specialization in ready to wear clothing exports than Egypt and Jordan.

- Egypt's woven clothing export growth for 2002-2006 period largely exceeded the 9% growth of world exports, Morocco’s 8%, Tunisia's 1%, and Jordan -4% same export growth.

- Egypt's and Tunisia's home drapery export growth of 16% for 2002-2006 period, besides the Importance of both countries market share of 0,5% of world exports, exceeded the world same export growth of 14%.

This shows the exchange opportunities offered in these products between Tunisia, Egypt and the other Agadir countries especially since those countries are witnessing a strong development in the tourism sector which would lead to increasing demand for home draperies.

Table 2. lists the products that could imported the most from Agadir countries, their market share and Morocco’s and Tunisia's export growth of these products in 2002-2006 period compared to that of China and Turkey.

This table shows that China's exports neatly grew compared to Tunisia's, Morocco’s, and Turkey's during 2002-2006 period and that the highest growth was reached in 2006 due to the Fiber Agreement dismantling.

Table 3 lists the products imported the most from Agadir countries, their market share and their export growth by Egypt and Jordan compared to their export by China in 2002-2006 period.
It is understood from this table that Egypt's export growth of the cotton threads and fabric (over 200g of weight) that reached successively 28 and 48% in 2002-2006, exceeded China's same products export growth of 8 and 12% successively and that Egypt's export growth is competitive even when compared to China's.

Jordan's and Egypt's clothing export growth in 2002-2006 period exceeded China's. This growth reached 86% for Jordan whereas it was 28% for China.

1 Market share and export growth rate 2002-2006 for Agadir countries compared to world exports

products	world	Tunisia			Egypt			Jordan			Morrcco		
	02-06	02-06	05-06	MS	02-06	05-06	MS	02-06	05-06	MS	05-06	05-06	MS
5204 cotton sawing threads	8	-11	-25	0.03	28	3	1.6	88	-76	0			
5205 cotton threads >=85% cotton	6	0	-7	0.076	-2	7	1.4		658	0	-5	27	0.08
5208 cotton fabric, containing <= 85% in cotton of its weight, weight=200g/m2	5	13	-7	0.185	-4	1	0.1	-52	-22	0	54	138	0.11
5209 cotton fabric containing <=85% cotton, weighing 200g/m2	2	0	2	0.539	48	84	0.2	29	-15	0	-3	3	0.24

5401 sawing threads of industrial and composite fiber	7	-37	-59	0.033	151	63	0.2	-14	200	0.1	-20	-20	0.01
60 threaded fabric	8	2	36	0.049	28	26	0	30	60	0.1	11	188	0.05
61 threaded clothes	12	5	12	0.643	15	34	0.4	86	28	0.6	1	4	0.54
62 woven clothes	9	1	-2	1.525	16	26	0.4	-4	2	0.3	8	18	1.52
63 woven home textiles	14	14	22	0.45	16	14	0.58	4	44	0.01	11	7	0.11

2 Market share and export growth rate 2002-2006 of Morocco and Tunisia compared to China's and Turkey's exports

products	Tunisia			Morocco			Turkey			China		
	02-06	05-06	MS	02-06	05-06	MS	02-06	05-06	MS	05-06	05-06	MS
5204 cotton sawing threads	-11	-25	0.03				-32	-89	0.1	8	10	6
5205 cotton threads >=85% cotton	0	-7	0.076	-5	27	0.08	9	5	2.7	13	31	18
5208 cotton fabric, containing <= 85% in cotton of its weight, weight=200g/m2	13	-7	0.185	54	138	0.11	-5	-50	1	18	18	33
5209 cotton fabric containing <=85% cotton, weighing 200g/m2	0	2	0.539	-3	3	0.24	0	-44	3	12	8	24
5401 sawing threads of industrial and composite fiber	-37	-59	0.033	-20	-20	0.01	-22	-84	0.2.	14	18	9
60 threaded fabric	2	36	0.049	11	188	0.05	24	6	2.9	23	27	22
61 threaded clothes	5	12	0.643	1	4	0.54	10	1	4.5	28	45	31
62 woven clothes	1	-2	1.525	8	18	1.52	8	-12	2.7	20	25	28
63 woven home textiles	14	22	0.45	11	7	0.11	5	-26	4.13	29	17	34.02

3 Market share and export growth rate 2002-2006 of Egypt and Jordan compared to China's exports

Products	Egypt			China			Jordan		
	02-06	05-06	MS	02-06	05-06	MS	02-06	05-06	MS
5204 cotton sawing threads	28	3	1.6	8	10	6	88	-76	0
5205 cotton threads >=85% cotton	-2	7	1.4	13	31	18	…	658	0
5208 cotton fabric, containing <= 85% in cotton of its weight, weight=200g/m2	-4	1	0.1	18	18	33	-52	-22	0
5209 cotton fabric containing <=85% cotton, weighing 200g/m2	48	84	0.2	12	8	24	29	-15	0
5401 sawing threads of industrial and composite fiber	151	63	0.2	14	18	9	-14	200	0.1
60 threaded fabric	28	26	0	23	27	22	30	60	0.1
61 threaded clothes	15	34	0.4	28	45	31	86	28	0.6
62 woven clothes	16	26	0.4	20	25	28	-4	.2	0.3
63 woven home textiles	16	14	0.58	29	17	34.02	4	44	0.01

The review of the above tables shows that the development of exchange opportunities between Agadir countries include the following:

1) sawing or fabric manufacturing threads particularly in Egypt which has a big market share and which export growth rate for these products exceeds China's, world's export growth of 8% for sawing threads and an export growth of -1% for Italy concerning fabric manufacturing threads or high quality exports. The same thing applies to the fabric manufacturing threads.

2) The value of woven fabric imports from Agadir countries reached 442004 thousand dollars that of cotton fabric reached 721057 thousand dollars as Tunisian and Moroccan exports witnessed high rates of growth (13 and 45% respectively in 2002-2006 periods). Egypt's export growth of fabrics under 200g of weight per square meter was up by 48% whereas cotton fabric over 200g per square meter.

3) Agadir countries fabric exports reached the value of US $1 012 027 000. Egypt's and Jordan's exports grew by 28 and 30% respectively.

It is worth mentioning that on site visits confirm formerly stated statistical analysis which concludes that it is possible to develop the cotton thread and fabric manufacturing in Agadir countries by focusing on Egypt's cotton and cotton industry.

A 100% Egyptian capital thread manufacturing plant equipped with high technology machinery and producing 15 tons of high quality cotton threads per day was visited. It is specialized in producing 20% 0f high quality shirt fabric and 80% of T-shirt fabric, all for export.

It is also worth mentioning the presence of three other similar manufacturing plants.

Another dyeing and stamping plant, also having high tech equipment and a highly developed research laboratory, was visited. This plant is specialized in dyeing threads for high quality blouses- manufacturing and in fabric manufacturing and dyeing for high quality shirts. Egypt has two other similar plants specialized in thread and all for export dyeing.

By importing, for the short term, threads and raw fabric material from India and by increasing investments in the cotton fabric manufacturing for shirts and all other cotton exports, Egypt could, in the medium term, cover all Agadir countries' needs of shirt and other product fabrics for export.

All the above manufactories are working for European commercial entities.

4) For clothing exports, imports from Agadir countries reached the value of US$600 936 000 and 706 919 000, Egyptian exports witnessed high yearly growth of 15 and 16% in 2002-2006 period and a growth of 34 and 26% in 2006 alone almost equal to that of China of 35% for woven clothes and by far exceeding the growth rates of realized by Tunisia, Morocco, and Turkey. This remarkable growth which is expected to reach 86%, is due to the implementation in mid 2005 of the "ready industrial regional Agreement". Egypt has to take advantage from this high growth potential as well as from the opportunities offered through origin accumulation allowing the use of fabrics produced in all Agadir countries in order to increase its exports to the EU market. This could also help develop investments in woven fabric and other fabric manufacturing for exports.

The Advisor visited also jeans' and pants manufacturing plant employing 4500 workers and equipped with innovative technology for cleaning, designing, doubling, broidery, and sawing.

Through this visit, it was clear that Egypt's products are competitive particularly in the United States and even in the European Union for consumption products made in big quantities.

Cost variables are lower in Egypt than in China particularly the labor, energy, and construction costs. Besides its proximity to Europe, Egypt takes advantage of the free entry to The United States and the European Union; it produces high quality cotton for which demand is high internationally. Consequently and knowing that Morocco and Tunisia have no competitive power in this sector, it is possible for Egypt to help develop high consumption products in the Agadir region. It has to overcome the young industries' challenges (improve the productivity, services, industries needed to develop the sector, training, complementary product manufacturing, develop designing activities for the medium and long term to get ready for the phase of progressively canceling customs advantages Egypt is currently enjoying in the EU and the US.

It is worth mentioning also that the Tunisian and Moroccan industries are very competitive in modern and exclusive product manufacturing and that they have a large network of services and other complementary industries that can develop the sector (training, accessories...) which, besides the European aid**,** could greatly participate in the development of the sector inside the Agadir region.

V.
7. General summary and recommendations:
V.1
1.7 References and complementarity

	Egypt	Jordan	Morocco	Tunisia
Number of enterprises (1)	3270	455	1612	2128
Exports (2)	2530 million euros	860 million euros	2695 million euros	2700 million euros
Imports	950 million euros	640 million euros	1810 million euros	1660 million euros
Labor	380 000	55 000	210 000	204 000
Minimum wage (4)	50 euros	110	163	127
Costs/Minute	4.5 euros	5.5	7.5	8
KW/Hour	0.03 euro	0.06	0.09	0.04
Main advantages	Production costs	Production costs	Flexibility and short term delivery	Flexibility and short term delivery
	Major supplier of the US within the IQZ	Major supplier of the US within the IQZ	Eighth supplier of the EU	Seventh supplier of the EU
	export of Consumption clothing produced in large quantities requiring no short term deliveries	export of Consumption clothing produced in large quantities requiring no short term deliveries	Export of high quality clothes produced in low quantities adapting to the fast changing of fashion	Export of high quality clothes produced in low quantities adapting to the fast changing of fashion
	High quality cotton and cotton product manufacturing such as threads and woven fabrics	Possible benefits from Egyptian cotton products to achieve accumulation of origins at export to the EU	Possible benefits from Egyptian cotton products to achieve accumulation of origins at export to the EU	Possible benefits from Egyptian cotton products to achieve accumulation of origins at export to the EU
Challenges	Continuing the current policy to strengthen the private sector to avoid negatives impacts caused by public threading and textiles companies	Fabrics	Fabrics	Fabrics
	Subcontracting	Subcontracting	Subcontracting	Subcontracting
	Design and marketing	Design and marketing	Design and marketing	Design and marketing
	Vocational training	Vocational training	Achieving high quality	Achieving high quality
	Productivity	Productivity	Productivity	Productivity
Specializations	Trousers	Trousers	Trousers	Trousers
	tee-shirts	tee-shirts	Blouses	Women underwear and Swimming suits
	Cotton threads	Men's shirts and polo shirts	women shirts	work uniforms

(1) Companies employing more than 25 administrative staff in Egypt, more than 10 workers in Morocco and Tunisia and 5 workers in Jordan.

(2) Including imports.

(3) According to different sources, the total labor force in Egypt is 1 million in companies of different sizes.

(4) The minimum wage in Egypt considering the basic wage is 21 Euro which is well below the average wage for workers. For example the average for workers is 50 US dollars whereas it amounts to 165 Euro in Jordan.

The following observations can be made according to this simple reference criterion:

1. The apparel and textile sector is considered fundamental to social and economic stability for all four countries that face international competition. The globalization resulting from the dismantling of quotas within the multi-fiber Agreement has also a negative impact on those countries. Therefore, it is necessary to pay more importance to their situation and difficulties to avoid disruptions which may have a negative impact on the overall economy of these countries.

2. These four sectors directed primarily towards export: Tunisia and Morocco to the EU as they are considered respectively the 7th and 8th supplier (2006)[1], while Jordan exports primarily to the US and is considered among the major suppliers and Egypt exports to both the EU and the US. The four countries' exports are primarily centered on apparel.

(3) The four countries import large quantities to cover mainly apparel manufacturers' needs of fabrics, Egypt and Jordan import mainly from China while Tunisia and Morocco import essentially from the EU. None of the four countries including Egypt have self-sufficiency in fabrics which is considered a big problem.

(4) Labor force is important in the four countries as it deals with labor intensive sectors. The figures reach about 1 million workers in companies employing more than 10 and it amounts probably to 1.5 million workers in all companies including those employing more than 10 people. 90% of employees are workers particularly women.

(5) Real salaries including taxes are very low compared to those in European and American industries: the salary of 100 in the US is met with 130 in France, 16 in Morocco, 12 in Tunisia and 6 in Egypt.

(6) The average cost per minute amounts to 8 cents (of the Euro) in Morocco, 7.5 cents in Tunisia, 5.5 cents in Jordan and 4.5 cents in Egypt.

(7) The other cost factors (water, electricity, gas, fuel, transport...) has the highest cost in Morocco and the least cost in Egypt. In Jordan, however, it costs twice as the cost in Egypt.

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[1] For further details see by country analysis in chapter 2 of this report.

(8) Each of the four countries enjoys important international competitive advantages:

- The most important advantages in Egypt are the cost of production, the free trade zones attracting increasing number of foreign investors and long ......cotton production.

- Thee most important advantages for Jordan are the preferential agreement with the US from which it benefited a lot, production costs although they are twice those of Egypt.

- The major advantage for Morocco and Tunisia is their ability to satisfy the market needs in terms of responsiveness, flexibility and short distribution system.

(9) The four countries suffer from a major handicap: insufficient domestic fabric supply both in terms of diversity and price. This handicap exists even in Egypt who was forced to resort to imports particularly from China to cover a portion of its apparel manufacturing needs. The other three countries rely almost totally on foreign countries to cover their needs in terms of fabric. In addition, their activities are largely oriented to sub-contracting (despite that the environment is improving in the right way in other words towards common contracting, end producer, and the highest value added activities), which exposes them directly to Asian competition especially Chinese.

(10) the four countries are major apparel producers. They are all sports suits producers. However, each one has specialized fields: for instance, Tunisia is very competitive in jeans production, women underwear, swimming suits, and working uniforms. Morocco is competitive in women apparel production (women shirts, suits, dresses, and skirts). Jordan is competitive in light outwear and sports pants. Egypt is competitive in cotton threads, woven cotton. men’s shirts, polo shirts, T-shirts and cotton trousers.

(ii) Most clothing production activities in the four countries are operated through sub-contracting for industry eastern demanders and distributors. much effort is given in the four countries to direct trading activities towards the highest value added by common contracting or including designing activities in the 'final product' instead of including it in the service activities. Though this change was critical in the four countries to face the Asian competitiveness, it encounters many difficulties in terms of professional skills such as the design), The use of innovative information technology, and financing issues (working capital needs to realize an output of final products seven or eight times bigger than internal contractor's needs).

(12) There are two major differences between the four countries that could be used for complementarities purposes:

- Contrary to the other three countries, textile manufacturing in Egypt is a major industry. Egypt is able to supply the other countries with cotton threads, knitting woven cotton, and raw cotton as they are adequate of price and quality. Tunisia and Morocco have a strong position in the European market and are weak on the American market. Jordan has a strong position in the US market and is weak on the EU market. Egypt has an average position in Europe as well as in the US. Therefore, it is overall possible to create complementarities to reinforce their position in this market.

(13) The four countries face the same combined challenges:

- The globalization channel resulting from the opening of the European and American markets to Asian exporters especially Chinese. This globalization has a negative impact on their industrial activities and exports.

- The western market new requirements challenge as they increasingly gear towards a short distribution system in addition to the accompanying increasing demand for common contracting, end producer from distributors and all requirements for improving the four countries capacities in terms of marketing, innovation, design**,** quality, and productivity.

(14) The existence of a large competitive capacity for the four countries is clear that. Its use more effectively will lead the manufacturers in the region to be in better position to face international competition challenges and successfully confronting it.

V.2
7.2 Summary of the relation between the Agadir countries

The Agadir Agreement aims at establishing a Euro-med Arab free trade zone and is considered as a fundamental step to this end. Despite its being open to the other Mediterranean countries, it endeavors particularly to achieve a dynamic regional complementarity through the total and immediate dismantling of customs and non customs barriers in addition to the cancellation of quotas between the four countries. The dismantling of customs duties and taxes inside the Agadir zone occurred just lately since it entered into force on March 27 2007. At the same time of dismantling the customs duty inside the Agadir region, the Agreement expects in the case of accumulation of origin (a Moroccan shirt manufactured with Egyptian cotton for example) it is possible for products manufactured within the Agadir region to enter the European market (including the European Free Trade Association: Switzerland, Norway, Iceland) exempt from customs duties and taxes. consequently, these regulations is closely linked to the national system of origin accumulation in all parts of the Euro-Med region established between the European Community, the European Free Trade Association , and The Mediterranean countries.

As it is shown in the memo 2 published in the official gazette of the EU on September 29 2007, the accumulation of origin inside the Agadir region allowing free entry exempt from customs duty to the EU and the European Free Trade Association applies to the following dates:

	European Union	European Free trade Association	Egypt	Jordan	Morocco	Tunisia
Egypt	1.3.2006	1.8.2007		6.7.2006	6.7.2006	6.7.2006
Jordan	1.7.2006	17.7.2007	6.7.2006		6.7.2006	6.7.2006
Morocco	1.12.2005	1.3.2005	6.7.2006	6.7.2006		6.7.2006
Tunisia	1.6.1995	1.8.2006	6.7.2006	6.7.2006	6.7.2006	

Apart from the theoretical and organizational aspects, the first phase of the project confirmed that:

1. Trade exchange in apparel and textiles and also investments between the four countries signatories of the Agadir Agreement are very weak.

2. Professionals from each countries of the Agadir zone adopt a national position and are not keen to cooperating with professionals from other countries part of the Agreement.

3. Trade exchanges between Agadir countries suffer from shortcomings in terms of procedures some of which cause non customs obstacles.

4. In general, the number of professional is limited in addition they don't know much or they know nothing about the provisions of the Agadir Agreement and the cooperation possibilities inside the Agadir zone. This is due to, in a large extent, to the fact that the Agreement entered into force just recently.

5. The European suppliers know very well the global Euro-Mediterranean preferential accumulation mechanism but they generally know nothing about ‘Agadir Agreement'. It is clear that they don't pay special attention to the 'Agadir zone' but as much as it awards them in real value and concrete input in terms of products competitiveness.

V.3
7.3 Agadir strategic plan

Before judging the strategic proposal and recommendations which will be presented in the second report, it is possible to draw broad lines of the eventual cooperation development policies between sectors inside the Agadir zone. It is natural to build proposals on past analysis and conclusions dealing respectively with the following:

- The situation and strength and weaknesses of the four countries.

- Demand structure and market forecast.

- International competition.

7.3.1 Broad steering principals:

There are four levels of cooperation for the proposed strategy dealing with the following:

- Trade exchanges between 'Agadir countries'

- Industrial and commercial investments

- "Competitive" cooperation

- Going international

1. Trade exchanges between Agadir countries:

These exchanges are currently very weak and the main reasons are the following:

- The apparel manufacturers in the four countries are primarily internal contractors manufacturing clothes for western buyers and as a result they do not have another choice but exporting almost all of their production to the market of these buyers: Europe and the United States.

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2 see annex for more details.

- With some few exceptions, the apparel manufacturers groups do not consider those producing their selections as trademarks renowned and attractive a enough to be exported or even to be sold in their domestic markets.

- With regard to the offering of the woven or fabric products (fibers, threads, textiles and decorated linings) either they are not known on a large scale (when available) or they suffer from obvious setbacks negatives (price, quality, time frames...).

- With respect to the four countries, the information on global available offer is almost non existent. This is shown on the one hand by the weak participation of "Agadir" professionals in the fairs organized in the region which are principally national fairs; on the other hand it shows from the quasi total absence of a marketing policy by individual companies oriented to the region's markets. This situation is due to two reasons: first the absence of attraction(supposed) for these markets considered in general as weak with weak capabilities, fed primarily with cheap imitation products, second, the weakness of the distribution structures in the Agadir zone despite the adequate improvement of the situation.

Despite this, there are huge capabilities to develop trade exchanges within the Agadir zone particularly in the textile production activities.

This includes cotton threads, woven cotton fabric (raw or printed) produced by Egypt who is supposed to be able to find attractive opportunities among manufacturers from the other three countries either to for weaving fabrics or for manufacturing clothes or supplying the manufacturing units for final production.

There are also important trade opportunities in the area of fabric accessories (mending pieces, lining , cordage...) as well as in fabric products (home draperies and fabric for furniture) but also in clothes perfected by some of the four countries (women underwear, swimming suits, and working uniforms from Tunisia), (women apparel from Morocco), (Men shirts from Egypt)... .

In conclusion, trade exchanges between the Agadir countries must significantly increase in the following fields:
- Organization of the information on supply and demand.

- Among other things, an advertising policy must be put in place and implemented through participation in general exhibitions organized in the region (Texmed exhibition in Tunisia, Sourcing in Morocco, and Egyptex in Egypt...).

- Improvement of organizational information and exchange transparency.

- increase of the available supply attractiveness through competition policy.

2. Industrial and trade partnership:

The textile and clothing sectors in the four countries are extensively open to foreign investment which contributes a lot in their dynamic, in increasing their average employment, and in developing their exports.

In Egypt, for instance, we notice the existence of Turkish, Indian, Chinese and Taiwanese investments which benefit from the Egyptian textiles offer (cotton, threads, fabrics,...), from competitive cost factors and from preferential plans for export to the US and Europe.

Jordan also attracts Chinese, Pakistani, Indian, and Turkish industrial investors to its industrial leveled region. Those investors could benefit, in terms of their exports, from exempted entry from taxes to the American market. Similarly, there is an increase in the number of clothing stores under foreign trademarks through franchises which contribute in increasing the dynamic of the domestic market.

The development of both the sector in Tunisia and Morocco also depend extensively on direct foreign investment either commercial or industrial on an equal basis: mainly British, French, Spanish, and Italian for Morocco, and particularly French, Italian, and Belgium for Tunisia.

This shows that each of the four countries enjoy different degrees of attractiveness in terms of investments.

To the contrary however, trade exchanges and general investments within the "Agadir" zone are low both on the industry and trade level.

And since their development is an important factor for boosting the sector's international competitiveness in the four countries and for creating employment opportunities, both an industrial and trade policy, including services, that encourages their development must be followed by increasing competition based on strengthening power areas and complementarity characteristics such as:

- Egyptian threading company + Tunisian weaving company.

- Egyptian textile manufacturing company + Moroccan apparel manufacturing company.

- Merger between an Egyptian textile manufacturing company, a final production Tunisian company, and a Jordanian apparel manufacturing company.

- A Tunisian apparel manufacturing company + a Moroccan distribution company.

- An Egyptian apparel manufacturing company + a Tunisian apparel manufacturing company + a Jordanian apparel manufacturing company establishing a permanent common office in a foreign market.

- A Tunisian apparel manufacturing company + a Moroccan apparel manufacturing company + an international trade company.

This "general" partnership investments' policy leads to create new markets inside the Agadir zone and internationally by attracting the required number of consumers to improve its export performance, create employment opportunities, increase the zone's domestic markets dynamic, focus on comparative advantages, and eliminate barriers (building final production manufacturing units, for example).

The implementation of such a policy depends not only on direct foreign investment outside the Agadir zone, but to the contrary primarily on the increasing and the structuring of information.

To realize this goal, the multi-year action plan includes, for instance, the organization of meetings for potential 'Agadir" partners including institutions for international services.

3. Technical Cooperation: professional, technological, and informational training... ;

The third subject of the common policy to develop the clothing and textile sector in Agadir zone is competitiveness aiming at focusing on comparative advantages and correcting weaknesses through common actions having fixed objectives set by the group in order to offer the sector the best possible environment to face the double challenge of international competition and the changing demand on markets.

For the purpose of achieving this, the action plan must address two priority sectors closely linked at least as much as it is politically possible to add skills to generate added value ; the human resources evaluation and mastering the new technologies.

the emphasis will be placed primarily on the difficulties related to the sub-sector and quality.

*** Human resources evaluation**

With regards to training, every country will undertake the regrouping of the initial and the continuous training according to their plans.

Each country faces the same great challenges in terms of productivity, responsiveness, short distribution system, just in time, innovation, marketing, etc.

The plan to be proposed aims, especially in the industrial field, at controlling the transition from the internal contracting operations to common contracting and the final producer, which requires addressing the following issues:

-Encouraging the multiplying of workers specialties and mastering the operations related to producing to enter the higher Mediterranean market

-Training or improving the technicians and supervisors capacities

- Training or improving the designers and assembling staff capabilities

- Training the technicians responsible for materials awarding

- Training in achieving manufacturing and finishing the fabrics

The companies marketing capabilities in the four countries turned out to be very weak in general and the need for new skills will grow rapidly which will require great efforts to employ and train the production, marketing and export managers...

In order to encourage training efforts the action plan can propose the following;

- Link the high training institutions in the four countries so as to open the door of permanent dialogue about educational programs or curriculum

- Organize conferences among the Agadir countries on training of trainers

- Comprehensive vocational training projects for graduating students (third session)

- Establish Agadir Institute for training

- Etc

*** The New Technologies**

It seems the mastering of new information and communication technologies is a strategic principal issue for the apparel and textiles sectors in the four countries as these techniques are very necessary for improving international competition of the sector ; innovation, the administration with a vision, industrial organization, logistics, communications (design and sketching with computer help, management administration of the producer 's life cycle, enterprise's resources planning, computer assisted production management, Radio waves identifications systems, International merchandise land transportation, agents relations management, control panels, behavior studies, economic information etc).

It is also observed that the major apparel and textiles suppliers of the EU - China and Turkey- placed the integration of new technologies in the forefront of their priorities in order to ideally implement their policies in the field of added value.

In this context not only the dismantling of the current obstacles should be one of the ambitious targets of the action plan but also providing the Agadir sectors a comparative advantage that distinguishes it from the competing countries and this is closely linked to the human resources evaluation program. Recommendations will be submitted in the action plan.

*** The sector's competition, quality, establishing, Research and Development**

The four countries, including Egypt which produces silky cotton of international reputation, are forced to greatly rely on imports to cover their fabrics, threads and textiles needs to feed the textile manufacturing companies.

This situation harms their interest in a combined manner;

- imposes great pressures on their trade budgets

- makes the short distribution strategies system and the companies' responsiveness less flexible

As a result and in the framework of complementarities the action plan proposes particularly the following measures to correct this situation ;

- increasing the international competition of the Egyptian cotton sector (threading and

weaving)
- Improving the production capacity and the manufacturing execution and finishing sector competition in the four countries.

In addition, recommendations will be submitted to improve the quality and innovation of the production in the Agadir zone. This includes improving R&D activities while relying on the technical centers in the region to establish cooperation and collaboration and create economies of scale as well as sensitizing to initiate stronger partnership with European labs, technical centers, engineering schools and universities.

4. Encouraging the common export

For each country of Agadir, export is considered the main engine of activity by sector. But for many reasons related to preferential agreements and the existence of raw materials and geographic proximity and the implementation of a complementary development environment and the cost factors etc. the four countries set up industrial and commercial changing strategies leading to big differences related to export.

- the quasi- exclusive front position of Morocco and Tunisia in the EU market

- the quasi- exclusive front position of Jordan in the American market

- Egyptian exports are divided between the EU and American markets.

Exports of the four Agadir countries in 2006

	The European Union (1000 Euro)	**The United States (1000 Euro)**
Egypt	716 687	806 185
Jordan	10 272	1 256 771
Morocco	3 471 133	102 430
Tunisia	2 688 156	48 714
Total	5 886 247	2 211 100

Source: Eurostat and Eutexa

The detailed analysis contained in this preliminary report the existence of important contradictions in the situation and performance in terms markets and products. **These analyses show also** that the four Agadir countries exports are **directed to the Southern European markets due to geographic proximity whereas some of the larger markets are located In the North.**

Apparel and Textiles Exports to the EU in 2006

Unit ; 1000 Euros

	Germany	**Great Britain**	**Italy**	**France**	**Spain**
Egypt	108 257	218 157	196 052	42 500	20 903
Jordan	100	5144	638	71	528
Morocco	152 345	391 559	105 536	813 746	844 464
Tunisia	271 416	98 607	854 127	1 013 841	97 242

Source: Eurostat / JF Limantur

Per market distribution in 2006 of European imports from all origins (European Union) coming from the four countries of

‘Agadir’ zone (Agadir 4).

Second Phase Report

VI. Strategy

VI. 1.Introduction

While writing the following recommendations and proposals, the report's author has never intended to propose a very structured by-sector development strategy nor a complete action program covering the industrial and trade policy issues of the Agadir Free Trade Area as a whole.

In addition to the need for a more thorough situation analysis and outlook of the textile – apparel sector in each of the countries signatories of the Agadir Agreement, such a design would have been outside of the mission scope which aims to promote regional integration and the sector's responsiveness to the new globalization requirements.

<u>Therefore in outlining the strategic trends inspired by his findings, The rapporteur focused on formulating recommendations and suggesting actions that would have a very positive leverage for the activity and in terms of employment of this key sector for socio-economic balances in the four countries</u>.

The proposed strategy in this document derives from the analyses presented in the first part of the report dealing with:

- The situation, performances, strengths and weaknesses and challenges of the textile-apparel sector in each of the four countries signatories of the Agadir Agreement;

- Western demand structure by market and product as well as distribution expectations;

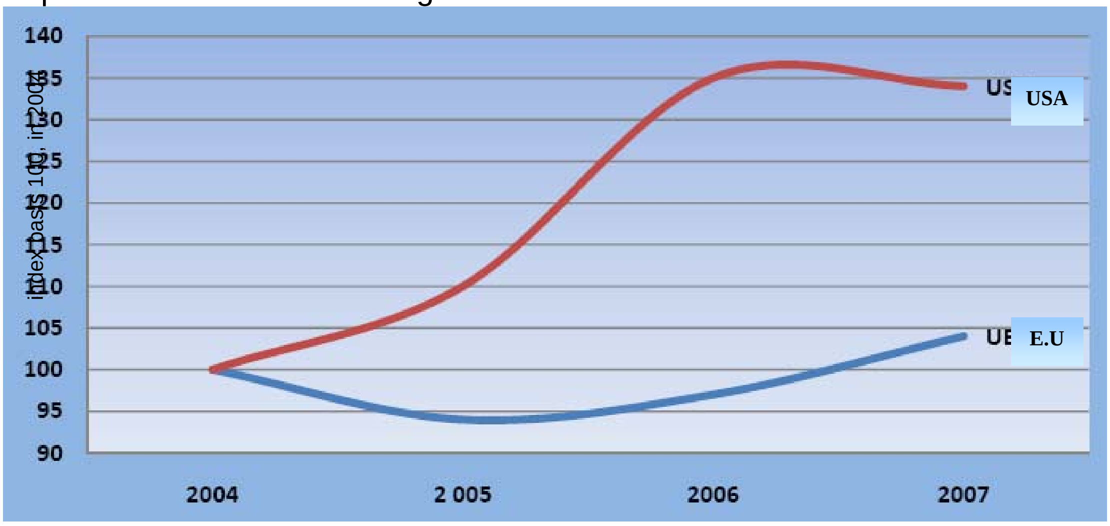
- The competitive situation, the situation of big competitive countries and international trade evolution prospects.

These analyses pointed to a number of highlights that should be summarily recalled so that the difficulties faced by the Agadir countries and their scope as well as the purpose of the recommendations and proposals made in the second report are better apprehended:

1. In 2007, exports of the four countries signatories of the Agadir Agreement amounted to 10.3 billion dollars. Together, they employ 1.5 million workers, earns bread to 15 million people and account for an important share of foreign currency receipts. The textile-apparel sector therefore plays a key role in the national socio-economic balances, and requires an increased interest for the well being of the thousands of companies in this sector and to take the appropriate measures to shoulder their competitiveness efforts and ensure its development.

2. In each of the countries, the textile-apparel sector is very heterogeneous as it is made up of companies of every size.

Export evolution of the four Agadir countries to E.U and USA



Source:Eurosat,Otexa

The four countries have in common the need to face very strong competition from Asia and respond to the very difficult challenge of markets globalization.

Their textile-apparel industries also have in common their being mostly made up of sub-contracting companies and primarily export-oriented.

During the last four years (2004-2007), their exports grew by an average annual Rate of +7.59% for the US market and +0.98% for the European market. There is a trend of losing export market shares to their Asian competitors.

Share in the total European imports of textile-apparel from 2004 to 2007

	2004	2005	2006	2007	
Tunisia	4.5	4.0	3.6	5	3.6
Morocco	4.1	3.5	3.3	6	3.4
Egypt	0.9	0.9	0.9	0.9	0.9
Jordan	0.01	0.01	0.01	n.d	0.1

Source : JF Limantour/Eurostat

Nevertheless, the setback of the competitive position of the Agadir countries was partly offset in 2007, which signals the relative sector's vitality and its resistance capacity to the Asian invasion of Western markets.

Shares in the US imports of textile-apparel from 2004 to 2007

	2004	2005	2006	2007
Tunisia	0.05	0.06	0.05	0.06
Morocco	0.09	0.07	0.11	0.09
Egypt	0.68	0.69	0.86	0.90
Jordan	1.15	1.21	1.34	1.19

Source: GF Limantour/Otexa

3. Trade exchanges for textile-apparel and cross-investments between the four countries are very weak for the main following reasons:

- Most companies are very bound to Western, European and US clients, who absorb almost all their production.
- Few companies have trademarks famous enough to be attractive to the Agadir Zone markets.
- The zone’s textile offer (fabric and accessories) is still insufficient in terms of price, quality and diversity.
- The manufacturers’ fabric supply is mostly carried out in the countries of the clients (Europe, United States) as well as in Asia.
- the Agadir Agreement has been implemented recently (March 27, 2007) and therefore the majority of the economic actors are not yet well aware of the interesting possibilities offered by this free trade mechanism, for example in terms of preferential origin accumulation.
- Trade information on textile-apparel availability in the zone is very deficient and badly circulated.
- Entrepreneurs are not spontaneously keen to cooperate trans-nationally within the Agadir Zone. Behaviors, even national egos and mistrust feelings are still very strong.
- There is some lack of transparency in the exchanges and it even seems there are non-tariff and protectionist obstacles somewhere.

4/ There is a strong development potential and competitiveness reserves which intensive use through an active intra-Agadir cooperation would significantly improve the overall competitiveness of the zone’s offer. Each country of the zone enjoys a strong competitive edge but at the same time suffers from shortcomings that often neutralize them; this is where lies the idea, which is in the heart of the Agadir logic, of summing the comparative advantages to erase the weaknesses. For instance, Egypt produces some types of fabric under conditions similar to those of Asia in terms of price and quality. They can be profitably used by manufacturers of the other countries within the preferential origin accumulation in order to increase their competitiveness and gain new market shares for export.

5/ We are witnessing a change in Western demand: the markets are increasingly volatile, the number of annual collection is multiplying (4 to 6 on average per year instead of 2 traditionally), consumers want products that are increasingly “fashion” for very low prices, distributors favor their commercial relationships with suppliers “Developers” not only for apparel manufacturing but also for precision and model making operations as well as fabric purchases.

The still increasing demands of distributors in terms of price, product quality, flexibility, responsiveness and punctuality are a difficult challenge to the Mediterranean manufacturers. Still it is an opportunity for them if they face it and succeed because the Asian competitors are handicapped and unable to play the short circuit card which accounts for almost half of the operating system of the Western markets.

Basically, two big questions lie in the heart of the “Agadir” issue, for which the strategic recommendations and the action plan proposed in this report would attempt to answer:

1.How to bring companies, professional organizations and Egyptian, Jordanian, Moroccan and Tunisian administrations to cooperate despite their natural unwillingness to do it? Obviously, they will not do it in a significant way unless this cooperation generates by its own means additional added value of employment and carries therefore a better future.

2. How to create and manage an "Agadir identity," which is synonym of "excellence zone" for sourcing and the establishment of new industrial activities for the distributors, the industrial clients and international investors?

These questions lead to problems of communication, image, information organizational, real actions… and therefore require the mobilization of additional human, financial and political means so that the "Agadir approach" does not become a mere by-sector juxtaposition of national forces but rather the expression of an interdependent political will for economic and social progress resulting in an increased overall competitiveness and a better adequacy between their products/services supply and the international demand for the benefit of industrial activity, exports and employment.

VI 2.Objectives and performance indicators

2.1 International environment:

For more than a decade, the textile-apparel universe is going through deep changes that were further deepened by the dismantling of the Multi-fiber Agreement quotas which occurred on January 1, 2005.

The year 2008 and the following years should witness a hardening of the international competition conditions, which implies more than ever for the textile-apparel sector in the four countries not only to pursue their overall competitiveness efforts at the national level but also to mobilize their forces to be always more performing and win the markets globalization challenge.

This expected hardening will be produced by two major changes of the enterprises competitive environment:

* On the one hand, the economic outlook of the major Western markets is getting worse. In the United States, the GDP growth was only 0.6% at an annual rate during the fourth quarter 2007 and it is feared now that the US enter a recession cycle despite the repeated interventions of the Federal Reserve, which lowered its prime rate from 4.25% to 2.25% between January 22 and March 18, 2008 in an attempt to restart consumption and investments while opening the flow of credit. According to the last International Monetary Fund (IMF) analysis (22), the US GDP would grow by just 1.5% in 2008. The European growth should suffer from the same phenomena and would grow below its potential registering 1.6% according to the IMF.

However, still according to the IMF, emerging economies (Southeast Asia, Brazil, India) would continue to post a strong activity with nonetheless the risk of being affected by the American financial crisis.

Therefore, the textile-apparel consumption and imports should be affected. Under these conditions and due to clothing consumption elasticity/income (23) of 0.6% and to an average 'historic' annual growth of +2% of clothing expenditures, the textile-apparel consumption growth should not exceed +1.5% in 2008 value and most probably the same in 2009 resulting in +1% increase in volume.

Imports cover around 60% of U.S. and European textile-apparel consumption. They grow annually on average by +4.8% in Europe and +4.2% in the U.S. Logically, due to the economic downturn, textile-apparel imports should grow in 2008 and undoubtedly in 2009 by an average rate of +3.5% in Europe and +3% in the United States.

* On the other hand, the year 2008 marks the final end of Chinese quotas in Europe. In an official statement dated October 9, 2007, the European Commission indeed announced the conclusion of an agreement with the Chinese Ministry of External Trade to eliminate as of January 1, 2008 all quotas that still limit textile-apparel exports from China to the EU.

We should recall that notwithstanding the provisions of the WTO Marrakech Agreement of 1995 that decided the dismantling of quotas of the Multi-fiber Agreement, an agreement protocol was included on June 10, 2005 between the EU and China to maintain quotas on 10 products until the end of 2007 to avoid a sudden push of Chinese imports in the EU markets.

22. Previsions announced on January 29, 2008
23 The elasticity rate measures the ratio between the growth rate of consumption and that of the income

China performances in Europe in 2006

Categories	Products	Rank	1000 euros	Quantity
Cat 4	T-Shirts	3	942 917	309 486
Cat 5	Pullovers	1	1 314 913	163 239
Cat 6	Woven Trousers	2	1 355 185	223 168
Cat ex 6	Jeans and Denim	3	319 113	58 941
Cat 7	Women Shirts	4	307 874	58 800
Cat 8	Men Shirts	1	555 836	165 812
Cat 13	Briefs, Panties	1	787 789	1 311 120
Cat 14	Overcoats, raincoats for men	1	274 259	33 411
Cat 15	Overcoats, raincoats for Women	1	1 019 805	115 432
Cat 16	Men suits	1	313 509	24 360
Cat 17	Coats, sports coats for men	1	182 166	17 660
Cat 21	Parkas, anoraks	1	2 166 491	271 623
Cat 26	Dresses	1	229 386	18 004

Cat 27	**Skirts**	**1**	**573 729**	**122 748**
Cat 31	**Bras**	**1**	**401 388**	**167 602**
Cat 72	**Swimming suits**	**1**	**372 355**	**170 438**
Cat 73	**trainings**	**1**	**234 299**	**67 015**
Cat 76	**Work uniforms**	**1**	**304 152**	**47 888**

Source : JF Limantour/Eurostat

The new agreement that entered into force on January 1, 2008 calls for the setting of a double control system just for the year 2008 through delivering exports license by China and exports licenses by the European Union to monitor the evolution of China's sales for eight of the ten products still subject to quotas, which are as follows: category 4 (T-shirts), 5 (pullovers), 6 (trousers), 7 (shirts), 26 (dresses), 31 (bras), 20 (bed sheets) and 115 (linen and ramie threads). The remaining categories are 2 (cotton fabric) and 39 (kitchen and table linen). They are exempted of this double control procedure.

However, the agreement stipulates that the double control system can in no way limit Chinese imports. China is Europe's first supplier with a value of 23.5 billion Euros, either in textile (4.8 billion) or in clothing (18.7 billion). These products (T-shirts, trousers, sweaters etc…) are highly sensitive and are among the most important exported garments by the Agadir Agreement countries. It is therefore very likely that the de facto suppression of Chinese quotas will negatively weigh on the four countries' export performances towards Europe as of this current year. It will be the same for their exports to the U.S. as of January 1, 2009 as the U.S. must totally liberalize imports from China.

In 2007 China has further reinforced its domination of Western markets despite the quotas:

As the first supplier of Europe, China covers 34.6% of European textile-apparel imports compared to 31.5% in 2006. China supplies more than a quarter (26.0%) of Europe's total textile products imports and more than a third (37.7%) of clothing imports.

European textile-apparel imports in 2007

Country	Rank	2006		2007		2007-2008
		1000 E	%	1000 E	%	%
Total		**75373406**	**100.0**	**78633731**	**100.0**	**4.3**
China	1	23774523	31.5	27209770	34.6	14.5
Turkey	2	11915827	15.8	12689269	16.1	6.5
India	3	6019205	8.0	6218604	7.9	3.3
Bangladesh	4	4837548	6.4	4618246	5.9	-4.5

Source: Jean Francois Limantour/Eurostat

The same is true for the U.S, where China continued its rapid export progress despite the quotas: +19.4% in 2007 compared to 2006 with an export value reaching 32.3 billion dollars or 33.5% of total US textile-apparel imports.

Major textile-apparel imports on the US market (1000$)

	2004	2005	2006	2007	2007-2008
China	14 558 077	22 405 319	27 067 622	32 320 077	+19.4
India	3 633 273	4 616 585	5 031 072	5 103 975	+1.4
Vietnam	2 719 641	2 280 541	3 396 088	4 557 862	+34.2
Mexico	7 793 309	7 246 285	6 376 319	5 625 512	-11.8
World	83 310 442	89 205 496	93 278 703	96 406 950	+3.4

Source : JF Limantour/Otexa

Logically, the completion of the total liberalization process should reinforce Asia as world production zone. China will continue to be the big winner of production transfers. It will very likely become the number one supplier of the EU by the end of 2008 for T-shirts, woven trousers including jean and shirts. This evolution would be at the expense of the Mediterranean manufacturers, who have a strong position in these products. The structuring of textiles and apparel in India around major local operators will continue.

In Europe the restructuring phase through which the sector went allowed the selection of the strongest operators. Their positioning on high value-added products and in activities such as smart fabric production will enable them to resist Asian competition.

In the United States, the household consumption contraction will affect clothing sales and show the imports growth pace.

COFACE (French Company for Foreign Trade Insurance) underlined in its report on by sector risks published at the end of January 2008 that for the countries around the Mediterranean '*the final suppression of Chinese quotas as of January 1, 2008 will strengthen Asian competition and will weaken companies which could not reposition themselves in higher value- added production'*.

In conclusion, the combination of the entry of Western economies into a significant deceleration phase and final liberalization of Chinese quotas of very sensitive products will affect the Agadir Agreement countries exports. This will justify, if need be, the absolute need for them for redoubling adaptation and promotion efforts.
The proposals formulated in this report fall under this prospect.

2.2 The Objectives:

The proposed policy in this report aims at contributing to the sustainable development of the Agadir Zone textile and apparel sector through a shared prosperity strategy that generates value- added and is geared toward the future. This policy is based on crossed fertilization of competitive strengths of the four countries and on the implementation of the following five guiding principles:

- A solidarity principle: means that the implemented programs will be collectively for the textile-apparel sector development for the Agadir zone and not exclusively for national interests.

In order for this principle to be verified, the proposed actions should necessarily be attractive, mobilizing and creative of value-added. It is the only way to defeat and overcome the mistrust behaviors, national selfishness, and skepticism of public and professional organizations about the "Agadir" approach and the lack of transparency in the exchanges.

- A complementarity principle: it is one of the foundations of the "Agadir" approach which accumulates strengths, competencies, and resources of the four countries to improve their global competitiveness vis-à-vis international competition. This principle will be translated by the implementation of origin accumulation and capitalized experiments sharing or for instance through consortia creation.

- An excellence principle: the implementation of this principle means that actions undertaken within the proposed program must contribute not only to improve the industrial and commercial performances but also to achieve the ambitious objectives in areas such as new technologies integration, professional skills, companies organization, marketing, management, innovation, productivity, logistics, collectionning, etc… so that the "Agadir" offer by sector can be as adequate as possible to the international demand.

- A differentiation principle: the underlying idea is to use the action plan to enable not only the necessary change of the clothing sector, from subcontracting to co-contracting and finished product but also to encourage a valorization process of the offer to make it as attractive as possible on international markets. The creativity and R & D will be in the center of this approach. For example, the application of the differentiation principle could lead to the organization of "smart fabrics" production and to naturally deploy efficient activities of finishing and ennobling.

- A subsidiary principle: In order for the action plan to be harmoniously implemented and the "return on investment" to be optimized, the subsidiary principle should be observed in which name initiative taken under "Agadir" will not be redundant with action undertaken at the national level. In reality, it deals here with the principle of good governance.

Concretely, the by-sector policy conducted under the Agadir Agreement will contribute to:

- Significantly increase production and employment
- Improve the produced value-added
- Valorize human resources
- Support the sector's migration towards more advanced activities
- Enhance the overall competitiveness (quality, price, service)
- Encourage vertical integration
- Consolidate market shares for exports
- Enter new markets

Taking into account the national and Agadir policies' tight links, we will choose as efficiency measuring tools specific performance indicators such as:

- Intra-Agadir trade exchange volume
- Cross investments
- The number of created consortiums
- Exports to new markets

One of the first missions reserved for the ATA piloting structure whose creation is proposed in the chapter I.3 Strategic recommendations, should be to develop and to manage a battery of intrinsic performances measuring indicators, vis-à-vis the other main competitors (Turkey, China, India, Vietnam.) as well as vis-à-vis the markets themselves.

For this purpose, in addition to harmonizing the four countries' indicators (employment, factors' costs, foreign trade, investments, etc), it would be appropriate, especially, to:

1. Compare each year the four countries' export value and growth rate for each European market as well as the US market to the corresponding data of the main competitors. For this purpose, it is recommended to acquire each year the statistics of Eurostat and those of OTEXA and to make a comparative analysis out of it.

2. To measure market shares evolution held by each of the four countries, by products and by products/markets. For instance, this set of indicators allows to know the following information about trousers:

- The market share of trousers' imports for each Agadir country in the total imports of trousers by Germany, France, Great Britain, etc, both in value and number of pieces.
- Measure its evolution from one year to another
- Compare these data with those of the competitor countries
- Locate the rank of each of the four countries (for example, the nth jeans' supplier from Germany)
- Collect invaluable information on the average prices of products imported by the European Union, ….

and to therefore have a whole set of precise indicators allowing to measure the performances compared to competition, to appreciate the degree of relevance of the development policy led under Agadir and to provide companies with very useful operational elements for their own industrial and trade strategies.

3. Lay out and analyze the statistics on FDI in the sector. Foreign companies will continue to play a more important role in the industrial and trade growth of the sector. For this purpose, it would be advisable to have precise and homogenized statistics about investments in the four countries: funded capital, created jobs, etc

VI.2.3 strategic directions

Based on the implementation of the five principles mentioned above, the suggested strategy should be articulated around six main subjects, which will be divided into recommendations and proposed actions in the following chapters:

* Organize the Agadir zone's by-sector interests' management, defense and promotion.

In order to optimize the chances of success of a by-sector policy common to the countries of the Agadir Agreement, it will be necessary to:
- Create a structure specifically dedicated to the action plan's management and animation.
- Hold discussions between the professions and the administrations.
- Build a common and valorizing image internationally.
- Act with maximum efficiency and political weight to defend and effectively improve the shared interests of the four countries. The lobbying activities carried out for this purpose will be able, for example, to relate to problems such as origin marking or the preferential rules of origin evolution.

*To develop trade within the Agadir zone. One of the major foundation of the policy developed by the action plan will have to relate to the development of trade between the four countries. These exchanges are currently insignificant.
While solving the confidence, transparency, information and communication problems identified during the first phase of the mission, the target to reach an intra-Agadir minimum trade value of 500 million euros in 2010 is a completely credible hypothesis due to the promising potentialities. These potentialities relate especially to the fabric supply chains & weave, knitted fabrics and accessories for their use under the preferential origin accumulation. Interesting potentialities also exist for the manufacturers brand owners, taking into account the significant development of clothing consumption and of a distribution organized in each of the four countries.

* Increase the industrial partnership and intra-Agadir trade

It is advisable to encourage the industrial and trade partnership as well as the cross-investments within the Agadir zone:

- on the one hand to develop a process of vertical integration allowing to reinforce the performances of the supply chain for an optimized response to the short circuit requirements.
- in addition to reinforce the size and the resources of the companies so that they are able to compete successfully on the markets of export with major international groups.

In this logic, initiatives will have to be taken, allowing the identification of potential partners from the four countries of the zone and their connection. A support policy for the conclusion of cooperation agreements should be implemented, leading for example to constituting powerful consortia, establishing permanent common offices in permanent export markets and creating distribution chains.

* Strengthen companies overall competitiveness

The last European quotas imposed on Asian producers were removed on January 1st, 2008 and will be done in the United States on January 1, 2009. During forty years, the Western markets were protected, particularly against the imports coming from Asia but have been, for two decades, largely opened for the Mediterranean products which even enjoy a preferential access there. The dismantling of the Asian quotas combined with the fact that residual customs duties are very weak, means that, from now on, the Mediterranean countries can count only on their competitiveness to preserve their export market shares and, a fortiori, to conquer others. In this context of freedom of trade, overall price and non-price competitiveness - is a cardinal issue . It is therefore imperatively appropriate that the Agadir textile-apparel sectoral policy contribute significantly, complementing and in synergy with sectoral national policies, in the form of a special multi-year program relating mainly on the valorization of human resources, new technologies optimized integration, creation, optimized textile-apparel integration and a whole range of questions dealing with overall integration products and services quality.

*reinforcing international presence

One of the important axes of the proposed strategy relates to export because it is main engine of the sector's industrial and trade activity. For various reasons about preferential agreements, geographical proximity, activities specialization, historical relationships and language issues, material availability, factors cost or, FDI attraction policy, export marketing strategies of the four countries diverged, leading to different variable performances from one country to another. Jordan and Egypt have a strong position on the US market, whereas Tunisia and Morocco are very present in Europe. Using synergy factors born from diversity of capitalized experiments with export by each country, the suggested policy will aim at consolidating the positions on traditional markets but also entering new markets. For this purpose, with the "deterrent export forces", will be equipped with appropriate promotion and prospecting tools, to conquer international markets.

*Develop Agadir/UE and Agadir/ Mediterranean cooperation

The sixth axis of the suggested policy relates to the Agadir group relationships, which is considered as a homogeneous unit, as well as its international environment, aim at a double objective : on the one hand to strengthen the networking cooperation in areas such as R& D, technology and training. On the other hand to foster direct foreign investments in the Agadir zone and finally to stimulate the organization of bonds with related sectors (leather, shoe, craft industry,…) and International Trade Companies. The actions carried out for this reason should be considered on three levels with:

- the European Union and particularly the five main south-Europeans countries (Spain, France, Italy, Portugal and Greece)
- the other Mediterranean countries in particular Turkey and Syria
- the other major countries the United States, China and India.

The cooperation will have to be considered, among other forms, by means of partnership conventions between enters the Agadir textile-apparel professional structure to be, and federations, international institutions, universities, technical centers, Fashion institutes, schools of engineers, etc

VI.3 Strategic Recommendations

A. Professional policy

VI.3.1 Intra-Agadir Cooperation

VI.3.1.1 Piloting of the “Agadir” sectoral policy

Taking into account the foreseeable difficulties, of all kinds, resulting from the common textile-apparel political strategy implementation proposed in this report, and from the necessary harmonious efficient action plan development, it seems highly necessary to consider the creation of an ad hoc structure.

This structure, which should function in close connection with the Agadir Technical Unit (ATU) but legally distinct, should have the following characteristics and functions:

- Non-profit Professional Structure
- Name: Agadir Textile Association
- Acronym: ATA
- General Objectives: defend, promote and represent the common interests of the textile-apparel sector of the four countries; action plan piloting
- Specific Missions:

    - work out and manage a Web site
    - organize forums and conferences
    - work out and manage a data base of the textile-apparel manufactures of the four countries
    - work out and manage an international distributor’s data base
    - carry out a permanent economic watch
    - publish a monthly newsletter
    - organize and manage common partnership operations
    - organize and manage export missions
    - organize a network, through agreements with national professionals organizations (national federations, technical centers,…) and international (Europeans, Mediterranean, American… such as Euratex, International Apparel Federation, etc).

- Structure organization:
    - Collegial direction ensured by four directors named by the professional organizations of the four countries. Each of the four directors will have a specific function.
    - Representation of the structure ensured by a president and three vice-presidents representing each one of the four countries.

- a board of directors of 13 people made up of the 4 directors, the 4 presidents, 4 representatives of national administrations and a representative of the Agadir Technical Unit.
- a General Assembly made up of Board of directors and 40 professionals (10 appointed for each country).

- Headquarters: to be decided by decision of the General Assembly.

- Budget: annually voted, will include all resources non-prohibited by the regulations of the headquarter host country: countries contributions, subsidies, sponsor donations, etc.

Recommendation # 1. Agadir Textile Association - ATA

A specific professional structure for the textile-apparel action plan piloting, will be created to represent and defend professional interests,.

Named ATA (Agadir Textile Association), this structure it will be managed and operated by professionals of the four countries. ATA will be open to professional federations, individual companies, technical centers, textile-apparel promotion and training institutions, chambers of commerce and industry, styling institutions.

ATA will favor network working through partnership conventions concluded with national and international professional structures. Its budget will be fed by the contributions of its members and all resources authorized by the law for non-prpit associations.

VI.3.1.2 Agadir process Launching

The contacts made during the execution of the mission, both in professional environment and in public, showed that an important number of manufacturers and civil servant are skeptical about the possibility of developing significant trade and partnership relations between the four countries signatories of the Agadir Agreement ; to such an extent that there are “Euro- skeptics” and “Agadir-skeptics”, who either doubt the professions will or interest to cooperate or not.

Therefore it is absolutely paramount to create a vast movement in favor of a strong intra-Agadir cooperation to materialize the will of bringing together the States signatories of the Agreement and to use the important potentialities of industrial and commercial partnership offered by the sector. It is simply an issue of overcoming national selfishness and erasing economic and public actors apprehension feelings of mistrust with regard to transnational process. Considering that this situation exists out of ignorance, lack of information and vision about the interest of an intra-Agadir cooperation for each national sector, two conditions must be checked to reverse the tendency:

1. Propose a mobilizing project founded on the principles stated previously. This project will be all the more mobilizing as the action plan will bring a satisfactory answer to the concerns of the professionals, for example in terms of preferential origin accumulation or serious prospects for profits of new market shares.

2. Rely on professionals who have the will to cooperate within the zone and do it already at the trans-national "Agadir" level.
During contacts with professional federations and manufacturers, the idea of engaging into the action plan real implementation by relying on a task-force made up of forty professionals at a rate of approximately ten for each one of the four countries, were suggested and strongly approved. This led to the two following recommendations:

Recommendation # 2 - Launching of the Agadir Approach

The optimized launching of the "Agadir" textile-apparel Action plan will be carried out through a big international Forum (assemblies) in 2008. Manufacturers having already capitalized successfully an intra-Agadir cooperation experiment will bring testimony. A brochure of pedagogical nature on the Agadir Agreement functioning and targeting the textile-apparel professional issues will be very widely diffused on this occasion. Ministries directly concerned and administrations of each of the four countries will support this Forum actively. In order to mobilize the greatest number of professionals and to give to this operation the greatest international visibility, the Forum will be combined with previously identified potential partners matching operation. "Agadir Oscars" will be awarded on this occasion to exemplary companies in terms of cooperation within the Agadir zone.

Recommendation # 3 - Creation of manufacturer's task-force

In order to make credible the "Agadir approach" and support a fast and efficient Action Plan starting, a group of forty manufacturers will be formed, at a rate of ten for each country of the Agreement. These manufacturers, selected according to their determination to cooperate trans-nationally within the Agadir zone, will be members of the ATA General Assembly.

VI.3.1.3 Lobbying, international representation

In general, textile-apparel professional organizations of the countries signatories of the Agadir Agreement act individually on international issues of common interest; in certain cases, they also intervene in a more collective way, for example through Collabotex (Ematex) but with results which are not always convincing.

Actually, their individual weight is insufficient to weigh effectively on the decisions taken on the international level and their attempts to reach a unanimous position are often not successful, because of divergent interest.

Consequently, the request to maintain in 2008 of European quotas imposed on China was denied. On another instance, the European Parliament has just required of the European Commission to implement a compulsory origin labeling regulation in spite of the opposition of a “Declaration of Tunis” of the Mediterranean professionals (except Turkey which is for it).

In the same venue, for lack of cohesion, the voice of the industrialists in favor of a reform of the European preferential rules of origin is not heard. In order to correct this situation against their interests, it is recommended that in the future, the four sectors act in close dialogue within ATA on this type of professional issues and act internationally as such, to show common positions, with all the weight which this new organization will confer. In the same way, in order to valorize the “Agadir” offer and make the four countries discussed professional action credible, ATA membership open to international professional organizations such as International Apparel Federation (IAF) or Euratex will be a top priority objective.

Recommendation # 4 - Lobbying and international representation

In order to better ensure the defense and the promotion of the textile-apparel shared interests of the Agadir Agreement countries, the professional organization ATA will act internationally to stimulate the emergence of a favorable and regulated economic environment. For this purpose, ATA will establish ties with the main international professional organizations.

B. Trade policy

VI.3.2 Intra-Agadir Commercial exchanges

As exposed it the first report, the intra-Agadir textile-apparel trade is extremely weak. Various initiatives and measures will be taken to try to rectify this situation, in order to reach in 2010 a 500 million euros exchanges value between the four countries.

VI.3.2.1 Origin accumulation

Origin accumulation is in the center of the Agadir agreement and is the crucial factor in the implementation mechanism of preferential access to the European markets. It should be reminded that the Pan-Euro-Mediterranean mechanism allows duty free export of textile products to the European Union, in particular clothing, which went through a double transformation or a significant transformation. In most cases, that means (while simplifying) that, in order not to pay the applicable 12% conventional customs duty on the majority of clothing imported into Europe, this clothing must have been manufactured in the zone and with a fabric originating in the zone (or, for a knitted clothing cut/stitched, to have been manufactured with fabrics produced with thread originating in the zone).

The mission confirmed that:

- Textile offer (fabrics, linings, threads) available in Tunisia, Morocco and Jordan is very weak
- Textile offer (cotton fabrics and cotton thread) available in Egypt is partially competitive (quality /price ratio) compared to the European and Turkish, and even Chinese, Pakistani or Indian offers.

Consequently, the origin accumulation within the Agadir zone seems especially able to be used on the following levels:

- Chain and weaves Dyed or printed cotton fabrics of Egypt + clothes manufacturing in Jordan, Tunisia or Morocco
- Unbleached chains and weaves cotton fabrics of Egypt + finishing in Jordan, Tunisia or Morocco
-Moroccan or Tunisian denim fabrics + bleaching + clothes manufacturing in one of the four countries zone
-Egyptian cotton wire + (knitting and clothes industry) in Jordan, Tunisia or Morocco
-Egyptian cotton threads + “fully fashioned” clothes manufacturing in one of the three other countries.

These are only examples, which number could be multiplied, for instance through integrating linings, embroidery, accessories. But the number of combinations being so big, drawing up the list of it is almost impossible and would be completely theoretical, therefore without operational interest.

Consequently, it will be retained that:

-Ttrade information on the possibilities of sourcing and therefore of accumulation in the zone circulates badly
-Material sourcing and therefore origin accumulation represent highly important strategic factors as it was demonstrated in the report n° I (pages ….. to ….).
- There are important possibilities of accumulation in the zone, in particular between Egypt and its three Agadir partners
- It is imperative to organize information and the contacts between the professionals of the zone to support the operations of origin accumulation and hence, improve the overall exports competitiveness of the four countries to the European Union. This is the purpose of the flowing proposed actions.

VI.3.2.2 Teaching Information

One of the causes of the weakness of trade between the four countries is bad information or the lack of information of professionals regarding applicable regulation under the Agadir Agreement and the Pan-Euro-Mediterranean origin accumulation system. This situation is due on the one hand to the fact that the Agadir Agreement is of relatively recent application (March 27, 2007) and to the fact that the regulation of origin is complex, on the other hand.

Consequently, two initiatives should be taken to enlighten professionals on the interesting possibilities offered by these regulations and to help them implement them, in their customs operations under maximum security conditions.

1. Elaboration and diffusion of a guide, exposing the Agadir zone operating process through real cases pertaining to the textile-apparel trade,. This

handbook will be designed and prepared so that he answers very precisely to the questions and the concerns of the professionals

2. Development and diffusion of a handbook, exposing the various possibilities of Pan-Euro-Mediterranean preferential origin accumulation through very real cases. This handbook will be elaborated with the assistance of customs administrations of the 4 countries of the Agadir Agreement as well as the European Commission services. For simplicity and cost control reasons, these two guides will be combined into only one work. This document will be put on the ATA Web site.

VI.3.2.3 commercial Information

During the contacts made at the time of the first phase of the mission, it was clear, that the leading cause of the current poverty of the intra-Agadir exchanges is the lack of operational information on the characteristics of the companies of the zone and on their offers of products and services. Through the analysis, it was also clear that when information is available in one of the countries, professionals of the three other countries are generally not aware of it.
Considering that the intra-Agadir trade will not be able to develop in this context of defective operational information, two initiatives should be taken to correct this situation:

1. The creation of a database: This data base, managed by ATA, will provide all the useful information on the textile-apparel industrial companies of the four countries, as well as on distributors and services companies. As for industrial companies, it will not be about a simple directory but about an information source on the companies characteristics: types of activity, manufacturer products, special equipment, commercial references, length of the series (in the case of apparel), time of prototyping, etc This data base, also designed to meet the needs for prospecting and promotion on the international export markets, will be accessible on line.

2- The establishment of Business Market: A Business Market, which characteristics are specified in the Action plan, will be implemented through the ATA Web site.

Its function will be to cross supply and demand originating from Agadir professionals of the Agadir zone in real-time.

Designed as a “business”, it will allow for instance a Moroccan manufacturer to find an Egyptian fabric supplier maker, a Jordanian manufacturer to enter into business connections with a Tunisian manufacturer of labels, a Tunisian finisher to find an Egyptian supplier of unbleached fabric, a Moroccan distributor to find a Jordanian supplier of shirts, etc

VI.3.2.4 Customs Issues

During the first phase of the mission, it appeared that the intra-Agadir trade was affected by customs practices not always very transparent and even sometimes of protectionist nature. Some blame the others within the zone. Manufacturers complain about such difficulties.

The report author thinks that these problems are due to the poor quality of regulatory information, misunderstanding or bad texts interpretation by professionals and not to a deliberate attitude of the customs authorities, which one can hardly suspect of taking some liberty with the regulation. The report author also thinks that these difficulties will be, essentially, overcome through teaching actions suggested at the point 1.3.2.1 above.

Nevertheless, for the sake of clarification and to dissipate all misunderstandings, it would be very useful to call for an inter-customs explanation and dialogue conference, with the participation of ATA representatives.

VI.3.2.5 Transportation

Within a "quick response" strategy, logistics becomes a key factor of competitiveness. For the companies, the sequence of time between materials reception and production planning, flexibility, responsiveness, very short delivery terms and punctuality are absolute requirements.

Under these conditions, the overall transport competitiveness (costs, availability, storage…) is a key question.

As underlined in the first report, the situation from this point of view is far from being excellent. The fact for example that the goods transportation per sea route, from Morocco to Tunisia gets through Marseilles handicaps the good development of trade. Therefore It would be advisable to examine the current transport conditions more closely, in particular intra-Agadir, and to seek in dialogue with the conveyors, forwarding agents, customs, trade and industry ministries, all solutions to improve the situation within Agadir zone. An action will be envisaged for this purpose.

VI.3.2.6 Commercial Contacts

In order to support the development of the intra-Agadir trade, it would be advisable to use the textile-apparel shows of the four countries (Texmed Tunisia, Morocco Sourcing, Egytex,…) as promotion vectors and commercial contacts instruments.
Consequently, it is suggested organizing inside these shows, if possible systematically, an "Agadir Pavilion" regrouping exhibitors originating in the three other countries.

A first initiative of this type could be taken at the time of Texmed Tunisia in Tunis from the 18th to the 20th of June 2008. In addition, it will be better continuing to organize these shows and include activities for partner searching and conferences focusing on the total Agadir zone supply potential.

Other meetings of commercial nature between Egyptian weavers and thread and manufacturers from the three other countries will also be held in Egypt to develop fabric and thread sourcing under the origin accumulation system.

Recommendation # 5 - Intra-Agadir trade development

Intra- Agadir trade is currently very small. To reach the value of 500 million Euros in 2010, it is suggested to:

- Lead a teaching informational action about the Agadir agreement and the pan-euro-Mediterranean origin accumulation.
- Create a data base and a business market.
- Take Initiatives to reduce customs and transportation problems.
- Support cross- participation in the four countries' exhibitions.
- Support the sourcing of Egyptian fabrics and threads by the three other countries.

VI.3.3 Export development and diversification:

Export development must be one of the major axis by-sector policies taken under the Agadir agreement.

Export analysis shows that:
- Morocco and Tunisia are almost exclusively geared towards the European market.
- Jordan is almost geared towards the American market.
- Egypt divides its exports between the European and American markets.

The deeper analyses presented in the first report show also significant differences of markets/products position. Thus for instance, Morocco's exports are mainly directed to Spain and France, Tunisia's to France and Italy, Egypt's to Great Britain and Italy.

Those differences are at the same time complementarities that could be taken advantage of to the benefit of the whole Agadir region.

In this respect, it is advantageous that Tunisian and Moroccan exporters Involve with them Jordanian or Egyptian companies and operate collectively for marketing on the European markets.

The other idea is that the collective actions taken for exports under the "Agadir" label must only gather the very professional companies, which industrial and commercial performance, activity and product types, commercial references and marketing structure, were previously checked. They might indeed participate into the intended prospecting operations.

Because the real purpose is to build a real export power, and a common "Agadir" identity with a strong International reputation, able to enter new markets including those distant and hard to enter ; which make It necessary to have an eclectic and selective logic. Therefore, the launching of any collective operation must be preceded by a preparatory phase consisting notably of "market" seminars for potential participating companies.

Considering the Interests at stake, the common policy of export promotion must be regularly monitored, one operation at a time, first in order to verify that the return on investment is right and that the objectives are well met.(or if not, to measure and explain the gaps compared to what has been realized), second in order to make the necessary strategic corrections resulting from a perpetual change in the textile field. Auditing will target not only the information collection on performances and opinions on enterprises, but also to check the visitors' opinion about the offer presented and the modalities of operations organizing.

Recommendation # 6: Developing and diversifying exports

- The Implementation of a complementarity's principal will allow companies to Increase their exports towards new markets In Europe and the United States.
- Collective promotional operations conducted under the "Agadir" label will gather strictly selected companies according to their professional capabilities and their high level of performance.
- The operations will be systematically inspected to evaluate the return on Investment and the pertinence of the conducted strategy.

VI.3.3.1 Exports to Europe :

A promotional export program toward the European Union is planned for the second semester of 2008 and the years 2009 and 2010.

This program will be in a variable form, modeled according to the interest of the potentially participating companies, the calendar and operations management constraints.

Considering the diversity of the situations in each of the Agadir countries, the program must stick mainly to:

- Introducing Jordan to the major European markets: Great Britain, Italy, France and Germany.
- Strengthening Egypt's presence in its three major markets (Great Britain, Italy and Germany) and introducing this country to three" new markets" : France, Spain, Benelux.
- Reinforcing Morocco's presence in Great Britain and develop its exports to Italy, Germany and the Benelux.
- Reinforcing Tunisia's presence in Germany and developing its exports to Spain, Great Britain and the Benelux.

Two types of operations will be considered:

- The organization of an "Agadir" space within large French, Italian German,… exhibitions.
- Organizing collective operations consisting of individual visits to large distributors with appointments taken in advance and eventually combined with a hotel exhibition.

The attractiveness of market/product underwent a detailed analysis with details in the first report to which we can refer. If for every market, the product attractiveness is very variable, the global attractiveness for each market could be directly and well appreciated. Following is a simplified presentation in an order of preference for the main markets and main products.

Market or product very attractive	*****
Attractive market	****
Fairly attractive market	***

1. Spain ***:** In terms of Imports, the Spanish market is still a small market In Europe since it absorbs only 8 % of European Imports. However it is a market that is opening very quickly and witnessing the most Important yearly average growth rate: + 13. 8% per year.

Woven pants	*****
T-shirts, polos	*****
Pullovers, sweaters	*****
Women jackets	****
Skirts	****
Women shirts	****
Dresses	****
Parkas, anoraks	**
Baby wear	***
Professional wear	**
Shirts	**
Hosieries, pants	**
Men's jackets	**

Large distributors: Caprabo, Intersport, Adolfo Dominguez, Zara, Mango, Massimo Dutti, Stradivarius, Springfield, Cortefiel.

Shows: Moda Barcelona, Bread & Butter, FIMI Valencia, SIMM (Madrid), Intermoda Madrid.

2.Italy **:** Italy is the third European importer with 12.6 billion Euros in 2006. Protected for a long time because of its scattered distribution, Italy tries to diversify its supply sources mainly towards Romania but also to Ukraine, Turkey, Bulgaria and Asian countries headed by China
However, Italy turns more and more towards the Mediterranean to feed its market through short circuit increasingly leaving its East European suppliers, among of which Romania and Bulgaria, who are its main suppliers, are experiencing significant cost Increases due to their Integration Into the European Union In 2007.

Parkas , anoraks, jackets	*****
T-shirts, under sweaters, polos	*****
women jackets	****
Sweaters, pullover	****

pants	***
Fabric and cotton threads	***
women underwear	***
women shirts	***
Skirts	**
Bath robes, robes	**
women shirts	**
Shirts	**
work uniforms	*
Men coats and overcoats	*

Large distributers: Benetton, Calzedonia, Intimissimi, Original marines, Stefanel, Upim, Yamamay, Oviesse, Brums, Terranova.

Shows: Intertex Milano, Ready to show, Pitti Bimbo, Pitti Uomo, Moda Prima, Milano Unica.

3. Germany *:** It is the first European market. Germany imports clothing and textile products for a yearly value of 18.5 billion Euros. Indeed it is very competitive and has a low growth rate because it is a relatively saturated market.

However, the example of Turkey that exports significantly to Germany, suggests that the «Agadir» countries can realize significant sales if they work rigorously to meet the needs of a very demanding distribution network. It Is then convenient to systematically prospect this market and promote the Image of a high performing and professional «Agadir» sector.

T-shirts, polos, under sweaters	*****
Sweaters, pullovers, sweatshirts	****
Pants	****
Parkas, anoraks	***
women jackets	***
Skirts	***
Bedding sheets	***
women shirts	***
Underwear, briefs	***
Shirts	**
Baby wear	**
Hosieries, pants	*
Bath robes, robes	*

Large distributors: Plus, Aldi Nord, Lidl, Aldi Sud, Kik Textil Diskont, Rewe, Emsting's Family, NKD, Unitex, Bonita + Nicolas Scholz.

Shows: CDP Woman, Bread & Butter Berlin, Premium Berlin, Munich Fashion Fair.

4. Great Britain *:** this market is the second most important in Europe after Germany with a total textile -apparel import value of 15.2 billion Euros. But it is a fairly dynamic market and increasingly turned toward Asia.
Nevertheless, it is an Interesting market for enterprises that focus on a short network with a good balance of quality/price.

T-shirts,polos, under sweaters	*****
women shirts	****
pants	****
Skirts	***
Dresses	***
pullover, sweaters	***
Baby wear	**
Bras	**
Shirts	**
Bed sheets	**
Parkas, jackets	*
Sponge fabrics	*
Work wear	*
Underwear, briefs	*

Large distributors: Tesco, Safeway, Sainsbury Asda, Woolworth, Marks & Spencer, GUS (Great Universal <stores), Premier Kids, Harrogate Lingerie, London Designers.

5. France:*:** being the fourth most important market, France imported in 2006 apparel and textile products for the value of 9.1 billion Euros. Although it is not a dynamic market, it is an important outflow for the Mediterranean countries because of its proximity.

T-shirts, polos, underwear	*****
Women underwear	****
Women shirts	****
pullover, sweaters	***
Pants	***
women jackets	***
Skirts	***
Dresses	***
Baby wear	***
work wear	**
Shirts	**
Parkas, anoraks	**
Bed sheets, home textiles	*
Bath robes, robes	*
Pantyhose, socks	*

Large distributors: Redcats, Decathlon, Auchan, Promod, Pimkie, Camaieu, Kiabi, La Halle aux Vêtements, Damart, 3 Suisses, Daxon, Monoprix, Go Sport, Quelle, Phildar.

Shows: Interselection, Fatex, Salon de Lingerie, Prêt-à-Porter Paris, Texworld, Mod Amont, Expofil, Tissu Premier, Première Vision.

6. Belgium* :** The total value ob Belgium imports (4.8 billion Euros) ranks this country in the 6th place in Europe. It is a relatively small but dynamic market with an average yearly growth in terms of imports of + 2.8 %. Like other European markets such as Spain, France or Italy, Belgium tends to favour Mediterranean sources of supply for Its short circuit supplies. Indeed, this market should be actively prospected in addition to the prospecting operations in France or included in the specific operations for the "Benelux".

Skirts	****
Sweaters, pullover	***
T-shirts, under sweaters	***
Parkas	***
Hosieries, pants	***
Women shirts	***
Baby wear	**
Woven pants	**
Women jackets	**
Bed sheets, home textiles	*
Shirts	*
Bath robes, robes	*
Women lingerie	*
Dresses	*

Distributors: Colruyt, Premaman, Delhaize La Lion, Carrefour Belgium, JBC Mode.

Shows: Women & Men's Wear Brussels, Kids Fashion Mode enfantine.

7. The Netherlands *:** Being the 7th European market, the Netherlands are an important hub of the international textile-apparel trade. The market share of Agadir countries is small. The Netherlands market offers significant opportunities for Agadir exporters If they show a high level of professionalism. This market must be collectively promoted and prospected at least once a year jointly with the Belgian market.

T-shirts, polos, under sweaters	****
Pants	***
Skirts	***
Underwear, briefs	***
Parkas, jackets	***
women's lingerie	***
Women's shirts	***

Women's jackets	***
Sweaters, pullovers	**
Pantyhose, socks	**
Work wear	**
Baby wear	**
Bras	*
hosieries, pants	*
Coats, jackets, women's overcoats	*

Large distributors: ZeemanHema, Euretco, Hunkemôller, Intre

Shows: World Fashion Center, Mode Centrum Almere, Modefabriek, Stoffenpremiere.

Recommendation n°7: actively prospecting large European markets

The implementation of a prospecting plan will favour markets on priority basis. In this regard, we will consider as:
- Target markets with a high level of priority: Spain and Italy
- Target markets with second level priority: Germany and Great Britain
- Interesting markets: France, Belgium, the Netherlands.

VI.3.3.2 Exports to the United States

The United States constitute a very important market for Jordan and Egypt and a promising market for Morocco and Tunisia.

Their exports have been as follows:

	2004	**2005**	**2006**	**2007**
Tunisia	45 622	53 514	48 714	59 498
Morocco	75 508	60 296	102 430	90583
Jordan	956 416	1 082 902	1 253 771	1 146 002
Egypt	564 285	614 230	806 185	859 944

Source: Otexa

During the year 2007, American imports from the four Agadir countries compared to those of 2006 were as follows:

Tunisia: +22.1 %
Morocco: - 11.6 %
Jordan: -8.6 %
Egypt: +7.9 %

A multi-year program is presented in details in the Action Plan.

Most Importantly, It will aim to uncover the US market to Tunisian companies, to help Moroccan sales' take-off, to stabilise then reactivate Jordanian exports and to strengthen Egyptian presence.
For this purpose, different actions will be considered: participating in Magic/Las Vegas, visiting programs for buyers in the United States, regional actions for sourcing in the United States, agents meetings.

Those actions will help establish business relationships with the purchasing divisions of large department stores (Macy's, Wal Mart, Target Sourcing services/AMC, JCPenny, Nordstrom, Kohl's…), with US chains (Ann Taylor, The Gap, American eagle, Guess,Chicos, Victoria's Secret/Limited Brands, Abercombie & Fitch,…and brands and manufacturers such as Jones Apparel Group, Polo Ralph Lauren, Liz Clairborne, Kellwood, VF Corp, Philips Van Heusen, Supreme Intl / Perry Ellis…).

Recommendation n°8: Implementing a promotion plan In the United States
A multi-year plan for promoting/prospecting will aim at the following In 2010:
- Tunisia: 150 million US$
- Morocco: 250 million US$
- Jordan: 1700 million US$
- Egypt: 1300 million US$

VI.3.3.3 Exports to other markets

Other markets could be explored according to requests made by enterprises and interesting opportunities that may appear during the implementation of the action plan. On the one hand, it will deal with the Gulf countries and the following European countries other than those already reviewed:

-Portugal
- Switzerland
-Austria
-Greece
-Ireland

Some of these markets could be explored during operations in other more important neighboring countries; for instance

- Spain + Portugal
- Benelux +Denmark
- Germany +Switzerland +Austria

VI.3.3.4 Offer valorization

The sector communication with the clients is a cardinal issue. Contrary to the 1990s practices, there are no longer trusted guaranteed relations between the clients and their suppliers. Subjected to harsh competition among them, industrial client and distributors must look continuously for the best offer in terms of price, quality and creativity. Therefore, they delocalize their sourcing areas.
Another finding: in general the manufacturers siege today the centrals to try to win contracts.

Third finding, Mediterranean manufacturers need and will increasingly still need to monitor market trends on the spot so as to get the inspiration to design their collection of finished products.
But only few companies have the marketing structures and the means to communicate properly with clients and prospects : no internal structures nor offices abroad, particularly that commercial ties are generally poorly organized or established on episodic and non-professional basis, such as during a show.

The four countries textile-apparel branch has no international image as an Agadir production zone. During contacts with distributors on the occasion of this mission, the concept of Agadir free trade zone proved to be unknown. The two countries that deal mostly with Europe- Tunisia and Morocco- are well known in the southern Mediterranean countries and not known in northern Europe. But even in the south and despite the efforts they are making to evolve towards co-contracting and finished product, they are largely perceived as sub-contractors and their production sectors of cotton low/medium range articles are poorly competitive and not attractive compared to PECOS AND Asian countries.

As for the two other suppliers, Egypt and Jordan, they are poorly known or unknown at all by all Europe.

In reality, the whole sector of the four Agadir countries suffer from comparison with the East-European, Mediterranean or Asian producers who at different levels and using various arguments knew how to create an attractive image for European clients and investors.

Therefore Romania for instance enjoys very strong reputation of a medium/high range producer of casual wear and classic apparel for major Italian and German operators : Hugo Boss, Max Mara, Marlboro Classic, Stefanel, Steilmann, Escada, etc… and still strongly attract (24) distributors of other European countries who traditionally deal with the Maghreb : France, Belgium, Spain and even Portugal.

Also one of the main competition factors of Turkey and its image of a strong sector made up of big companies lead by great managers, organized around textiles techno poles such as that of Bursa, associated with powerful trading companies employing internationally renowned creators like Dice Kayek, etc.

Although, this strong image that Turkey enjoys hides a less pleasant reality and is only the attractive representation from the top of an iceberg which basis includes a strong proportion of informal economy of garage manufacturers and multiple small poorly equipped and low performing sub-contractors. But the whole sector ends up benefiting from the strong image of its leading companies.
Another especially interesting example of the image impact is that provided by Prato (Italy) that went from a mediocre image of district manufacturing regenerated wool to a collective image of high range standards in terms of quality and creativity.

Therefore, we recommend the implementation of a powerful communication policy to build and “make of” the “Agadir” a positive concept and valorize the four countries textile-apparel sector’s image. The sector’s industrial reality must for sure rapidly evolve to stick to a new valorizing image; otherwise there will be an annoying gap between the reality and its representation and consequently a credibility problem.

To this end, we envisage the launching of a media plan and the use of communication tools such as brochures, CD Rom, Web Site, etc that will be used towards European as well as American markets.

Recommendation # 9: promoting a strong image of the Agadir zone
It is strongly recommended to build and promote a strong image for the Agadir textiles-apparel sector focused on the idea that the sector has an exceptional positive competition and an attractive resource of complementarities. This image will be built from the success stories and developed within a **media plan** integrating especially an information campaign Press/ foreign buyers.

C.Industrial Policy

The proposed industrial policy aims at improving the international textile-apparel sector's competitiveness of the Agadir zone.

VII.3.4 International competitiveness

International competition covers two notions intimately combined: price and non price competitiveness.

* **Price Competitiveness** poses mainly two issues: Productivity and materials cost.
During the mission and the preparatory works, it was observed that productivity in the zone is frequently of medium to weak, which directly affects cost prices, hinders exports development and plummets companies performance.

This situation results from the weaknesses in various areas : workers skills, workshop organization mode, technical supervising capabilities, scheduling/launching deficiencies, quality and maintenance of equipment used for cutting, picking, ironing and conditioning, purchasing problems material flow management, production planning mastering, etc.
It also results from outside factors, markets volatility with collections multiplication, serial shortening, order fragmentation, the distributors ever growing demands in terms of quality and the products increasing complexity.

In addition, as it was exposed in the first report, the by price competition is directly influenced by the material prices, which is a crucial question to the extent that we observe gaps in the material prices (fabrics, linen, accessories) ranging practically from simple to double between western and Asian suppliers. The materials accounting usually for half or more of clothing prices, we understand that it deals with a cardinal issue for the offer competitiveness of the Agadir countries and for the sector's future.

The non-price competitiveness:

It is about all the elements other than the cost factors that make an offer attractive or not. Non-price competition looks like the notion “services” to the customer, and therefore covers elements such as:

- Products’ quality, which is an area where it seems that a majority of the Agadir zone enterprises reached a good level (sewing, conformity, ironing, ticketing, packaging …)

- Responsiveness, especially for sampling, delivery details, punctuality.

This non price competition directly encompasses also the areas of creation, innovation, and more generally, adequacy between global manufacturer offer and distributor expectations.

In this respect, the observation of sourcing flows and the competing power struggles show that:

-Western markets are composed of two sub-sets. The first, that includes the low/average range articles, is mainly dominated by Asia; the second, made up of average/top range of short and ultra-short circuit is controlled by the suppliers known as “of proximity”.

- Function of genuine cutter(25) tends to become an exclusive function of the low wages Asian countries

- Operations profitability purely becomes increasingly low, because of globalization of the markets and, correlatively of the increasing pressure exerted by the distributors on the prices and the margins of their suppliers.

- Distributors want more and more “developers” than their suppliers and not simple sub-contractors.

This suggests thus that Agadir zone companies must as much as possible practice a value-added policy, which means:

* To leave the sphere of the basic products to evolve to:
    - Casual wear and parts with sleeves
    - Small parts of top in fine knitting
    - “Very technical” clothing professionals, sport and leisure clothing
    - Fabric production and utilization other than cotton: wool articles, silk, and aspects of silk, cashmere, linen,
    - Technical fabrics and “smart” fabrics

- For textile activity develop finishing; for clothing, accelerate the change from subcontracting to final product, the collection, the co-contracting as well as services (industrialization of the product, sampling/prototyping, model making, cutting, materials treatment, etc)

Considering the extreme strategic importance of this issue, it is useful to bring the following precisions:

The expression “final product” frequently used in the industry of clothing is ambiguous because it suggests, wrongly, the idea that the producer of final product is a designer/creator. Still distributors generally do not use it and rather call upon the concept of “developer”.

That means clearly that the producer of “final products” does not have truly an activity of creation but that he is a manufacturer doing all functions except those of collections creation and distribution, namely: materials purchasing, products studies, materials testing, their possible treatment, all operations of CAO and cutting, manufacturing, labeling, conditioning and the whole delivery logistic operations.

The distributors increasingly consider that their profession is to understand consumer’s expectations, to represent these expectations by the definition of lines of style (forms, color, material…) in their own styling offices according to decided marketing positioning, then to sell these products of which they will have entrusted the realization and the development with industrial partners.

Sometimes, “final product” manufacturers propose pseudo-collections. For them, It is then “shopping” in the markets to identify and acquire “marketable” products (as well as mail-order selling catalogues), to analyze them and offer derivative products to distributors.

The function of “developer” is thus actually an activity which combines functions of adjuster, producer and services provider. For instance, it rather frequently appears in the products actualization processes, in the form of a close co-operation with the distributor, for the adaptation of clothing of the initial collection (displacements of a pocket, modification of couture’s length…)

It can also lead to propose to customer’s articles “inspired” of what is sold on the market.
In certain cases, this developer, true partner of its distributor, will ensure the production of a whole range of products labeled under the mark of the distributor, for example Zara, H&M, Mango or Gap.

<u>This function requires of the imanufacturers proven skills in sourcing (or integrated knitting), in model making/ranging, production, quality management, logistics, etc and requires the ad hoc specialized equipment.</u>
<u>Its competitive control requires first of all all solid qualifications in marketing and management, areas in which the majority of the companies of the“Agadir” zone are far from being on level.</u>

This developer function is doubly interesting because: - It reduces the relative importance of the labor costs in the prices and increases those of non price competitiveness, especially that it reduces in particular the manufacturers’ exposure to low wages competition, particularly Asian. - It answers increasing expectations of the large distributors and thus becomes, in combination with a high level of performance in responsiveness/flexibility/short circuit, a centerpiece for dynamic strategies of proximity suppliers.

According to the preceding, the contribution of Agadir countries to the improvement of the global sector’s competitiveness should include the five following fields:

1. The improvement of professional skills.

2. The mastered development of the new technologies.

3. The strengthening of the textile-apparel sector.

4. The strengthening of the enterprises' structures.

5. The development of partnership and networks.

Recommendation # 10: Developing an industrial policy

Considering that the global competitiveness is the only answer to the markets' globalization challenge, an Industrial policy for strengthening the value added will be actively conducted and aiming at contributing to:
- The significant improvement of professional capabilities and skills
- The mastered Introduction of new Information technologies
- The development of new activities and the strengthening of vertical Integration
- The strengthening of enterprise structures and sectarian links on the International level.

VI.3.4. Valuing human resources:

The great majority of textile and apparel manufacturers from the four countries, whom we met during the mission showed a big interest in every initiative that might be taken at the level of the Agadir approach aiming at improving their employees' capabilities and skills both technical and commercial.
In fact, they think that the Internationalization of the means of production, the needs of quality and sourcing, the demands of distributors, the growing harshness of competition, the new technologies, the fast rhythm of collections, the volatility and the unpredictability of demand complicate the professions and demand the acquiring of new capabilities.
In their mind, those initiatives could for instance, to complement what’s being done already on the national level, aim at:
- Attracting a greater number of graduates towards the sector (engineers, high technician, computer scientists, technical-commercial…)
- Developing worker's polyvalence, complex operations and quality management
- Strengthening technological capabilities of employees
- Etc.

Two types of needs linked to the idea that the sector must imperatively develop towards the "final product" particularly come out:
- The designing and styling in clothing and creation and innovation in textiles
- Marketing and management

Resulting in the explicit expressed wishes for the training of designers and stylists, product managers, colour specialists, sourcing specialists, logisticians', etc.

According to logic of complementarities, partnership, and resources mutualisation between the four" Agadir "countries, the Idea of a high level common training institute seems completely pertinent.
Such an "Agadir Textile & fashion Institute" should function in perfect synergy with the existent tools in the four countries both public and private and work In networks with international institutes.
Its headquarters will be established in one of the four countries and a unit in each of the other three countries.

Emblematic of the "Agadir spirit", it will directly train a new generation of executives and technicians highly skilled in the fields of designing/ creating, textile technology, marketing and reflect the Image of a "leading traditional sector".

Recommendation # 11- Professional training

In order to accelerate the evolution of the textile-apparel sector towards activities of strong value added, a professional training policy common for the four Agadir countries will be implemented and aiming at training a highly skilled new generation of executives and technicians in the fields of design /creation, textile technology, marketing and management.. The creation of an "Agadir Textile & Fashion Institute" will be considered.

VI.3.4.2 Mastered integration of new technologies

The institute subject of the above proposed creation should play a key role as a vector of Integration of new technologies in the sector. for example, In terms of management, new convivial tools have appeared going from simple TB's to complete palettes of tools such as the ERP (Progiciels of Integrated management / Enterprise Resource Planning) allowing to optimize commercial, Industrial, financial management, client relationships, stock management…and therefore the global competitiveness.

The interest in the new technologies of CAO and DAO for the development of the creation is no longer to be demonstrated; in design, the solutions currently available allow to face two major issues: the speeding of products' development cycle and the control of quality. Thanks to these solutions, enterprises can create more patterns on the monitor, reach directly to the gauge already developed and stocked In libraries, simplify the Industrialization aspect, make touch-ups, decline different sizes, etc. Also, like design and Industrialization departments, the creation department itself progresses rapidly on the technological level with its data bases and digital support tools. There are also many highly performing computing solutions for the management of sourcing, valorisation of a commercial offer, a behavioural study, communication, etc.

As mentioned in the first report, Asian producers, Chinese for Instance, well understood.

As stressed in the first report, Asian producers, Chinese for instance, well understood all advantages of these new technologies which they already largely integrated in their enterprises to have more tools of competitiveness.

The Institute which has close relationship with the technical centres of thr four countries should actively participate to the vulgarisation of its new technologies notably by elaborating and diffusing on ATOR's web site pedagogical and comparative documentation and guides to "good Investing".

In general, it would be more judicious to bring a common Agadir contribution to Information and R & D by**:**

- Catalysing national efforts of R & D by cooperation programs, for example, between the four countries.
- Stimulating technological cooperation with research institutes, laboratories and universities.
- Creating a technological data base and referencing techniques on the web.

Recommendation #12: Favoring the integration of new technologies and R&D

Some initiatives should be taken to:
- Favour new technologies
- Support technological cooperation between the four countries
- Stimulating R & D cooperation with Europe
- make technological information and references of performance available for the enterprises.

A feasibility study of an R & D and technical development structure Inside the Agadir zone will be conducted.

VI.3.4.3 By-sector reinforced integration

The observation of the textile-apparel universe evolution by sector and particularly that of international competition and of western demand features, confirms the strategic Importance of industrial investments for a better vertical integration.
In fact, the increasing demand of big western distributors for manufacturing partners for co-contracting and for finished products raises the major problem they have to face, of fabric supply with the best price and quality conditions.

But, it is patent that the proposed offer for the manufacturers in the Mediterranean is, in the majority of cases, insufficiently diverse and fairly competitive in terms of quality and price.
Likewise, the high expectations born from the implementation of the pan-euro Mediterranean accumulation with Turkey were deceived because, for different reasons, the Turkish fabrics' price competitiveness has been seriously damaged to such a point that we see manufacturers from the Maghreb turning again to their

national suppliers and Turkish fabric manufacturers outsourcing units of production In cheaper countries like Egypt.

The idea of creating a complete textile unit has been previously considered in the Maghreb several times in the past. It was theoretically justified by the existence in Morocco and Tunisia of a strong clothing Industry that is a big fabric consumer. But it never did well for the good reason that these two countries like Jordan don't produce textile raw material neither natural nor synthetic which is an impassable obstacle for mass production.

By contrast, Egypt one of the most important cotton producers, indeed of quality, has big potentials allowing It to be one of the first world fabric producers in the future and therefore, among, other things, because of the preferential Pan-Euro Mediterranean accumulation system and the geographical proximity, such designated supplier from the other Agadir countries whether of tainted or printed f or of unbleached fabric Intended to be ennobled.

Another sub-sector is worth a particular attention: that of «technical textiles" products characterized by their technical performance and their functional properties (durability, fluidity, and resistance to chemical aggressions and to heat, permeability, or barrier to practical substances, thermo Isolation…). They are increasingly integrated in the new Industrial products, notably medical sectors, geo-textile, construction or also environment. Thus, world technical textile consumption already reached 100 billion euros in 2006 and continues to increase.

A particular attention must also be given to "smart textiles" because they combine microelectronic and Microsystems (MST) in textile materials. They have multi-applications in health, security, mobility, creativity (for example of "smart clothes") or In communication (RFID sticker, microphones integrated In fabric…).
These technical and smart fabrics are generally designed and produced in several technologically advanced countries (Germany, France, USA, UK, Japan,…) but nothing forbids that It Is also done In the Mediterranean thanks to technological transfers through cooperation with Europe with the European Union 's support. Furthermore, it would be interesting that that globally this market is expanding exponentially, that It Integrates a strong research activity, that It mobilizes a great number of graduates and that It Is a generator of an important value added.

Considering the above, initiatives should be taken at the Agadir level after close discussions with the four countries authorities and with the European Union support to launch a textile plan aiming at:
- speeding the Egyptian weaving activity’s modernisation.
- developing a competitive finishing activity in the four countries.
- Support the launching of an R & D activity and the production of smart fabrics.

Recommendation # 13- Reinforcement of textile sector

In order to favour clothing manufacture competitive mutation towards co-contracting and final product as well as valorise the textile offer, It Is suggested elaborating a global Agadir plan with the support of Europe, aiming at:
- Modernizing Egypt’s threading and weaving activities

- Developing a competitive finishing and ennobling activity in each of the four countries in the zone
- Starting inside the zone an R&D activity and the smart fabric production.

The policy of the sector's strengthening proposed above requires stimulating investments.
Action should be taken at three levels to stimulate FDI’s:

- On the Agadir zone level to encourage cross investments in threading, weaving and finishing. For this purpose initiatives will be undertaken to improve information availability and flow about investment opportunities. To this end, potential partners and investors meetings will be organized.
- On the European level where highly professional meetings aiming at finding new investors who could be implanted in the Agadir zone. In this respect, we will notice that the multi-fibre agreement dismantling in January 2005 then the dismantling of the last Chinese quotas in January 2008, causes a positive effect on the outsourcing. It Increases the Malthusian behaviour of western manufacturers whose belief in the possibility of maintaining of a competitive textile and apparel Industry in Europe and the United States is dwindling. Entrepreneurs are keen, therefore, to rapidly disengage from the Industrial sphere, either to outsource their means of production or to invest in the immaterial sphere, that of distribution and brands (for those that can afford it); more generally, many are purely and simply constraint to close their factory doors which translate into major employment loss.

To Illustrate, the number of employees In the European textile-apparel sector fell by 2 763 000 in 2000 to 1 700 000 in 2007, or a fall of more than 1 million employees.

It is worth mentioning that the outsourcing movement is increasingly in the upper textile searching for better production conditions, not only In threading and weaving but also in colouring -printing-finishing.

- On the International level outside Europe, in order to attract textile Investors from countries like Turkey or…China, as for example the policy followed successfully In Egypt. To acquire new markets and play the short circuit card, the Chinese are developing an industrial implantation strategy In Africa especially in the Mediterranean. These investments must be brought to the Agadir zone since they are creators of new economic textile activities unless they create a majority of local employment.

Recommendation # 14 – Strengthening the sector through FDI

In order to strengthen the sector, accelerate its modernization and develop new textile activities, concerted actions will be considered to:

- Encourage cross investment intra Agadir.
- Attract new European investors
- Favour international investment implantation for production, notably Turkish and Asian.

VI.3.4.4 Enterprises' and sector's strengthening

Different initiatives should be taken to strengthen enterprises and the sector

1. "Agadir" Consortia

Few enterprises from the sector have sufficient power to struggle equally on the western export market (European Union, United States) with large Turkish or Asian competitors.
It is therefore wise to support initiatives favouring enterprises' means mutualisation by creating consortiums allowing for realizing economies of scale, strengthening their resources and enlarging and enriching their offers of products and services.
To favour the blossoming of such consortiums inside the Agadir zone, ATOR structure which creation was recommended could play an interface and facilitator role through participating to potential partner identification and organizing meetings between them.
Moreover, to push for consortia' creation, it would be judicious to make feasibility auditing for candidate enterprises as it is the case in certain Mediterranean countries.

2. Partnerships with international Trading Companies (ITC)

As stressed by the Turkish textile-apparel analysis, presented in the first part of the report, one of the big strengths of the Turkish sector is to have favoured partner relationships with International Trading Companies. These ITC's some of which earn profits close to a billion dollars, actually have not only a formidable commercial power of which the export textile-apparel enterprises take advantage but also marketing structure in the form of foreign offices that are observation points for both markets and competition.

The information collected by the ITC's is used with profit by their industrial partners.

It would be doubtless judicious to push and encourage the establishment of similar relationships between the textile-apparel's sector of the 'Agadir' zone and Mediterranean and European ITC's.

3. Mediterranean and European Partnerships

A partner relationship strengthening strategy with the European Union and the other Mediterranean countries should be developed.

Thought of by the majority of the four countries' professionals as deceiving, partnership with the European Union needs to be revitalized and revived. Different related initiatives could be taken, for example, to favour technological transfer from Europe towards the Agadir zone, to outsource research labs, to focus on young graduates' immersion by training those in European companies, to develop pedagogical cooperation, to expand good practices, to strengthen technical centres equipment, etc.

For these purpose conventions organizing this reinforced cooperation should be passed. More fundamentally, It should be wise that the European Union, through the Commission, really shows Its attachment to the development and modernization of the Agadir zone's textile-apparel sector by a significant financial support.

Likewise, a by-sector policy of good neighbourhood and cooperation should be initiated with the other Mediterranean countries such as Turkey, Syria, Lebanon, Algeria, etc.

Recommendation # 15 - Strengthening the companies and the sector

In order for the sector to better respond to the challenge of modernisation, it is recommended to act on three fields:
- Favour the creation of consortiums
- establish relationships with International Trade Companies
- revitalize and revive partnership with Europe and the other Mediterranean countries.

VII. Action plan

Introduction

The following proposed action plan aims at translate in propositions of actions the strategic orientations recommended in this report.

This action plan is not a multiple operation's catalogue of trade and industrial policy that could or should be organized for the sector. In the name of a subsidiary principal and to avoid every redundancy with national programs, which translates by unneeded loss of energy, even by frustration, the objective is to suggest common actions having an interesting leverage effect on the employment activity in the four Agadir countries' textile and apparel industries; this is to say effectively translating in value added creation and favouring enterprise adapting to the new imperatives of globalization.

To be efficient and account for the textile and apparel universe fast evolution internationally, this program management should be subject of a discussion and tight and permanent cooperation between professionals themselves, gathered inside a common supranational organization and the four countries authorities. It will, thus, be possible to reinforce the solidarity and complementarities' links inside the Agadir zone, to nourish strategic thinking on the international competitive environment in light of the enterprises' direct experience, notably for export, to adjust the strategy with economic imperatives and to consider eventual new measures or path corrections according to market evolution and international competition initiatives.

For the sake of clarity and good understanding of the plan presented hereafter, the actions were ranked in different categories:

a. Structuring "Intra-Agadir " relationships
b. Competitiveness and industrial structures

- Human resources, training

- Technology, R&D
- Industrial structures
    c. Trade policy
- Marketing tools
- Intra-Agadir promotion
- International market promotion

VII.1 'Intra-Agadir' relationship structuring

Action # 1-Association Textile-Apparel-ATA

The creation of an association textile-apparel will be considered. Being a non profit organization, this structure will have as general mission to manage the action plan and to favour the discussion between its members in order to contribute to the development of industrial and commercial exchanges inside the "Agadir" zone and to exports on the international markets.
The by-laws of this organization which could bear the name of "Agadir Textile Association" (acronym: ATA), will be prepared by representatives from the four countries professional organizations.
For the sake of balance and good governance, ATA's management will be provided by four persons appointed by professional organizations from each of the four countries. The by-laws should be officially approved at the latest in the beginning of September 2008, during the "Agadir" textile-apparel Assembly.

The by-laws, the structure organization, its functioning and its main missions were commented in point 1.3.1.1 of this report.

ATA will be an open organization to federations, professional associations, industrials, chambers of commerce, professional promotional institutions, technical centres, training institutions, stylists' associations, etc.

Action # 2- ATA Business Task-Force

For the reasons presented in point 1.3.1.2 of this report, it is highly recommended to constitute a professional group consisting of ten persons per country, who will be involved with the by-sector cooperation development in intra-Agadir textile-apparel. The appointment of those industrials, done on a volunteering basis, will be prepared by the secretaries' generals of the four countries federations." The Institut Arabe des Chefs d'Entreprises" will be asked to participate in helping identify those industrials.

The group will be created at the latest in the beginning of September 2008. It will be officially formed during the Assemblies planned in the following action # 3.

Those industrials will make up the most important component of the general assembly of ATA.
Some of them will be part of the Board of Directors.

They will be approached to present, among other things, their “success stories” during international ATA’s meetings.

Action # 3: **Agadir Textile-apparel assemblies**

Professional “Agadir” textile-apparel’s assemblies should be organized at the beginning of 2008’s second semester.

This event will follow three main objectives:

i. Officially creating “Agadir Textile Organization” and the Task Force. of industrials
ii. Presenting the action plan to the profession.
iii. Signing partnership agreements.

It will then be a “high range” event, intended to give a real jumpstart to the Agadir zone development process and to which international personalities from the textile-apparel industry, ITC’s, and representatives from state and professional European and American organizations should be invited.

Regarding the Agadir agreement countries, ministries, administrations, the various institutions in question as well as transporters, forwarders, the press… should be closely associated or invited.

Everything linked to this event’s organization should therefore symbolize dynamism, success, creation, conquest, and high professionalism’s ideas built on solidarity’s, complementarities, and partnership basis. The “Agadir” zone‘s industrials’ success stories presentations will testify and give credibility to the approach.
“Agadir awards”[27] will be given to exceptionally exemplary enterprises in terms of activity under the Agadir zone.

Action # 4 – **Practical guide about the preferential customs’ regulations**

A practical guide presenting simply and pedagogically current customs’ regulations under the Agadir agreement and using many real cases found in the textile-apparel’s sector will be elaborated as soon as possible.

During the mission, it became, indeed, very clear that the ignorance about the real functioning of the agreement is one of the first obstacles to intra-Agadir trade development and even a source of misunderstanding and non-transparency or apprehension feelings between member countries.

A second chapter will present, always by using real examples, the functioning of the preferential regulation within the pan-Euro Mediterranean framework.

It will include a third chapter presenting the various customs documents applicable as well as codified regulating texts.

27

This customs' regulations manual of the textile-apparel sector will elaborated in after close discussion with Agadir countries' and Europe's customs and validated by them.

It will be printed in English, French and Arabic to be largely diffused in the second semester of 2008.
It will, also, be online on ATA web site.

Action # 5 – Intra-Agadir transportation improvement

For implementing recommendation # 5 concerning intra-Agadir trade developments, it is proposed to conduct an action aiming at transportation improvement between the four countries.
The proposed action is intended to bring a contribution to the resolution of the problem affecting the entire ocean trade.
This action will consist of organizing a discussion between the sector's professionals, the transporters, transit agents, customs representatives, and various administrations from each of the four countries:

- List the transportation problems
- Identify the causes of these problems
- Look for solutions

Write a report on the three chapters, the report will be communicated to the four Agadir countries' governments.

VII. 2 Competitiveness and industrial structures

VII.2.1 Human resources, training

Action # 6 – Creation of an "Agadir Textile & Fashion Institute

Recommendation # 11 suggested the creation of an "Agadir Textile & Fashion Institute"[28] reflecting "Agadir spirit" as an emblematic structure. It will be dedicated to the training of highly skilled technicians in the design/creation, textile technology, marketing and management fields.

It will target polyvalent training and strengthening of product managers', creation/collections units managers', export managers', marketing directors for the textile industry, apparel, furniture covering, and technical textiles' capabilities.

The continuous training offered by the institute will target executives and managers wishing to strengthen, deepen or complete their capabilities: Chief executives, product managers, design managers, product directors,, logistics directors, purchasing/sourcing directors, quality managers, marketing managers, export directors, financial managers, human resources managers, etc…as well as trainers to update their knowledge.

Built according to by-profession expertise and products universe (creation, product, marketing/communication, distribution/merchandising, procurement/purchasing, home, lingerie…), short-time seminars will be organized in the form of conferences.

But they will have above all a practical and operational dimension either by moving trainees in real situations or using new technologies or case studies.

The trainers, mostly European, will be high–level professionals. Their interventions will be generally done through partnerships with European schools and institutes. For indicative purposes, we mention the following examples of continuing-training seminars' contents that could be offered by the Agadir Textile & Fashion Institute.

- Product seminars (collection building, CAO/DAO collection optimizing Solutions, product strategy, etc…)
- Marketing/communication seminars (Sportswear Italian market, promoting its international offer, creating an economic monitoring tool, fashion communication, etc…).
- Procurement/sourcing seminars (optimized procurement management, logistics' chain control: supply chain, storage, transportation, …, organizing and managing optimized fabric sourcing, etc…
- Management/export seminars (an export service management, an ERP implanting and optimizing, financial management and bowling charts…)
- Specialized seminars "branch" (Home, custom furniture, lingerie, finishing, etc…)

Seminars will be highly targeted in order to immediately offer operational feedbacks to trainees.

For instance, the seminar dedicated to CAO/DAO solutions used in a "finished product" approach will be conducted through real examples studied by the CAO/DAO tools implanted in the Agadir Textile & Fashion Institute thanks to cooperation with software builders and editors.

Furthermore, a seminar such as that dedicated to an optimised creating and managing export service, will raise questions like:

- Information needs' analysis
- Export department organization: human resources, managing tools
- Relationships with transporters, transit agents, banks, insurers
- Customs' constraints control
- price inquiry (estimate logistic analysis)
- Price calculation and contract implementation
- Optimised management of an order
- Bowling board and results analysis

As was indicated in recommendation # 11, such an institute will have its headquarters in one of the four countries and units in each of the three other countries.

<u>A feasibility study of this institute will be conducted in order to identify its missions, organizing and financing procedures. The study will include a business plan</u>.

Action # 7 – Agadir zone cooperation in human resources

Through the ATA initiative and in tight connection with professional training institutions from the four Agadir agreement's countries, discussions with the European Union particularly with members such as France, Italy and Spain should be started to put in place a support structure for creation-related training, innovation and technology.

Such support which will contribute to the Agadir zone offer value, would take place in the three following forms:

1. Bringing to the zone's training institutions and eventually to enterprises, styling and design European professors paid in majority by European countries under partnership agreements.
2. Organizing immersion trainings inside the textile-apparel enterprises or in large textile distribution chains for young Agadir zone graduates.
3. Awarding a significant number of scholarships in Europe's textile-apparel engineering schools and design institutes.

Action # 8 – Intra-Agadir cooperation and training

Following the example of past good initiatives, it would be highly interesting to organize intra-Agadir training sessions offered by the zone's training institutions for enterprise employees from the other countries of the zone.
For instance, organizing workers' training sessions organized by Cettex (Centre technique de textile de Tunisie) to improve the polyvalence of Jordan's enterprises' workers.
The study of needs and cooperation possibilities will be conducted inside ATA.

VII.2.2 R&D, new technology

Action # 9 – Collective R&D Agadir

A value added policy requires an active R&D, innovation and creation's strategy implementation.
Each of the Agadir agreement countries mobilizes resources in this field through technical centres, universities and research institutes.
Also, for strengthening cooperation inside The Agadir zone, it would be beneficial to share part of these resources for the sake of economies of scale, complementarities and specialization; so that the overall impact of R&D activities on the competitiveness becomes significantly higher than that obtained by the simple sum of R&D activities in the four countries.

In this perspective, linking the institutions in the four countries by a network system would contribute to the R&D activity and the textile-apparel sector's technological development.

In this regard, we will consider establishing a "Collective Agadir R&D textile –apparel" which general objective will be the improvement of innovation, creation, quality, industrial performance and the integration of new communications technologies the textile-apparel industries.

This R&D collective should be created since the beginning of the second semester 2008 between interested state and private institutions.
It will function mostly on a computerized network but will meet on a regular basis.
During its constitutional meeting, the R&D collective will list the activities currently done on which basis it will set a yearly program according to the possibilities of working in synergy within intra-Agadir teams that will specialize in several studies' missions.

This R&D collective will organize real theme meetings for enterprises covering themes such as quality management, CAO/DAO technologies, finishing technologies, etc.

Expanding good practices should also be an important activity as well as information about existing solutions in all fields, from creation and design, digital printing, virtual prototype, textile design, to management solutions (ERP, CRM, data mining, management report).

Whenever possible, the collective will establish cooperation agreements with state and private institutions in R&D and new technologies.

This collective creation will require a feasibility study that will identify the functioning and managing models as well as resources.

VII.2.3 Industrial structures

In each Agadir agreement's country, initiatives to favour the necessary sub-contracting move towards co-contracting and final product.
These initiatives must be encouraged because, as analysed in the report, the large distribution wants now to deal with partners who are no longer simple manufacturers "assemblers and label fixer", but real partners who themselves buy the fabrics and do all operations of mise au point and product development including design as well as all logistic operations linked to production, conditioning and transportation of these products.

In chapter 1.2.2, the Agadir program good governance guiding principles were raised; among which there is a subsidiary principle in which name initiatives taken on the Agadir level must not have redundancy with actions conducted on the national level. And although according to observations made during the mission enterprises' move from sub-contracting to co-contracting and final product is far from being achieved, the Agadir plan will not suggest actions in this field.

28 this name is temporary

This problem raises a major strategic question for the profession: finally, co-contracting and the final product are only advanced forms of activities of sub-contracting. It is the same for co-contracting, which is actually subcontracting + the load of the purchases of fabrics, and thus an activity without additional value-added but with new constraints for the maker, in particular financial. As for the production in “final product”, it brings only one low additional value-added but generates also many constraints.

Why, thus, there are also few companies in the four countries which develop their own collections and their commercial own brands with international notoriety? For three primary reasons: on the one hand because the Western distributors and industrial clients want to preserve themselves the control of the creation and design; this, partly because they consider that they are best placed to translate into collections what the consumers want but also because creation is the noblest activity and especially remunerative and that they, thus, do not want to outsource. It is to some extent about an international division of consistent work to create and to market in the North and to assemble in the South.
This situation is observable not only in clothing but also in the textile where it is clear for example that the near total of the research activities and production of fabrics known as “intelligent” is confiscated by the Western countries.
The second reason is due to the geography: objectively, tendencies of international fashion are born in Europe and in the United States and not in the Mediterranean, which handicap the Mediterranean producers.
The third reason relates to skills in creation, design and marketing of fashion, skills which did not develop in the Mediterranean countries because of theirs traditional activities of subcontracting. To try to leave this situation not very promising, it is important to take initiatives to start a movement in favor of the reinforcement of the sector and of its move towards activities with strong value added and to as well send a strong signal both to Mediterranean and Western contractors. For this purpose, the following actions are proposed:

Action # 10 - IDE (Direct foreign investments)

A research special program of investors to the profit of the Agadir zone textile-apparel should be launched by ATA in close dialogue with the public and by-sector authorities of the four countries.

This program, which could be supported by the European professional organizations and by the network of the chambers of commerce and of industry, would consist of meetings organized with European potential investors. These meetings will be organized in a very professional way with regard to communication and identification of potential investors through cross techniques using a priori informative documentation. It would lead the representatives of ATA in the main European countries likely to answer in favor of this initiative, particularly Germany, France, Italy and Spain. Similar discussions should also be carried out with Turkey and with China(29) whom outsourcing strategies’ importance has been previously stressed.

Action # 11 - Creation of consortia

Compared to Asia, the power of the Agadir zone textile-apparel companies is relatively weak on all the levels: financing, marketing, manufacturing,... .To rectify this situation and erase this burrier, some countries like Tunisia and Morocco seek to support consortia forming but with a relative success. Under the “Agadir” approach, it is suggested carrying out pilot operations aiming at constituting consortia that associate companies and groups of companies in a geometrical space widened with the four countries of the Agreement, and even in other Mediterranean countries such as Turkey.

These consortia will primarily aim at creating powerful deterrent forces exporting towards the Western markets; for example, by means of creating permanent common exporting offices. The approach will favor complementarities adding processes of manufacturing and trading resources, human resources and skills to reach economies of scale widen and develop the common offer, reinforce the integration of the various stages of production.
For this purpose a first pilot action, consisting of identifying potential partners and matching them through a coaching office, will be taken. Then in the event of mutual interest, form the consortium legally and work out a common strategy together with an action plan.

The search for partners by the coaching office will also aim at integrating international Trading Companies (ITC’s), in particular Turkish.
The pilot action will aim at creating the first 10 “Agadir” consortia.

<u>A Fund especially dedicated to creating and developing these consortia should be created.</u>

This fund will intervene throughout the “Agadir” consortia creating and operation launching process:
- Identification of partners
- Feasibility study
- Industrial and commercial policy project
- Business plan
- Legal and financing procedures
- Support of prospecting/promotion actions
- Support the forming of data bases
- Support, if needed, the creation and functioning of commercial antennas in export markets.

The funds should also support competitiveness efforts made by companies, members of the consortium, in two fields: finishing and creation/innovation. Concerning creation/innovation, the fund’s action should consist of supporting

29 One will note in this respect the very important initiatives and very interesting catches by Egypt at the end of 2007 and in January 2008 to accommodate Chinese investors and Turkish in industrial parks (example, project of industrial park in the city of the Six-October, concluded in January 2008 to accommodate 140 companies of the pret-à-porter, the textile and engineering - investment from approximately 1,5 billion dollar and creation of 25.000 jobs)

collections creation projects in clothing/household linen, upholstery to the profit of members of the consortium.
The operations thus supported would consist of:

A. A training action by an international expert intended for the learning of creation techniques, collection development and promotion will be conducted in each targeted company.

An individual program for each company will cover the following points:

a. Definition of the roles/missions of the targeted employees
b. Collection Planning/timing
c. Sales analysis
d. Competition/ benchmarking analysis: products/prices/segmentation
e. Standard collection plan and segmentation
g. Standard product profile/product
h. Strategy: suppliers, new collection
i. Organization: new structures/ software evolution / beginning collection
j. Organizing the management of information /files' structures from reation to marketing /sale
K. Collection promotion techniques
k. Follow-up of collection/ collection committee meetings evolution

B. A training course on a collection and brand creating, designing, marketing and merchandising techniques for two persons per company (designer/modeling and product manager or commercial director) in an institution such as the "Institut Français de la Mode".

C. A training course on collection or brand developing and marketing methods in a distribution company or an industrial firm holder of a brand.

D. Creating an experimental office for shopping and studying fashion trends in Paris or Milan with the assistance of a styling bureau.

This project will start during the second semester of 2008 and will continue in 2009.
The emergence of a first generation of designers could be demonstrated during a fashion international festival that ATA could take the initiative to organize.

Action # 12 - Launching of a plan "smart Fabrics" (30)

An introduction plan of R&D and "smart fabrics" production units will be designed and implemented as from the second semester of 2008 in the Agadir zone.
It will consist of:

- Searching for potential investors in the Agadir zone countries (textile companies interested in the project)
- Searching for European or American partners/investors interested in outsourcing partial or the total of their “smart fabrics” production units
- The feasibility study of Western research laboratories transfer towards the Agadir zone
- A training program for young graduates from Agadir countries through training courses in European technical centers companies producing smart fabrics.
- A discussion with the financing institutions and the European Union to find the project’s financing sources.

This plan will be developed with the assistance of an external consultants’ office, within a specific mission.

VII.3 Marketing Policy

VII.3.1 marketing Tools

Action # 13 - Web site

A Web site dedicated to the Agadir zone textile-apparel should be created at the beginning of the second semester of 2008.

This site which should be managed by ATA professional structure will have as an objective to:

- Support communication between the zone’s professionals to develop their trade exchanges.
- Facilitate the Agadir zone producers’ identification by potential international clients
- Valorize the zone producers’ offer of textile and apparel
- Facilitate the dialogue and exchanges between the zone’s companies and the order awarders
- Provide invaluable information on the factors’ costs and the sector’s features in the four countries

30 See in appendix

- Provide current and pertinent information on the sector in the four countries
- Facilitate the online access to other professional and public sites published in the Agadir zone and internationally, through hypertexts links
- Promote individual companies
- Provide economic information to the Agadir zone entrepreneurs

Consequently, the site will:
- Integrate a businesses market as mentioned in action # 20
- Integrate a detailed directory of the four countries’ textile-apparel sector with a multi-criteria search engine
- Host the newsletter mentioned in action # 21 will lodge
- Hold a discussion forum
- Host pages of individual companies

- Allow a reserved access to the Agadir zone companies to search for information on markets, regulation (origin, customs, labeling, etc), technology, shows, etc.
Access to certain sites will be allowed after entering password complete information about the online visitor's identity. This information will be integrated in the data bases "clients" and "suppliers" proposed further.
The access to other sites could be strictly reserved for special users.
It will also be advisable to consider a paid access for special information.

The site will be managed by an ATA collaborator who must have good knowledge of the sector but also of webmasters techniques. A suitable communication will be made to encourage visits of international professionals to the site.

Action # 14 Logo

A logo should be available from the beginning of the second semester of 2008, associated with a slogan such as "Sourcing in Agadir free trade area: the right place". This logo will be affixed on all promotion tools of the sector for the collective operations.
This logo will have to symbolize the "Agadir zone" and to suggest the principle of excellence which must characterize the sector. Considering its importance, this logo will be tested in the four countries companies of and European distributors, before its definitive adoption.

Action # 15 Brochure

A luxurious brochure (glazed paper, high-definition pictures,…) introducing and valorizing the sector in the four countries should be realized in the second semester of 2008, in three, even five languages: Arabic, English, French and possibly Italian and German.

This booklet will be systematically used during the sector's special events (conferences, seminars, shows.). It will be available for institutions which can take part in the promotion of the Agadir zone abroad: embassies of the four countries, chambers of commerce… as well as to the zone's companies who will use it for their individual promotion.

Action # 16 - DVD on the Agadir zone sector textile-apparel

A DVD on the sector should be made. It will include text, pictures and sound and will be issued in English and French. It will however be advisable to see whether it is possible (under reasonable conditions of cost) to extend it to other languages such as Spanish and to Italian.

This DVD should be structured as follows:

-A short video description of the zone's textile-apparel sector

-Useful information, namely providing all the information such as "administrations, the ministries, company addresses…" needed by professionals

-Some statistics, presented in a convivial form, as well as indicators on the factor costs

-Information on the devices likely to attract FDI's: investments regulations, factors costs, free zones, QIZ, subsidies, etc

-A directory of the four countries textile-apparel sector's companies. It is about the most important part of the DVD. Thanks to a hypertext link combined with a multi-criteria search engine, the DVD user will be able to easily find the information available on ATA Web site, i.e identify the companies according to various criteria identical to those of the general data base integrated in the Web site.

Action # 17 "Agadir" Databases

A true database (and not a directory) including the textile-apparel companies will quickly be installed on the Web site to be accessible by all interested professional. It will be created using information provided by the four countries' federations.

Its structure will be developed with professionals, particularly distributors, to match information needs of various professionals.

A search engine will give access to information starting from criteria such as:
- Country: Egypt, Jordan, Morocco, Tunisia
- Company names and trade names
- Brand
- Activities: clothes manufacturing knitting and weaves, lingerie-hosiery, weaving, threading, linen room-hosiery, weaving, spinning mill, finishing, accessories, upholstery, etc or service activities: transport, consulting, agents, etc.
- Materials
- Products
- Functions: subcontracting, co-contracting, final product, ennobling, etc

"Companies" files will provide the needed information to distributors such as: turnover, number of employees, products, functions (subcontracting, co-contracting, final product, ennobling, etc), special equipment, commercial references, prototyping lead time, series length, specialties (pleating, quilting, luxury, etc),… etc

The initial work of this data base should be concomitant with those of the Web site creation, i.e., to be carried out at the beginning of the second semester of 2008.

Action # 18: **Data base textile suppliers**

It economically seems relevant to create a "Mediterranean suppliers" data bank, taking into account the:

- Extreme importance of material sourcing for clothing industry companies, particularly those which develop co-contracting functions, final product and collection creation
- Relative weakness fabrics supply in Jordan, Morocco and Tunisia

- Strategic importance of free trade under the Agadir Agreement of and the pan-Euro Mediterranean accumulation preferential system
- Interest to reinforce partnerships within the Mediterranean

This data base will list the suppliers of:
- Threads
- Fabrics
- Textile supplies located in the four countries of the Agreement of Agadir (Egypt, Jordan, Morocco, Tunisia), as well as Turkey and other Mediterranean countries (Lebanon, Syria, etc). It could gradually be extended to the suppliers in the European Union.

It will be accessible "one line" on ATA web site and will provide necessary information through a multi-criteria search engine.
This base will also feed the B to B device proposed in action # 5.

Action # 19: Data base "Europe-United States Distributors"

The feasibility study (model and information sources) of a data base "clients" should be committed as of September 2008.

The data base will include the name and the contact information of buyers as well as other information on the commercial policy of distributors which will be referred there. It will cover Europe and the United States.

The creation of this data base and its optimized management (a data base contains quickly perishable information) for a permanent updating should have a very powerful positive impact on exports of companies which will thus have a powerful tool for prospecting.
This data bas will be integrated in ATA web site with secure access online by companies through a multi-criteria search engine.
The data base will be managed by the person responsible for the web site. Its construction will be made by:
- acquiring the available data bases on the market
- Integrating the sector's previous databases in the four countries

Action # 20 - Creation of a business market

The main reason for the extreme weakness of the intra-Agadir exchanges is surely the lack of circulation of pertinent information between the professionals of the four countries. Thus for example, during contacts with manufacturers during the mission, it was clear that the very important possibilities of Egyptian fabric sourcing were generally unknown to the three other countries. To avoid this, a business market should be created according to the model studied by the rapporteur himself within the framework of the Eumedis project - 410 "Cluster for the development of Euro-Mediterranean partnership in the textile-apparel sector".

The System consists of "matching" electronically, through the dedicated Web site, (for example ATA's web whose implementation is suggested), supply and demand of the professionals; through either free messages between the Net surfers, or more preferentially through formatted documents, particularly data technical sheets which models are available in appendix.

The communication between supplier and buyer will be strictly confidential and highly secure.
Such a business market will be linked to the data bases of the textile and apparel industries of Jordan, Egypt, Morocco and Tunisia.
It should be operational during the second semester of 2008.

Thereafter, in the first half of 2009, it could be extended to European and American clients.

Action # 21 - Agadir Textile-Apparel News

The publishing of a newsletter will have to be under consideration from the beginning of the second semester of 2008. This letter should be monthly published.

It will be sent as “push” to the Agadir zone countries’ professionals who will receive it on their electronic in-boxes.
The letter will be also available on ATA web site.
The processed data will relate to four countries textile-apparel news. It will provide pertinent information on regulations, shows, factor costs, companies life, markets and distribution, federations life the, FDI, etc.

Ideally, the letter will be available in English, French and Arabic.

Action # 22 - Economic watch

The control of pertinent information being a key factor of competitiveness, it will be appropriate to set up a device of collection, validation and diffusion of all pieces of useful information companies. This information will be accessible “online” on ATOR Web site. Some of this information will be also diffused via the monthly newsletter “Agadir Textile-Apparel News” mentioned in action # 21.

The watch should relate to the following fields:

-markets and products
-competition
-market studies
-shows
    - Calendar
    - Profile sheet per show
    - Appreciation in the form of comments
-technology
    - Equipment (information on “textile” machines, the guides and attachments,…)
    - Materials (new materials, new uses)
    - Methods, organization
    - Standardization (sizes, ISO, new standards.)
    - Quality
    - Tests

-regulations

- Multilateral trade agreements
- Customs: customs tariffs, rules of origin…
- Environmental legislation (water, industrial waste, chemicals products...)
- labeling (origin, content...)
- various legislation: exchange control regulations, credit, company law,…
- intellectual property: licenses, brands,…
- legislation and social regulations (collective agreements, wages structure,...)
- professional training tools

VII.3.2 intra-Agadir Promotion

Action # 23 – cross-participation in the shows

In order to support the commercial contacts and to better make their respective of products and services offers known to the "Agadir" zone companies, a cross participation will be organized in the four countries professional shows. It will consist of the organizing Agadir pavillons gathering companies from countries others thoset from the organizing country; for example, a pavillon including companies from Jordan, Egypt and Morocco in Texmed Tunisia.
To push companies to exhibit there, preferential conditions will be granted to them and special promotional actions will be carried out.

In 2008, the organizing of an "Agadir pavillon" should be considered during:

* Texmed Tunisia which will be held in Tunis from June 18 to 20
* Egytex which will be held in Cairo in November
* Morocco Sourcing which will be held in Casablanca from November 29 to December 1st.

An "Agadir partnership" operation will be systematically organized during these shows. It will consist of connecting commercial/industrial partners who would have been identified beforehand through a technique of descriptive sheets exchange. This connecting would be done through meetings held on the Show's premises.

Ultimately, the creation of an "Agadir" show could be considered. It would then be about an "alternating" show, namely organized successively in each of the four countries, relying on the existing shows. As of 2008, the simplest formula will consist of "labeling" the three above mentioned shows by branding them a denomination such as "Agadir Free trade area".

Action # 24 - Sourcing fabrics and supplies

Certain elements of the Egyptian thread, fabrics and accessories supply, are competitive in terms of price and quality compared to the Asian supply ; it is then strategically important that companies of the three other countries of the Agadir zone know this offer -which is not currently the case- in order to procure textile products in Egypt, taking advantage of preferential cumulative origin mechanism.

Consequently, a meeting will be organized on three occasions in Cairo (one in 2008 and two in 2009) between Egyptian textile manufacturers and makers of the three others Agadir zone countries to negotiate sourcing commercial contracts in fabrics and threads. Sourcing operations will be organized in the three other countries at the time of ATA Conferences which will be organized there. (see action # 8).

Action # 25 - ATA Business Conferences

The lack of communication is an important cause of trade weakness. To overcome this, ATA's semi-annual meetings will be organized among other events. These meetings will cement intra-Agadir relations. They will be alternately organized in the four countries.

To be attractive, they will be combined with individualized partnership meetings. They will be also extended to European and American distributors and industrial client's participation.

In order to support cooperation with other Mediterranean countries, manufacturers and businessmen of countries not signatories of the Agadir Agreement will be regularly invited.

Considering that Ator assemblies will be held in September 2008, the first of these ATA Meetings (ATA Business Conferences) could take place in January 2009. Each year, "Agadir Oscars" could be awarded to exemplary companies as regards commitment to the Agadir process.

VII.3.3 Promotion, prospecting of international markets

The following actions proposals are within the recommendations put forth in chapter 1.3.3 of this report and take into account the analyses products/ markets presented in the first part of the report.

These proposals aim at promoting the "Agadir" zone offer in textile and apparel on the European and American markets in 2008 and 2009.
<u>However, most of the effort will relate to European markets</u>.

VII.4.3.1 Europe

Taking into account the various constraints, which limit the extent and the number of collective actions on external markets and due to coherence requirements with the calendars of promotion policy of each of the four countries, it is suggested to intervene:

In 2008 (second half-year), on three of the European main targeted markets:
- France
- Spain
- Italy

In 2009, to carry out six operations, distributed over the year at a rate of three operations per six-month period, of which:

1st six-month period:
- Great Britain
- Germany
- the Netherlands

2nd six-month period
- Spain
- Italy
- France

So that these operations are effective, it will be imperative to manage them professionally, which means that:

1. They will have to be managed by a coaching team

2. Each operation will have to be preceded by a preparatory phase for potential participants, in the form of a briefing concerning market features and the specific recommendations to follow;

3. A strict selection of the participating companies will be carried out, according to objectives criteria to be observed;

4. The launching of the missions preparatory operations will be carried out at least three month (ideally six months) before their realization including, in particular, actions in the professional press of the targeted country, contacts with professional industrial organizations and distributors, mailings to large distributors, etc

5. One critical audit of the results of each operation will be carried out.

The classical formula of participation to the shows proves sometimes to be rather disappointing, at least in terms of commercial results ratio/ investments cost.
It would be thus interesting, as far as possible, either to substitute to it more direct prospecting formulas, or to combine a participation to a show with complementary actions, inter-alia, to attract FDIs or to tie partnership relations.

The following first three proposals are relatively detailed, including in terms of operations organization methods. By presenting them, the rapporteur has no other concern but providing useful appreciation and thinking elements on the interest of such or such formula.
In general, each operation should have the following characteristics and be structured as follows:

*Preliminary launching of a media plan in the country where the operation will take place. This plan will aim at:
- developing the image of the “Agadir” textile-apparel sector within the European economic environment

- informing international clients and potential partners on the sector, and particularly on the participating companies;

The media plans should be structured as follows:

An in “push” approach towards clients of the target country. It will address by Internet via ATA server, once a month, valorizing information to distributors and industrial clients the operation which will be held and its participants;

Sending of a box to large distributors, containing a DVD and a brochure (see proposals relating to the tools for promotion/communication)

A press event will be structured and modulated according to characteristics of the launched operation. A database of journalists will be created for this purpose.

Advertising/reports in the professional press

A press conference should be held on the eve of the promotional event at the latest.

*Promotional operation: it will consist of, either product and services exhibition of companies that is to say in an exposure of the products and services of companies joined together in an “Agadir village” within the professional show, or a hotel exhibition, or direct contacts in distributors offices according to an appointment technique taken by means of profile sheets exchange to identify potential partners able to meet to examine business opportunities.

* promotional operation will be possibly followed during the week when it is organized by a consistent partnership operation through individualized meetings with potential investors, meetings with potential partners “International Trading companies” as well as with chambers of commerce, representatives of professional organizations, technical centers and training and fashion institutes or schools.
These meetings should lead to the signing of trade agreements, partnership agreements and cooperation agreements relating to for example vocational training, the transfer of laboratories or production activities of smart fabrics… towards the Agadir zone.

On the whole, these operations could proceed on 3 to 5 days. Representatives of the federations of the four countries of Agadir will take part in it.

Action # 26 - France

A direct contacts operation with the large French distributors could take place during the second half of 2008 in the North of France where is gathered majority of the large French distributors. This operation would consist of appointments taken directly at the distributors offices. As example, one will find hereafter the names of the main interested large brands:

A. Specialized superstores:

- Promod
- Pimkie
- Xanada
- Camaieu
- Kiabi
- La Halle aux Vetements
- Okaïdi
- tape à l'oeil
- Cevimod (Devianne Stores)
- Decathlon
- Phildar

B. Hypers

- Auchan Group

C. remote Sale

- Afibel
- Damart
- Group Redcats (Redoute, Taillissime, Somewhere, Cyrillus, Green Donkey)
- 3 Suisses
- Blanche Porte
- Quelle
- Daxon (Celaïa)

The individual visits " à la carte " at the distributors offices would be organized at the rate of two to three per day, or a total of 12 to 15 visits per participating company, over 4 days. Each company would have personalized contacts. 25 to 30 companies could participate.

So that these meetings are as effective and concrete as possible, the organizer communicates beforehand to the targeted distributors the profile sheets of the companies participating in the operation. Therefore, the appointments are taken when there is a mutual interest for a meeting, expressed by the distributor as well as the participating company. All logistics is guaranteed: organization of the individualized contacts, accompanying of the companies at the time of the visits, transportation by minibus, reservations of rooms, etc.

In addition, it is possible to organize in parallel a hotel exhibition. Thus, companies which are represented by two people can promote at the same time their offer according to two complementary ways, which multiplies their chances to win contracts.
This operation will be extended by one day partnership meetings organized in Paris.

Action # 27 - Spain + Portugal

A **collective operation** could be carried out in Spain during the second semester of 2008, for the account of twenty companies, mainly Egyptian and Jordanian, in the form of a hotel moving trade show whose features would be the following:

Objectives:

a) Promotion of the “Agadir” textile-apparel industry’s offer in Spain
b) Connecting the participating manufacturers with Spanish clients, particularly the large chains and the department stores (Zara, Mango, El Corte Inglès, Cortefiel, Pull& Bear, Intersport, etc) but also with Spanish manufacturers.
c) Establish and reinforce the volumes of business between these two countries
d) Support partnership by bringing new Spanish investors towards the Agadir zone

Exhibitors participation

Approximately 20 companies for this mini “show”. They will be strictly selected, with the assistance of a Spanish cabinet in charge of the operation. All sectors could be covered, but we will favor the products analyzed as promising: trousers, sweaters, pullovers, Tee-shirts and sweat shirts.

Visiting target

The Spanish companies to contact and invite to the show are:

a) Specialized chains, wholesalers, importers, groupings of retailers, branch managers, department stores, vepecists.
b) But also Spanish manufacturers search for subcontractors or co-traitants able to meet their manufacturing needs in terms of costs, lead time, quality and services.

This promotional operation could be combined with individualized visits from distributors similar to what is proposed for France.

If the participants find an interest there, the operation could be prolonged by a phase in Portugal to meet at the same time Portuguese manufacturers likely to be interested by an industrial partnership with the Agadir zone as well as distributors such as Pingo Doce, Lanidor, Parfois, Modelo or Modalfa which are the first five Portuguese brands.

Action # 28 - Italy

It is suggested developing a light initiative, more “focused” and more innovative than that of the traditional moving trade shows and which would consist of approaching the Italian market from the angle of trading companies (brokers), agents and purchasing offices.
The interest of the formula is triple with:

1. Trading companies, to be able to penetrate in-depth the market where they are located but also to intervene through their intermediary on third markets. As example, Italian trading companies manufacturing suits in the Mediterranean, import them to Italy where these products “are Italianated” using labels “made in Italy”, which gives them a greater commercial value-added, then export them towards US markets!

2. Agents, the interest of being directly and permanently linked to the market, which allows better seizing arising business opportunities and better managing all commercial aspects logistic, particularly commercial follow-up.

3. Large purchasing offices established in Europe, such as the American bureau AMC, of indirectly being able to make export operations to third party market difficult to access directly, such as the North-American markets.

In this spirit, it is suggested programming operation in Italy, in the following form:

1. Place: Milan is the first Italian city for the textile business, ahead of Naples, Florence and Turin. Rome is an administrative city presenting no private interest for such an operation; in addition, it is expensive.

2. Date: the month of September is the most suitable period. The operation could usefully be held during the shows Ready-to-Show/Intertex.

3. Duration of the operation: two full days

4. Number of companies: 20 because beyond this number it is difficult to correctly manage. The approach must be elitist: it is thus absolutely advisable to strictly select the companies according to their professionalism and their performances in order to give the best image and greatest possible credibility to the operation.

5. Targets: they will be identified by the operation managing Italian office. This office will have to provide a list of agents, purchasing offices, brokers and distributors and to organize individualized meetings.

The individual meetings will be organized through meeting decided three to four weeks in advance based on Agadir company's profile sheets and their exchange with the available agents' sheets, purchasing offices, International Trading Companies (ITC), and distributors.
The operation should be extended by a day dedicated to meetings with Italian potential investors.

Action # 29 - Great Britain

Combined operation (exhibition in a hotel + individualized meetings) organized in London during the 1st semester 2009.
Objective: 20 to 30 participants
Contacts with large British brands such as: Tesco, Safeway, Sainsbury, Asda, Woolworths, Marks & Spencer, GUS, John Lewis, Next, JJB Sports.

Action # 30 - Germany

Combined operation (exhibition in a hotel + individualized meetings) organized in Düsseldorf or Berlin during the 1st semester 2009.
Objective: 20 to 30 participants

Contacts with the German manufacturers (inter- alia, smart fabric branch) and large brands like More, NKD, Initex, Northern Aldi and Southern Aldi, Lidl, etc Contacts with manufacturers and “smart fabrics” sector institutions.

Action # 31 – The Netherlands

Combined operation (exhibition at World Fashion Centers Amsterdam + individualized meetings) organized during the 1st semester 2009.
Objective: 20 to 30 participants
Contacts with Dutch manufacturers and large brands like Zeeman, Hema, Euretco, Hunkemöller, Intres, etc

Action # 32 - Spain + Portugal

Renewal during the second semester 2009 of the operation carried out during 1st semester 2008

Action # 33 - Italy

Renewal during the second semester 2009 of the operation carried out during 1st semester 2008

Action # 34 - France

Renewal during the second semester 2009 of the operation carried out during 1st semester 2008

VII. 4.3.2 United States

A promotional strategy will be developed in the United States, aiming at developing exports and at tying partnership operations there.

1. **Second semester 2008**

Phase I - In order to effectively carry out a strategy of reinforcement of the positions (Egypt and Jordan) and exports development (Morocco and Tunisia) on the American market, the first operation consists of identifying and choosing a US specialized consulting firm, working closely with American producers in textile and apparel well introduced with American trade associations and distributors. This firm must have a solid experience in organizing and conducting collective promotion operations to the benefit of Mediterranean companies.

Phase II - Information and training: the selected consultant will provide ATOR all useful information concerning the US market.
A thorough seminar will be organized by this consultant to companies eager to take part in an “Agadir” prospecting operation of the US market.

This seminar will tackle very real issues about US market structure and the functioning.
It will lead to elaborating a practical guide.

The selected cabinet will provide:
- A listing of major showrooms of main American cities brands
- A complete inventory of the shows, market weeks and other professional commercial events accompanied by comments on their importance and interest.
- A listing of contacts of approximately 2.000 names of American professionals.

Action # 35 - Participation in Magic Show (August 2008)

A promotional operation will have to be considered in Magic Show, which will be held in Las Vegas in August 2008.

This show, which is held twice a year includes Magic (ready-made clothes for man, woman and children), Sourcing at Magic (clothing, fabrics, accessories and services), Pool and Project (fashion), Accessories (in connection with Reed) and Lingerie Show (in connection with Lingerie Paris).

The “Agadir” operation should be done within Sourcing At Magic, in the form of a common pavilion gathering companies. A communications operation will be done beforehand through advertising and publicity-reports in the professional press:
- Women' s Wear Daily
- DNR
- Apparel News
- Apparel Magazine
- etc

In addition, an information and presentation seminar could be held at the show’s premises including also representatives of American industry and distribution.

2. **Year 2009**

Action # 36 - New participation in Magic Show (1st semester 2009) (under the same conditions and forms mentioned above)

Action # 37 – American buyers and sourcers visit (1st semester 2009)
Large buyers, sourcing directors as well as representatives of brands and distributors should be invited for a business trip in the Agadir zone consisting of:
- Meetings with governmental official and professional organizations
- Visits of textile and apparel companies
- Contacts with commercial agents

This kind of trip developed by Americans towards Asia in particular, is largely undertaken by institutions like the USA ITA (United States Association off Importers of Textile and Apparel) and/or AAFA (American Apparel & Footwear Association)

Action # 38 - New participation in Magic Show (**2nd semester 2009**)
(Under the same conditions and forms mentioned above)

Action # 39 - New York Regional Specific Show

Promotional operation organized in hotel towards “Fashion Avenue” (standard Westin Times Square, Novotel) for a group of forty “Agadir” companies.

VII.6 2008 + 2009 Budget Summary

Categories	Provisional budget (euros)
Intra-Agadir relations structuring	60 000
Competitiveness and industrial structures/Human resources, training	370 000
Competitiveness and industrial structures/ Technology, R&D	80 000
Competitiveness and industrial structures/ Industrial structures	250 000
Trade Policy/ Marketing Tools and Promotion system	116 000
Trade Policy/ Intra-Agadir promotion	220 000
Trade Policy/ Europe promotion	880 000
Promotion Program/ United States promotion	460 000
Total Budget	**2.436.000**

The Action Plan total budget (2008-2009) amounts to 2.436.000 Euros, of which :

- 396 000 Euros for organizing the intra-Agadir exchanges development
- 700 000 Euros for improving the total competivity of the sector
- 1 340 000 Euros for consolidating and conquesting export international markets

This plan financing should be provided by:

- the European Union, to whom a request will be sent
- the authorities of the four countries signatories of the Agadir Agreement
- companies participation, companies groups and federations
- voluntary contributions
- services sales

The timetable is provided for indication purposes.

VII. 7 Actions hierachization

Priority operations for the year 2008				
	Action #	Label	Period (*)	Budget (euros)
Action	Ex.1		June 08	5 000
Action	Ex.2	ATA Business Task Force	June-July 08	3 000
Action	3	Agadir textile-apparel assemblies	October 08	20 000
Action	4	Practical Guide of textilesl customs rules	October 08	5 000
Action	20	Stock exchange creation	June-September 08	10 000

Action	23	Crossed participation in trade shows	June to November 08	20 000
Action	Ex.24	Fabric and accessories sourcing	November 08	20 000
Action	13	Web Site	June 08	5 000
Action	14	Logo	June 08	3 000
Action	17	Agadir data base	September 08	5 000
Action	19	EU-US distributors data base	September-November 08	20 000
Action	18	Textiles suppliers data base	September-November 08	10 000
Action	26	Commercial contacts France	November 08	100 000
Action	27	Commercial contacts Spain +Portugal	November 08	100 000
Action	28	Commercial contacts Italy	December 08	100 000
Action	37	US buyers and sourcers visit	November 08	70 000
Study	5	Transportation report	September 08	5 000
Study	6	Aghadir Textile and Fashion Institute (study)	September-November 08	20 000
Study	9	Agadir R&D Collective	October- November 08	20 000
Study	Ex. 12	« Smart Fabric » Plan	November- December 08	30 000
Total				571 000

(*) Nota Bene : the timetable is provided

Second Priority operations for the year 2008

	Action #	**Label**	**Period**	**Budget (euros)**
Action	21	Agadir Textile Business News	July-December 08	3000
Action	7	Agadir Zone Cooperation/ Europe training	September- December 08	20 000
Action	8	Intra-Agadir training	September- December 08	20 000
Action	10	FDI	October- December 08	30 000
Action	15	Brochure	October- November 08	20 000
Action	16	DVD	October- November 08	15 000
Action	14	Logo	July-December 08	3 000
Action	35	Magic Show Las Vegas	August 08	90 000
Total				201 000

Priority operations for the year 2009

	Action N	**Label**	**Period (*)**	**Budget (euros)**
Action	Ex. 1	Agadir Textile Organisation (management)	Year 2009	15 000
Action	Ex. 2	ATA Business Task Force	Year 2009	7 000
Action	Ex. 23	Crossed participation in the Shows	Year 2009	60 000
Action	Ex. 24	Fabric and accessories sourcing	March & November 09	60 000
Action	25	ATA Business Conferences	June & November 09	60 000
Action	21	Agadir Textile Business News	Year 2009	7 000
Action	Ex. 6	Aghadir Textile and Fashion Institute	Year 2009	250 000
Action	7	Agadir Zone Cooperation/ Europe training	Year 2009	30 000
Action	8	Intra-Agadir training	Year 2009	30 000

Action	Ex. 9	Agadir R&D Collective	Year 2009	60 000
Action	11	Consortia creation	Year 2009	50 000
Action	Ex. 12	« Smart Fabric » Plan	Year 2009	70 000
Action	13	Web Site (management)	Year 2009	10 000
Action	22	Economic Watch	Year 2009	5 000
Action	29	Great Britain	October 09	100 000
Action	30	Germany	October 09	100 000
Action	31	The Netherlands	November 09	80 000
Total				994 000

(*) Nota Bene : the timetable is provided for indicative purposes

Second Priority operations for the year 2009				
	Action #	**Label**	**Period (*)**	**Budget (euros)**
Action	10	FDI	Year 2009	70 000
Action	32	Spain +Portugal	September 09	100 000
Action	33	Italy	October 09	100 000
Action	34	France	November 09	100 000
Action	36	Magic Show Las Vegas	Mars 09	90 000
Action	38	Magic Show Las Vegas	September 09	90 000
Action	39	New York show	November 09	120 000
Total				670 000

(*) Nota Bene : the timetable is provided for indicative purposes

The provisional budget of 2 436 000 euros
- 772 000 euros in 2008, including on the one hand 571 000 euros under priority actions covering four studies for 75 000 euros and on the other hand actions of second priority for an amount of 201 000 euros.

- 1 664 000 euros in 2009, including 994 000 euros

VII.9.2007 Statistical Analysis addendum

Action	**Label**	**Expected results**	**2008**		**2009**		**objectives**	**Provisional budget (euros)**
« Intra-Agadir » relations structuring								2008 + 2009
# 1	Textile-apparel organization management	Animation structure creation and plan implementation		X	X	X	« Agadir » approach credibility and cooperation encouragement	20 000
# 2	ATOR Business Task Force	Trade exchanges development and intra-Agadir investments		X	X	X	Agadir approach crediting and cooperation encouragement	10 000
# 3	"Agadir" Textile-apparel assemblies	Effective launching and concrete Action Plan		X			Valorize Agadir cooperation, professionals and administration mobilization	20 000

# 4	Practical Guide of preferential customs rules	Provide professionals with a pratical guide on Agadir customs legislation and on Pan-Euro-Mediterranean system		X			Foster exchanges development	5 000
# 5	Transport improvement	Report drafting on transportation problems		X			Improve transportation within the zone	5 000
<u>Competitiveness and industrial structures</u> : human resources, training								
# 6	Creation of an Agadir Textile and Fashion Institute	Feasibility study in 2008 and launching of the Institute in 2009		X	X	X	Training of Products Chiefs, stylists, modelists, marketing and management executives	Study budget : 20 000 Institute creation : 250 000
# 7	Agadir Cooperation Zone	European professors employment, young diploma holders training in Europe, study scholarships in Europe		X	X	X	young diploma holders skills improving in creation, technology, marketing and management	50 000
# 8	Intra-Agadir training cooperation	Training conventions and training courses		X	X	X	Workers and technicians training improving	50 000
<u>Competitiveness and industrial structures</u> :Technologies, R&D								
# 9	Agadir R&D collective	Intra-Agadir Meetings by theme, best practices propagate, R&D common program		X	X	X	Creation, innovation advancing and improve new technologies integration in the Agadir zone	80 000
<u>Competitiveness and industrial structures : industrial structures</u>								
# 10	FDI (foreign direct investments)	foreign direct investments increases in weaving and ennobling		X	X	X	Industrial structures reinforcing especially in textiles	100 000
# 11	Consortia creation	10 Agadir consortia establishment + support of finishing and creation/innovation			X	X	Powerful companies groups establishment to conquer markets	50 000
# 12	Launching of “Smart fabrics” plan	Smart fabric production units establishment in the Agadir zone, state of the art R&D activity development		X	X	X	Agadir sector orientation towards strong value-added textile niche	100 000
Trade policy/Marketing tools and promotion system								

# 13	Web Site	Creation and design of a Web site integrating B to B system, data bases and information		X	X	X	International sector promotion, own a convivial communication tool	15 000
# 14	Logo	Create a common textile-apparel logo of Agadir countries zone		X			own an emblematic promotion tool of the textile-apparel Agadir zone	3 000
# 15	Brochure	Create a valorizing informative brochure on Agadir zone		X			Develop a valorizing communication on the Agadir zone textile-apparel sector	20 000 (10 000 copies)
# 16	DVD of the Agadir zone textile-apparel sector	Create a DVD containing information integrating a data base on Agadir textile-apparel companies		X			International sector promotion, exports development	15 000 (5 000 copies)
# 17	Agadir data base	Create a data base on Agadir textile-apparel companies, integrate it into the DVD (action # 20) et make it available on the web site (# 17)		X	X	X	Provide the international distributors and clients with operational information on Agadir zone companies	5 000
# 18	Textiles suppliers data base	Create and manage a data base on Mediterranean thread, fabric and accessories suppliers		X	X	X	Mediterranean textile offer promotion and facilitate Agadir zone fabric, thread and accessories manufacturers' sourcing	10 000
# 19	"Europe- United States distributors" data base	Create and manage a data base on EU and US distributors and industrial clients. Integrate it into the Web site.		X	X	X	Provide professionals with an access to European and US buyers data base in order to develop their exports	20 000
# 20	Stock exchange creation	Own a communication tool on supply and demand within the Agadir zone		X	X	X	Promote intra-Agadir trade exchanges	10 000
#21	Agadir Textile Business News	Provide Agadir zone professionals with operational information		X	X	X	Improve communication within Agadir zone	10 000

# 22	Economic Watch	Create a permanent system of economic watch and make it available on the web site		X	X	X	Provide the international distributors and clients with operational information on markets, competition, shows, legislation, technology etc…	8 000
Trade Policy/ Intra-Agadir Promotion								
# 23	Crossed participation in the shows	Increase the 4 countries companies participation to the zone trade shows		X	X	X	Promote intra-Agadir trade exchanges	80 000
# 24	Fabric and accessories sourcing	Promote Egyptian fabric purchases by the Agadir zone manufacturers		X	X	X	promote intra-Agadir origin accumulation	80 000
# 25	ATA Business Conferences	Increase business contacts between Agadir professionals		X	X	X	Foster communication among Agadir zone companies	60 000
Trade Policy/ Europe Promotion								
# 26	France	Individualized Commercial contacts with major French distributors (35/40 companies)		X			strengthen Moroccan and Tunisian exports, improve imports from Jordan and Egypt, attract investors to smart fabrics	100 000
# 27	Spain + Portugal	Organize commercial contacts session with Spanish and Portuguese distributors and industrial clients		X			strengthen Moroccan exports to Spain, improve exports from Tunisia, Egypt and Jordan to Spain and Portugal	100 000
# 28	Italy	Commercial contacts with Italian purchasing offices, international trading companies, distributors and agents		X			strengthen exports from Tunisia, improve exports from the three other Agadir countries to the Italian market	100 000
# 29	Great Britain	Commercial contacts with major British distributors and manufacturers			X		strengthen Tunisia and Morocco's position on the British market, improve exports from Egypt and Jordan	100 000
# 30	Germany	Commercial contacts with distributors and industrial clients Contacts with smart fabric sector			X		Improve the four Agadir countries' exports to Germany, attract German investors to smart fabrics	100 000

# 31	The Netherlands	Commercial contacts in the Netherlands with Dutch distributors and manufacturers			x		Boost the four Agadir countries exports in the Dutch market	80 000
# 32	Spain+Portugal	Spanish market prospecting, contacts with distribution				x	Increase exports in Spain	100 000
# 33	Italy	Commercial contacts with Italian purchasing offices, international trading companies, distributors and agents				x	strengthen exports from Tunisia, improve exports from the three other Agadir countries to the Italian market	100 000
# 34	France	Individualized Commercial contacts with major French distributors				x	strengthen Moroccan and Tunisian exports, improve imports from Jordan and Egypt, attract investors to smart fabrics	100 000

Action		Label	2008		2009		Expected results	Provisional budget (euros)
Trade Policy/ United States Promotion								
# 35	Participation at Magic Show/ Las Vegas (August 2008)	Agadir Pavilion at Magic Show for commercial contacts with US distributors and industrial clients		x			strengthened imports from Jordan and Egypt, improve exports from Morocco and Tunisia	90 000
# 36	Participation at Magic Show (1ST half 2009) (second participation)	Agadir Pavilion at Magic Show for commercial contacts with US distributors and industrial clients			x		strengthening Jordanian and Egyptian exports, improving exports from Morocco and Tunisia	90 000
# 37	US buyers and sourcers visit	Bring US distributors and industrials to visit Agadir zone			x		strengthening Jordanian and Egyptian exports, improving exports from Morocco and Tunisia, improve US investments in the zone	70 000
# 38	New participation at Magic Show/ Las Vegas	Agadir Pavilion at Magic Show for commercial contacts with US distributors and industrial clients				x	strengthening Jordanian and Egyptian exports, improving exports from Morocco and Tunisia	90 000
# 39	New York Regional Specific Show	Organisation of a Mini-show in New York with fourty companies for commercial contacts with US distributors and industrial clients				x	strengthening Jordanian and Egyptian exports, improving exports from Morocco and Tunisia	120 000

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