

Ahmed Ezz
Man of the Arab
Iron and Steel
industry for the
year 2017

أحمد عز
رجل صناعة الحديد
والصلب العربي
لعام 2017



Man of the Arab Iron and Steel Industry for the Year 2017

We are pleased to present an interview with Engineer Ahmed Ezz, Founder and President of Ezz Steel, following his selection as 'Man Of The Arab Iron And Steel Industry For 2017'

Can you briefly describe your early life? Where did you grow up and what were your early influences?

I was born in the charming city of Cairo and spent the early years of my life there. My awareness began to be shaped in the 1970s during the major events that my country was going through; the most important of which was Egypt crossing over from its tumble in 1973. This caused a massive change in the country, including a notable improvement in public morale and optimism about the future. I was 13 years old at that time. Despite my relatively young age, my generation and I were deeply affected by these internal affairs. We had not before seen so much openness to the world, which made people of my age feel they were living a life that extended beyond the borders of their country. The idea of being a global citizen did not exist at that time.

I also had a feeling that a tremendous change was about to happen for everyone in my generation when President Sadat spoke about being "open to the world". I didn't understand what such openness meant, but I felt inside that a breakthrough was about to happen; new opportunities for me and others in a world to which Egypt would open up.

Where did you study?

I studied in the Faculty of Engineering at Cairo University and then went through military service. During my long years in the Faculty of Engineering (the study took five years), I worked excessively in Ezz Foreign Trade Company, established and chaired by my father in 1959. After I graduated and between 1982 and 1995, this company grew to become the largest importer of steel rebars and ceramic tiles in Egypt. I recall that in 1985/1986, the company's imports reached 420,000 tons. This was an unprecedented volume for the market at that time.



Please tell us about your early working life.

I was involved in importing increasing quantities of steel rebars from the beginning of the 1980s. In May 1985, and due to my inability to deal directly with steel exporters in Eastern Europe, I established Mercury SA Company in Geneva, Switzerland. I chose André Parodi (the Swiss Ambassador in Cairo until 1984) as a member of the board of directors of this company. He introduced me to the renowned lawyer, Bruno Bush, who also joined the board. I mention these people because they were instrumental in establishing the credibility of my company with the many third parties it dealt with. The objective of establishing the company was to gain direct access to production and export public companies in the Eastern European countries, which were insisting on working through countertrade (exchanging its final products of steel rebars and flat steel for raw materials, such as iron ore, coke, manganese ore and metal alloys).

For this reason, the exporting companies in Eastern Europe always refused to deal directly with people like me. However, by establishing Mercury SA Company in Geneva, I was able to fulfil the countertrade requirements through international banks, most importantly Bank of America and BNP. I was able to finance the purchase of iron ore and coking coal and ship them to Eastern European plants in return for deliveries of finished steel. I was able to successfully manage this because I was the end importer of the product.

How did your trading enterprise grow?

At this time, I started a new phase of expanded trade, which was the most important stage in my life. In 1987, before turning 27, I became the largest supplier of imported iron ore from the Australian company BHP-BILLITON, and the most important supplier of iron ore and the biggest importer of steel products from nearly all the plants in Romania, such as Galati and Honedoara. I was also one of the major customers dealing with RMK Zenica in Bosnia in Yugoslavia, through supplying raw materials from steel mines in Canada. This expanded to the Kremikovskyy companies in Bulgaria and Nova Hut in Czechoslovakia.

I recall some memorable experiences from this period in my life. For example, I stayed at Bucharest Intercontinental Hotel from 21 December to 24 December 1989, which were the days of the Romanian Revolution against President Ceaușescu. I lived through all its events. I also partially lived through the events of the civil war in the former Yugoslavia. I remember a Serbian manager (Mr. Skobal) and another Muslim manager (Mr. Ahmed Delić) who were senior managers for the Yugoslavian company RMK. They were among the respectable people that I dealt with and I tried to help them both when they went

through tragedy and difficult times during the war.

I shifted during those years from importing finished products for the Egyptian market to also supplying the Arab countries. I remember that I was one of the major suppliers – if not the sole supplier – to Sudan in 1987 and 1988. We had Sudanese customers from the largest commercial companies, including Sheikh Abdul Salam Al Khabeer. I also supplied to Lebanon through Ferco Metal and to Saudi Arabia through the Mitsui Trading Company and Engineer Ahmed Abdel Azim.

Next I moved to a business related to trade operations, by establishing Al Ezz Shipping Lines in 1987. This came about when a leading sea freight company called Alexandria Shipping Company, which owned and operated commercial vessels, had one of its ships seized in the port of Savona in Italy. The Maritime Inspection Authority in Egypt suggested that I purchase the vessel and remove the partial seizure by paying its debt, in order to preserve the Egyptian fleet (since the vessel was sailing under the Egyptian flag). I objected to overstepping the rights of the Egyptian shipowners, but I was surprised when Captain Mahmoud Ismail, the owner of this ship, contacted me and confirmed that he supported this course of action. The acquisition of this vessel led me to establish Al Ezz Shipping Lines, which later owned several ships, such as Abdul Aziz, Malak I, Malak II, Afaf, and others, with a total deadweight tonnage exceeding 150,000 tons. This experience was very important for me.

Why did you make the move into industry?

At the end of the 1980s, I reached a point when I had to decide whether to continue to expand into international trade and owning and managing commercial vessels, or to move into industrial investment. Whichever direction I chose, I knew it would require my complete devotion. I made a decision to liquidate the shipping business and move into industrial investment in Egypt. I was encouraged to do so because of the Egyptian

government's eagerness at the time to encourage industrial investment in all fields. There was a tremendous appreciation and support for everyone investing in industry. The motto of that era was: "Made in Egypt", which resonated with the entrepreneurial community, bolstered by the interest of President Mubarak and an intense media focus. It led to the emergence of industrial investment as a means to achieving economic growth. A quick look back at this era reveals how many Egyptian entrepreneurs actually invested in industry at that time, such as Mohamed Farid Khamis, Ahmed Bahgat, Mohamed Abul-Enein, Safwan Thabet, Mohamed Geneidy, Taqi-Allah Helmi, Mohamed Rashid, Hassan Abu-El-Makarem, Galal-El-Zorba, Raouf Ghabbour, Mahmoud El Araby, Basily, Sallams, and many others. I mention these names in no particular order. All of them, together with others and me, contributed to the enormous renaissance in Egyptian industry. We all felt the value of national industry and that investment was at its core.

The interests of both investors and the government then moved into real estate and tourist infrastructure, leading the development of large areas. I do not question the need for such investments, but this change in focus came at the expense of the pressing need for more industrial investment at the end of the 1990s. It meant economic policies were not supporting industrial investment and export. On the contrary, these policies were offering more incentives for domestic production and total or partial imports at the expense of local production. In addition, successive problems with the balance of payments at the end of the 1990s and early 2000s, resulted in tension and ultimately the default on bank loans and unstable flows of dealings through the Stock Exchange. Furthermore, the romantic view that small and medium-sized industries were the solution, overlooked the fact that such businesses could not exist without a great renaissance in the country's major industries, which unfortunately were not viewed positively by society.

Can you tell us about your first steps into industry?

I started my industrial investment in the ceramics industry, which presented a steep learning curve for me and my engineer colleagues. I was lucky that there was a generation of outstanding engineers that had taken the opportunity to

study in the best American universities, such as MIT, Caltech and others, through the Peace Grants Program. This was part of the American Aid that followed the signing of the peace treaty by President Sadat, and it continued through the Mubarak era. I managed to convince a number of my former colleagues who had received such high qualifications to work with me in establishing an industrial group. Among them were Dr. Aly El Shafei and Dr. Khaled Ezz-El-Din. I also managed to convince a number of colleagues with distinguished expertise in banks to join me, and thanks to our "open door" policy, they rose to senior management roles. This was how I started my industrial project.

In 1994, I established Ezz Steel Rebars Co, followed by Ezz Steel Mills in 1995, and Ezz Flat Steel in 1998. By 1998 these businesses had a total capacity exceeding 2.7 million tons. I then pumped investments into Alexandria National Iron & Steel Company (EL Dekheila) in 1999, after its founders and shareholders refused to raise capital to address its financial crisis. I spent years in this leading company to restore its strength, and was even a semi-permanent resident in its residential compound. I then Egyptianized the company by purchasing the shares of the foreign shareholders and insisted that public funds continued. The share of public funds in the company remained as it had been when we entered, which was 40% of its capital. These were the companies that constituted Ezz Steel.

What was – and still is – your approach to business since founding Ezz Steel?

From the moment I first invested in the steel industry, I decided – contrary to the trend in most developing countries at the time – to build new plants and invest in modern technology. I was keen on this from the outset and it remains my goal to keep pace with modern technological developments in the industry. Technological capability gives us the ability to establish, operate and successfully manage modern steel projects, as well as to foresee the future and keep pace with technical advances. Achieving global competitiveness is our target, at a time when the steel industry is suffering from a huge surplus in standard production. One of my persistent goals is to achieve integration in the industry, albeit in stages. Another objective has always been to achieve the highest level of distinctive training and qualification for the people in the group. We are targeting new workers, without any prior experience in the indus-

try, and investing heavily in their training, inside and outside the plants.

What attracted you to the steel industry?

The steel industry put down its roots in Egypt in the 1930s with Delta Steel Company and Egyptian Copper Works, using the latest technology available at that time. This was followed by an important investment at the end of the 1940s in the Egyptian Iron & Steel Company. One of the things that attracted me to the steel industry at the beginning of my industrial investment journey, was our ability to manage the technology involved in this industry. By comparison, the electronic chip industry, for example, requires a higher level of technical and technological capability.

The attractiveness of the steel industry also stems from it being a great “breeding ground” for innate industrial skills. I saw that it could be the start of various other investment-intensive industries with increasingly complex technical capabilities, and that’s what attracted me. Today I am proud of the technological capabilities that have been reached by all the leaders who are running this industry in the Arab world, despite it being relatively new to our region.

What achievements are you most proud of?

I am proud that in the companies I run, more than 60 colleagues have obtained qualifications equivalent to MBA. Six colleagues have been awarded doctorate degrees from global universities. A number of them were awarded professional certifications such as CMA and CPA. The nucleus of technicians in the Ezz Steel companies all received three years of training at the Technical Institute in Amireya, which I was assigned to manage and fund for five years (from 1995 to 2000). I also contributed to the establishment of two schools in the Mubarak-Kohl Project in Sadat City, one specialized in industrial and technical disciplines and the other in industrial management; thus, the subject of training at all levels was, and still is, one of my foremost interests. Without any exaggeration, I am impressed by the performance of all my colleagues in Ezz Steel plants at all levels. This starts with shop floor supervisors – the most important level of the group. From my experience, and without exaggerated nationalism, I know that Egyptian and Arab technical workers are capable of overcoming any unfavorable circum-

stances, and of absorbing and dealing with modern technology. Perhaps at the beginning of the learning curve, technology may be an obstacle due to the level of technical education in our societies. However, we are soon able to progress, and I can confirm from my own experience that an Egyptian engineer is one of the most efficient in the world. The engineering faculties in the universities of Cairo, Alexandria and Ain Shams, for example, produce graduates that could compete on a global scale, contrary to what is sometimes alleged in the media.

What recognition or awards have you achieved with Ezz Steel?

In 2008, Ezz Steel was the leading steel producer in the Arab world. Later on our sister company Hadeed in Saudi Arabia succeeded us in that position. We hope we can regain the leadership and continue the fair competition between us. In that year, I became the head of the Arab Iron & Steel Union. I was the first chairman of the board of directors from the private sector to occupy that position.

In 2010, I was awarded the Willy Korf/Ken Iverson Steel Vision Award, which is given to the industry leader who has contributed most to the development of a local steel industry and turned it into a global player.

In 2010, Ezz Steel was included in the list of the World Class Steel Makers, issued by the World Steel Dynamics Inc. and judged according to specific performance criteria.

What challenges do you face in managing the Ezz Steel Group, and how are you dealing with them?

The first challenge is to keep on developing our skills and capacities, through continued training and by selecting and developing the next generation of talented people. The target is that every new generation should be better than the preceding one.

The second challenge is investing in new technologies and better capital equipment, or what is called “Noble Equipment”. This is important in the flat steel industry, in which I claim we have been leading the Arab world. At the end of the 1990s, the group invested in two steel complexes, which take steel through thin-slab casting and on to hot rolling to produce ultra-thin gauges down to 1mm and below. We did this when such technologies were only being used at six other sites around the world. We are the pioneers in this industry. The current

challenge is to make a new leap towards more complex specifications, which offer higher added value, and are used for the most demanding applications. We may then be able to develop a second generation of experts in this industry.

The third challenge is the outlook of Arab society, which must develop to understand that the world is moving towards the integration of steel industries. There is no place in this industry for companies that are unable to achieve the minimum level of production capacity and the economies of mass production.

The fourth challenge is achieving some balance between the interests of the consumer and the future of the industry. Here I am thinking of the anti-dumping agreement, established by the World Trade Organizations (WTO), which aims to tackle the issue of some countries and industries export their problems – I don’t mean their products – to the world. For some investment-intensive industries, selling at any price that covers even a small portion of the variable costs of production, is better than not producing at all. So they export their output at a low price that only covers their variable costs – a price below the fair price at which they would sell in their local markets. In this way, they export the problem of their excess production to other countries. The producers in those importing countries have to deal with this situation. This is dumping. Consumers naturally insist on getting products at the lowest price, even if that does not reflect the reasonable cost of production, but rather represents “unfair” trade.

In recent years, Arab steel producers have been held accountable by consumers, when their prices were compared to the lowest prices from countries that were dumping their surplus output, rather than on the basis of natural trade. The departments responsible in the relevant ministries were hesitant to take corrective action, fearing the reaction of the public, despite the fact that these were corrective measures, not protective ones, which aimed to restore consumer prices to levels that reflect the efficiency of manufacturers.

The anti-subsidy and anti-dumping measures will be controversial in the steel industry in the Arab world,

despite the fact that more than 45 countries are imposing anti-dumping duties on steel imports, including the United States, the European Union, Canada, Australia, and other major countries. It is interesting to note that the countries accused of dumping steel products, such as Turkey, China and Ukraine, have already taken these protective measures against countries that are exporting to them.

What are your future plans in the steel industry?

In 2007 I began to establish a huge steel rebar production project in our sister country of Algeria. We invested significant money and effort in the project and reached several agreements with the Algerian government. Algeria is one of the most promising markets and I completely believe that with adequate training, professionals in Algeria can achieve a great deal. Unfortunately, in 2011, because of the circumstances that affected me personally, this investment ceased. Qatar Steel Company replaced Ezz Steel, using the same location, same studies, and even the same plant designs from Danieles. As I understand, the Qatar Steel Company has almost completed this project. We wish them every success.

However, I still look forward to investing in the Arab world, for understandable reasons. The picture might not be clear now, but I believe that our neighboring countries in particular will soon recover their vitality and coherence.

The most pressing objective for us now is investment in Egypt. Our aim is to increase our production capacity of flat steel by two million tons, liquid steel by three million tons and DRI by two million tons, so that we reach eight million tons of liquid steel production annually. If international matters settle down, we are also seeking to invest in the iron ore sector, in a large pelletizing plant. The group imports up to seven million tons of pellets now. Accordingly, the need for vertical investment at this level has become pressing. These plans depend on the wider context of the state returning its attention to supporting industrial investments. This objective is supported by President El Sisi's apparent boldness

to pursue monetary policies conducive to investment, with the aim of increasing exports and reducing the balance of payment deficit. This will help to restore confidence in the economy, and is coupled with a desire to modernize the assets of Egyptian society through massive state investment in the energy and transport sectors. All these are favorable circumstances for a new wave of industrial investment in Egypt.

Is there a person, either historical or political, that has inspired you? Do you have a role model?

I have been greatly influenced by my father. I learned from him to love work, to have personal responsibility, not to blame others for my own issues, and to avoid self-grandiosity. I don't claim that I have reached or will reach his distinctive approach to life, but I will always seek to come closer to it.

What are your personal hobbies?

I like reading, sports and music.

What places and countries have you visited?

I have been to many countries around the world, but I don't claim to have "visited" them. For example, I went to Cuba ten times in the 1980s (to import Cuban steel), but each visit lasted no more than 24 hours. So, I know nothing about Havana except for the administrative building of Cuba Metal and the Habana Libre Hotel (which was Hilton Havana before the Cuban Revolution in 1959). The same goes for tens of other countries that I have been to; I didn't have an opportunity to get to know them in depth. In the USA, for example, I have been to 15 states, but I haven't had the time to get to know the landmarks of their cities. In the 1980s and early 90s, due to the nature of my work, I had to visit all the countries of Eastern Europe and a large number of countries in the former Soviet Union. I recall that I was one of the passengers on the first commercial flight from Europe to Kiev in Ukraine in 1992 (on Austrian Airlines). At such time, Kiev airport had never before received a direct flight from any country outside the former Soviet Union. I have traveled to most of the Arab countries. I liked Syria. I visited charming Damascus during my chairmanship of the Arab Iron & Steel Union. I feel sad, without going into political issues, whenever I read news about the great losses resulting from the crisis in our sister country of Syria. By the way, Syria has a distinguished group of steel producers, such as my dear friend Anas Joud, Mr. Anas

Saifi and Mr. Emad Hemisho. God willing, their investments will continue after the current events calm down. The Arab Mashreq also has leading steel professionals, including Mr. Emad Badran from Jordan and Mr. Alex Demerjian, one of our largest clients in Lebanon.

I have visited all the Gulf countries. I feel that they are on the verge of huge modernization in the coming years. I have great respect for the leaders of the steel industry in the Gulf, with whom I dealt during my presidency of the Arab Iron & Steel Union. These include Eng. Mohammed Al-Jabr and Dr. Hilal Al-Tuwairqi in Saudi Arabia, Mr. Hussain Jassim Al Nuwais from the United Arab Emirates, and Mr. Awaad Al-Khaldi in Kuwait, who invested in the first fully automated rolling mill using modern technology in Kuwait, and expanded the mill until it reached 1.4 million tons in annual production capacity. I loved Algeria and the Arab Maghreb countries. Morocco has a distinguished elite of steel producers, including Mr. Fadel Al-Saqqat. I got to know many Algerians. The Algerian personality is so self-respecting and proud of its rights. I love its strong national pride.

For a number of years, I had economic dealings with Sudan; I love this country very much. I spent time there in my early business life when I started trading. I have many memories of my Sudanese brothers, and thus they have a special place in my heart. The thing that makes me most happy in my visits to Arab countries is that I meet up with my brothers and sons from Ezz Steel, who left us to work in the new generation of Arab steel businesses, which emerged in the new millennium in Saudi Arabia, the United Arab Emirates, Qatar, Syria and Jordan. This is a role that we cherish at Ezz Steel – being a breeding ground in the steel industry for distinctive industrial talent.

I spent several months of my childhood in Europe learning French, in addition to learning English in Egypt. I see it as hard for anyone who works in the modern economy, either in government or in industry, to have complete access to culture and knowledge without being at least fluent in English. This does not diminish my pride in Arabic; the language of the Holy Quran. However, the reality is that the languages used in almost all fields of modern knowledge have become non-Arabic languages. To strengthen the translation movement and education at universities, it's essential to be fluent in English for anyone wanting to take up and explore any field. This is important, not to be influenced by Western cultures, but to enable every Arab to master and advance his career.



Is there a word that doesn't exist in your dictionary?

Blame. I never blame others for my own setbacks, mistakes or failures. I may hold my colleagues accountable, but I always have a feeling that I am, before anyone else, responsible for any fault. This happened to me in industry as well as, I must remind the reader, in politics .

What have you learned from life?

Patience.

What do you think is the biggest scourge in our society?

Actually, I'm proud of the society I am a part of. I love to speak of its virtues and advantages, not its scourges. I love the cohesion of our Egyptian and Arab society and its conservative orientation; by which I mean being reasonably attached to the heritage we have accumulated throughout the decades, in a way that I barely see in other societies. However, our society is eager to modernize,

change and keep pace with the renaissance. I see, not only due to the current changes, but also because of the great pains suffered by some Arab countries, that this is the stage of our "labor", which will result in a modernity that my generation may not witness, but may be witnessed by future generations.

What does Egypt mean to you?

Egypt is my country. I am a part of it and I owe it a lot. Therefore, me, my family and my colleagues who work with me in the industry, are indebted to it. I am in charge of companies in which more than 13,000 Egyptians work, and I have found all Egyptians and their sons to be distinctive and achievement-oriented. This is the truth; even though I have mentioned some challenges in the field of industry, this should not overshadow the bigger picture, which is that my country has allowed me to invest in an industry that I would not be allowed to invest in elsewhere. Whenever I talk to a promising young Egyptian, I encourage him to stay in Egypt, start a career here and not to

relocate abroad. The opportunities he can find in Egypt are much bigger than those he might find abroad, and the competitiveness in Egypt is also much greater than elsewhere.

I am sure that Egypt will continue to develop and fulfil the hopes of its people.