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**INVESTMENT POLICY REVIEW OF EGYPT
EXECUTIVE SUMMARY AND RECOMMENDATIONS**

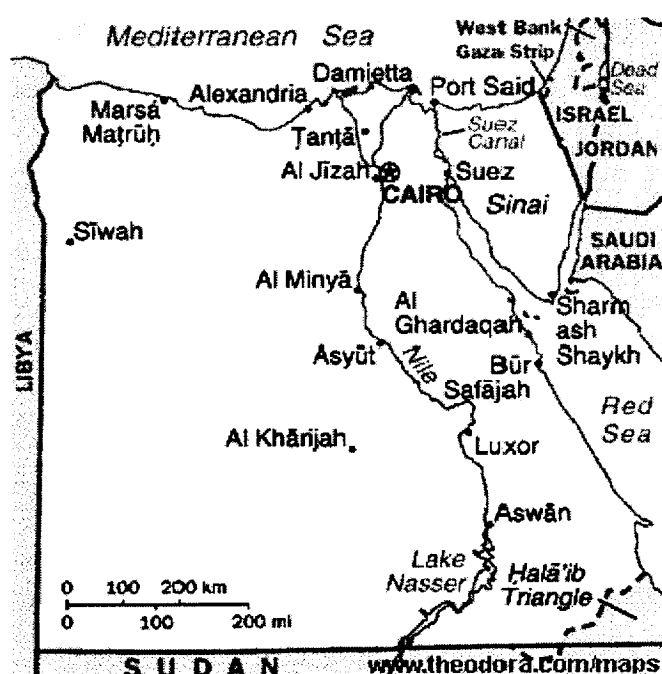
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United Nations Conference on Trade and Development
(UNCTAD)

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A. EGYPT



Key economic and social indicators

Indicator	1998	1999
Population (million)	61.4	62.4
GDP at market prices (billion of current dollars)	82.7	89.1
Annual GDP growth (percentage)	5.6	6.0
Inflation (percentage)	4.2	3.8
GDP per capita (dollars)	1'346.9	1'427.9
GDP by sector (percentage):		
Agriculture	17.5	17.4
Industry	32.3	31.5
of which: Manufacturing	25.9	27.0
Services	50.2	51.0
FDI inflows (millions of dollars)	1'077.0	1'076.0
Exports of goods and services (percentage of GDP)	16.8	16.0
Imports of goods and services (percentage of GDP)	23.3	24.4
Gross domestic investment (percentage of GDP)	22.2	24.1
National poverty line (percentage)	..	23.0
Human development index	0.623	..
Adult illiteracy rate (percentage of people aged 15 and above)	46.3	45.0

Source: UNCTAD, World Bank, Human Development Report, 2000 (UNDP).

1. Preface

The Investment Policy Review of Egypt was initiated at the request of the General Authority for Investment and the free zones, and has received the full support of its President and

staff. The UNCTAD missions received the complete cooperation of all relevant Senior Officials and Ministries of the Government of Egypt and the Permanent Mission of Egypt to the United Nations Organizations in Geneva.

The views of the international donor community in Egypt, the international private sector and domestic were canvassed at various stages of the project.

This report has been prepared in cooperation with the Economic Research Forum for the Arab countries, Iran and Turkey (ERF). The ERF staff include Heba Handoussa, Managing Director, Sherine Ghoneim, Azza El Shinnawy, Maryse Louis and Dina El Halaby. The report has also benefited from the contributions of a number of experts within and outside Egypt. The national experts include Mahmoud Mohieldin, Noha Mahdy, Mahmoud Rezk and Adrien Swinscoe, and the international experts were Peter Buckey, Stephen Young and Ann Walker. The UNCTAD staff include Antoine Basile, Khalil Hamdani and Fiorina Mugione. Giovanni Nicola De Vito, Anna Joubryn-Bret, Massimiliano Gangi, Pietro Pappalardo, Hector Rincon-Ortiz and Charles Yeterian also provided inputs. Chiraz Baly, Diana Domenichini and Omar Pizzasegola were research assistants. Comments were contributed by Rohini Acharya, Mohamed Cherifi, Ahmed Galal, Abdel Kader, Fathy Lashine, Costante Muzio, El Sayed Torky.

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2. Introduction

Business and professional analysts agree that Egypt is experiencing a take off. Macroeconomics adjustment and stabilization efforts, pursued since 1991, have successfully redressed internal and external imbalances. Inflation is down to the one-digit level, while real economic growth is up in the five per cent range. The sources of growth are also more broad-based, as public expenditure has shrunk and private sector investment has accelerated, particularly in the tradable sectors of agriculture, manufacturing and mining, transport and tourism. There is a revival of private initiative and risk-taking among Egyptian enterprises, and a budding entrepreneurial class.

The Government has set a target of reaching seven per cent GDP growth by the year 2000, while maintaining low inflation, a stable exchange rate and prudent and predictable monetary and fiscal policies. Export oriented manufacturing industry is expected to be the main engine of growth. Other fast growing sectors are expected to be construction and tourism. The process of privatisation is being accelerated and capital markets are being strengthened, giving an important boost to foreign direct investment (FDI) and portfolio flows into the economy.

Openness and foreign investment are not new to Egypt. At the turn of this century, Egypt was a totally open economy. Trade, finance and industry were overwhelmingly concentrated in foreign hands, with more than 90 per cent of the paid-up capital of joint stock companies in Egypt in 1914 held by French, British and Belgian interests. The 1920s witnessed an industrialization drive, with tariff protection and public credit providing an enabling

environment for the domestic private sector. There was significant growth and diversification into textiles and food, building materials, pharmaceuticals, fertilisers, paper, publishing and the cinema industry. FDI was encouraged, though it subsided in the interwar period and with the great depression. In 1958 the open door closed. All joint stock companies - domestic and foreign - were nationalized between 1960 and 1964. Central planning and budget allocations left little room for private initiative, even in the privately owned agricultural sector which was subjected to controls on cropping, procurement and price setting. However, in October 1973 the door reopened with President Sadat's announcement of a return to a free market economy. On the policy front, a more liberalized system of trade, investment and pricing was reintroduced. On the institutional front, restrictive legislative rules and regulations were reduced and replaced by clearer and more explicit property rights that protect and encourage domestic and foreign capital.

The period of State intervention was short in comparison with Egypt's past record and subsequent return to an open economy. It did leave a legacy of institutional rigidity, centralization and public sector domination which has proved difficult to shake off: the transition to a market economy has taken a full twenty years. But today's Egypt does appear to have largely regained the characteristics of a fully functioning market system, in terms of achieving an equal level playing field for private and public activity, and for domestic and foreign enterprises. In 1997, Investment Law No. 8 was enacted to complement and to introduce more coherence in the plethora of laws governing investment and it represents a considerable improvement on the investment regulatory framework that had evolved during the past two decades. Among the most essential provisions of Investment Law No. 8 is the granting of national treatment to foreign investment.

In the years ahead, Egypt has potential to attract FDI of higher quantity, and quality, commensurate with the fundamental strengths and opportunities that its economy offers. These strengths include a large domestic market, a wide industrial base, a skilled and competitively priced workforce and a strategic location in the region. These competitive advantages were identified by a survey conducted among major transnational corporation (TNC) executives as well as managers of affiliates operating in Egypt. Based on these findings, the report examines Egypt's FDI potential and how it can be realized:

Chapter I summarizes recent FDI trends, it situates Egypt in the world economy, and compares its FDI and trade performance with that of other countries. In brief, FDI has flowed into Egypt at a steadily increasing pace in the 1990s and the current level of inflow appears to be more stable than earlier. However, while FDI flows to Egypt are increasing, flows to other developing countries have been increasing more rapidly. Egypt no longer ranked among the twenty largest recipients of FDI among developing countries; it should. Perhaps the resurgence is already under way, as preliminary data for FDI in 1998 totalled \$1.8 billion and FDI approvals suggest a substantial increase in realised flows over the next few years. Egypt currently boasts 26 out of the 100 world's largest transnational corporations (TNCs). Domestic firms also benefit from a range of non-equity form arrangements with TNCs including alliances, leasing technology or brand names, marketing and so on.

Chapter II reviews the investment policy framework. In brief, the economic reforms undertaken by the Government have improved the business climate, boosting local and foreign investor confidence. According to companies interviewed by UNCTAD, a growing economy, liberalised rules for FDI, and the prospective free-trade agreement with the European Union have produced a favourable investment climate in Egypt. However, the

investment framework remains patchy and could be improved and further rationalized towards the establishment of an equal level playing field for both foreign and domestic investors. In the past year, the Government of Egypt has taken strides to further improving the country's business climate. When international business executives were asked whether changes to government policies in a country had improved or worsened competitiveness in the past year, Egypt came up first in the 58 countries surveyed by the Global Competitiveness Report of the World Development Forum.

Chapter III analyses the attractiveness of Egypt as a location for FDI, and sketches the larger role that FDI may play in the Egyptian economy. In brief, Egypt's large domestic market is a magnet for FDI. The industrial base extends from labour-intensive industries through technology-intensive industries, to energy-intensive industries. There are a number of small but emerging high-skill service industries such as financial services and software development. Egypt enjoys comparative advantage not only in natural resources but also in several manufacturing industries, including textiles, engineering, metals, pharmaceuticals and food processing. FDI in manufacturing for the domestic market and labour-intensive export-oriented FDI offer the best prospects and are likely to provide the bulk of FDI in the near future. However, the potential for export should also be tapped and there are export niches in particular product groups in which affiliates based in Egypt could develop global production in the future. A key strategic objective should be to upgrade FDI in Egypt and orient it into higher value added production. Egypt has not yet attracted significant FDI involving integrated international production; it can and it should. In encouraging expansion and upgrading of existing FDI into the future, the policy emphasis must be on infrastructure investment, relating to physical, technological and educational infrastructure. The development of concession or build-operate-transfer" (BOT) type contracts could also be further enhanced, facilitating the private management of infrastructure projects. Sector-specific policies are also significant, to promote clusters of related enterprises and self-sustaining development.

Chapter IV illustrates the potential for upgrading FDI in selected industries -- pharmaceuticals, textiles, tourism, electronics and software. These industries are expected to attract FDI in particular product groups in which Egyptian affiliates may develop regional and global production in the future. The report concludes with broad recommendations for improving the economic contribution of FDI in Egypt. These are intended to stimulate dialogue among policy makers, business and the international private sector on Egypt's investment environment, policies and future strategy.

Table. Indicators of macroeconomics performance, 1990-1998
(Billions of US dollars and percentage)

Years	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1997/98	
Real GDP growth, %	3.5	1.9	2.5	3.9	4.7	4.9	5.3	5.7
Inflation (CPI), %	22.0	21.1	15.0	6.0	9.4	7.2	6.2	3.8
Fiscal deficit, % GDP	17.7	5.4	3.5	2.1	1.2	1.3	0.9	1.0
CA balance, % GDP	3.1	9.5	10.4	9.8	0.3	1.5	1.2	0.1
External debt, % GDP	107.7	89.5	69.2	58.0	55.7	45.9	57.5	34.3
Official reserves, US \$ billion	6.1	10.6	14.9	17.0	17.9	18.4	20.6	20.0
Investment, % GDP	23.3	18.2	16.2	16.6	16.3	16.7	17.0	14.2
Domestic savings, % GDP	16.0	17.0	16.7	15.1	16.9	13.9	12.0	n.a.
Real wages, index 85/86=100*	70.9	66.4	64.4	65.3	67.8	n.a.	n.a.	n.a.
Exchange rate LE/ US\$1	3.33	3.33	3.37	3.39	3.39	3.39	3.38	3.43
GDP per capita, US\$	600	704	778	841	955	1060	1167	1223

Source: Central Bank and Ministry of Planning.

3. Conclusions and recommendations

The Government of Egypt has taken giant strides in this decade towards reviving the economy and business environment. This, plus improvements in the investment framework, make Egypt an attractive investment location in West Asia and North Africa, and FDI inflows are increasing. But the potential exists for even greater FDI inflows as well as for greater variety, going beyond resource and market seeking investments and including export-oriented operations and integrated international production.

Realising Egypt's full FDI potential will require efforts on several fronts. The Government recognises the need to remove obstacles to trade, promote exports and develop new export markets. This process of trade liberalisation needs to be deepened and accelerated. The necessary actions include improved trade efficiency and transportation, simplified customs procedures and improved national quality control systems and standards.

The Government attaches importance to privatisation. Port services, telecommunications, electricity, banks and insurance companies are all set to be privatised. Their privatisation is expected to improve performance of enterprises directly and indirectly (if service companies like banks and insurance providers are privatised), and also improve the business climate by sending a signal of confidence to domestic and foreign investors.

The Government is committed to establish a comprehensive and transparent set of business regulations, including the judicial, legislative and regulatory environment for investment. While Egypt scores well on investment protection, improvements in other areas are possible, particularly with respect to investment admission and company establishment. Also desirable are explicit assurances of non-discrimination and transparency in the application of investment policies and regulations.

The Government is expected to provide enhanced support for the market economy. The needs here are many, ranging from improvement of infrastructure and human resource development, to efficient governance and administration. The possible areas of improvement in the legal system involve labour laws, intellectual property rights protection, consumer protection, trade laws and competition policy.

While the above list covers a formidable range of actions, these are challenges which the Government has already accepted. A number of measures could facilitate the achievement of specific objectives related to three broad areas: the investment framework, private sector development and regional co-operation.

Investment framework

Objective 1: To facilitate FDI entry and simplify establishment procedures

As seen, at present, the Companies Law 159 maintains restrictions on ownership and management of foreign enterprises. In the longer term, foreign companies should be entitled to the same rights and obligations as domestic investors. In the immediate future, the primary concern of business people are the speed, predictability and transparency of the business establishment process and the issuance of permits, licences and other necessary authorisation.

Speeding up this process is an important element to attract FDI. A number of measures could be adopted:

- Define a time span for issuing notifications/registration.
- Establish a window in the Investment Authority to assist investor to deal with the different regulatory agencies at the central as well as at the provincial and local level.

In order to be competitive with other countries, Egypt needs to greatly simplify and unify company's establishment process and thereby reduce the time and duplication of effort.

Objective 2: To strengthen the General Authority for Investment and the Free Zones as a promotion agency

International investors operate in a globalising economy and adopt new strategies for international production which have also changed requirements for investment promotion activities.

Several measures would help GAFI to meet the challenge of attracting increased FDI to Egypt.

GAFI should be a private-sector oriented organisation and it should give a significant impetus to private sector led development in Egypt. It is suggested that GAFI's new strategy would focus on:

- investment facilitation
- business support
- and after-care services.

These services should be demand-oriented, and partially users-supported.

To fully assume the role of an attraction and facilitating organisation, GAFI should redefine the roles and responsibility of existing staff. Subject to strategy requirements, staffing may be gradually reduced, and more importantly the composition of skill of staff should focus on the marketing and promotion sides. Different levels of management would benefit from special management training programmes especially designed to fulfil new missions and objectives.

GAFI should also consider locating investment promotion offices in a selected, small number of key locations abroad. As a first step, GAFI officials could join training programme sponsored by some inward/outward investment agencies of other countries and gain experience in operating marketing programmes abroad. GAFI should also monitor FDI flows and improve its information collection and retrieval. New information material should be produced and existing ones redesigned.

New information technology should be adopted to upgrade information collection and retrieval, providing good tools to monitor new FDI flows and capacity expansion.

While recognising that export promotion is the domain of other ministries and agencies, the linkages between exports and inward FDI is an important one and it should be strengthened.

As the administrative authority in charge of investment, GAFI should take the lead to ensure policy co-ordination and transparency of the investment framework. It should be pro-active in working with other ministries, particularly trade and economy, as well as ensuring that foreign investors are consulted when new policy measures are under consideration.

Objective 3: To focus investment promotion on export-oriented FDI

Investors are attracted to Egypt primarily to serve the local market and to exploit resources. These investments are important and should be welcome. At the same time, promotion efforts should focus on attracting export-oriented investment. Three broad target categories are proposed:

Regional and possibly global export-oriented FDI: Investment is designed to build from Egypt's existing activity in the Free Zones. Because of future potential, however, greater emphasis should be placed upon labour-intensive, export-oriented operations in electronics rather than only in textiles. It is important that attracting this type of FDI is not seen as an end in itself, but rather as a way into the TNC-dominated electronics sector. In the medium-term, fuller-line assembly operations of higher capital intensity would be the objective.

Reinvestment: It should centre on project expansion of established TNCs. As shown in the report, there are a large number of investment activities in consumer and related product sectors, largely designed to cater for Egypt's internal market requirements. In the medium term, the objective will be to encourage investors to rationalise their operations and develop an export orientation, backed up by local product development to meet the specific requirements and tastes of local and regional consumers. A number of measures could facilitate project expansions:

- Provide same incentives to project expansion as for new, greenfield FDI;
- Reduce protection and increase competition in relatively closed industries;
- Involve and support TNCs in R&D and local product development (some successful examples have been already highlighted in the report) and potential exists. This could be done through joint R&D project, some specific R&D incentives etc.;
- Create a regional advisory board with other IPAs in the region to develop complementary production schemes (pharmaceuticals/food/textiles could constitute pilot projects).

Partnership: Egyptian-owned enterprises should be encouraged to enter in subcontracting and joint venture linkages with foreign firms for the purposes of technological upgrading and accessing export markets. These firms, in the long term, may also become regional investors (either on their own or in partnership with TNCs) in other countries of the MENA region. Sectors with identified potential include, among others, metal, ceramics, food processing, garments, tourism and software services.

Objective 4: To upgrade FDI in the free zones

Free zones have benefited from investment facilitation measures, including tax and tariff incentives, and to some extent, of basic infrastructure. A number of new zones are being proposed for establishment, and there could well be just too many of them. The priority should be to upgrade the infrastructure in existing areas.

Some free zones should evolve into **technology parks and/or industrial parks**. Upgrading of the zones would require not only a more **sophisticated infrastructure** but the establishment of a “centre of excellence” in business services. Towards that end, selected free zones should be:

- Privately operated
- Offer tailor-made logistic centres (packaging, unitising, loading, unloading, transporting, storing, and keeping track of handling, inventory, warehousing and transit costs);
- Host specialised investment promotion antennas
- Be actively marketed (information material, including, directory of foreign firms investing in the free zones, type of investment existing and desired focus) to develop a name recognition e.g. “Made in Damietta”.
- Constitute a network (e.g. providing dedicated transportation links among zones, communication etc.).

Private sector development

Objective 1. To increase foreign investors’ involvement in the privatisation process

Privatisation through the mechanism of strategic (or anchor) investors has not met expectations. An alternate route is to encourage privatisation through the stock market.

Some specific measures could include:

- Encourage FDI in investment services;
- Improve information available to potential foreign investors on the privatisation programme;
- Empower the competition agency (to be established) to review mergers.

Objective 2: To create new investment vehicles

As seen in the report, a number of initiatives have already been taken to revive the stock exchanges in Cairo and Alexandria and to strengthen development of capital markets in Egypt. The stock market has an important role to play in the privatisation process and in order to encourage foreign investors’ participation, the following measures could be adopted to overcome the lack of market breadth, depth and information.

- Create an independent accounting board to develop and monitor disclosure standards;
- Offer equal tax treatment to investment vehicles which should be similarly tax-treated as direct portfolio investments for both individual and institutional investors;
- Allow financial institutions to engage in all financial activities provided that no conflict of interest or anti-trust laws are violated. The competition authority which should be established should be empowered to review such cases.
- Increase Egyptian corporate finance expertise by designing special training programmes.

New investment vehicles can help attract new entrants into the capital market and broaden the service base of financial institutions, institutional investors as well as individual investors. These vehicles could include, for example, mutual funds (multiple and open-ended funds), venture capital activities and provisions that permit banks to issue shares in the securities

markets and financial intermediaries to utilize domestic public liabilities such as social securities, insurance and pension funds.

Objective 3: To reform tax administration

Egypt's system of tax administration needs to be reformed to lower the burden on companies operating in Egypt. One of the major reforms that need to take place is to move away from the present system of comprehensive annual audits. With the present expansion of the private sector, the tax administration system is unable to cope with the volume of audits in a timely manner. A simpler process for appealing tax assessment needs also to be put in place to shorten the lengthy process of solving disputes.

Objective 4: To reduce trade-related transactions costs

To attract export-oriented FDI requires easy access to overseas markets. It is necessary to strengthen the trading infrastructure to facilitate imports and exports and reduce transaction costs. TNCs are engaged in a large volume of intra-company trade, but TNCs in Egypt find customs, ports and quality controls do not meet their global company-wide requirements. Specific improvements could include:

- Tariff reforms
- Reform of the process of estimating duties for importers
- Reduce inspection prior to admittance only to those necessary for health and safety
- Improve quality testing facilities and locate them close to ports.

Objective 5: Raise quality standards and support innovation

Egypt's national system of innovation is not lacking in institutional development but the sum is less than its parts: the various science and technology institutes and research centres are not responsive to the technological demands of private industry, particularly small-and medium-size enterprises. As part of a systematic effort to make the innovation system more integrated, a number of measures could include:

- Support the introduction of ISO standards through training and specific incentives
- Set higher standards of intellectual property rights
- Open national Science and Technology institutes to international networks.

Objective 6: To develop entrepreneurship

The lack of entrepreneurial dynamism is particularly constraining the development of small and medium scale enterprises, which make up the most of Egyptian industries. There is low awareness of the importance of quality to competitiveness with little or no design capability and lax attitudes to delivery. GAFI should support the development of Egyptian SMEs through offering tailor-made specialised consulting services and encouraging business linkages between Egyptian SMEs and foreign enterprises.

Regional co-operation

Objective 1: To support regional integration agreements

The signing of an economic partnership agreement with the European Union is of paramount importance as a first step towards encouraging export-oriented TNC activity. Similarly, measures should be initiated to progress the Arab League's Free Trade Zone plan for the region.

Objective 2: To enhance Egypt's regional leadership role

To successfully attract FDI to Egypt, it is also important to improve the region's attractiveness for FDI. Following the example of other regional groupings, such as MERCOSUR and ASEAN, Egypt should strengthen the co-ordination of intra-regional trade and investment policy and custom harmonisation being one of the priorities. In addition, the following measures could be promoted:

- Strengthen the regional co-ordination mechanisms to adopt common trade and investment policies;
- Identify with neighbouring countries strategic regional projects which would aid the integration of the region as a single market;
- Participate to regional investment promotion events.

Box: What can we do more? Recommendations of the Cairo workshop

One hundred participants from public and private sector – both domestic and international – gathered in Cairo to discuss the Investment Policy Review of Egypt. Participants recognized that the Government of Egypt has exerted great efforts to set the economic and social stage to encourage private sector's investment. But these efforts need to be consolidated to ensure more coherence, more transparency and more predictability of the investment framework. As among developed countries changes are constantly sought to further improve the investment environment, so Egypt must continue to boost the attractiveness of the country as an investment location and pursue a continuous process for legal and institutional reforms. Main areas were identified:

Bureaucracy

The bureaucracy is one of the obstacles the government is fighting against. Making GAFI a one-stop shop would create a very efficient response to the requirement of the prospective investors. Efforts should be made to dismantle the bureaucratic procedures but also the bureaucrats' mindset that often takes even longer to change. New systems dealing with private businesses should have technical and procedural efficiencies. The co-ordination between different government agencies dealing with investment issues needs to be strengthened.

Taxation

Tax rates in Egypt are considered by investors very high, although tax holidays are offered as incentive to FDI. Nevertheless, the cumbersome procedure for tax administration and the time-consuming, inefficient process of filing tax returns adds a significant element of uncertainty to private investment in Egypt. The business community recommended the establishment of a specialised institution to handle issues related to taxation for transnational corporations, placing FDI out of the jurisdiction of existing bodies. In addition, international investors supported the adoption of a single tax treatment for greenfield (new investment) and brownfield (capacity expansion) investment.

The judicial and legal system

While business needs swift justice, the Egyptian commercial judicial procedures are slow and expensive. Obstacles include inadequate litigation procedures, understaffing, low technical capacity of staff, poor facilities and limited financial resources. Litigation is time-consuming and expensive in Egypt. Egypt legal institutions and the profession must be upgraded and able to deal with the high end – such as privatisation, project financing – of the legal work.

Transaction costs

Exporters and importers still face a lengthy procedure to clear shipments through customs inspections and port services. Cumbersome import procedure continue to delay deliveries from abroad. Exporters have to cope with low-quality, high-cost support services, including air transportation and insurance. The latter two sectors are still partly restricted to private investment. In order to achieve improvements in terms of cost, efficiency and reliability of all transport and related services, the introduction of concession and/or privatisation programmes in different segments of the transport system should be pursued.

Human resources development

There is a clear shortage of middle level management, which is the fabric of modern enterprises. Training of the middle management is a challenging task. Private and public sector joint efforts are needed to take off human resource development. Certain rigidities of the employment rules should also be eliminated since they cause the elimination of all turnover in a company's staff. As a consequence, opportunities for changes, career improvements, entrepreneurship are reduced.

Banking and finance

Banking practice are found by international investors to be highly conservative. State banks still dominate the market but generally suffer from low capitalisation, a high percentage of poorly performing loans and low efficiency. The quality of banking supervision should also be improved. Financial institutions should support capital market development. The rating of sovereign risks and investment entities, transparency and high quality of disclosure should be sought. Overall, information and surveillance should be improved.

Investment Promotion

Egypt should define its vision on what it want to be in the next century to differentiate itself from its competitors. Egyptian business community and the Government should share this vision, and identify investment targets and a clear strategy to attract international investors, including not only large corporations but also SMEs to coach a similar breed of Egyptian firms. At the global level, the Egyptian business community recommended the establishment of a business network, to boost dialogue between business leaders from the North and the South as way to strengthening private sector participation to development issues.

Source: "The Investment Policy Review of Egypt", workshop, Cairo, 21 March 1999.

Box. Promoting Alexandria as investment location in the Mediterranean

The Alexandria Business Association hosted a one-day workshop in the new industrial city of New Borg El Arab, some 60 km Southwest of Alexandria. Participants spoke openly about the challenges facing the city as well as future opportunities. With around 5 million people, Alexandria has a large market, which should attract investment. Within Mubarak Scientific City, numerous institutions of higher learning and technical colleges for vocational training, offer promising technological infrastructure and a skilled labour force.

There are problems specific to Alexandria, and others which Alexandria has in common with the rest of the country. Specific problems relate to mainly to the city infrastructure. Among those, the efficiency of the sea cargo services, the access to the River Nile, the under-utilisation of the new airport.

Delegates at the meeting urged the government to encourage the setting up of private airlines, and called for the upgrading of the civilian airport facilities in Borg-El Arab. It was also suggested the separation of the airport's civil service from its military section, so as to allow cargo and passengers planes to leave directly from Alexandria without stop-overs in Cairo. Upgrading of infrastructure and social services in the new industrial zones was also considered a priority. Industrial waste and environmental management are also a concern to ensure the city's long term, sustainable development.

FDI was identified as of key importance to Alexandria's development projects. The city needs to target upgrading of existing FDI and initiate new projects. In particular, ties between Alexandria and other Mediterranean commercial hubs should be cemented to attract investment geared to better integrating Alexandria into the Mediterranean economy.

When the Mediterranean was the *Mare Nostrum*, its business communities were linked together and were amongst the richest economies on the planet. Over the centuries, the Mediterranean has disintegrated more than integrated and today its business communities do no communicate, and often do not even know of each other or of business opportunities.

This shortfall greatly influenced the development of the Mediterranean economies and is the first factor to be addressed in order to stimulate the Mediterranean renaissance. Alexandria has served as a gateway to the Mediterranean for over two millennia, and should once again serve as a beacon and shed light on the ample investment opportunities in the region arising from city-centered investment poles.

Towards that end, the Alexandria Business Association agreed to:

The establishment of a virtual "Mediterranean Business Forum" linking selected business communities within the Mediterranean area. The forum should become a catalyst to improve communication, both internally along an ideal Pentagon of Mediterranean Cities and externally to the outside world, to promote the whole region as an ideal location for foreign investment, thus accelerating its economic development.

The city of Alexandria is also keen to support the development of local SMEs in the strategy of cluster formation. In order to attract investment in the city, a local development agency

should be established to co-ordinate the territory, focus on local strengths and aggressively promote its uniqueness to attract foreign investors.

The main task of the agency should be:

Actively promote its territory and its opportunities, following the existing economic policies and priorities and feeding back on their fine-tuning

Support the implementation of investment projects, by intermediating between foreign investors and local authorities

Facilitate the development of local entrepreneurship, supporting local demand for start-ups and/or joint ventures.

Source: UNCTAD and Mitchell Madison Group.