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AN 18-PAGE SPECIAL REPORT ON THE WORLD ECONOMY



EGYPT: High Tides of Opportunity

During two years of a global financial tempest, the calm waters of the mighty Nile continued to flow unhindered. Consistent growth rates, robust infrastructure and resolute political stability maintained Egypt's undeniably reliable economic climate. As purveyors of diversified investment opportunities, Egypt has proven its unbridled ambition to put itself on a path of developed advancement with upgraded business index rankings. As a progressive Arab state at a confluence of three continents, and the connecting maritime channel between East and West, Egypt's merits go well beyond its established success sectors of tourism, transportation and manufacturing.

In a severe economic annum with low global morale, Egypt's performance and staying power constituted an upbeat exception. Egypt continues to bustle with economic activity; over the 2009/2010 fiscal year, Egypt yielded foreign direct investment (FDI) inflows worth \$6.8 billion. In addition, Egypt had its economic outlook upgraded by Moody's and was heralded as the best destination for FDI in North Africa and second best in the whole continent by FDI Intelligence. Even if previous growth rates of around 7% were not matched, this year's 5.3% is still highly commendable.

The lure of opportunity has been so strong that private sector contributions exceeded 59% of total investments, and 11.6% of GDP, while newly established companies were 1,227 higher than the average of the past four years.

The government is currently promoting 46 mega projects under the public-private partnership (PPP) initiative with a total investment cost of \$16 billion. These focus on infrastructure (railroads and ports), utilities (water and waste

water treatment plants), tourism, technological industries, and the Medical City in Alexandria.

So how has this nation of over 80 million citizens managed to maintain high tides of interest during a worldwide economic slump? Successful economic reform fostered the Arab world's largest and most skilled workforce, a relatively well diversified economy and a robust external position that have made it a stable stepping stone for doing business throughout the Middle East and North Africa.

Regaining its status as an influential axis of advancement in the MENA region, Egypt constructed a road linking Upper Egypt Governorates (Assiut, Sohag, and Qena) with the Red Sea area. Funded by the Ministry of Investment, the 412 km Upper Egypt—Red Sea Road aims to facilitate trade with African, Asian and Arab countries. In February 2010, the first phase of the \$764 million dual-lane highway was completed, effectively reducing travel time between the cities of Assiut and Safaga, ensuring rapid and cheaper movement of truck-

YOUR OPPORTUNITY

- Despite the financial crisis, Egypt's economy grew by 5.3% in 2009/2010
- Egypt managed to attract Foreign Direct Investments to the total of \$49.2 billion from FY 2004/05 to FY 2009/10
- In the area of 'starting a business', Egypt leaped from 126th to 24th rank in only 3 years, on a global scale
- Egypt was ranked among the 'Global Top 10 Reforming Governments' for the fourth time in the last five years by the World Bank
- 37,725 new companies were set up between FY 2004/05 and FY 2009/10, constituting around 50% of all establishments since 1970
- 12 investment zones were established to engage the private sector in developing, promoting and managing these zones, and to provide a bureaucracy-free environment
- A number of 46 Projects are being offered in infrastructure and public utilities, and are being funded by the PPP scheme

freight, and speeding up construction projects put on the backburner in Upper Egypt.

A major investment development on the northwestern Suez shore is Sokhna port. Fast becoming a new industrial hub for Egypt and the gateway of choice for Egyptian trade to and from Asia and the Middle East, a Special Economic Zone was designated adjacent to the port, providing highly attractive incentives for logistics services, medium and light industries.

Positive energy

Naturally endowed with hydrocarbon fuels, Egypt now has the third largest proven gas reserves of the African continent following highly promising offshore exploration results. Egypt also reached its highest-ever oil reserves during the 2009-2010 fiscal year with 18.3 billion proven barrels of oil.

While Egypt penned oil agreements with a number of international corporations at a value of \$8 billion in 2009-2010, foreign investment in the field of oil and gas exploration reached \$16.3 billion last year.

In addition to being a major exporter of natural gas via the Arab Gas Pipeline to Jordan, Syria and Lebanon, Egypt has taken up the strategic process of ramping up its petrochemical sector with new and expanded refineries.

With petrochemicals representing about 12% of Egypt's total industrial production and worth around \$7 billion annually, international industry experts believe that the country is set to become one of the region's leading players.

The government however, realizing that its reserves have an expiry date, has already announced the commencement of a nuclear power plant and has pursued a dedicated framework for increasing private investment in renewable energy. Although this is a relatively new market in Egypt, its abundance of land, sunshine and strong winds make Egypt an investor's dream when it comes to sustainable resources. A recent tender for a 250MW renewable energy wind park on the East coast received no less than 32 bids.

The government's aim in all these developments is to secure a promising future for its citizens. Projects that will empower and expand its already competitive labour pool of 26 million are materializing on an almost daily basis. Specialized research and development zones are being set up in Alexandria to invest in biotech, pharmaceutical and irrigation systems for arid lands. Tourism is being boosted with landmark projects in Luxor, Marsa Matruh, and from 2013, Egypt's glorious history will be exhibited in the Grand Egyptian Museum, a gem of architecture on Giza Plateau housing over 50,000 artifacts, and fronted by the gigantic statue of Ramses II. Ultimately, Egypt's dependability and diversity withstand even the toughest times.

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