Investments in Egypt:
from extractives
to exportation

منصة العدالة الاجتماعية
Social Justice Platform

Investments in Egypt:
from extractives
to exportation

Investments in Egypt:
from extractives to exportation

Investments in Egypt:
from extractives to exportation.

منصة العدالة الاجتماعية
Social Justice Platform

www.sjplatform.org

I- Introduction

In 2016, the Egyptian government announced its intentions to implement a sustainable development strategy, named "Egypt vision 2030". Composed of a framework built on concepts as inclusive development and social justice, the strategy supposedly aims at improving the quality of life by focusing on the economic, social and environmental dimensions.[1] Following the announcement, the government actively worked on publicizing the plan and even utilized it as a tool of persuasion to convince more investors, mainly foreigners, to come and invest in Egypt. Meanwhile, it tried to build a domestic momentum around the plan by promising more job opportunities and a higher level of per-capita income. So, for instance, on investing in Egypt, the General Authority for Investments and Free Zones states:

"*By 2030, the Egyptian economy will be a disciplined market economy that is characterized by stable macroeconomic conditions and capability of achieving sustainable containment growth…..The Egyptian economy will be an active player in the global economy,….maximize the added value and provide job opportunities, as well as making the real GDP per capita reach the ranks of upper middle-income countries.*"[2]

Keeping in mind the growing interest that the government shows towards accommodating investors and the propagation of 'mega-nationalist' projects' discourse, it is not hard to detect the attention that *investments* receive in the agendas of Egyptian policy makers. Surely, such attention was affected by the covid-19 pandemic. Nonetheless, it would be a grave mistake to assume that the spread of the pandemic affected the intentions of the government or that it swayed it from pursuing its plans to encourage further investments into the economy. This is reflected in the official rhetoric that maintained the government's consideration of the impact of the crisis on investors and its efforts to plan with investors for the post-crisis period.[3] More specifically, support was given to private sector investors through a 20 billion EGP to the stock market[4]; decreasing energy prices for industrial facilities[5]; and lowering bank interest rates by 3% among other decisions.[6] However, steps to support ordinary citizens were restricted mainly to the L.E 500 monthly grant for irregular workers.[7] As such, the main focus was still directed towards maintaing 'the cycle of production' and economic growth.

---

[1] For more on the plan, see "Egypt Vision 2030". Ministry of Planning and Economic Development, 2016. <https://bit.ly/3nZPxDB>.

[2] "Why Egypt: Egypt vision 2030". Arab Republic of Egypt general authority of investments and free zones, ?. <https://bit.ly/2Nk5uVx>.

[3] "Ladayna senaryohat"…al-hekoma tabhas ma'aa l mostashmreen tawasa'a mashroa'at ma-ba'ad al-korona"- "We have scenarios"…the government deliberates with investors regarding expanding the post-corona projects-. al-Maal, 2020. <https://bit.ly/2B5P4NN>.

[4] "al-Raeis al-Sisi: takhsis 20 melyar gneah mn il-bank-Markzy li-da'am al-borsa al-Misriyah"- President al-Sisi: EGP 20 Billion from the Central Bank to support the Egyptian stock market-. al-Youm al-Saba'a, 2020. <https://bit.ly/37Wxsjo>.

[5] "al-Hekoma toqr hezmh igrat gdeeda li-da'am al-qeta'a al-sena'ai fi mowageh kovid-19"- The government approves a new regulation package to support the industrial sector amid the covid-19 crisis-. Enterprise, 2020. <https://bit.ly/2Z1wG0J>.

[6] Manal al-Masry. "al-Bank al-Markzy yokhafd al-faedah 3% fi egtma'a tarea"- The central Bank lowers the interest rate by 3% in an urgent meeting-. Masrawy, 2020. <https://bit.ly/37WC6hk>.

[7] "Sa'aafan: 1.4 melyon a'amel geer monazam yabda2on sarf menh al-500 gneah ba'ad gadan"- The Minister of labourpower: 1.4 million irregular workers to start receiving their L.E 500 after tomorrow.- Economy Plus, 2020. <https://bit.ly/30CK9yv>.

Interesting here, is that the 2030 plan targeted achieving certain strategic targets by 2020, which included lowering the poverty rates to 23% of the population and the population below the extreme poverty lines to just 2.5% of the population, while maintaining that both will decrease further by 2030 to 15% and 0% respectively.[8] Likewise, it targeted decreasing unemployment to 10% by 2020 which is to be reduced further to 5% only by 2030.[9] Yet, as its stands, none of these were achieved. In fact, as the official figures reveal, the percentage of those living on and below the poverty line increased between 2015-2018 from 27.8% to reach 32.5% of the population and that 6.2% of the population live below the extreme poverty line from 5.3% in 2015.[10] The same applies to rates of unemployment, as rates of employment have been declining over the last few years, making the prospects of fighting unemployment debatable, mainly for female workers.[11] In fact, there has been a substantial increase in informal wage employment, which increased from 18% in 2012 to 23% in 2018 from the total employment.[12] Likewise, women's broad market unemployment has increased from 25.8% in 2012 to 27.8% in 2018.[13] Moreover, the unemployment rate among females with intermediate or higher education was the highest, reaching almost 25%.[14]

While it can be said that these are the results of the economic reform and the rapid neoliberalization process that ensued around 2015, the failure to achieve these targets signifies the inability to uphold and implement concepts such as social justice and inclusive development under neoliberalism. More important, is that it makes one wonder about the long term implications of achieving other outcomes that the strategy targets, which include increasing the ratio of private sector contribution to the GDP and a higher inflow of net foreign direct investment. This is especially so given the working conditions in Egypt, where the private sector dominates over the labour markets along with a prevailing informality. [15]

By the same token, it is difficult to understand other targeted outcomes such as increasing high-technology exports and manufacturing value added as well as increasing the total trade share of the GDP[16] at a time where the existing trade agreements encourage developing investments

---

[8] "Egypt Vision 2030", 2016. P. 16.

[9] Ibid.

[10] Maye Qabil. " Qerah fi baynat bahth al-dakhl wa al-infaq 2017/2018"- A reading of the income and spending report 2017/2018. Majalah al-Democratiyah, V. 76, 2019. P. 126-130.

[11] The 2030 plan targets achieving a 35% female labour participation by 2030. See "Egypt Vision 2030", 2016. P. 16. For a more general outlook; see Ragui Assaad . "Is the Egyptian economy creating good jobs? A review of the evolution of the quantity and quality of employment in Egypt from 1998 to 2018". Economic Research Forum, Policy Brief no. 45, 2019; and Mona Said, Rami Galal and Mina Sami. "Inequality and income mobility in Egypt". Economic Research Forum, Working Paper no. 1386, 2019.

[12] Assaad . "Is the Egyptian economy creating good jobs?...". Economic Research Forum, Policy Brief no. 45, 2019. P. 2-3.

[13] Caroline Krafft, Raugi Assaad and Caitlyn Keo. "The evolution of labour supply in Egypt from 1988-2018: a gendered analysis". Economic Research Forum, Working Paper No. 1358, 2019. P. 31.

[14] Ibid. P. 33.

[15] See "The myth of the lazy Egyptian: the Karl Marx ratio and value retention". Social Justice Platform, forthcoming paper.

[16] Egypt Vision 2030", 2016. P. 16.

themselves over investing in development. [17] Moreover, how can we expect the Egyptian technological exports while Egypt lags behind in technological education and production?[18]

In this light, this report aims primarily to explore some of the pre-covid legal developments and structural changes concerning the investment arena in order to present an overview of the main dynamics expected to constitute the general investment framework in post-covid neoliberal Egypt. An essential part of this attempt will be to comment on the expected ramifications of these changes and developments and what realistically should be expected in terms of outcomes as a result.

In doing so, the report will be divided into 2 main parts. This first part will be presenting an overview of investments in Egypt. Mainly, it covers the distribution of investments between public and private players, foreign direct investments, top fields of investment, exports-imports movement and the performance of free-zones. As for the second part (to be published soon), it will be focusing on the most recent pre-covid 19 legal and structural developments such as 2017's investment law, the new public sector's law, the initiative to promote local private industrial activities, among others.

[17] Heba Khalil. "al-Istethmar fil tanmeya am tanmeya al-istethmart? Itfiqeyat al-tegara al-hora wa sharekat al-isthmar ba'ad thawart al-a'adalh al-igtmia'aia"- Investing in development or expanding investments? Free trade agreements and investment companies after the social justice revolutions in Mohamed Agaty's Itfeqyat al-tegara al-hora al-orbeyiah: al-istethmar fil tanmeya am tanmeya al- estethmarat?- European free trade agreements:Investing in development or expanding investments? (Cairo: al-Maraya, 2019). P. 12

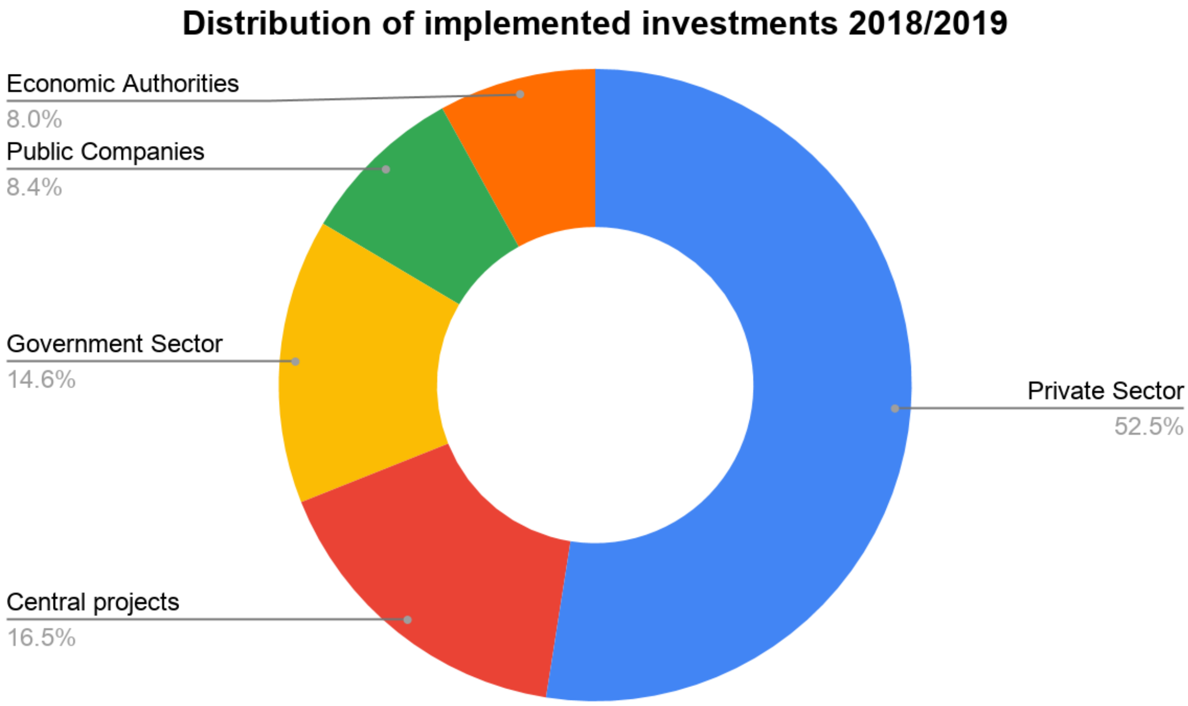
[18] See Mohamed Gad. "Athar itfaqyati mantqah al-tegarah al-hora al-a'amiqa wa al-shamela wa mobadrah al-endemag ma'a afrqeya a'la qeta'a al-sena'ah wa awda'a we hayakel al-sena'a fi masr"- The impact of the deep and comprehensive free trade agreements and the integration with Africa initiative on the industrial sector and on the conditions and structures of work in Egypt- in Agaty's Itfeqyat al-tegara al-hora al-orbeyiah..(Cairo: al-Maraya, 2019). P. 43

II-An overview

A- Implemented investments

Before discussing some of the pre-covid 19 developments concerning the investment arena in Egypt, it will be useful to present an overview of the different investment indicators and review their possible implications. Overall, investments in Egypt are controlled by 5 main players (Figure 1).

Figure 1[19]

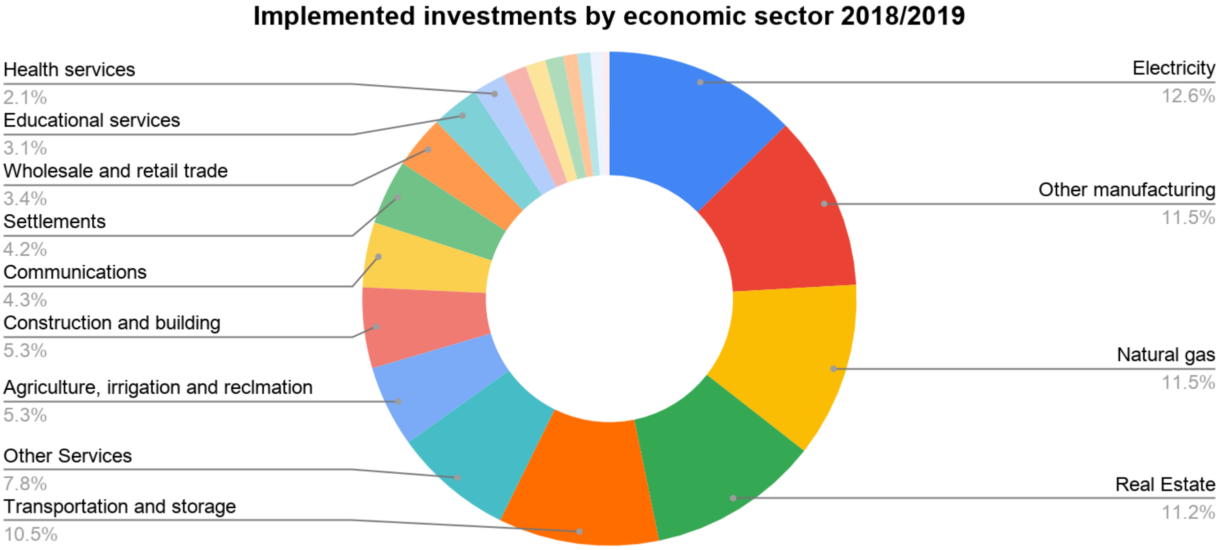


As figure 1 shows, of the total implemented investments (equivalent to EGP 922,499.8 million), the private sector dominated 52.5% (equivalent to EGP 484,176 million). In second place came the central projects', controlling 16.5% of the total implemented investments (EGP 152 million). They were followed by the government sector, public companies and economic authorities, who controlled 14.6% (EGP 134,378 million), 8.4% (EGP 77,875.9 million) and 8% (EGP 74,069.9 million) respectively.

On dividing these players' implemented investments by economic sector (figure 2), it will be found that electricity had the largest share of the total implemented investments with a share of 12.5%; followed by 11.5% for other manufacturing; 11.5% for natural gas; 11.2% for real estate and 10.5% for transportation and storage. Other fields of investments had significantly lower shares such as agriculture, irrigation and reclamation (5.3%); construction and building (5.3%); communications (4.3%); financial settlements (4.2%); wholesale and retail trade (3.4%); educational services (3.1%) ;health services (2.1%) and finally other (miscellaneous) services (7.8%).

[19] "Monthly statistical bulletin- April 2020". Central Bank of Egypt, No. 277, 2020. P.129

Figure 2[20]

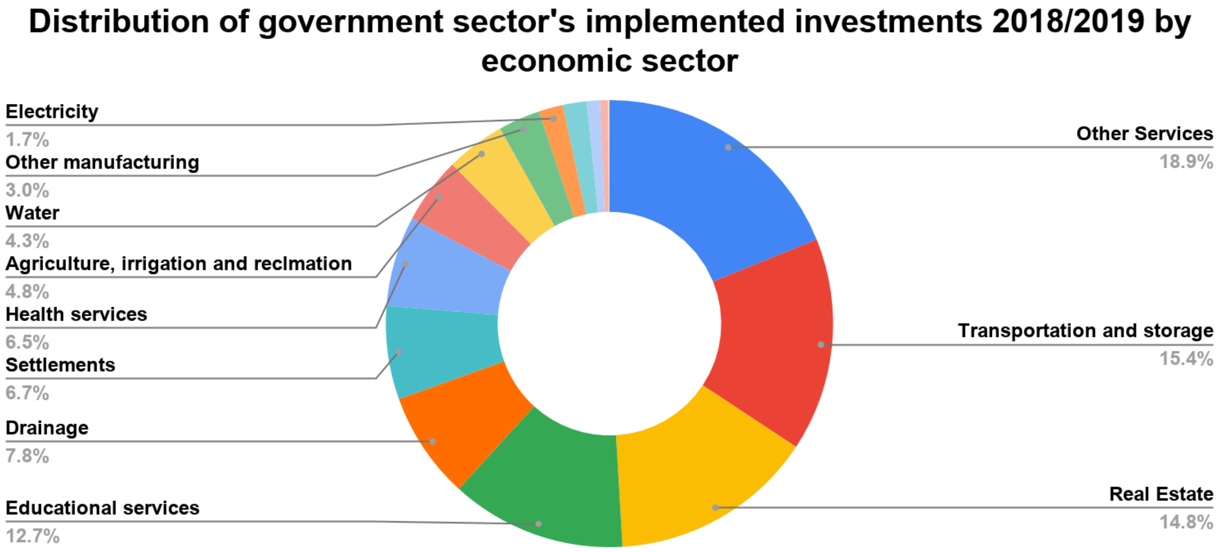


Delving into each of these 5 players' pattern of investment, it will be noticed that their priorities differ significantly, even between the governmental players.[21] So, starting with the official (government and state) institutions as in the case of the government sector for instance (figure 3), it can be seen that most of its implemented investments went into the fields of transportation and storage (15.4%); real estate (14.8%); and educational services (12.7%). However, other vital fields such as health services (6.5%); agricultural, irrigation and reclamation (4.8%);other manufacturing (3%); water (4.3%) and electricity (1.7%) all received shares not only lower than the abovementioned fields but also lower than the drainage (7.8%) and the financial settlements (6.7%%) fields. Interestingly,the governmental sector's largest implemented investment was in the other (miscellaneous) services' field, receiving a share of 18.9% of the government sector's total implemented investment.

[20] Ibid.

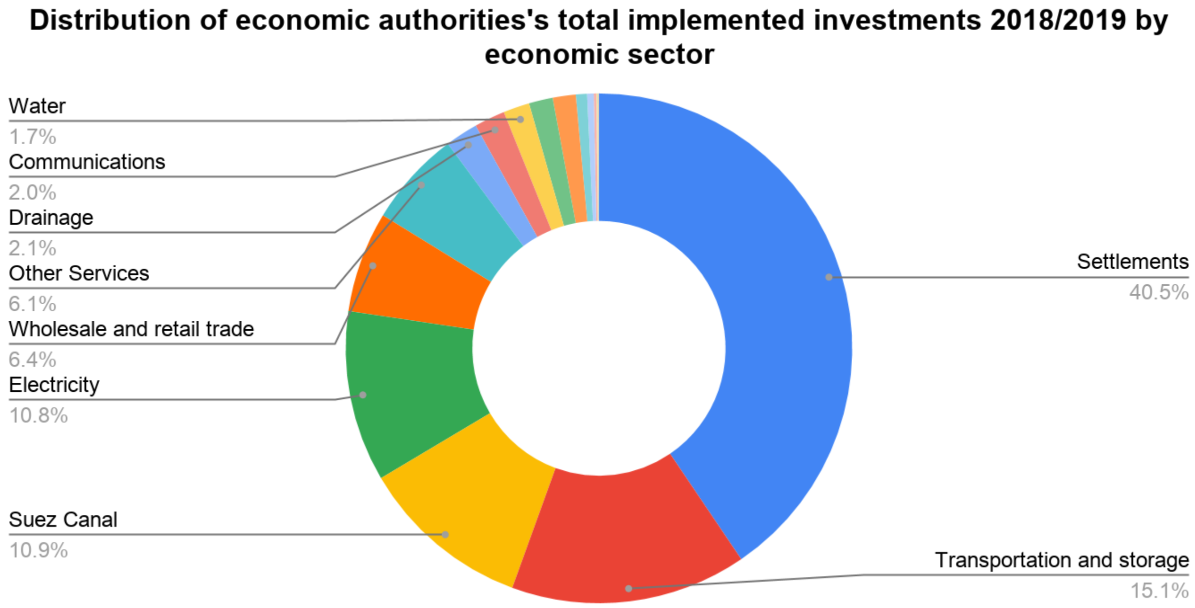
[21] It is important to recall that there are no fixed or clear-cut definitions for each of these institutions and the differences that exist between them. This is particularly due to the continued and overlapping legal changes. As such, in the following few sentences, we will attempt to offer a simplified demarcation to these institutions so as to facilitate the process of distincting these institutions from each other. First, the government sector which is composed of institutions owned by the state on behalf of the public and responsible for providing services for the society. They are all managed by the state. Examples include the different ministries and public offices Second, is the public sector, which is composed of (productive) companies owned by the state and managed via the Ministry of public business sector and the sub holding companies that follow it. These companies are responsible for providing the basic primary services and commodities for the masses. Public sector companies used to report to the Ministry of investments until 2016 when an independent ministry was created. Examples include holding companies such as the holding company for chemical industries; the holding company for cotton, Spinning and Weaving and Garments; and the Metallurgical industries company. Third, there are the economic authorities, which are composed of different organizations that specialize in providing different services (cultural, managing public facilities, investment purposes, ..etc) and commodities. Some of the companies belonging to this category have been transferred to the Ministry of public business sector, while others have been transformed to companies that seek profit maximization, while others currently face the same destiny. However, unlike the first two types, the economic authorities' budgets are not included in the state general budget. Examples include the Egyptian agricultural authority and new urban communities authority. Finally, is the central projects, which are megaprojects that are not necessarily managed within a single existing state structure.

Figure 3[22]



Looking at the economic authorities' implemented investments (figure 4), the highest percentage of the authorities' implemented investments is in the field of financial *settlements* with a dominating percentage of 40.5%. The transportation and storage; Suez Canal; and electricity fields follow with percentages of 15.1% and 10.9% and 10.8% respectively. Other fields such as wholesale and retail trade (6.4%); other services (6.1%); drainage (2.1%); communications (2%) and finally water (1.4%) all received lower shares.

Figure 4[23]

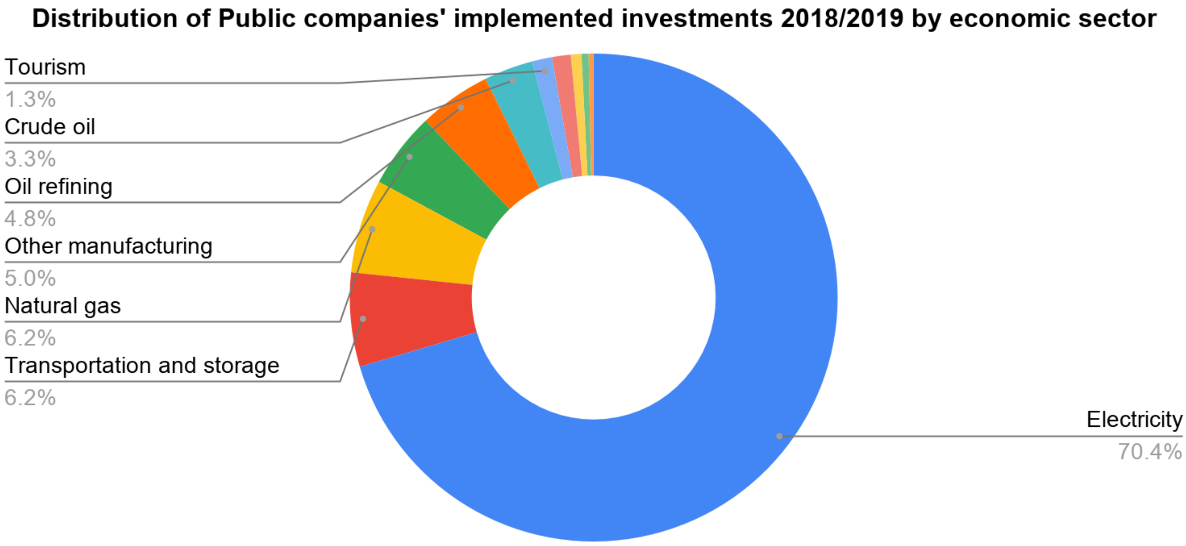


As for the public companies' implemented investments (figure 5), investments in the field of electricity took the lead with a share of 70.4% of public companies' total implemented

[22] Ibid.
[23] Ibid.

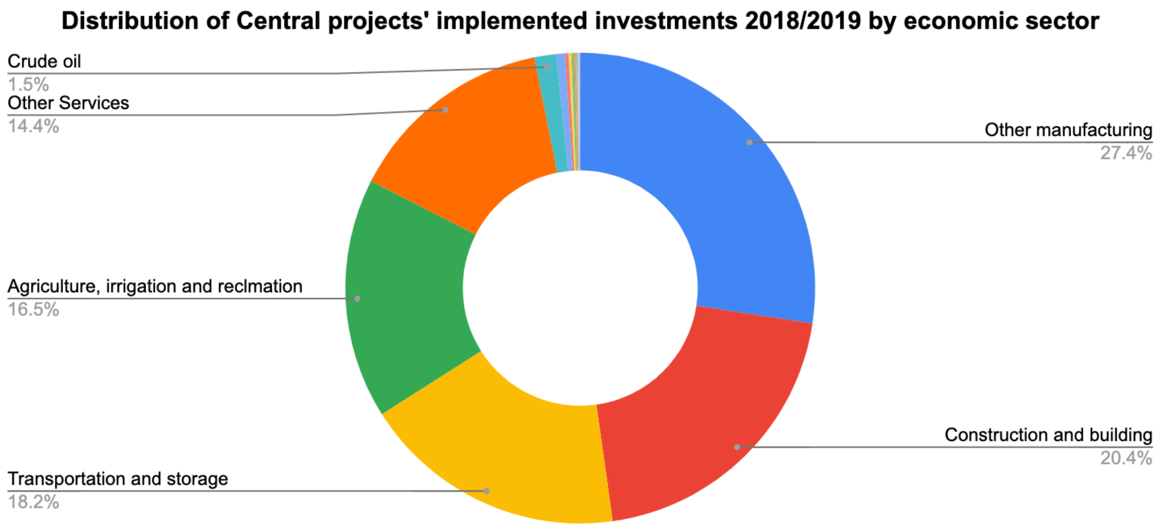
investments. Other fields such as transportation and storage (6.2%) and other manufacturing (5%) received significantly lower shares. Noticeably, all fields of natural gas (6.2%) , oil refining (4.8%), crude oil (3.3%) and tourism (1.3%) received larger shares of the economic authorities' investment plan than they received in other governmental and official institutions.

Figure 5[24]



Finally, among the official institutions is the central project's distribution of implemented investments (figure 6). At the top came the other (miscellaneous) manufacturing field, which took 27.4% of the national projects' implemented investments, followed by the construction and building and transportation and storage fields with 20.4% and 18.2% respectively. Other fields with significant shares included agriculture, irrigation and reclamation (16.5%) and other services' fields (14.4%). Yet, crude oil was only given 1.5% of the total implemented investments.

Figure 6[25]



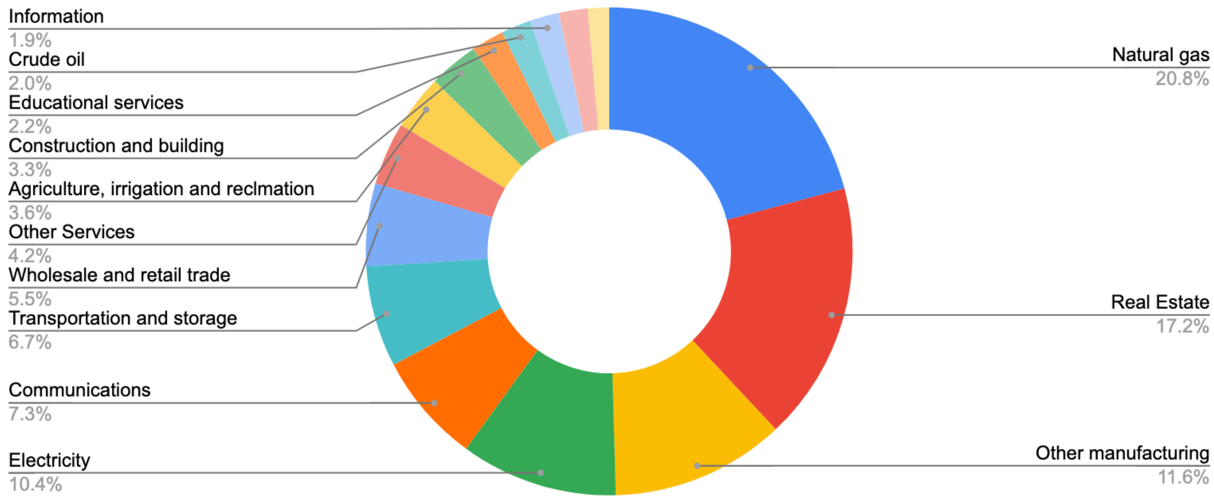
[24] Ibid.

[25] Ibid.

Moving to the private sector's distribution of implemented investments (figure 7), it will be seen that although investments were directed in general to almost the same fields that official institutions invested in between themselves, the private sector on its own had a more diversified portfolio than any other official institution. Accordingly, on the top, came the natural gas sector with a share of 20.8% of the total implemented investments. It was followed by real estate (17.2%) and other manufacturing (11.6%). Other fields of private sector implemented investments included electricity (10.4%); communications (7.3%), transportation and storage (6.7%); wholesale and retail (5.5%); other services (4.2%); agriculture, irrigation and reclamation (3.6%); construction and building (3.3%); educational services (2.2%); crude oil (2%); and information (1.9%).

Figure 7[26]

Distribution of private sector implemented investments 2018/2019 by economic sector



Based on the above, two serious remarks are in order. First, the private sector is already the main investor in the Egyptian economy. With a share that reaches 52.5% of the total implemented investments, it is in a pole position to direct the general pattern of investments in Egypt. At this juncture, one has to question the long term ramifications of such a situation amid plans of increasing the private sector's contribution to the GDP by 2030, specifically in terms of working opportunities and conditions (developmental impact), given the private sector's preference to invest in projects of high and quick rate of returns. As it stands, the private sector contributes around 70% share of the GDP. Yet, as mentioned earlier, private sector activities target profitability before all else.[27] Hence, increasing private contributions to the GDP should be treated with caution as it could lead to more problems than solutions.[28]

This takes us to the second point, which concerns the generation of added value and the position of the Egyptian economy vs other economies in the foreseeable future. Considering the small shares of agricultural and manufacturing investments vis-a-vis services, speculation and extractives activities, it is questionable whether such composition of investments can actually help generate products with higher added value that could help in improving the position of the

[26] Ibid.

[27] For more on public and private sectors' contributions to the GDP, see annex 1.

[28] Linked here is the general bias shown towards accommodating the private sector, seen in the items as financial 'settlements', composing a high percentage of certain official institutions such as the economic authorities, without a proper explanation to why they are even being treated as an investment.

Egyptian economy, let alone having any tangible developmental effects beyond the general economic growth figures.

B-Extractives

Here, it is imperative to notice the extractives' sector share in implemented investments and its contributive share to the overall GDP. For instance, natural gas and petroleum investments represented about 11.5% and 1.57% of the total implemented investments in 2018/2019 respectively. In terms of contribution to the overall GDP, the fields of gas, petroleum and other extractions had shares of 5.2%; 3.8% and 1.27% respectively of the total GDP. Of the total public institutions' contribution to the GDP, 14.4% came from the gas field, 10.5% from the petroleum field and 0.21% from the other extractions' field. As for the private institutions contribution to the GDP, 1.75% came from the other extractions field, 1.13% from the gas field and 0.79% from the petroleum field.

Correspondingly, extractives had a considerable share within the implemented investments of the institutions discussed in the previous section. For instance, from the total implemented investments by public companies, 6.2% went to natural gas investments in addition to another 3.3% directed towards crude oil. A similar pattern can be traced within the central projects' implemented investments, where crude oil had 1.5% of the total implemented investments as well as within the private sector's implemented investments where natural gas and crude oil investments received 20.8% and 2% respectively of the total implemented investments. Even in more general terms, such as those of FDI, the latest available figures show that the oil sector was the highest recipient of FDIs, with 71% of FDIs inflow being directed towards this sector. This concentration, which reads more like obsession, carries detrimental effects for the development of the Egyptian economy and by extension on the socio-economic conditions of the working majority of the population. This is so, because companies working within the field belong to capital-intensive types of companies and hence do not carry the type of development that can uplift the living and working conditions by offering better working opportunities. It is true that these companies had managed to generate high rates of growth. However, it is not the type of growth that could benefit the vast majority of the population.[29] In short, this pattern of investment, perpetuating FDIs focus on extractives at the expense of other vital sectors such as industry and agriculture, can lead to either genuine development or any tangible progress.[30]

C- Foreign Direct investments

Since the onslaught of the 'economic reform' program, focus has been directed towards luring more foreign direct investments (FDI) to Egypt. Naturally, this attention is not unusual to the economic policy makers in Egypt. Rather, it has been a steady feature of economic

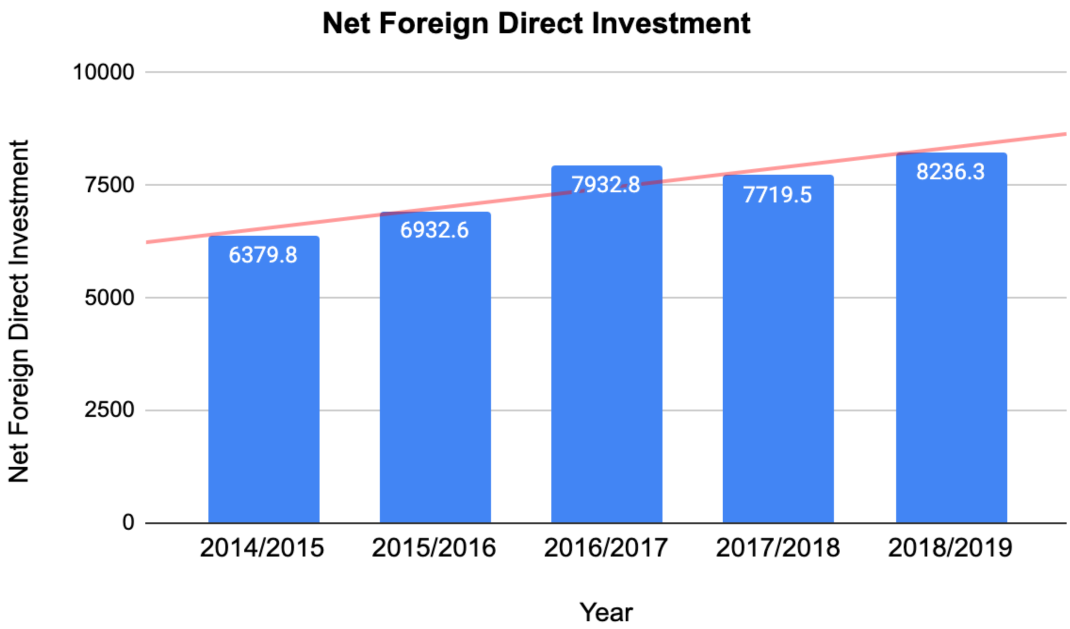
[29] Amr Adly. Cleft capitalism: the social origins of failed market making in Egypt. (Stanford; California: Stanford University Press, 2020). P. 6-7.

[30] In the last few years of President Mohamed Honsi Mubark;s regime, attempts have been made to escape the dependency on crude oil and natural gases and to diversify away from them. However, these efforts all failed, as can be seen in their shares within implemented investments. Thus, the general status of this sector as "enclaves largely disconnected from the rest of the economy" was maintained. Ibid. P. 20.

planning, at least since the 1970s when President Sadat initiated the *infitah* (economic opening) policy. However, and regardless of the weak returns of this orientation and the many obstacles it faced, FDIs have always retained pride of place in governmental rhetoric.[31] Still, what has changed with the rapid neoliberalization witnessed in today's Egypt, is a shift in the official discourse according to which foreign direct investments became a central pillar of economic planning. As a matter of fact, higher rates of FDIs are now cited to signify the success of the neoliberal economic reform, even when its actual developmental impact is in question. This can be traced in the official events and statements praising the influx of FDIs.[32]

In general, as figure 8 reveals, the influx of net foreign direct investment has been on the rise since the year 2014/2015 except for the year 2017/2018 when the trend was shortly reversed before returning to its previous normal trend in 2018/2019.[33] Numerically, the financial year 2015/2016 saw an 8.67% increase in the net foreign direct investments, followed by a 14.43% increase in 2016/2017. The upward trend was reversed by a decline of 2.70% before booming again in 2018/2019 with an increase of 6.70%.[34]

Figure 8[35]



[31] For more on the results of the economic opening, see Nadia Farah. Egypt's political economy: power relations in development. (Cairo: American University in Cairo Press, 2009); and Adly. Cleft capitalism…, 2020.

[32] Hend Mokhtar. "al-Hekoma: Misr akbar dawla afrqeiya motlqeya lil-istethmar il-agnabi il-mobasher fi a'am 2019".al-Youm al-Saba'a, 2020.<https://bit.ly/3f0hKXu>.

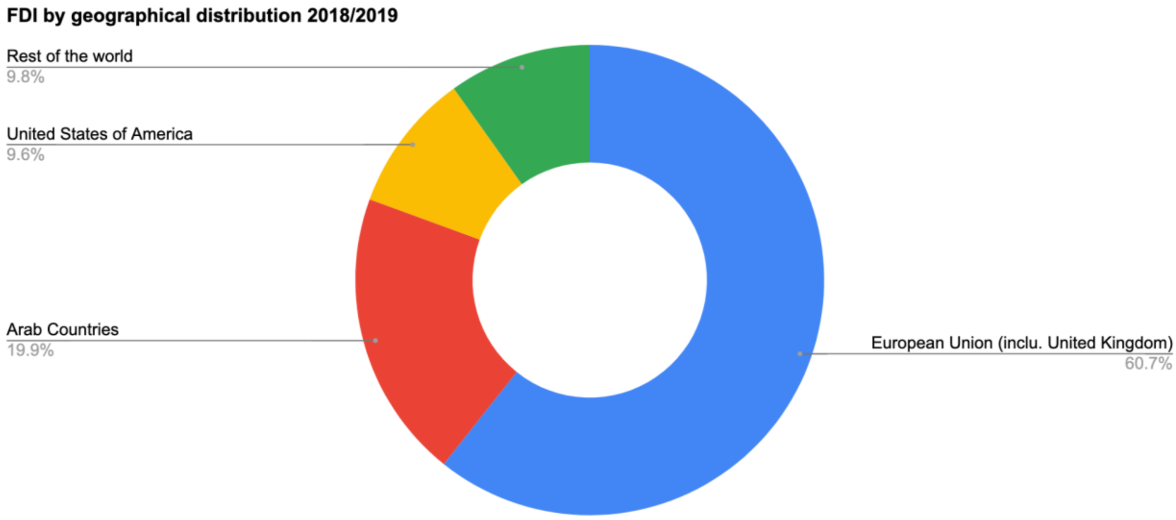
[33] For opinions on factors causing this decline in FDIs, see Mostafa Eid. "Lemaza taraga'a al-isthethmar al-agnabi al-mobasher bi-Misr li-aqal mostawa fi 5 sanawat?"- What caused the foreign direct investments to reach its lowest level in 5 years?- Masrawy, 2019. <https://bit.ly/2O69vgo>.

[34] Interestingly, even with this reversal, the minister of investment and international cooperation announced in october 2019 that mistakes have been found in the calculations of the foreign investment numbers, affecting the actual figures negatively. In a word, this reflects the officials' desire to highlight the 'success' of the economic reform plan and to generate a sense of achievement. See Mostafa Fahmy. "Sahr Nasr: Arqam al-Isthmar al-agnabi lam tohsar bi-shakl saleem wa gama'aha wa ia'alnha nehayt il-a'am"- Sahr Nasr: the foreign investments figures' were miscalculated and the new figures will be released by the end of the year-. al-Borsa, 2019. <https://bit.ly/3gsplhG>.

[35] "Monthly statistical bulletin- April 2020". Central Bank of Egypt, 2020. P.93.

In terms of geographical origins (figure 9), the majority of the FDIs came from the European Union (including the United Kingdom), with a share of 60.7% of the total FDIs in 2018/2019. The Arab countries provided 19.9% of the total FDIs received in comparison to 9.6% from the United States of America and 9.8% from the rest of the world.

Figure 9[36]



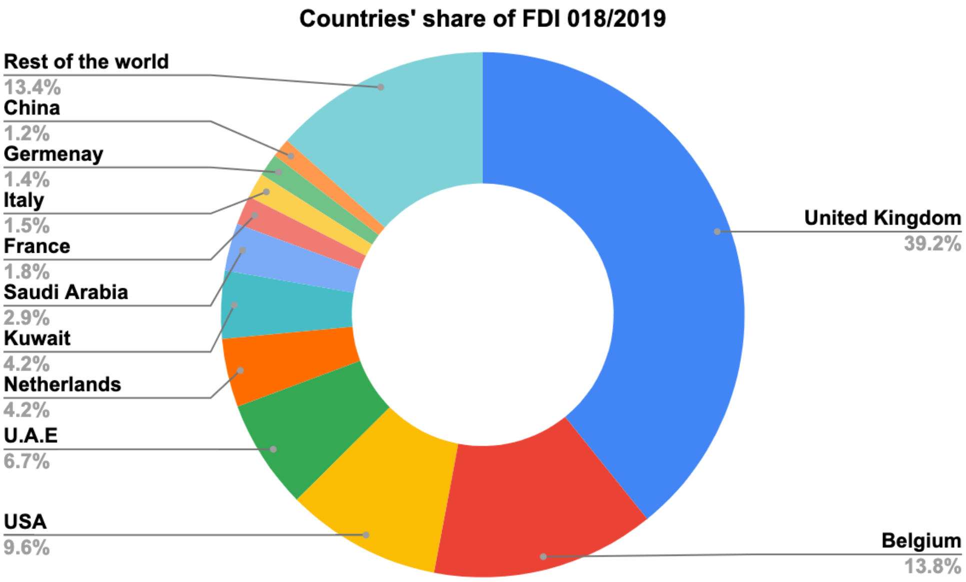
In terms of countries (figure 10), the largest share of FDIs in 2018/2019 came from the United Kingdom with a percentage of 39.2% ($6423.7 million) of the total FDIs received. It was followed by Belgium with a share of 13.8% ($2262.5 million) and the USA with a share of 9.6% ($1570.9) of the total FDIs.[37] As for the Arab countries, the United Arab Emirates was the largest Arab provider of FDIs, with a share of 6.7% ($1104.2 million) of the total FDIs. It was followed by Kuwait with a share of 4.2% ($684.2 million) and Saudi Arabia with a share of 2.9% ($478.1 million) of the total FDIs received. Noticeably, all of China, France, Germany and Italy had much lower shares than the aforementioned European countries, with shares of 1.2% ($192.4 million); 1.8% ($296.1 million); 1.4% ($231.2 million); and 1.5% ($253.2 million) respectively.

---

[36] Ibid.

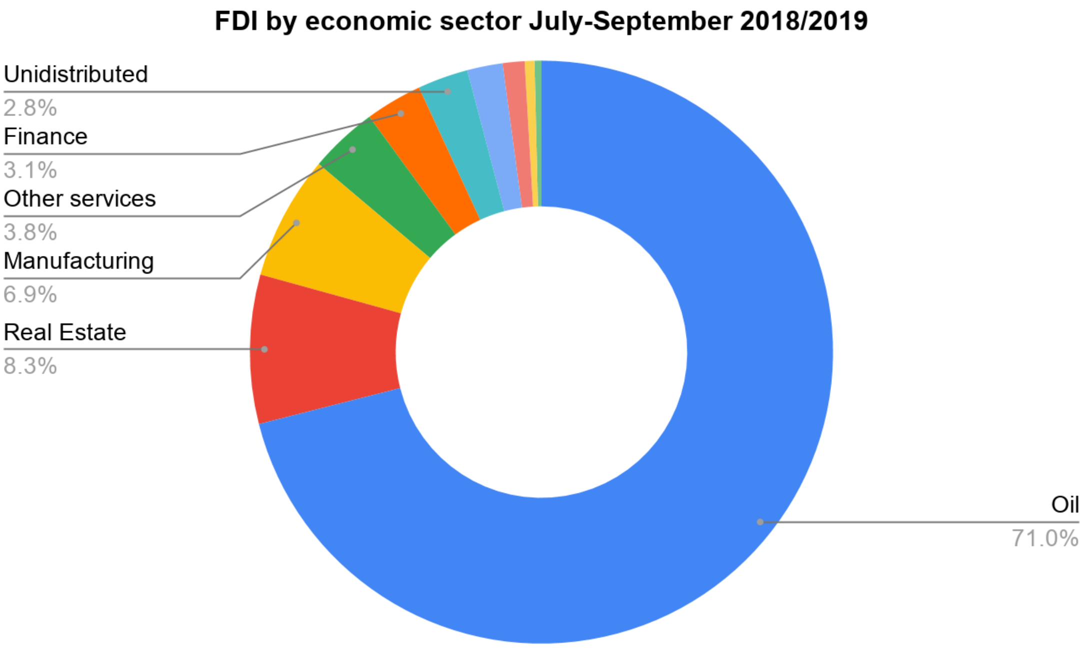
[37] It is good to recall that Belgium is one of top tax havens worldwide. "Belgium: Tax haven and hell". The Brussels Times, 2018. <https://bit.ly/32M8rXl>. For me on tax havens, see "What is a tax haven? Offshore finance, explained". ICIJ, 2020. <https://bit.ly/33Dhmte>.

Figure 10[38]



Finally, in terms of economic sectors into which the FDIs were directed (figure 11), oil was the largest recipient sector with a majority share of 71% of the total FDIs. The real estate sector came in second, with a share of 8.3%, followed by manufacturing with a share of 6.9%. The finance sector received a share of 3.1% and construction received 2%. Remarkably, vital sectors as agriculture and tourism received almost nothing with respective shares of 0.54% and 0.38%.

Figure 11[39]



[38] "Monthly statistical bulletin- April 2020". Central Bank of Egypt, 2020. P.93.

[39] "Economic Review". Central Bank of Egypt, Vol. 59 no.1, 2019. P. 65.

One of the most interesting findings here is the continued dominance of European capital vis-a-vis capital of other regions around the world. As a matter of fact, one can argue that it is not coincidental for European capitalists to maintain a high degree of influence over investments in a country like Egypt. Rather, it can be seen as one of the *continuities* that persist from the imperial age.

As such, it can be seen that resources' exploitation, which can take different forms, primarily for the aim of profiting individual capitalists, is sustained. This is because foreign investors are looking for investment opportunities with high rates of return that exceed the returns of investment opportunities in their mother countries and no obligations to reinvest their profits in the countries where they invest. Hence, in a way, they deprive those latter countries from the chance to benefit from these profits. In other words, exploitation similarities with imperial age exist here, according to which foreign capitalists benefit more than the host countries. Indeed, foreigner capitalists' preference to invest in sectors of high and steady returns such as oil, real estate and finance over manufacturing and agriculture[40] is extremely problematic because the latter sectors are the ones that can carry the developmental and structural changes needed to improve the well-being of ordinary working class Egyptians. As one expert put it, manufacturing is the sector capable of creating more job opportunities, not oil or natural gas.[41] Instead, this orientation towards rentier activities and the official encouragement it receives epitomizes the neoliberal spirit under which productivity (manufacturing and agriculture) is swept aside in favor of monetary adjustments.[42]

D- Trade

While at first glance trade agreements might look unrelated to the discussion of investments, they in fact represent an essential part of the investment realm. This is so due to the extreme trade liberalization, forming a vital part of the neoliberal mentality, causing the channeling of a big percentage of investments into export-oriented sectors. In Egypt's case, the past few years and since the beginning of the 'economic reform', much praise has been given to free trade agreements and the potential they have to solve problems of unemployment, low productivity and dependence on imports as well as other macroeconomic indicators. As a result, this hype surrounding the positive impact of trade liberalization has been reflected in the growing attention given to export-oriented activities and its impacts on economic growth' figures.[43] One clear sign of the attention shown to this type of activities, even amid the financial contractions

---

[40] This contradicts, to some extent, the officially declared goals, according to which the government caters for value-added and technology-oriented sectors. See "Why is FDI declining in Egypt and should we be worried?". Enterprise, 2019. <https://bit.ly/2Z77Y02>.

[41] Niveen Wahish. "Attracting foreign direct investments to Egypt: correcting misconceptions". Ahram online, 2019. <https://bit.ly/3eebzhn>.

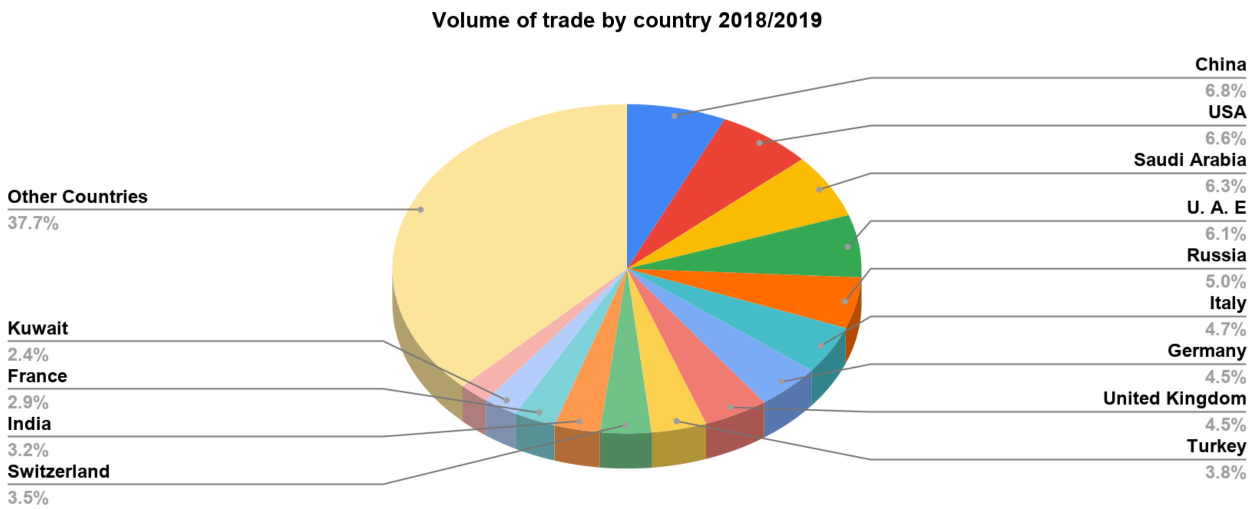
[42] Sayid Gbeil. "Mohamed Dowidar: al-Azma al-iqtasadiyah fi Misr natigah a'an naqs al-intag wa lyis a'agz al-mwazanh..wa al-a'alg yabda mn al-zera'ah al-mohmalah monz 50 a'am"- Mohamed Dowidar: The economic crisis in Egypt is a product of diminishing productivity and not budget deficit...the remedy lies in the agricultural sector neglected for the past 50 years-. al-Watan, 2018. <https://bit.ly/38zvoy6>.

[43] To recall, encouraging export-oriented activities was one of the main reasons leading to the currency flotation in 2016. For more on the issue and the debate surrounding its potential, see Mohamed Ramdan and Sara Seif Eddin. "Gone with the wind: the flotation's impact on Egyptian exports". Mada, 2019. <https://bit.ly/2ZN1sLa>.

caused by the pandemic, was the EGP 3.0 billion given recently to exports as part of the export-aid program.[44] Yet, what such rhetoric neglects the potential negative effects of export-oriented activities on a macroeconomic level, in sensitive matters such as self-sufficiency (catering for the needs of the international market before those of the internal one) and fortification of specialization in low value-added products (as underdeveloped economies lack the economies of scale as well as the know-how necessary to compete in the arena of high value-added products such as technological products and heavy industries). At any rate, elaborating these impacts requires a general exploration of the trade indicators.

As figure 12 shows, China was the largest trade partner with Egypt in the financial year 2018/2019, with a share of 6.8% of the total volume of trade, followed by the United States with a share of 6.6%. The largest European trade partner was Italy with a share of 4.7% of the total volume of trade, followed by Germany and the United Kingdom with a share of 4.5% for each of them. As for the Arab region, the largest share of trade volume was with Sauadi Arabia who controlled 6.3% of Egypt's total volume of trade, followed closely by U.A.E with a share of 6.1%.

Figure 12[45]



Strikingly, on dissecting this trade volume (figure 13), it will be seen that imports represented the largest share of it with most countries. So, in the case of China for instance, imports represented 92.42% of the volume trade with Egypt in exchange for merely 7.58% in exports. Similarly in the case of Russia and Kuwait, imports represented more than 90% of the trade volume with Egypt. In the cases of Saudi Arabia, Germany, Switzerland, Turkey and France, imports represented more than 70% of the trade volume. Only in the case of Italy do we see a reversal of this pattern, by which 54.08% of the trade volume went to exports and 45.92% for imports. So, as a general rule, Egypt imports from its main trade partners more than it exports

[44] This was part of an initiative approved by the Prime Minister to cash 30% of export-aid arrears, with a minimum of EGP 5 million for each exporter. See "al-Malaiyah tasrf 3 melyrat gneah motakherat da'aam lil-mosadreen khelal thalth ashor"- The ministry of finance chases EGP 3 billion in arrears export-aid in during 3 months-. Economy Plus, 2020.<https://bit.ly/2VUJ0z6>.
[45] "Monthly statistical bulletin- October 2019". Central Bank of Egypt, No. 271, 2019.P.85

to them. It is true that imports have been declining in recent years (figure 14). Yet, that did not change the main characteristics of Egypt's trade movement in any major way. Simply put, Egypt remains a big importer to many of its strategic needs.

Figure 13[46]

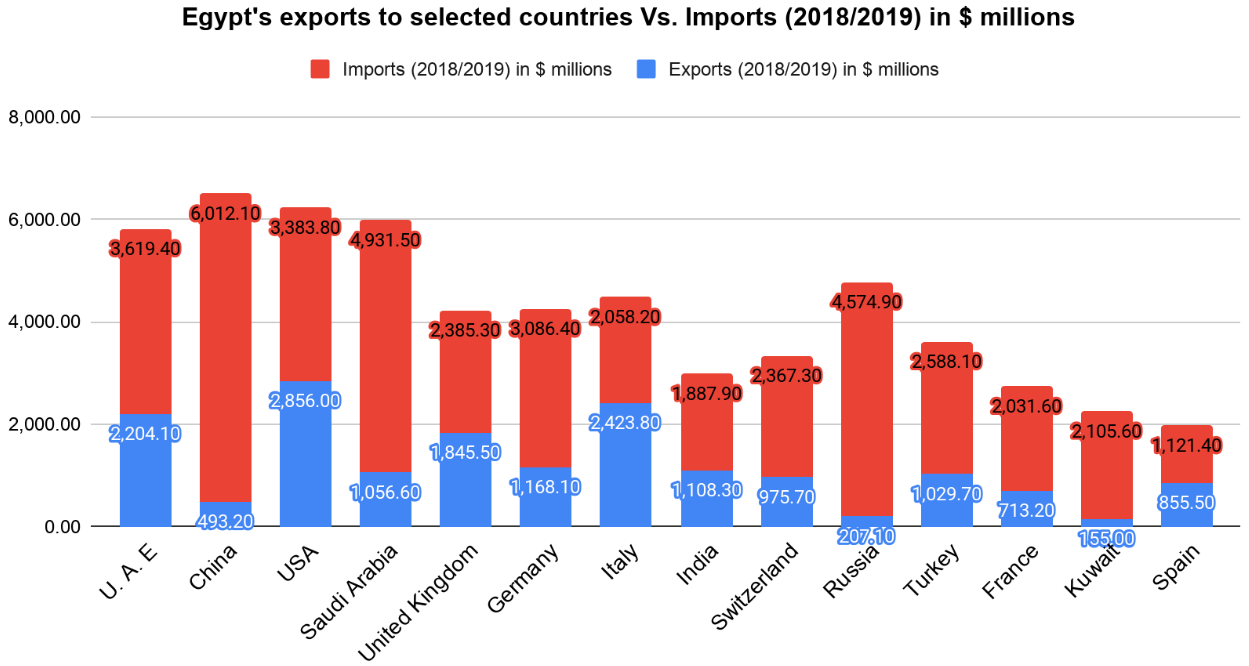
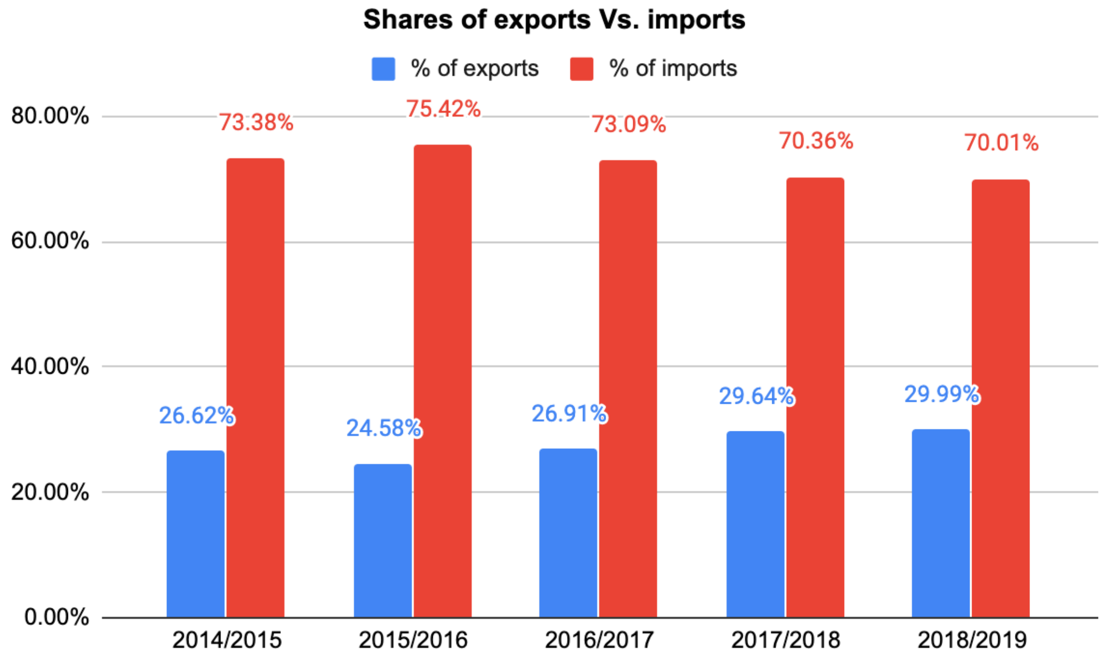


Figure 14[47]



Geographically, the largest recipients of Egypt's exports are European Union's countries with a share of 35.7% of total exports. In the second place come the Arab countries with a share of

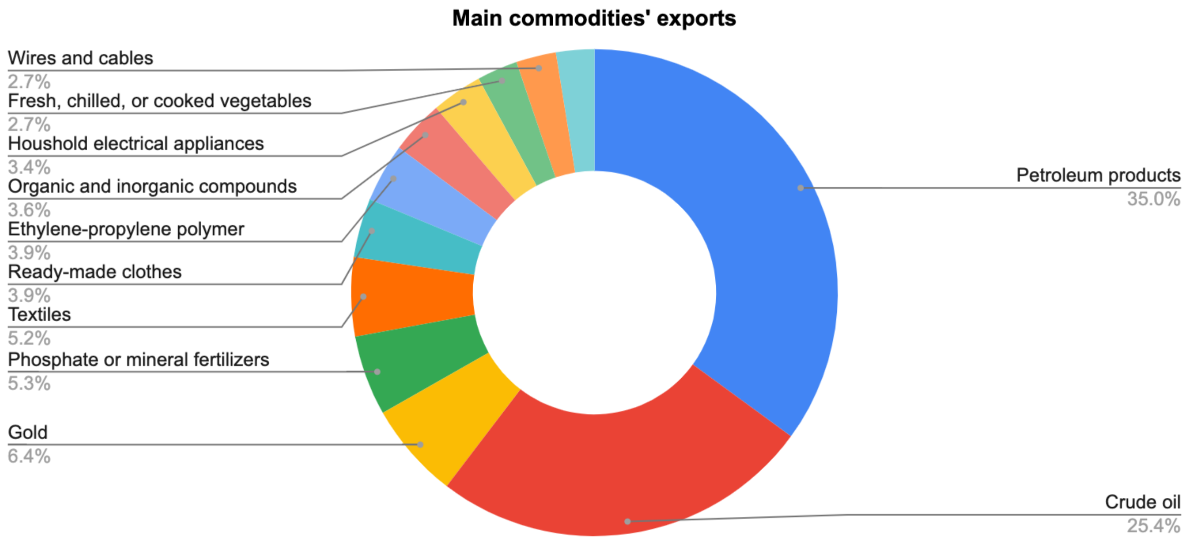
46 Ibid.

47 Ibid. P.84-85.

21.6% of total exports, followed by Asian countries (excluding Arab countries) with a share of 11.9%. Astonishingly, African countries'(excluding Arab countries) share of Egypt's exports does not exceed 2.1% of Egypt's total exports.[48] As for the geographical distribution of imports, most of Egypt's imports came from European Union countries' with a share of 26.7%. The second largest exporters to Egypt are Asian countries (excluding Arab countries) with a share of 21.7% of Egypt's total imports, followed by exports from Arab countries with a share of 19.3% and the Russian Federation and the Commonwealth of Independent States (C.I.S) with a share of 9.1%. However, as it was the case with exports, Egypt's imports from African countries(excluding Arab countries) stood at merely 0.69%.[49]

In terms of exports' commodities (figure 15), extractives items represented the majority of Egypt's exports. At the top came petroleum products, which included natural; bunker[50] and jet fuel with a share of 35%, followed by 25.4% and gold 6.4%. Other main export commodities included Phosphate or mineral fertilizers (5.3%); textiles (5.2%); ready-made clothes (3.9%); household electrical appliances (3.4%); and fresh, chilled or cooked vegetables (2.7%).

Figure 15[51]



In terms of imports, as mentioned earlier, Egypt's imports still outweighs its exports, even after the official success in decreasing the imports bill over the last few years.[52] Yet, the core of the problem lies in the fact that Egypt imports a high percentage of the vital and strategic commodities (figure 16). Accordingly, petroleum products (including natural; bunker and jet fuel) represented 32% of the total imports; followed by crude oil (9.2%) and wheat (7.6%). Other significant imports contained spare parts and accessories for cars and tractors (6.3%); medicine (6.2%); maize (5%); Polypropylene (5%); spare parts for machines and appliances (4.9%) and cast iron (4.6%).[53]

---

[48] Check figure 1 in Appendix 2.

[49] Check figure 2 in Appendix 2

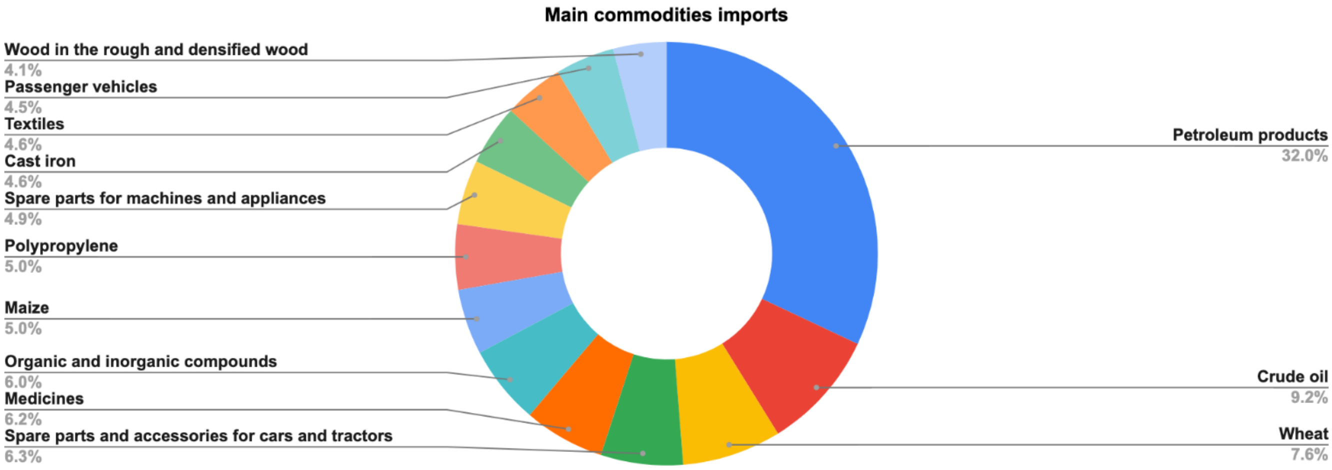
[50] "Bunker fuel is any fuel used on board a ship". See "Bunker fuel". McKinsey and company , 2020. <https://bit.ly/3kg70pV>.

[51] "Monthly statistical bulletin- October 2019 ". Central Bank of Egypt, 2019. P.87.

[52] Shaimaa al-Aees. "Egyptian industry sees vast improvement under Al-Sisi presidency". Daily News Egypt, 2020. <https://bit.ly/2CletDo>.

[53] For a detailed comparison between some of Egypt's main exports and imports, check figures 3-10, Appendix 2.

Figure 16[54]



Finally, there are the transactions carried through free-zones.[55] In general, projects established within free-zones investments are mainly export-oriented.[56] Latest figures in 2019 estimated that free-zones include more than 1095 projects with an investment cost of 26.3 million USD.[57] Moreover, plans are in place to establish additional 7 free zones with more than a 1000 additional projects.[58]

The salient feature about the free-zones' transactions, despite the huge attention it receives, is its limited contribution to overall exports. Specifically, free-zones exports represented merely 19.05% of Egypt's total exports. Adding to the problem, based on the list of main commodities exported from the free zones, is that main exports after extractives are products of low value-added such as textiles and ready-made clothes. As such, this casts doubts around the acclaimed success of free-zones in Egypt and its transformative (developmental) effects on the Egyptian economy.

Unlike the general nature of Egypt's export-import patterns, the last two years saw a reversal in the dominance of imports over exports within free-zones transactions (figure 17). Accordingly, starting from 2017/2018, free-zones' exports represented more than 50% of free-zones' transactions. In 2018/2019, exports peaked to reach a share of 57.26% of total free-zones' transactions in exchange to 42.74% for imports.

[54] "Monthly statistical bulletin- October 2019 ". Central Bank of Egypt, 2019. P.87.

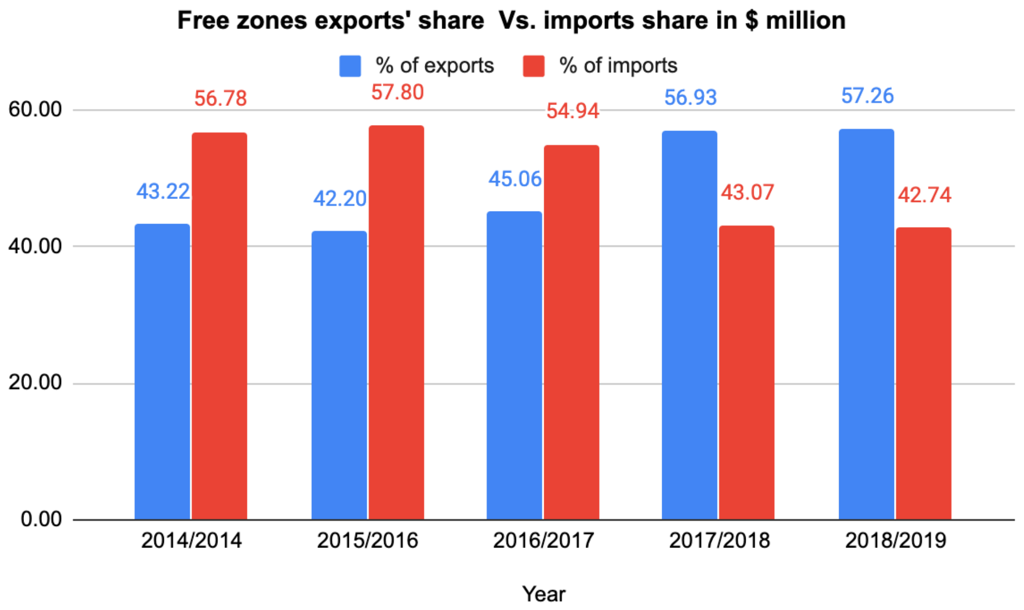
[55] 9 free zones exist in Egypt, where investors enjoy tax and costums fees' exemption; free movement of capital as well as protection against expropriation and nationalization among other advantages. See "al-Manateq al-Hora"- Free zones-. GAFI, 2019. <https://bit.ly/2ZXy44K>.

[56] Mohamed Assa'ad. "al-Manateq al-hora..markz al-isthmar wa manba'a al-tasdeer…al-qanon manha mazaya wa damanat we ea'fat a'adeeda li-gazb al-mostathmreen …9 mwaqea'a abrzha Port-Sa'aid wa Domyat….Corona tasabab fi ta'ateel a'amlah wa qarart al-hayiah tonqezha"- The free zones..the centre of investments and the source of exports…legal advantages; assurances and exemptions to attract investments…9 locations of which Port-Said and Damietta are the most prominent….Negatively affected by the Corona pandemic and saved by the general authority for investments and free zones' decisions-. al-Youm al-Saba'aa, 2020. <https://bit.ly/2WehEnL>.

[57] See "Egypt to establish 7 new free zones to attract more investors". Egypt Today, 2019.<https://bit.ly/3028Wd9>.

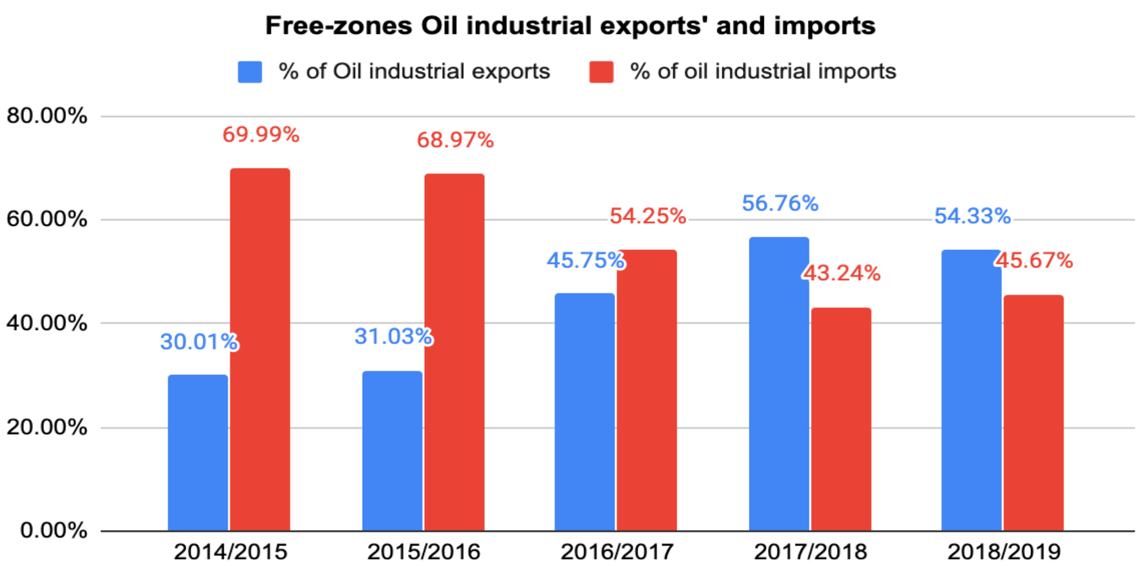
[58] Ibid.

Figure 17[59]



Following this overall reversal in suit was the free-zones' oil industrial exports and imports. So, starting from 2017/2018, free-zones' industrial oil exports exceeded its imports. In 2018/2019, free-zones' industrial oil exports represented 54.33% of total industrial oil transactions in exchange to 45.67% for imports. Yet, despite this huge improvement in comparison to earlier years, 2018/2019 figures saw a decline in comparison to 2017/2018, when industrial oil exports took a share of 56.67% of free-zones' oil industrial total transactions in comparison to 43.24% to imports.

Figure 18[60]

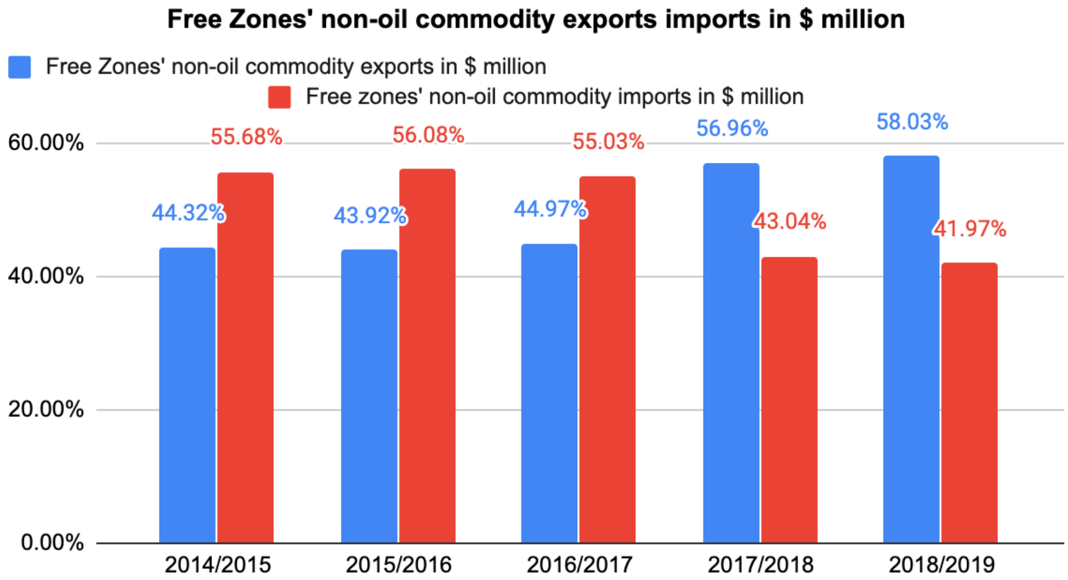


In like manner, was the free-zones' non-oil commodities general movement (figure 19), which started to peak from 2017/2018 and by 2018/2019, non-oil commodities exports from free-zones

[59] "Monthly statistical bulletin-October 2019". Central Bank of Egypt, 2019. P.86.
[60] Ibid.

reached 58.03% of the free-zones total non-oil commodities transactions in comparison to 41.97% to imports.

Figure 19[61]



[61] Ibid

III-Conclusion

The aim of this first part of the report was to give an overview of the investments and its main components in todays' Egypt. For sure, it will be hard to negate that there have been *numerical* improvements in the free-zones' performance as well as in exports. Nonetheless, these recent developments did not change the fact that the Egyptian economy remains largely a dependent economy that imports most of its strategic needs from abroad. Thus, it follows here that there should be at least a degree of distrust in the entire orientation, in terms of the developmental effects and citizens well being. The same applies to FDIs, given the nature of fields they are directed to and the 'economic regime' they work within. That is why part 2 of the report is dedicated to the exploration of recent legal and structural framework concerning the realm of investments, upon which this ongoing neoliberalization is cemented, paving in the process the way for such anti-developmental activities to thrive in the future.

Appendix 1- GDP

Figure 1[62]

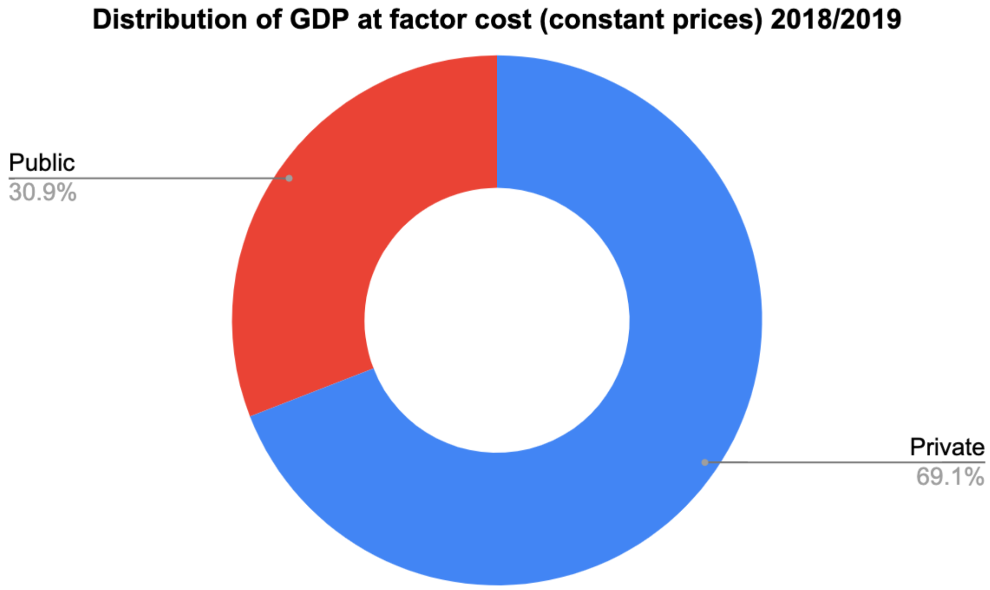
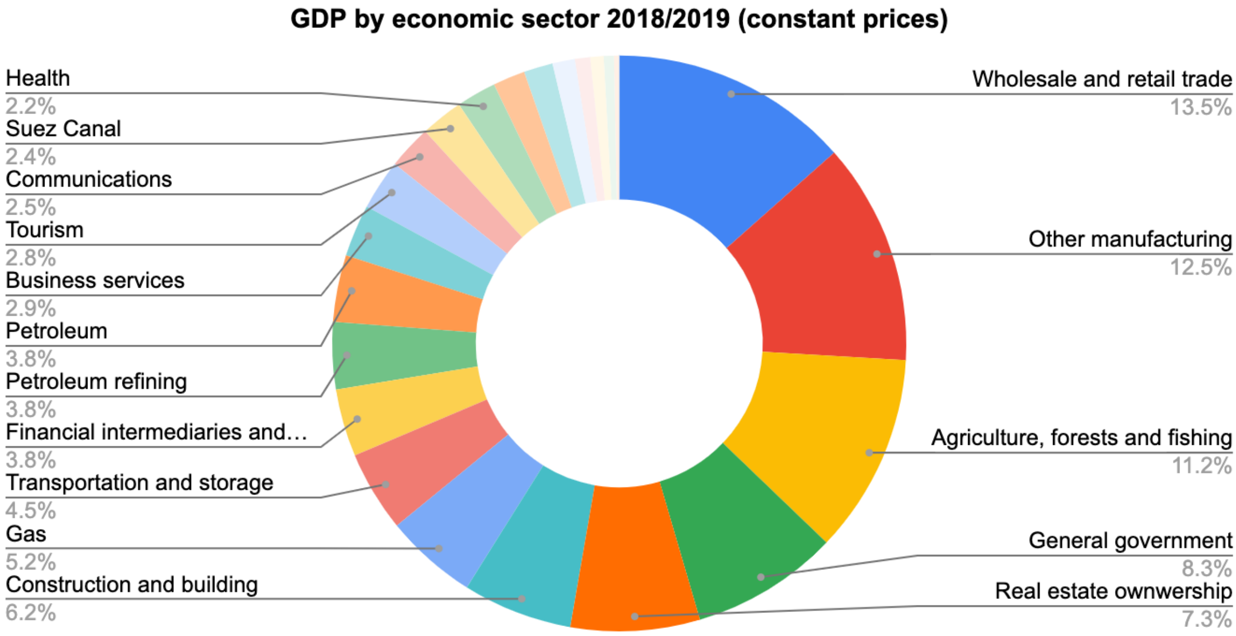


Figure 2[63]



[62] "Monthly statistical bulletin- April 2020". Central Bank of Egypt, 2020. P.124

[63] Ibid.

Figure 3[64]

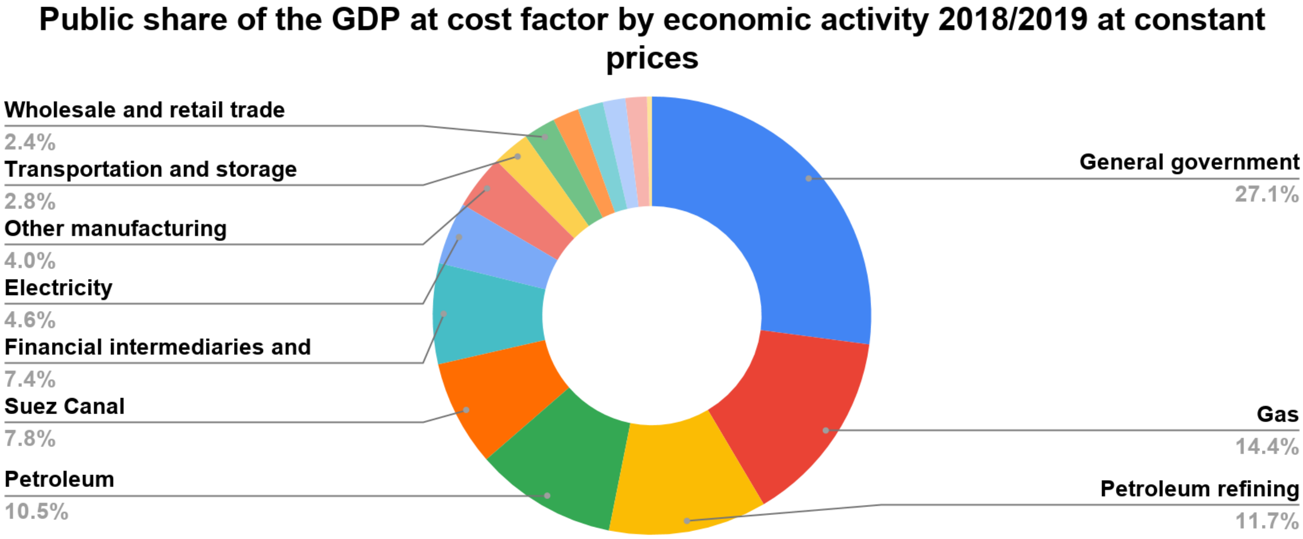
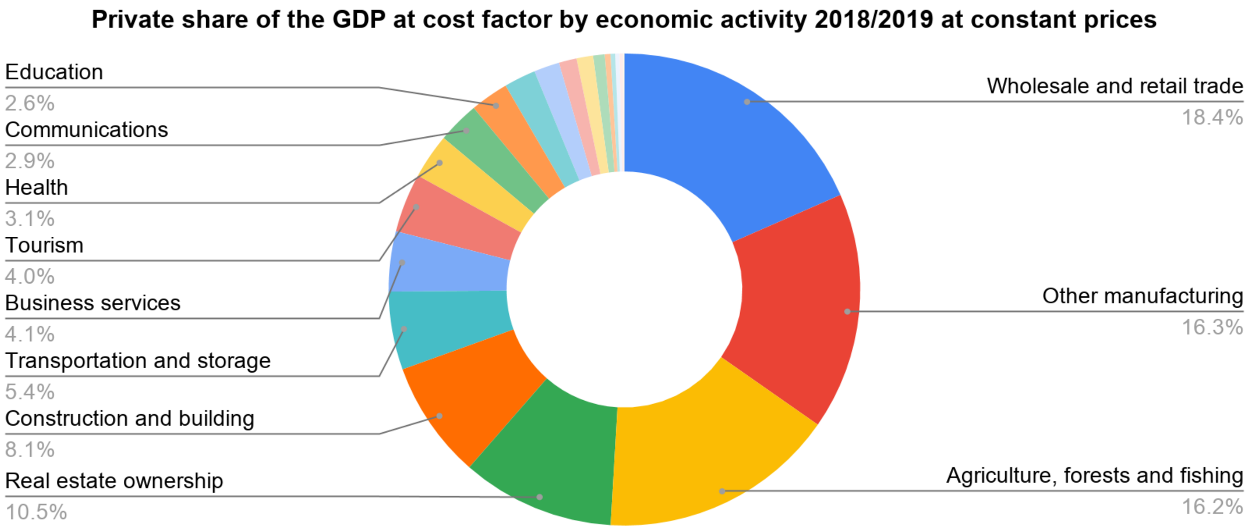


Figure 4[65]



[64] Ibid.
[65] Ibid.

Appendix 2- Trade

Figure 1[66]

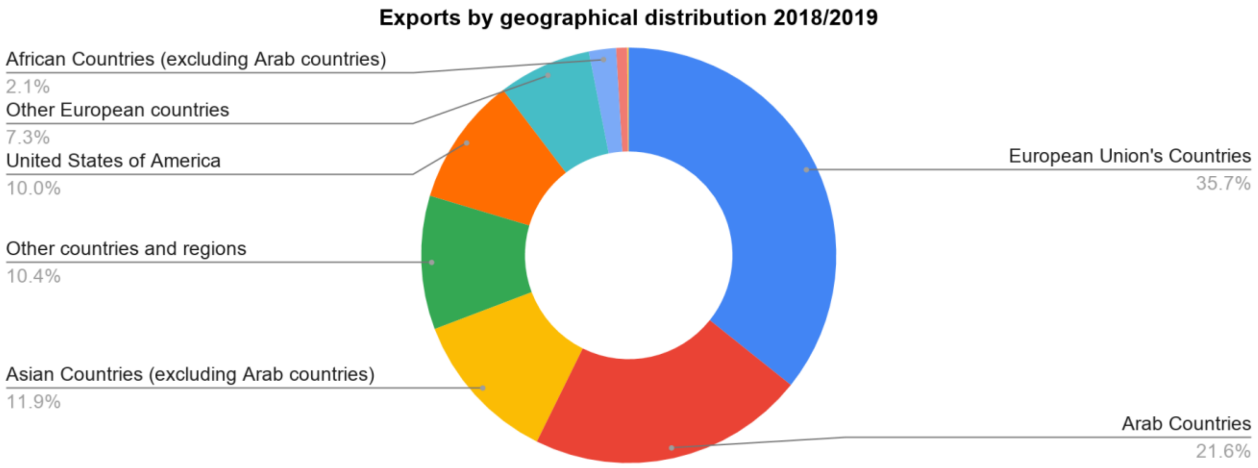
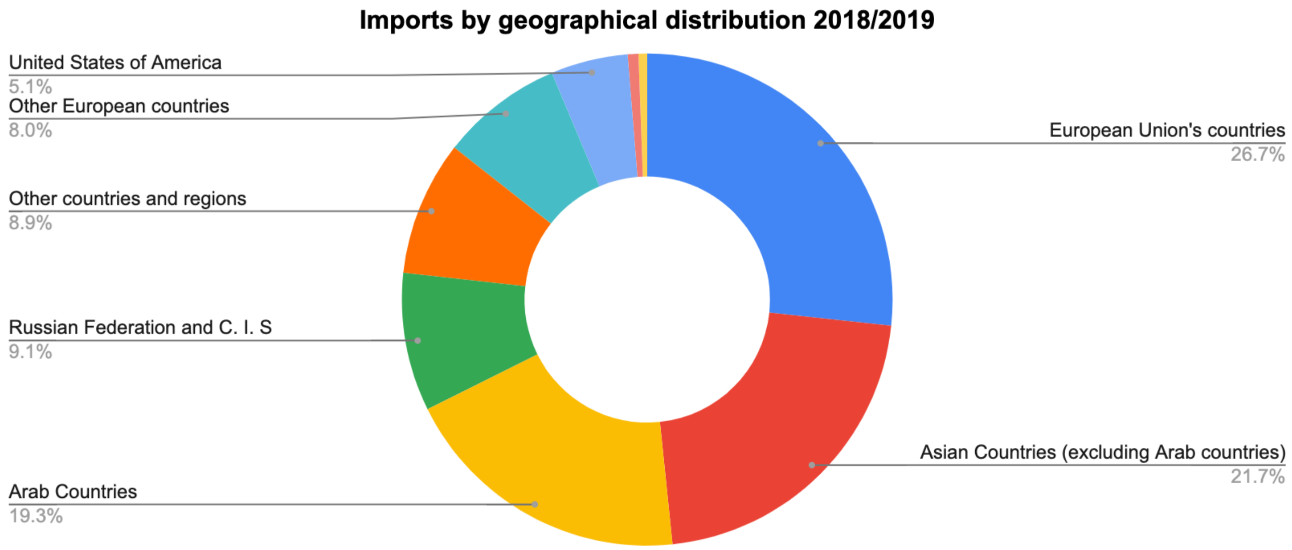


Figure 2[67]



[66] Ibid. P.83.

[67] Ibid.

Figure 3[68]

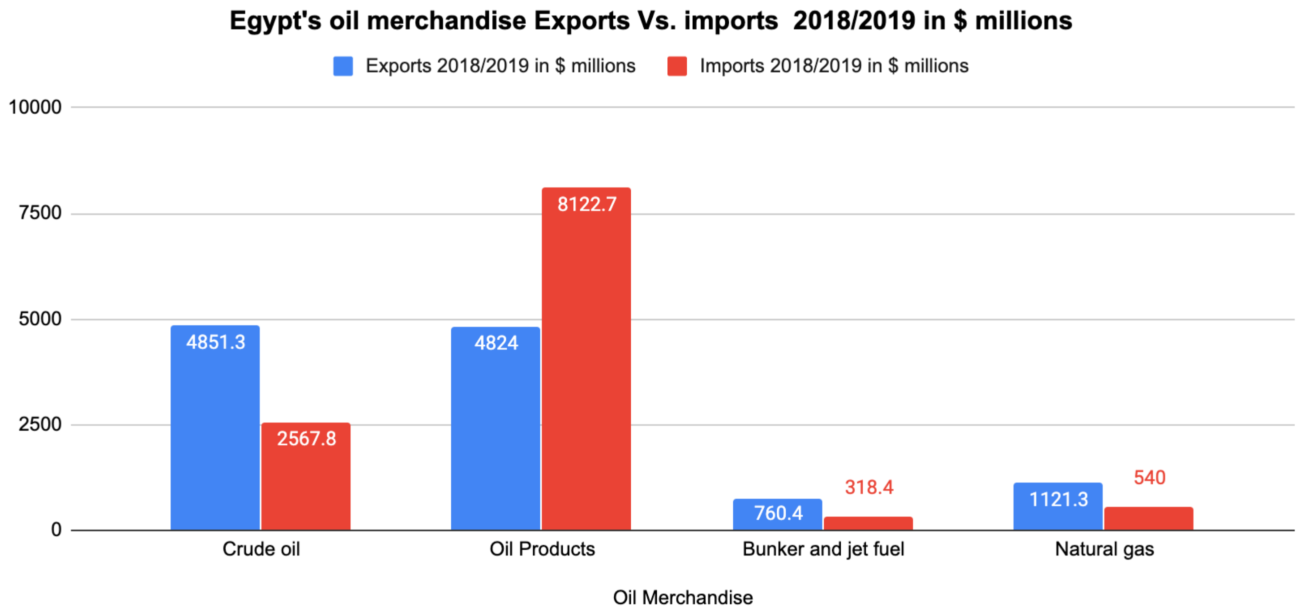
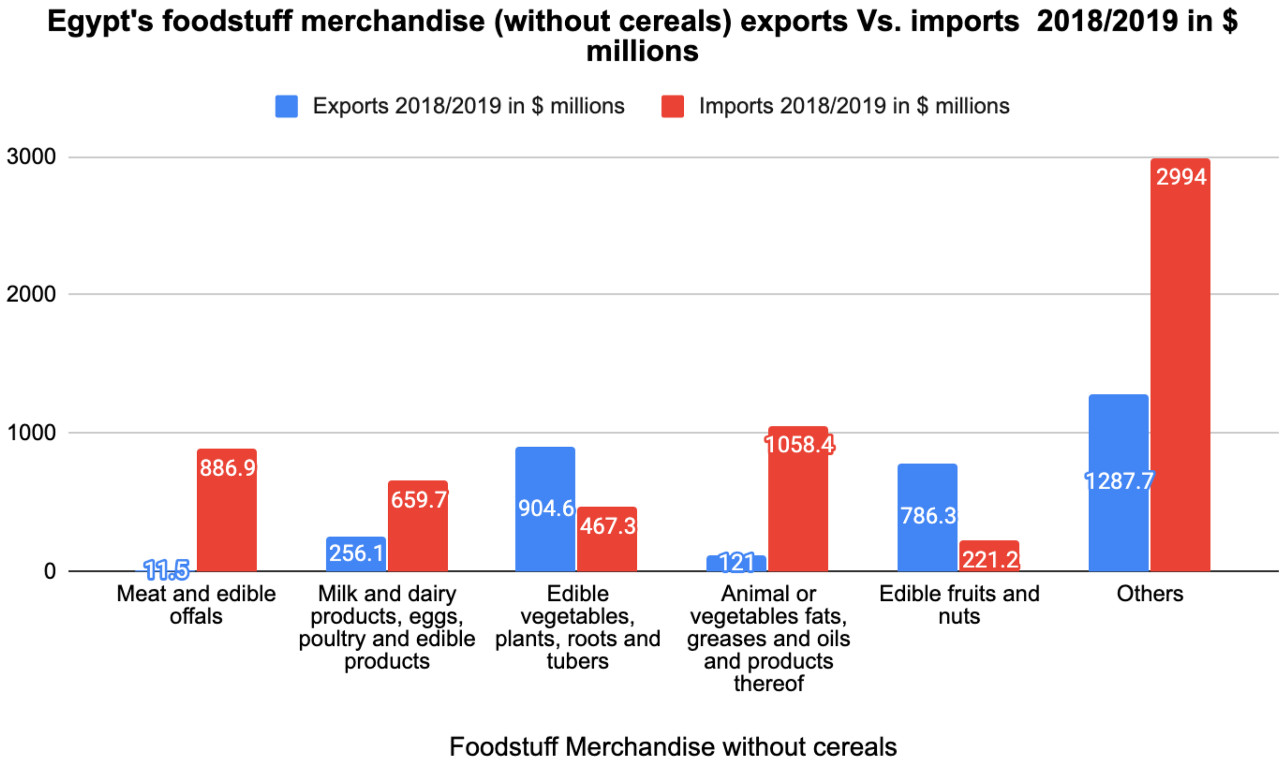


Figure 4[69]



[68] "Monthly statistical bulletin-October 2019". Central Bank of Egypt, 2019. P. 90

[69] Ibid.

Figure 5[70]

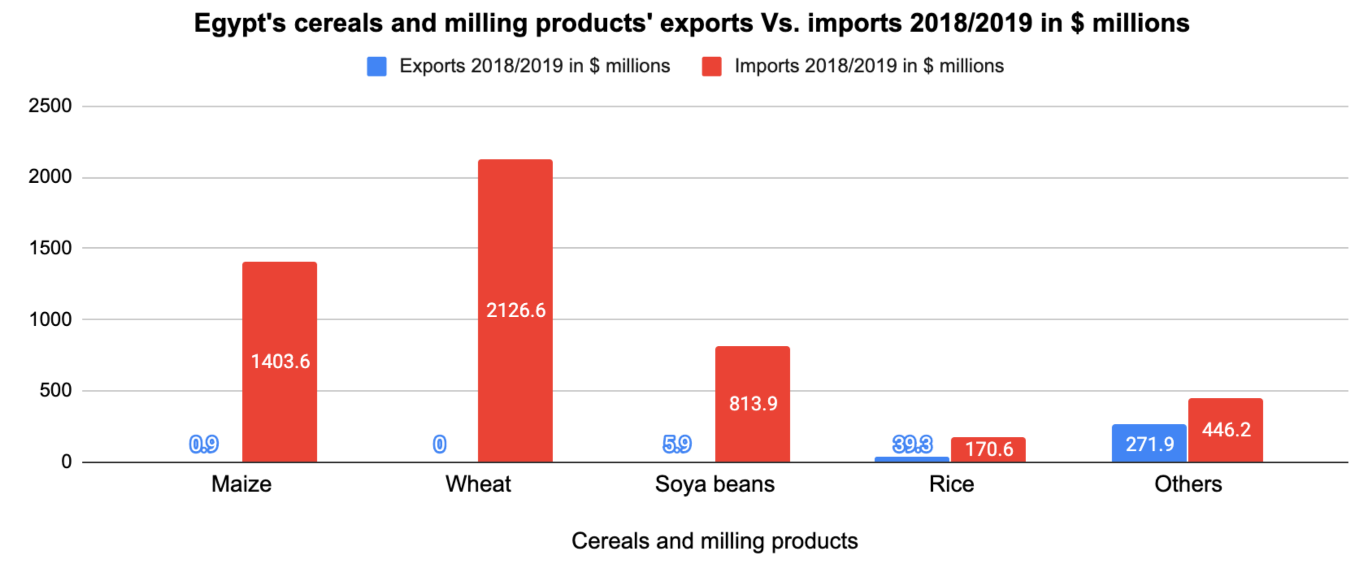
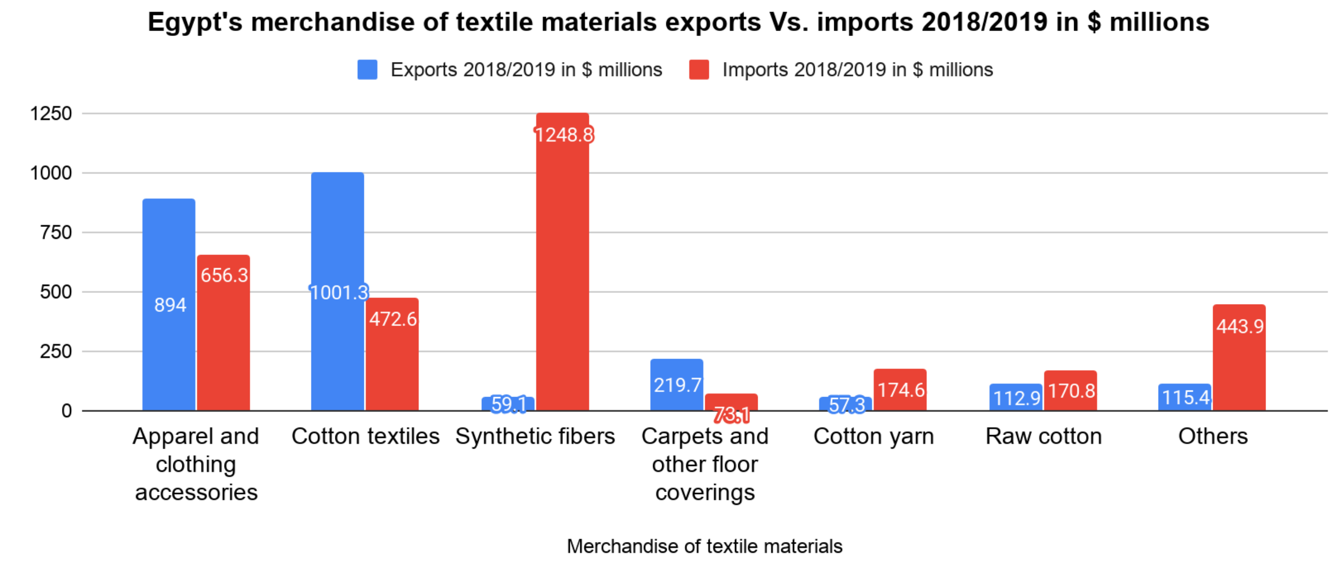


Figure 6[71]



70 Ibid.

71 Ibid.

Figure 7[72]

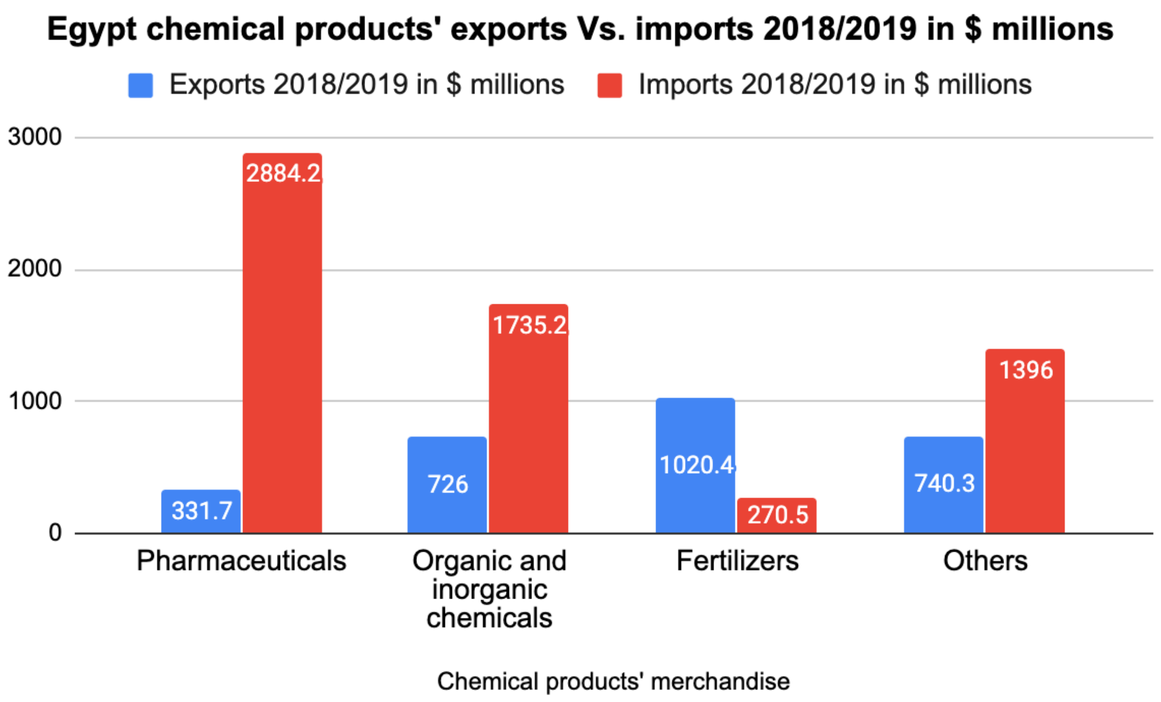
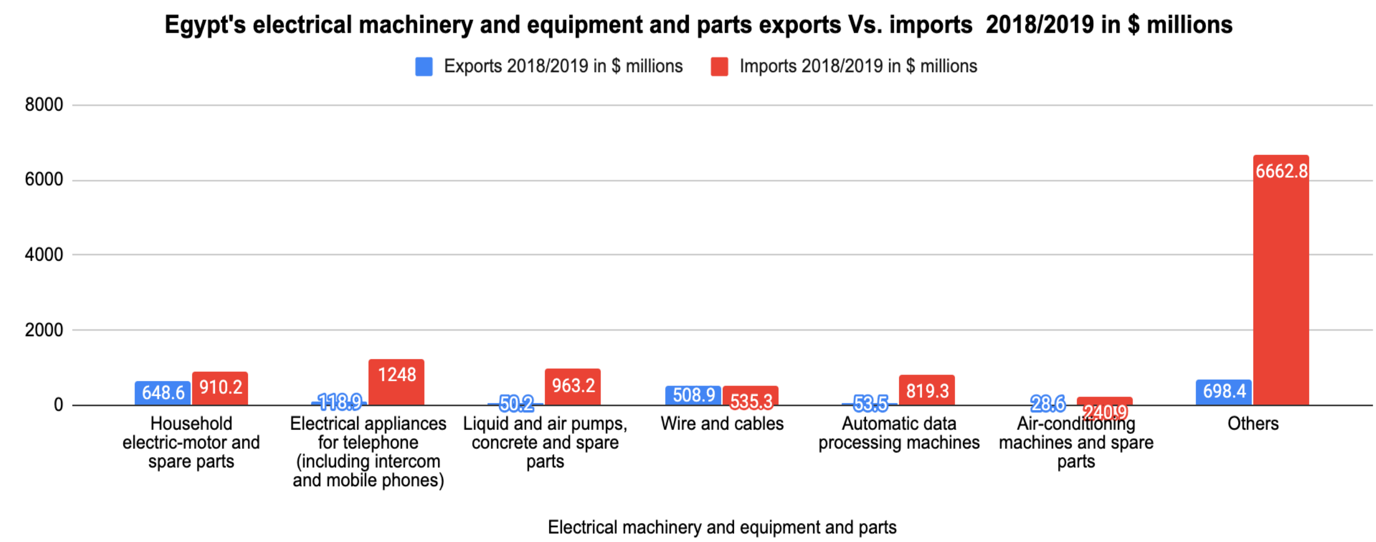


Figure 8[73]



---

72 Ibid.

73 Ibid.

Figure 9 [74]

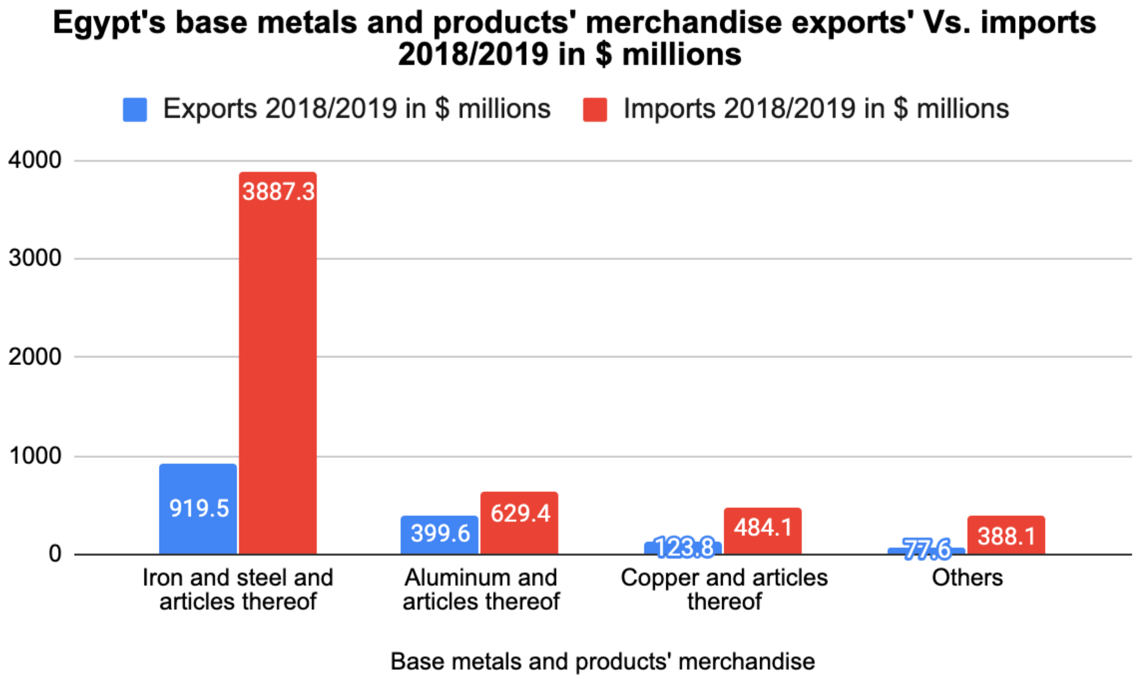
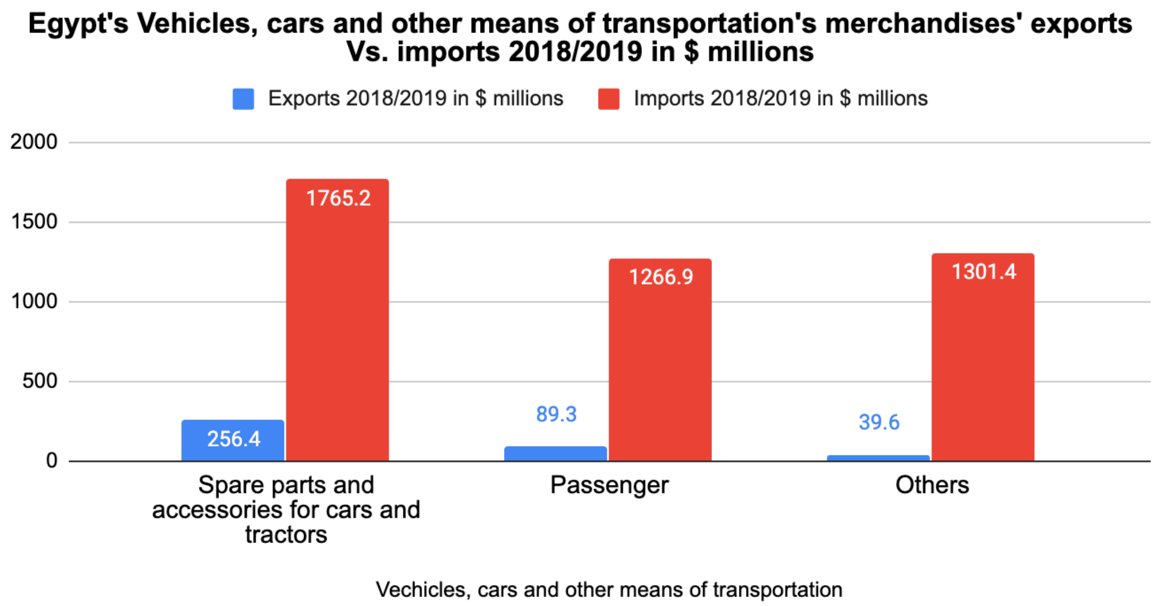


Figure 10 [75]



[74] Ibid.

[75] Ibid.

Table 1- Major trade agreements signed by Egypt[76]

Name of the agreement and date of activation	Main countries involved	Type	Coverage	Tariffs on Egyptian exports	Local components/ Value Added Requirement	Reciprocity
Pan Arab Free Trade Agreement (PAFTA)- 01/01/1998	All Arab countries except for Somalia, Djibouti, Comoros and Mauritania	Free Trade Agreement	Goods	0%	Value added should be less than 40% at least of the ex-factory cost	Full tariff levy on imports from all participating Arab countries
Egypt-EU Association Agreement- 01/06/2004	Egypt and European Union countries	Free Trade Agreement	Goods and services	0%	A minimum local component of 60%	Tariffs on imports from the EU to be gradually reduced until they reach 0% 2020.
Qualifying Industrial zones (QIZ)- 14/12/2004	Egypt, USA and Israel	Free Trade Zones	Goods	0%	35% of the products' value must be manufactured in Egypt, from which 10.5% must came from Israeli origin	No reciprocity
Agadir Agreement- 06/07-2006	Egypt, Morocco, Jordan, Tunisia, Lebanon and Palestine (The latter 2 countries joined in April 2016)	Free Trade Agreement	Goods	0%	Applying the same rules of Pan-Euro med rules of origins	Full reciprocity between the participating countries and the EU countries
Egypt-EFTA Free Trade Agreement (2007)[77]	Egypt, Iceland, Switzerland, Norway and Liechtenstin	Free Trade Agreement	Goods and services	0%	The Euro-Midternian rules of origins apply	
Egypt-Turkey Free Trade Agreement (2007)[78]	Egypt and Turkey	Free Trade Agreement	Goods	0%		

[76]All data are extracted from the following source, unless mentioned otherwise. "Egypt: a potential hub for commercial activities in Africa and the Middle East". AlexBank, 2018. P. 33.
[77] "Trade Agreements". GAFI, ?. <https://bit.ly/2WhcRIk>.
[78] Ibid.

COMESA (Common Market for Eastern and Southern Africa)- 01/03/2007	Egypt and Comesa members	Free Trade Agreeme nt	Goods and services	0%	A local value added of 45% at least	Full reciprocity
Egypt- Mercosur (common market of Latain America)- 03/08/2010	Egypt and Latain American Countries	Free Trade Zones	Goods	Tariffs reduced by 90%	A local value added of 55% at least	Full reciprocity

17- Bibliography

... (2020).“al-Hekoma toqr hezmh igrat gdeeda li-da’am al-qeta’a al-sena’ai fi mowageh kovid-19”- The government approves a new regulation package to support the industrial sector amid the covid-19 crisis-. *Enterprise*. <https://bit.ly/2Z1wG0J>.

... (2020). “al-Malaiyah tasrf 3 melyrat gneah motakherat da’aam lil-mosadreen khelal thalth ashor”- The ministry of finance chases EGP 3 billion in arrears export-aid in during 3 months- . *Economy Plus*.<https://bit.ly/2VUJ0z6>.

... (2019). “al-Manateq al-Hora”- Free zones-. *GAFI*. <https://bit.ly/2ZXy44K>.

... (2020).“al-Raeis al-Sisi: takhsis 20 melyar gneah mn il-bank-Markzy li-da’am al-borsa al-Misriyah”- President al-Sisi: EGP 20 Billion from the Central Bank to support the Egyptian stock market-. *al-Youm al-Saba’a*. <https://bit.ly/37Wxsjo>.

... (2018). “Belgium: Tax haven and hell”. *The Brussels Times*. <https://bit.ly/32M8rXl>.

... (2018). “Egypt: a potential hub for commercial activities in Africa and the Middle East”. *AlexBank*.

... (2019). "Economic Review". *Central Bank of Egypt*, Vol. 59 no.1.

...(2019).“Egypt to establish 7 new free zones to attract more investors”. *Egypt Today*.<https://bit.ly/3028Wd9>.

... (2016). “Egypt Vision 2030”, ?.

... (2020).““Ladayna senaryohat”...al-hekoma tabhas ma’aa l mostashmreen tawasa’a mashroa’at ma-ba’ad al-korona”- “We have scenarios”...the government deliberates with investors regarding expanding the post-corona projects-. *al-Maa*l. <https://bit.ly/2B5P4NN>.

... (2019). "Monthly statistical bulletin". Central Bank of Egypt, No. 271, October.

... (2020). "Monthly statistical bulletin". *Central Bank of Egypt*, No. 277, April.

... (2020). “Sa’aafan: 1.4 melyon a’amel geer monazam yabda2on sarf menh al-500 gneah ba’ad gadan”- The Minister of labourpower: 1.4 million irregular workers to start receiving their L.E 500 after tomorrow.- *Economy Plus*. <https://bit.ly/30CK9yv>.

...(2020). “What is a tax haven? Offshore finance, explained”. *ICIJ*. <https://bit.ly/33Dhmte>.

... (?). “Why Egypt: Egypt vision 2030”. *Arab Republic of Egypt general authority of investments and free zones*, ?. <https://bit.ly/2Nk5uVx>.

... (2020).“Why is FDI declining in Egypt and should we be worried?”. *Enterprise*. <https://bit.ly/2Z77Y02>.

Adly, Amr (2020). *Cleft Capitalism: the social origins of failed market making in Egypt*. (Stanford; California: Stanford University Press).

al-Aees, Shaimaa (2020). "Egyptian industry sees vast improvement under Al-Sisi presidency". *Daily News Egypt*. <https://bit.ly/2CletDo>.

al-Masry, Manal.(2020). "al-Bank al-Markzy yokhafd al-faedah 3% fi egtma'a tarea"- The central Bank lowers the interest rate by 3% in an urgent meeting-. *Masrawy*, 2020. <https://bit.ly/37WC6hk>.

Assa'ad, Mohamed (2020). "al-Manateq al-hora..markz al-isthmar wa manba'a al-tasdeer…al-qanon manha mazaya wa damanat we ea'fat a'adeeda li-gazb al-mostathmreen …9 mwaqea'a abrzha Port-Sa'aid wa Domyat….Corona tasabab fi ta'ateel a'amlah wa qarart al-hayiah tonqezha"- The free zones..the centre of investments and the source of exports…legal advantages; assurances and exemptions to attract investments…9 locations of which Port-Said and Damiette are the most prominent….Negatively affected by the Corona pandemic and saved by the general authority for investments and free zones' decisions-. *al-Youm al-Saba'aa*. <https://bit.ly/2WehEnL>.

Eid, Mostafa (2019). "Lemaza taraga'a al-isthethmar al-agnabi al-mobasher bi-Misr li-aqal mostawa fi 5 sanawat?"- What caused the foreign direct investments to reach its lowest level in 5 years?- *Masrawy*. <https://bit.ly/2O69vgo>.

Gbeil, Sayid (2018). "Mohamed Dowidar: al-Azma al-iqtasadiyah fi Misr natigah a'an naqs al-intag wa lyis a'agz al-mwazanh..wa al-a'alg yabda mn al-zera'ah al-mohmalah monz 50 a'am"- Mohamed Dowidar: The economic crisis in Egypt is a product of diminishing productivity and not budget deficit…the remedy lies in the agricultural sector neglected for the past 50 years-. *al-Watan*. <https://bit.ly/38zvoy6>.

Gad, Mohamed (2019). "Athar itfaqyati mantqah al-tegarah al-hora al-a'amiqa wa al-shamela wa mobadrah al-endemag ma'a afrqeya a'la qeta'a al-sena'ah wa awda'a we hayakel al-sena'a fi masr"- The impact of the deep and comprehensive free trade agreements and the integration with Africa initiative on the industrial sector and on the conditions and structures of work in Egypt- in Agaty's *Itfeqyat al-tegara al-hora al-ourobeyiah*..(Cairo: al-Maraya).

Fahmy, Mostafa (2019). "Sahr Nasr: Arqam al-Isthmar al-agnabi lam tohsar bi-shakl saleem wa gama'aha wa ia'alnha nehayt il-a'am"- Sahr Nasr: the foreign investments figures' were miscalculated and the new figures will be released by the end of the year-. *al-Borsa*. <https://bit.ly/3gsplhG>.

Farah, Nadia (2009). *Egypt's Political Economy: Power Relations in Development*. (Cairo: American University in Cairo Press).

Khalil, Heba (2019). "al-Istethmar fil tanmeya am tanmeya al-istethmar? Itfiqeyat al-tegara al-hora wa sharekat al-isthmar ba'ad thawart al-a'adalh al-igtmia'aia"- Investing in development or expanding investments? Free trade agreements and investment companies after the social justice revolutions in Mohamed Agaty's *Itfeqyat al-tegara al-hora al-orbeyiah: al-istethmar fil tanmeya am tanmeya al- estethmarat?*- European free trade agreements:Investing in development or expanding investments? (Cairo: al-Maraya).

Mokhtar, Hend (2020). "al-Hekoma: Misr akbar dawla afrqeiya motlqeya lil-istethmar il-agnabi il-mobasher fi a'am 2019".*al-Youm al-Saba'a*.<https://bit.ly/3f0hKXu>.

Qabil, Maye (2019). " Qerah fi baynat bahth al-dakhl wa al-infaq 2017/2018"- A reading of the income and spending report 2017/2018. *Majalah al-Democratiyah*, V. 76. P. 126-130.

Assaad, Ragui (2019) . "Is the Egyptian economy creating good jobs? A review of the evolution of the quantity and quality of employment in Egypt from 1998 to 2018". *Economic Research Forum*, Policy Brief no. 45.

Ramdan, Mohamed and Seif Eddin, Sara. (2019). "Gone with the wind: the flotation's impact on Egyptian exports". *Mada*.<https://bit.ly/2ZN1sLa>.

Said, Mona; Galal, Rami; and Sami, Mina. (2019). "Inequality and income mobility in Egypt". *Economic Research Forum*, Working Paper no. 1386.

Wahish, Niveen (2019). "Attracting foreign direct investments to Egypt: correcting misconceptions". *Ahram online*. <https://bit.ly/3eebzhn>.