



German Markets: A Fertile Ground for Egyptian Products

The Egyptian market bears strong potential to embark on a broader range of export activity in a multitude of economic sectors, and such potential has recently been augmented through the signature of the Barcelona Agreement.

Egypt's inherent competitive edge is manifested in two factors, which furnish Egyptian exports with a robust appeal in terms of pricing. Firstly, Egypt is strategically located as a liaison between the east and the west and enjoys geographical proximity to Europe, a matter which curtails transportation costs. Secondly, the Egyptian economy comprises a wide variety of manufacturing and services industries in relation to which typically low skilled labour costs are incurred.

Germany: A Significant Egyptian Trade Partner

Egypt exports to a highly diversified range of trade partners, the foremost being EU and USA to which Egyptian exports exceeded 40 percent and 15 percent respectively. According to a report published by the Egyptian Ministry of Foreign Trade, in August 2001, Egyptian exports to Germany in 2000 reached €280.3 million in comparison to €238.1 million in year 1999 which shows 17.7 percent increase, which is the highest in comparison to year 1996 (€221.9 million). Topping the list of Egyptian exports to Germany are cotton textiles, fuel and lubricating oils, agricultural products, metal alloys and fabrics other than cotton. On the other hand German exports to Egypt reached €1,508 billion. Most prominent among German exports to Egypt are machinery, electrical appliances, motor vehicles and chemical products.

The German-Arab Chamber of Industry and Commerce (GACIC) has been contributing significantly, both indirectly and directly, to the endorse-

ment of Egypt's trading activity with Germany, and has recently directed special focus towards the promotion of Egyptian exports to Germany. Indirectly through, industrial consulting services, vocational educational training, and trade fairs.

Just recently, direct efforts have yielded the foundation of Global Project Partner (GPP). Within the framework of a Public Private Partnership (PPP) project, an Export Promotion Desk is currently under establishment at the GPP and GACIC. The service offered includes providing information about the German market, conducting market studies and organise workshops and delegation visits to Germany. The Export Promotion Desk will also establish a virtual internet platform giving potential Egyptian exporters the possibility to present their products through the internet.

Egypt's Textiles and Agriculture: Setting Presence in Germany

The textiles industry represents an important export domain within the Egyptian economy. Ready made garments currently constitute 26 percent of Egypt's total exports and 42 percent of the nation's total non-oil exports. The Government aims to achieve an export target of US\$ 1,895,000 from the textiles sector by the end of 2003, which would translate into a growth rate of 31%.¹

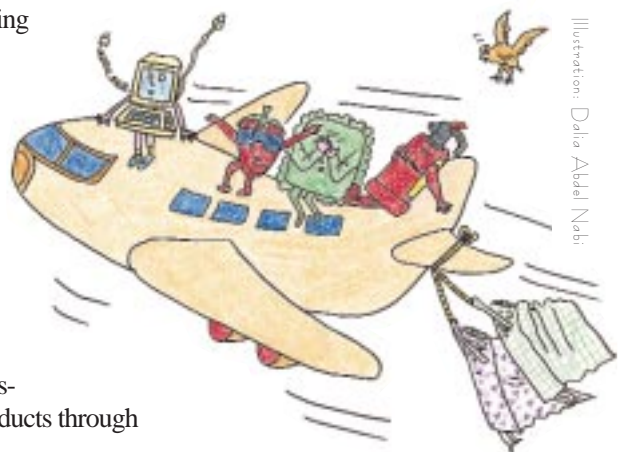


Illustration: Dalia Abdel Naby

Oriental Weavers Company (OWC), has an 80 percent local market share. According to Roland Schulz, OWC vice president, output of textile products of OWC is purely Egyptian from A-Z and the choice of highly sophisticated machinery is based on a long-sighted approach whereby machines are specifically adapted to projected company product range. Over half of OWC produce is exported, mainly to North America and Europe. A significant portion of the company's output is exported to German markets in which textile products rank first in terms of utilisation within the country's consumer goods industry, directly competing with automotive, tourism services, and utilities (such as heating). Such a matter renders the textiles' industry highly sensitive to the performance of the German economy, as evidenced by the drop witnessed in the country's total output and imports of textiles in the aftermath of the September 11 events.

Egypt aspires to join the bandwagon of globalisation through establishing presence in fairs to promote exposure to



ORIENTAL WEAVERS COMPANY USUALLY OCCUPIES THE LARGEST GROUND SPACE IN THE GERMAN DOMOTEX FAIR

international markets and to enable companies to keep abreast of updated technology and continuously modernise production, which are crucial factors for players operating in the textiles industry. Participating in international fairs is an indicator of OWC's success and where it stands in the market. As a result of regular exhibition in Domotex fair in Germany—where it usually occupies the largest ground space—OWC has increased sales by 20 percent. "This is a

Draft Export Law: A Positive Outlook

The GACIC Export Committee conferred on February 20, 2002 to discuss the draft bill of the new Export Law. Attendees included Helmy Abouleish, chairman of the Export Committee and managing director of Sekem, as well as a number of distinguished members of the Chamber engaged in exportation activity.

The proposed draft bill, designed to encourage exports, stipulates that all responsibilities concerning all issues relating to exports will be centralised at the Ministry of Foreign Trade. Focus will be placed on simplifying export procedures, easing the burdens shouldered by exporters, and eliminating all obstacles in attempt to increase the volume of exports and open up new markets. The draft bill also provides for the establishment of a special fund to support exports by subsidising the commercial and investment costs of the export process in the commodity and service sectors. According to the proposed law, profits from exports will be exempted from taxes on trade and industrial activities or taxes on incorporations.

The Committee's discussion of the aspects of the new law, yielded a number of recommendations generated through years of professional experience in exportation activity, during which members faced several problems and hindrances.

In an attempt to promote the purpose of the law in encoring Egyptian exports, Committee members have forwarded such recommendations to the Minister of Economy and Foreign Trade for review and appraisal. ■

huge income of foreign currency for Egypt," says Schulz.

Agriculture exports have flourished in the past years due to the expansion of cultivable land over the period from 1986 to 1992, a matter which led to the generation of a diversified base of end products. Food exports are estimated at 27 percent of Egypt's total exports, mainly in the form of agricultural products and processed food. The Egyptian government is aiming to achieve an export target of US\$ 949 million in the field of agricultural products by the end of 2003, translating into a growth rate of 15 percent. The government is also targeting total exports of US\$ 391 million in the field of processed products by the end of 2003. The bulk of Egypt's trade in the food sector takes place with the EU, followed by USA and Middle and Eastern Europe.

One of Egypt's largest exporters of agricultural products is Pico. The company—

established in 1980—currently owns 5,000 acres of land, which are utilised to grow crops for the local and foreign markets. The company's exportation activity started in 1986 with a primary focus on exporting to Germany and indeed, Pico products—especially strawberries (peak season in winter) and grapes—are widespread in German markets. Pico also exports to the United Kingdom and Holland.

Egypt faces competition from members of the European Union, which enjoy shorter transport routes, and hence cheaper prices. For example →



AGRICULTURAL EXPORTS HAVE FLOURISHED IN THE PAST YEARS

according to Farouk Kandil, Export manager of Pico, Spain is Egypt's most aggressive competitor with respect to strawberries' exportation, whereby Egypt becomes incapable of competing as of mid March.

According to Kandil, cultivation takes place in accordance with European specifications whereby the company is ISO and GAP certified. "With the Barcelona Agreement Egypt will play a larger role in the European market, enhancing its exports to Europe," says Kandil. Pico's future strategy involves the exportation of Mangos. Additionally, the company has recently embarked on experiments for organic food, a product rendered highly profitable in the German market.

However, targeted expansions cannot be accomplished unless rectification takes place in the more stringent aspects of export procedures. Kandil further explains that "export procedures in Egypt are smooth and do not involve obstacles." The only problem faced by the company, according to Kandil, involves the importation of packing material for which the government requires a letter of guarantee, which is



Germany represents the largest importer of organic products within the EU, with total imports reaching DM 2 billion-4 billion in 1999

sometimes difficult to reimburse upon exporting the material again. The Government imposes such rules to suppress smuggling, however the regulations often hinder exportation activity.

Organic and Herbal Products: An Export Potential

Exports in the form of organic products have been progressively gaining momentum, especially within the German market where consumers are motivated to purchase organic food driven by health purposes. Germany represents the largest importer of organic products within the EU, with total imports reaching DM 2 billion-4 billion in 1999 for which an annual growth rate of 40 percent is expected. Sales mainly take place through health food shops, weekly markets, and farm outlets, in addition to the growing share of supermarkets. The demand for off-season vegetables and fruits is generated mainly in supermarkets. There is also a growing demand for organic vegetables to cater to the raw materials' requirements of the processing industry.

Within the Egyptian market, Sekem—established in 1977 by Dr. Ibrahim Abouleish—has been a pioneer in introducing the idea of organic production and biodynamic cultivation to the local market through breaking the reliance on chemical pesticides and fertilisers. The company's first export ship- ➔

New Egyptian Cotton Logo

The 50s witnessed the eminent presence of Egyptian cotton on international catwalks. Several reputable German companies, like Triumph-Miederwerke, utilised Egyptian cotton in production.

Egypt's cotton lost its glamour over the last three decades as the government has deemed it politically expedient to feed its state-owned spinning and weaving industry, even though most machines are outdated and unable to extract the full potential of the country's top notch cotton. This has often been at the expense of consumers abroad who have turned to more reliable sources, like the USA. However, the government has rectified the situation through active measures to upgrade Egyptian cotton and this has served to restore its image and international recognition.



50's Logo



New Logo

In preservation of the property rights of Egypt's high quality cotton, the Egyptian Ministry of Economy and Foreign Trade has developed an Egyptian cotton logo in association with the German Development Aid (GTZ). The logo, which symbolises an Egyptian cotton plant in a pyramid shaped triangle, distinguishes products comprising 100 percent Egyptian Bardanese cotton from other cotton products. The logo has been registered in Egypt through the joint efforts of the Egyptian Ministry of Foreign Trade and the Alexandria Cotton Exporters Association (Alcotex) through which Egyptian companies may apply for the logo. The logo has also been registered beyond Egyptian borders in a number of countries including USA, China, and India. ■

ment took place in 1981, and today Sekem² is one of Egypt's leading exporters of organic and herbal products (including herbal teas) to the German market.

"Compared to fresh products like vegetables, the exportation of herbs or herbal tea is not that prompt. The herb Camille, for instance, is harvested in the fields, then brought to the farm where it is dried for at least seven days in a special drying room," explains Helmy Abouleish, managing director of Sekem. "Since Camille can only be harvested once a year, a certain amount is packed and shipped to Europe immediately, while the rest is stored and exported upon demand over the whole year," Abouleish adds.

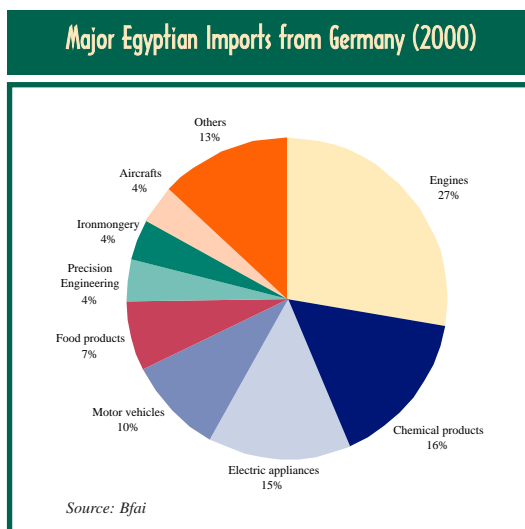
Niche Products

Besides Egypt's traditionally exported goods, the exportation of a number of niche products which enjoy a good chance to compete with European products is steadily emerging.

A successful example is Bavaria Company, which has been exporting fire extinguishers to Europe since 1990. Bavaria is well established in German markets. Products distribution takes place through its own affiliate in Germany (Bavaria Germany). Their export turnover in 2001 reached DM 5 million. According to Dr. Nader Riad, chairman and managing director of Bavaria Company, the Egyptian Government is offering sufficient freedom and only few restrictions for exportation.

But generally speaking, Riad points out that market penetration in Germany is very competitive, especially that German importers are touchy about Middle Eastern exporters' dumping prices.

The IT sector is also demonstrating potential for export, despite the current stagnation experienced on international IT markets. According to a report by the



EGYPTIAN EXPORTS TO GERMANY IN 2000 REACHED €280.3 MILLION

Ministry of Economy and Foreign Trade in 2001, the Egyptian software industry has excelled significantly in the last five years reaching a growth rate of 35 percent. The IT sector's competitive edge, compared to other areas, is the sector's inherent mitigation of any governmental bureaucratic obstacles. Programmed systems are sent via net to the customer in Germany, with no need to pass custom controls or insurance etc.

According to the Ministry of Communication and Information Technology, the Egyptian IT exports are expected to reach US\$ 100 million after five years from now. However, the Egyptian IT market is still in the infant stage, and needy of a wider range of marketing. Currently, between five to eight IT companies are exporting to Europe, US, and the Middle East. Nilesoft is one of them. Mustafa Toson, Marketing manager of Nilesoft clarifies that Egypt is an interesting market for the Europeans due to its proximity, offering cheaper labour and access to efficient calibres.

Many Egyptian companies have succeeded in competing on German markets. Many more companies wish to unlock bolted international markets, but the question is: who is equipped to lend the key? The new Export Promotion Desk of the German Arab Chamber of Industry and Commerce is ready to open doors to Egyptian exporters to enter the German market. ■

DALIA ABU SAMRA

- 1- Egyptian Ministry of Economy and Trade
- 2- Sekem is also engaged in the exportation of textiles.

For further information contact Export Promotion Desk of German-Arab Chamber of Industry and Commerce
Cairo office: daliaabusamra@dhk-mena.com
Berlin office: helmi.bassant@berlin.dhk.de