

HIGHER OBJECTIVE FOR ECONOMIC REFORM POLICY PUSHING EGYPTIAN ECONOMY TOWARDS SELF-DEVELOPMENT

In acknowledgement of the fact that the economy is the backbone of life and the criterion of strength and progress in our contemporary world, and in the keenness of the state to achieve a comprehensive development that would provide a dignified life for Egyptians, hence comes our talk on economic reform.

This topic is not new, but has always existed, imposing itself in every occasion. It is what we could call “the ever-present absent”.

In fact, the Egyptian economy has a direct impact on the life of individuals, determining how far the state could realize its aspirations and become a modern state, in the real sense of the word;

What is new and touching here is the presence of a political and economic plan, on which all experts and specialists agree.

Priorities here are not controversial. By a simple process of addition, together with the subtraction of certain obsolete laws that cannot serve the legislative requirements of a modern state we can easily read the full economic reform map, as well as the executable mechanisms, away from unrealistic hypotheses;

No one can deny that what has been achieved from laws, as well as legislative and executive procedures, left a positive impact on the national economic reform march. Among the most important steps taken are:

1. Establishing the Ministry of Investment, which has magnified the concept of investment and alleviated the public sector of its heavy burdens, this being the other side of an effective developmental trend;
2. Amendments of the Customs Law by virtue of Presidential Decree No. 300 for 2004, where 6000 customs items were tangibly reduced. Also customs clearance procedures have been reduced and obstacles eliminated, in favour of individuals and clearance companies;
3. Introducing the new tax draft law, which comes after years of debate, and which is considered revolutionary. Bold procedures, represented in reducing income tax categories and taxes on activities, are capable of greatly enhancing the industry and productive sector. This law includes reducing taxes on profits of commercial and industrial activities from 40% down to a maximum of 20%. It will also exempt machinery and equipment from sales tax, once they are imported by factories for their own use. Moreover, this law allows the reimbursement of already paid sales taxes on machinery and equipment. The law alleviates tax burdens on per capita incomes, granting full exemption to husband and wife up to EGP 5000 annually.

This matter will encourage arbitrary and non proclaimed activities to register themselves and fall under reduced tax categories. Undoubtedly, obscuring an activity is far more costly than due taxes ranging between

10 – 20% maximum. On the other hand, the law imposes harsher punishments on tax evaders.

Hence, the objective of magnifying the value of tax proceeds is attained, in spite of the reduction of tax categories, which only shows that Egyptian governmental minds are capable of adopting modern and effective steps;

4. Law No. 2 for 2005 for Protecting Competitiveness & Stopping Harmful Practices. Undoubtedly, this law will eliminate many harmful practices from the industrial and commercial street, such as raising prices by those monopolizing commodities, faking a shortage in certain commodities and dividing the market among monopolizing tradesmen of some commodities;
5. Better rates of exchange for the Egyptian pound vis-à-vis the American dollar and other currencies. The Stock Market has witnessed a great improvement since January 2005, which is a sign of an economic improvement. The dollar is now much more available on the market; tourism rates are rising; oil and gas exportation revenues are increasing; Egyptian exports are on the rise; Egyptian expatriate transfers are increasing, Suez Canal revenues have risen upon the relative reduction of fees;
6. Law No. 13 for 2004, amending some provisions of Investment Law No. 8 for 1997. This law has lifted many procedures off the backs of investors, which were quite repellant for investment in the past. Also, a new term appeared, namely the “Single Wicket”;

7. Establishing new industrial zones, a matter that will lead to economic rapprochement between Europe and Mediterranean States, in application of the "Barcelona Agreement". Products of the European and Mediterranean regions will enjoy mutual customs reductions reaching nil within 15 years;
8. Real Estate Funding Law. Although Law No. 148 for 2001 for real estate funding has entered into force in August 2003, yet it was only activated in March 2004, when the international DEG corporation invested with 20% of the total value on the market, in order to activate transactions. Concrete results are expected to be seen in 2006;
9. Applying the Unified Bank Law No. 88 for 2003, which entered into force in February 2004. The first bank to benefit from this law that allows national banks to break off from their joint-venture with foreign banks was Barclays Bank, which ended its partnership with Banque du Caire.
10. Abolishing Ministerial Arrêté No. 506 for 2003 on 13/12/2004, which obliged exporters to transfer the proceeds of their exports in foreign currency to banks. This has put an end to the phenomenon of hiding the dollar, which was on the rise, due to the demand on it. By abolishing this arrêté, the dollar fell and the Egyptian pound resumed its equilibrium;
11. Decreasing Non Specific Subsidies. This decrease has achieved success at the level of cost and revenue. Among the most important domains were prices of water, diesel, transportation, electricity, energy and fertilizers;

12. Insurance. As of April 2004, amendments introduced to Law No. 156 for 1998 entered into force, allowing foreign insurance companies to operate in Egypt, without the need to enter into partnership with Egyptian insurance companies. The first one to benefit from this amendment was the German “Alliance” group, which started pumping new investments in insurance on the Egyptian market;
13. Labour Law No. 12 for 2003, which determined a more balanced relation between the employer and employee, taking into consideration that labour laws are constantly evolving and undergoing amendments, in order to meet future requirements;
14. Law No. 141 for 2004 for Developing Small Enterprises. This law represents a good environment for small enterprises, in general, and small industries, in particular. The law has resorted to similar international laws, concerning protections and facilities granted. Also, allocating 10% of the governmental purchases (stipulated in the Law) for these enterprises will create a state of marketing promotion for the industries that constitute the base of the industrial pyramid in any place and time.

We are not to forget, in this concern, the QIZ Protocol, which introduces an addition mechanism for whoever needs it, and which constitutes part of the chain of international agreements, such as the European Association Agreement, Arab Free Trade Zone, COMESA, ... etc.

Other laws to be issued, which are related to organizing the economy, will have a positive and effective impact on the economic reform march, such as:

- Commercial Fraud Draft Law
- Consumer Protection Draft Law
- Unified Company Draft Law
- Transparency & Handling of Information Draft Law
- Draft law for organizing the contribution of the private sector in infrastructure projects
- Special Economic Court Draft Law

No less important is the expansion in allowing foreign universities to set up branches in Egypt, such as the German, British and French universities, as well as the expansion of the American University.

This will raise the standard of graduates and furnish the labour market with highly qualified cadres, who will be duly paid. Hence, the Egyptian industry and the Egyptian economy will rise to competitive international levels;

Probably, this integration accomplished by Dr. Ahmed Nazif's Cabinet, where more than one field of specialization fell under the umbrella of a single ministry, such as the Ministry of Investment and Public Enterprises of Dr. Mahmoud Mohie Eddine and the Ministry of Foreign Trade (exports) and Industry (production) of Eng. Rachid Mohamed Rachid, is a sign of steadfast integration;

Furthermore, news about establishing the e-government reflects attainable aspirations. Optimistic economists believe that economic indications show that many positive aspects are to befall the Egyptian economy, leading to its rise, where by the end of 2006, it could achieve self-development and make up for lost time.