

ten Challenges facing the Egyptian industry internally

The latest study, by the Industry and Energy Committee at the people's Assembly, identified the challenges facing Egyptian industry, during the current stage, and in the coming one. The study affirmed the existence of ten challenges facing the Egyptian industry on the local level, most of which have to do with quality and production systems, which are below the international quality level, plus the ineffectiveness of the control systems. This is in addition to lack of a specific plan for the advancement of local industries.

The study called for the endeavor to reach a growth rate of ten% yearly, to assure the realization of an industrial development during the current five-year plan, and for the endeavor to reach an export rate of three times the current one.

In a study, submitted to the People's Assembly:

Ten Challenges facing the Egyptian industry, internally

Five Fundamental pivots; for the development of local production

Dr. Nader Riad, Counselor of the Industry and Energy Committee at the People's Assembly, has drafted a study on the challenges facing Egyptian industry.

It is an analytical study, outlining the strategy of industry and energy in Egypt, and the prospects for Egypt at the inception of the twentieth century.

The study comprises a section on industry in Egypt, since the time of Mohamed Ali, and another on the latest challenges facing Egyptian industry, during the current stage, and in the coming one.

The Committee of Industry has outlined a strategy for industry and energy; in order to be applied immediately, due to its importance for the development of industry in Egypt, through the recommendations set by the Committee; constituting a future vision for Egyptian industry.

The first section briefs the reasons for the power and growth of Egyptian industry, during the twenty years of Mohamed Ali's reign. they were: economic independence, freedom of the state to force its will, both politically and economically, without any exterior pressures or interventions, the considerable role of the state: in protecting the emerging industry, managing the industrial sector, investing for the purpose of industrial growth, and mobilizing all the resources; to realize development in general, and that of industry in particular. The strong boost of investments, in the industrial sector, has also been mentioned.

Such power and growth were mainly due to the realization of a structural balance of the national economy, which was achieved by an equilibrium between different sectors; none of which prevailing on any of the others.

Industry challenges

The second section of the study discusses the challenges facing the industry, currently. Those have been classified into two groups, the first of which is that of exterior challenges; related to international economic and political changes, and their consequences for the national industry, particularly

when all international indications and changes point to fierce commercial challenges and conflicts, of which the consequences and impacts will not be less than those brought on humanity by the wars it had suffered in history, all the way.

However, there is difference from the arms and tools that were used in traditional wars, and of course, the struggle now will be for more shares of the market.

The study summarized the exterior challenges facing Egypt, due to the difference between the Egyptian philosophy of industry, and its strategies, and what is pursued by other countries, and to the huge disparities in the production volume, plus the increasing economic conflict, and the fierce competition between major industrial States; when sharing international markets, not to mention the growing orientation towards regional economic integration, and the intensive transition to capitalism, the option for privatization policies, the global application of economic reforms, and the growing flow of capitals; resulting in the advancement of industries.

General Agreement on Tariffs and Trade (GATT)

The study showed that the GATT has led to many challenges to Egyptian industry;; as it paved the way for competitive products, when Egyptian products were not yet ready for competitiveness. This of course represents a serious challenge to the national industry.

The study made clear that the protocol for access to markets, which allows the opening of the Egyptian market to all sorts of goods from different countries, will dump the Egyptian market with foreign goods. Above this are the difficult

and long legal procedures; concerning dumping issues, and illegal competitiveness.

At the same time the study emphasized that Egypt-EU Partnership Agreement, which should be signed by Egypt, is considered a strategic option for Egypt, in such international and regional circumstances it would be useful in realizing strategic industrial interests, which depend on the capacity of the performance of Egyptian industry; when adapting to provisions set in the agreement.

This, of course, hinges on the aptitude of the Egyptian industry for self-development; in view of strengthening its capability of competitiveness.

Partnership Agreement

The study underlined the most important challenges set by the Partnership Agreement, mainly the establishment of a free trade zone, and the flow of goods and products in the Egyptian market, against the difficulty for the Egyptian products to access to European markets, and the strong pressures that might influence Egyptian industries.

It is worth mentioning that there are many issues, regarding the Egyptian goods in this Partnership Agreement, such as the prevention of their access to European markets; for reasons having to do with the environment, with work conditions, among which are child and juvenile labor, as in the case of cotton agriculture, in addition to inception regulations; representing another challenge, quite fierce.

Ten domestic points

The study pointed at ten challenges, on the domestic plane, which are:

The lack, by Egyptian industry, of international quality systems, plus the ineffectiveness of industrial control agencies, of which the role has been restrained.

Slowness of the growth rate of industrial exports, plus the many restrictions that hamper export processes.

Numerous customs, and tax charges, imposed on Egyptian products, thus raising its cost, and limiting its capability of competitiveness against similar foreign products.

Absence of a specific plan to advance small and medium size industries, and the numerous problems affecting them.

Negligence of the environmental dimension in the field of industry.

The program of privatization, and restructuring of companies belonging to the public enterprise sector, did not bestow any preferential advantages on Egyptian industrialists; which might lead to the increase of foreign domination.

The flow of smuggled foreign goods and products, constituting a threat to similar Egyptian goods and products.

The mediocrity of engineering designs development, and of manufacturing capital equipments.

Shortage of scientific research – thus restraining its role - and of the development of technology, and of innovation in industrial applications.

Incapability of human resources programs to satisfy the demands of the industry.

Development Strategy

The third section is concentrated on industrial and energy strategy. The study illustrated some lessons, learned from the experiences of the developed industrial countries.

It showed that the basic factor for developing the exporting process is to acquire a competitive advantage for national industries. In fact, planned development, and scientific innovation are the base of competitiveness, in both markets, the local and the exterior.

For the human being is the pivot of the realization of development, and small industries are the fundamental base for acquiring competence in sustainable development, and launching new job opportunities.

Exports increase

The study stressed that in order to achieve an industrial boost, Egyptian industries should be increased by more than ten per cent yearly, during the current five-year plan (which is the fourth), and should double current industrial product and triple current Egyptian exports within five years.

The national industrial sector should contribute to the increase of Gross Domestic Product (GDP) three times more than the population growth, by the end of the coming five-year plan, along with the increase of the current average per capita to 150 per cent, by the beginning of the year 2000.

Plus the creation of half a million new job opportunities yearly.

The study identified certain basic pivots for the strategy for industry to rely on. They are: first, that of priority sectors, including spinning and weaving industries, electronics industries, software industry, petrochemical industries, and food industries, plus producing fertilizers, tanning leather, and manufacturing leather products,

Next is the geographical pivot, for the development of industrial exports, and the small industries pivot, for the development, and upgrading, of the quality of Egyptian industrial product, and for setting a mechanism; maintaining its evolution.

The study called on the State to examine all regional and international economic variables, and to make Egyptian industry ready for international competitiveness; benefiting from transitional periods, provided by the GAAT and the Partnership Agreement. The study also insisted on the undertaking of studies on the important industrial goods: their production, their exportation, and their importation.

Marketing Policies

The study appealed to industrialists for immediate orientation towards marketing policies, revising marketing departments in enterprises, providing technical training for their personal staffs, and adequate budget; to cover the expenses of industrial research, and development, along with pursuing a continuous revision of the chart of costs, to reduce it. profiting from economic savings of the production operation, using scientific procedures for production planning, revising quality control systems, rationalizing the use of energy,

preserving industrial environment, following up workers technical training, at all levels, starting to contribute in the establishment of specialized companies in domestic and international marketing, expanding, and contributing in investment; for the construction of small industries, feeders of those that already exist.

Finally the study urged the consumer to buy, for reasonable prices, Egyptian good quality products and commodities, which are similar to the ones imported by the local market, and not to buy smuggled commodities of unknown origins, despite their low price, and to boycott all bad quality commodities, no matter how cheap.