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**IMPROVING BUSINESS ENVIRONMENT
& CREATING COMPETITIVENESS
FOR EGYPTIAN INDUSTRIES**

**ANALYTICAL STUDY
BY DR. NADER RIAD**

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Introduction

The Eighties are over, during which the Egyptian economy had suffered a serious crisis that called for swift remedy. In addition to problems and burdens of development, we endured a wave of inflationary stagnation, due to mutual credit relations with the developed capital world.

Dimensions of the economic crisis at the beginning of the present decade could be summarized as follows:

- A- Rise in inflation rates up to 21.2% in 89/90, compared to 10% at the beginning of the 80's;
- B- Economic stagnation represented in a drop of GDP growth rate to 2.1% - 2.4%, which falls below the rate of population growth. This signifies deterioration in the average per capita income. Stagnation is also represented in rise in unemployment rates, up to 15% of the manpower (which in fact is higher, once we add to it partial and masked unemployment).

These two phenomena reacted together, giving rise to further dimensions to the crisis, where the trade balance deficit rose to \$ 8.3 billion in 89/90.

As for the overall deficit in the payment balance of the same year, this amounted to \$ 1.2 billion. This difference is attributed to surplus in unseen operation balance or service balance, as well as transfers of Egyptian expatriates.

This external deficit is a consequence of weak local economic performance, entailing failure in export capacity, besides inflation. All this renders local products more expensive and less attractive to the outside world.

Also, this deficit indicates shortage in foreign currency needed for local investments. Adding to this the lack of local savings, the result would ultimately be to resort to external debt, which has amounted to \$ 46.1 billion.

Debt service, between interest rates and annual installments, reached 46% of export proceeds, with little left for local investment. Given the shortage in sources of both external and internal funding, the government was in need of financing the balance deficit through inflationary funding, i.e. introducing new money, a matter that aggravates the inflation problem. Thus, one problem led to a more complicated problem, with inflation and stagnation remaining as the basic elements for the entire crisis.

Economic Reform Policy

The first phase of the economic reform policy was launched in the second quarter of 1991, after signing two agreements, one with IMF in April, for adopting urgent procedures to stabilize the economy, through reduction of inflation, balance deficit, deficit in payment balance and other overall economic changes, and one with World Bank, for adopting structural reform, in order to improve conditions of the public business sector and to raise its efficiency.

This is to be followed by transferring this sector into private sector, which is to take the lead in economic activities.

Complementary to these two agreements, an accord was concluded with international creditors, members of Paris Club, in order to drop gradual

percentages of our debts, based on the extent of success of the agreed-upon economic reform procedures.

The first phase has ended and the second has started in June 93 and is expected to last for three years.

On top of its objectives, the reform programme has aimed at controlling inflation and reducing its rates, by adopting certain monetary and financial measures that reduce the overall demand.

Simultaneously, the programme aimed at raising the standard of economic performance, on the whole, through shifting from a centralized economy, based on the public sector and producing mainly for the local market, into an economy led by the private sector and by economic decisions that depend on the forces and mechanisms of the market, and whose products could compete in external markets.

The first phase of economic reform has fully achieved its objectives, according to outcomes and indications, taking into consideration that controlling the overall demand to reduce inflationary pressures is a short-term economic policy.

In spite of its importance, the latter fails to be a total remedy for the crisis, given the fall in actual GDP growth rates and the rise in unemployment rates. Therefore, the first phase of the economic reform programme included procedures that aimed at remedying these problems, mainly the liberation of prices and foreign trade, reform and privatization of the public sector and reform of the organizational framework of the local market.

However, these procedures have far-fetched impacts that cannot be easily linked to the overall results.

Concerning the organizational framework reform of the market, the state aimed at creating the appropriate climate for free economic activities by the private sector.

In this domain, the system of obtaining licence from the General Organization for Industrialization was substituted by a simpler system that only calls for registering investment projects at the Organization.

Only a few investment projects are an exception to this procedure. Furthermore, procedures for expanding the productive capacity of projects are simplified, as well as procedures for changing sites of activities.

Directives of the second phase of the reform programme indicate further focus on financial, monetary and shrinkage procedures, in order to control inflation, while prompting the liberation of economy in realms of prices, foreign trade and privatization of the public business sector.

In addition to that, the government is aiming in this phase to revive the economy and alleviate the state of stagnation and unemployment, through motivating the overall demand by reducing interest rates and cash reserves in banks.

Challenges confronting the Egyptian economy are grave and complex. In spite of what the government is exerting from strenuous efforts in the economic reform programme, yet still the programme remains reformatory and not a strategy for development. Curbing inflation, reducing balance deficit, stabilizing exchange rates of the Egyptian pound and confining governmental economic activities to specific circles are all, undoubtedly, elements with positive impact.

They all pave the way for a breakthrough towards a more comprehensive and general objective, namely socio-economic development that takes into

consideration, not only the rise in GDP and consequent rise in the average per capita income, but also the overcoming of unemployment, mal-distribution of growth costs, imbalance between economic sectors, ... etc.

Accomplishments of the economic reform programme, with the support of IMF and World Bank, should be placed within the context of a comprehensive visualization and a national work plan, in order to achieve a growing socio-economic development.

Benefit should be made of this historic opportunity, before it is lost and we end up with a few lower figures in the deficit and external debts and a few higher figures in the average per capita income.

In order to achieve this, it is necessary for the comprehensive visualization and the national work plan to focus on improving the business environment and investment climate in Egypt, in a manner that would guarantee a giant leap for the Egyptian productive society.

Towards Better Business Environment & Investment Climate in Egypt

First: Reducing productive costs:

The coming phase should set among its main objectives the alleviation of burdens off investors and producers, in order to reduce production costs and raise competitiveness.

There are several axes to achieve this objective, mainly:

(1) Reducing interest rates on bank loans

Industrial projects should differentiate between different funding receptacles. Financing fixed assets of projects should enjoy an interest rate other than that of financing raw materials and production requirements. This matter has been taken into consideration by the Customs Authority, in acknowledgement of this viewpoint.

There should be a unified integrated view on the concept of private activities.

(2) Reconsidering tax burdens, fees & insurance, in general

A- On 31/12/1993, the People's Assembly agreed upon a unified tax draft law, after lengthy discussions. The government conceded to amend several articles. However, direct tax rates still remain too high.

It is not at all appropriate that rates, according to the law, are such:

- Up to EGP 2500	20%
- Over EGP 2500 up to EGP 7000	27%
- Over EGP 7000 up to EGP 16,000	35%
- Over EGP 16,000 up to EGP 27,000	40%
- Over EGP 27,000 up to EGP 68,000	45%
- Over EGP 68,000	48%

These rates should be reconsidered. Taxes are not only a burden on profits, leading to curbed investment activities, but also excessive costs. Local products cannot compete under such conditions with their international peers, either locally or abroad.

B- Under specific circumstances in 1984, the state imposed a resource development fee of 2% on revenues exceeding EGP 18,000.

This fee is considered a tax, since “fee” indicates a sum of money paid in return for a service offered by the state. Naturally, this is not the case with the resource development fee. A tax is a commitment that is paid to the state.

Hence, it is necessary to abolish the resource development fee, after the issuance of the unified tax law.

This fee should not be seen from a limited point of view as merely resources, since this renders the Egyptian economy very costly, at a time when we are seeking international competitiveness with foreign products that fall under the same type of taxes.

C- It is well known that economic activities flourish only when resources are allowed to shift from one hand to the other. Success of a market is indicated by the smooth and flexible flow of resources between individuals and sectors, ending in the hands of those managing such resources as best as possible, while benefiting and allowing the society to benefit, as well. Impediments in front of the flow of resources obstruct the market.

Here, we find the Tax Law imposing additional fees on each sales operation. In other words, it is penalizing trade activities, in spite of the fact that a market is based upon the concept of trade exchange. The swifter commodities and services are transferred, the more the economy flourishes.

Hence, it is necessary to consider abolishing additional fees on sales transactions.

D- Social security needs to be reconsidered. This would open the door in front of youth to learn and would encourage workshops to absorb trained youth. It should be considered a national duty. No social security should be imposed on owners of workshops, driving them to get rid of trained youth and depriving the country of a genuine school for training technicians that are urgently needed.

E- A study should be made on the real reasons behind tax evasion, and results of the study should be used to rectify this path. In fact, direct tax evasion has led to a rise in indirect taxes, such as fiscal stamps, sales tax, customs duties on production requirements and fees collected on all sorts of activities. In the end, fees are imposed on each and every activity, for the benefit of the state or any control authority.

All this leads to tax evasion in all possible ways, giving rise to many negative aspects, since the burdens are unrealistic.

(3) Reviewing energy prices

This includes electricity, water and all kinds of fuel, with progressive price categories, according to consumption, while adopting the concept of “big consumers”.

(4) Customs duties

The state is continuously exerting great efforts to review customs duties on means and requirements of production. This should continue, in order to attain optimum equilibrium between imposed duties on means and requirements of production, and imported consumer commodities and products, in the light of existing challenges.

Second: Investment in human beings

In Egypt, we possess a great human wealth and creative minds that are capable of innovation and development. More efficient programmes are to be set, in order to exploit this human wealth and invest it in a manner that would release all potentials.

Upon studying the path and experience of developed countries, it becomes evident that investment in human beings is essential, as a launching point for the progress of society.

The value of human beings should be elevated and their needs met within all societal institutions. They should be trained and rehabilitated to produce better.

Also, the appropriate environment should be created, particularly working conditions, while paying heed to the moral state of workers.

Expectations of the entire society should be raised, urging people to bring out the best they have and to create and innovate to keep abreast with the ferocious competitiveness that is witnessed worldwide, as well as inside in our country.

It is necessary to highlight successful elements and figures of the new society, in order to encourage others. Societies grow with the emergence of new outstanding figures in fields of management, design, ... etc. International standards should be applicable in rating human success.

Also, new work values and cultures should be enhanced in society, such as paying respect to time, mutual respect between individuals, highlighting the outstanding and successful potentials, encouraging team work and learning to deal with foreign institutions.

This task falls within the competence of management, in general and within each institution. The responsibility is shared by all institutions and companies to develop skills of each and every working individual and to vest him with new ones, in order to raise him to international levels.

Investment in human beings should be the focal point of interest of all managers.

Third: Promoting role of scientific research

Scientific research activities should not be considered an extravagance. Scientific research plays a major role in developing life in Egypt.

The coming century calls for investing in scientific potentials through having access to scientific research centres in developed countries, taking from them what suits us in Egypt. In order to achieve this, appropriate allocations should be made for this objective.

Advanced industrial institutions, worldwide, spend billions of dollars on scientific research. Thus, we propose the following, in this concern:

1. Raising awareness on importance of scientific research in all state institutions, through holding seminars and conferences for heads and senior officials, in order to raise their conviction of the importance of allocating budgets for scientific research within their institutions;
2. Productive institutions should contribute to supporting universities and research centres and bolstering relations with scientists abroad. This issue could be studied and an organizational framework set for it, through joint cooperation among the Egyptian Federation for Industries, Higher Council for Universities and Ministry of Scientific Research;
3. Preparing a team of specialists in media on scientific research, and marketing scientific researches, while assisting benefiting agencies to get acquainted with their research needs.

Fourth: Promoting role of small industries

The “Asian Tigers” experience, which is similar to us in view of international circumstances and time factor, is the closest to be studied and simulated for application.

What is of vital importance in this experience, and which calls for our attention and scrutiny, is the way these countries turned into new industrial states by establishing a wide and profound industrial base, built on a developed scientific concept for small and medium industries.

The latter were considered the backbone of progress and swift growth. More important still, they were considered the cornerstone for providing magical solutions towards swift development, given that these industries were capable of absorbing local manpower and raising the added value of resources and local and national potentials, in order to provide the fundamentals and components of major and heavy industries.

Thus, they no more depended on the outside world, avoiding the depletion of foreign currency resources, which often become a burden to the growth process, instead of being a positive addition to its elements and assets.

This type of small and medium industries, in its modern and evolved concept, occupies a distinguished position in the export capacity of the Asian Tigers.

This is done by means of an information and data system, quality control, and good marketing through giant and major companies, which are well qualified and capable of dealing with international markets.

Outcomes of a study conducted on the Japanese and Korean experiences show that the development of small and medium industries from the very start had a great impact on the flourishing and progress of their economy and its swift growth.

Small and medium industries were basically represented in subcontractors for bigger companies and multi-national institutions. The relation between these industries and the major institutions is built on the principle of the latter providing markets and technical assistance for the growth and development of the former, in conviction that their development is to be sponsored by bigger institutions.

Malaysia has benefited from the Japanese and Korean experiences, adopting the same line.

Small and medium industries in Malaysia started in a traditional and old-fashioned manner, amidst little basic technological expertise, limited local market coverage, few investments and a simple administrative system.

At the beginning, it was a family business, where commodities were produced and put on sale in stable wholesale market outlets. To start with, small and medium industries were marginal and of low contribution, where added value was concerned.

Also, they were relatively independent of one another, but not totally independent. With the strong growth of industrialization and the establishment of heavy industries by the state, such as steel and cars, in the beginning of the 80's, the nature and structure of small and medium industries changed, becoming more integrated with the bigger institutions they served, and started developing, in order to guarantee better and sounder management.

The concept of production systems, quality control and modern management became the trait of such industries. With major and multi-national institutions behind these small industries, financial institutions were more encouraged to provide them with financial assistance for growth and modernization.

With further industrialization, small and medium industries with fine technologies started emerging, especially in fields of detailed plastic formation, model-making, accurate casts of rubber & metal, computer parts, assembly of integrated circuits, car components and many electrical appliances.

Moreover, products of small and medium industry found their niche in export markets.

Such swift industrialization led to a great and genuine leap in exports, based mainly on industrial commodities, where Malaysian industrial exports amount to 60% of the total exports, with expectations to reach 80% by 2000.

The “Asian Tigers” experience reaffirms that the role played by small and medium industries is no less important than the one played by major institutions and giant companies.

Enhancement and support of small and medium industries is not confined to bigger companies that have direct interest in the matter. Governments, as well, are obliged to support and develop such industries, by all means, including financial assistance, feasibility studies, marketing, training, better designs, higher productive quality and development of export markets.

The experience of small and medium industries in Tiger States illustrates the urgent need of these industries for support and enhancement by developmental financing institutions, in order to grow and expand in activities.

Focus should be made always on setting local policies for encouraging the swift growth of technological advancement of national industries, in order to achieve equilibrium, in the light of free economy policies, and in order to be capable of competing and remaining.

Small industries in Egypt are still suffering from many problems, in spite of endeavours exerted by the state in this domain.

In spite of the open arena before small industries in all technical domains, still there are other problems that are no less important, such as disorder in obtaining raw materials systematically, price-wise and time-wise, lack of

knowledge of prevailing international standards for each product, inaccuracy of machinery and equipment used, negligence in technical maintenance and periodic checkups, lack of basic principles in management and organization, backwardness in marketing, distribution and wrapping and failure to adopt concepts of industrial and vocational discipline.

The important and essential role of small industries is indisputable, together with its impact on industrial, economic and social development.

Countries that have achieved swift growth are those that have adopted a successful general framework for a policy that promotes small industries.

The state could enhance small industries through:

1. Financial assistance:

This is through a general fixed national policy with clear-cut features, to be carried out by industrial development banks. Solving financing problems will contribute to solving the problem of obtaining the necessary raw materials and machinery, produced locally or imported from abroad.

These banks could even purchase raw materials and machinery at a larger scale, while meeting quality standards and reasonable prices, and store them in complexes, at the disposal of small industries.

This would save the latter the hassle of venturing into importation and financing operations of which they are not well aware.

2. Providing a data base:

This base is to serve these industries, especially concerning means of obtaining raw materials & machinery, local and external markets, technical standard specifications of products and raw materials and the different assistance channels for funding, marketing or technical help.

3. Raising technical & vocational standards of labour:

Undoubtedly, vocational discipline and technical efficacy are indispensable in raising the value of labour and its impact on work. Industrial investment cannot advance without high-level technical labour that enjoys a good vocational standard and a spirit of discipline.

This in itself will have a positive impact on creating job opportunities for local labour at better wages, inside and outside the country. Hence, the aspired industrial development should be concomitant with swift development in rehabilitation and training policies, in order to keep pace with these changes, while abiding by the same types of vocational training and using the same programmes and same code numbers applied worldwide.

4. Marketing:

The state should assist these small industries through a national visualization that is capable of rectifying their path, turning them into feeding industries, on one hand, and rendering them capable of meeting the needs of markets and consumers, on the other. Industries reaching distinction should be then allowed to invade the domain of exportation.

5. Technical assistance:

The state should provide all possible technical, administrative and financial development means for these industries, through offering consultation to solve their problems. Specialized advisory and developmental institutions, which fall under the supervision of the state, are to offer consultation services, covering taxes, customs and labour laws.

6. Enhancing coordination:

This is in order to allow small industries to integrate better with bigger and more developed institutions, where both parties would cooperate together to promote the smaller industries.

Fifth: Updating labour laws

We are in dire need of a comprehensive review and radical updating of our labour laws, which have been enacted under a totalitarian regime, when the state was in full control of all means of production. Updating is needed to keep abreast with the reality of present and future changes and the conversion from directed to free economy.

At present, high performance is the measurement in work performance. In tomorrow's society, there will be no place for the idle, lingering at work sites, in the absence of performance standards.

This is how a sound equilibrium, which governs the relation between employers and workers within the productive process, could be realized.

Whether they like it or not, employers will be obliged to accept the challenge of competitiveness in a society, where survival is for the fittest. The same applies to workers.

The role of the state, with the help of labour laws, is to act as a neutral party that only takes into consideration the public interest in its overall perspective.

Hence, public interest would be sustained, social justice maintained and a leap in Egyptian industrial performance attained.

We cannot visualize an industrial progress without industrial discipline. Also, discipline cannot be achieved under labour laws that do not allow employers to hold negligent workers accountable, according to their degree of negligence.

The shifting of the state from a directed economy to a free economy should be concomitant with a change in labour laws, which would give a chance to both employers and representatives of workers to reach an accord on working conditions and to negotiate for the best of common interests.

A system can never be sound, if it tilts in favour of one party, at the expense of the other. The success of the industrial society is a success for both parties and its failure is a loss for both.

In Egypt, we have two major problems in this domain – work & manpower:

A- Unemployment, with all its dimensions that are known to us and that cannot be solved, except by raising rates of employment of manpower. We should depend on manpower, quantitatively, at all levels;

B- Productivity at a high quality and at a low cost.

It is impossible to encourage the private sector to invest and increase job opportunities, unless we take into consideration the interests of this sector, as much as the interests of manpower.

Many capital countries like Germany have opened the door for scaled tax exemptions or financial privileges vis-à-vis a gradual rise in employment of manpower. This has given rise to a stark interest in opting for technologies that make use of manpower, instead of those disposing of it.

Thus, we are in need of new labour laws that balance between public national interest, represented in combating unemployment by engaging manpower, and private interest, seeking lower costs, higher quality and industrial discipline.

The new labour law could set a minimum level of wages and social benefits, leaving other issues for work agreements concluded upon negotiation and understanding between employers and workers.

The labour market and needs of employers will both be subject to “supply and demand” laws, a matter that will create gradual privileges, directly connected to real potentials of workers.

The matter will enjoy flexibility and escalation, in accordance with the quality of production and performance, which are genuine industrial criteria by all standards.

Sixth: Creating investment climate in Egypt

Creating an investment climate in Egypt depends on several organizational and legislative procedures, as follows:

- 1- Organizational procedures that actually depend on reconsidering objectives of the General Authority for Investment, in order that it may assume a more positive role in creating an investment climate in Egypt, such as:
 - 1/1- The state – through the General Authority for Investment – could establish and provide industrial edifices, after equipping them with all the basic utilities in industrial zones and cities. Such edifices and industrial establishments could then be leased to small Egyptian investors, as an encouragement for them to invest. Rental value of such edifices and establishments could rise in value with time, as the project acquires seniority;
 - 1/2 – Establishing a mechanism to govern disputes arising between the investor and different state sectors, in order to solve any conflict promptly and directly, without resorting to litigations that are time- and effort-consuming. Losses could, thus, be avoided through arbitration. Arbitration committees could be formed, under the chairmanship of a counsellor and the membership of an arbitrator from the General Authority for Investment, and a second from the industrial or commercial organization, to which the investor is affiliated, and a third representing the investor, and a fourth representing the counterparty;
 - 1/3- The General Authority for Investment is to issue a periodical for investors, furnishing them with all official data and statistics concerning state economy, pertaining laws with explanations & interpretations and decisions influencing their activities. Writers and intellectuals could be invited to participate with articles in these periodicals;
 - 1/4 – The Stock Market is to issue a periodical that includes articles explaining and analyzing Stock Market transactions, equity prices and stocks & deeds, all with the aim of promoting investment in this domain.

2- Legislative procedures are summarized in amending some laws that have a negative impact on investment in Egypt:

2/1- Abolishing the relative fiscal stamp tax imposed on capitals of joint-stock companies, which amounts to 12 in one thousand per year, payable on January 1 of each year, regardless of the company making a profit or not. This tax is unjustifiable, although any direct or indirect tax should be justified. It makes no sense to impose taxes on invested capital in joint-stock companies that are subject to risks of loss, while equivalent money, deposited in banks and making definite profits through interest rates, is not subject to this tax;

2/2- Extending the years of tax exemption for projects with the number of years encountering losses during the tax exemption period, up to five years maximum. Some industrial projects encumber losses during the granted tax exemption periods. In other words, these projects do not enjoy tax exemptions during years of losses. To be fair to all projects, and in encouragement of investors, whose projects encumber losses at the beginning, it is necessary to extend years of tax exemption for any project with the number of years encountering losses during the tax exemption period;

2/3- Exempting capital profits arising from re-evaluation of assets from taxation, as well as capital profits arising from the project itself. In fact, these profits are ledger profits that totally overlook the percentage of market inflation and the percentage of drop in purchase value of the Egyptian pound.

Seventh: Raising Exportation

This could be done by assisting in opening new markets and acquainting international markets with Egyptian products, through the adoption of specific procedures, mainly:

(1) Adopting a set of Egyptian standards

A set of Egyptian standards could be adopted by the Egyptian Federation for Industries, which are internationally acceptable, mainly in USA.

Here, we refer to steps adopted by Israel, concerning Israeli fire extinguishers, solar energy uses and certain electronic commodities that are now acceptable on the American market, although they do not fully comply with (UL).

Within this context, we propose starting with the following group of commodities and Egyptian standards:

<u>Commodity</u>	<u>Standards</u>
Fire extinguishers	734/1992, 1494/1990, 1871/1990
Ceramics	270, 271/1988, 293/1990,
Aluminum products & ingots	1751, 1752/1989
Filters	2005/1991, 2006/1991
Air-conditioning units, boilers & washing machines	378/1985, 1498/1985 2088, 2089, 2090/1992

(2) Establishing a permanent representation for Egyptian industries

The Egyptian Federation for Industries should adopt this idea in some American, European and African capitals, where the state could assist with the funding. Such representation will help achieve the following:

- 1-Providing data, technical information and quotations, as well as market requirements;
- 2-Holding fairs to exhibit samples of different Egyptian high-quality products, particularly of small industries and distinguished industries that lack expertise and mechanism of exportation.

(3) Forming a permanent committee at the Egyptian Federation for Industries for International Fairs

This committee is to specialize in international fairs, acquainting members of the Federation with them, and offering expertise and technical assistance to members, in order to participate properly in any fair.

Synopsis

Proposals & Recommendations

The Egyptian economy has been facing serious problems, since the end of the 80's. These problems call for urgent remedy. Inflation rates have risen gravely, accompanied by a serious economic stagnation that is represented in a drop in GDP rates, below population growth rates.

In other words, there is a regress in average per capita incomes and an alarming rise in unemployment rates. All these problems, reacting together, have given rise to further crises.

The state has launched the economic reform policy, focusing on financial, monetary and shrinkage procedures, in order to control inflation, promote liberation of economy, privatize the public business sector and motivate the total demand, by reducing interest rates and reserves in form of cash deposits in banks.

Challenges faced by the Egyptian economy are intricate and complex. In spite of the strenuous endeavours exerted by the government in the economic reform programme, still this programme is basically reformatory and not a strategy for development.

Hence, achievements of the economic reform programme should be set within the framework of a comprehensive visualization and national plan, in order to accomplish a significant socio-economic development that would focus on improving business environment and investment climate in Egypt and guaranteeing a giant leap for the Egyptian productive society.

Strategy for improving business environment & investment climate

This strategy should focus on the following:

First: Reducing productive cost & raising competitiveness:

There are several axes to achieve this objective, mainly:

- 1- Reducing interest rates on bank loans for industrial projects, especially the funding of fixed assets;
- 2- Reconsidering tax burdens, fees & insurance in general:
 - 2/1- Reducing excessively high direct tax rates, representing a burden on profits and leading to curbed investment activities and excessive costs. Local products can hardly compete under such conditions;
 - 2/2 Abolishing the resource development fee, imposed in 1984 under special circumstances. This is considered a tax, not a fee, especially once the unified tax law becomes applicable;
 - 2/3- Abolishing fees on multiple sale operations, allowing revival of the economy and swift and flexible flow of resources between individuals and sectors;
 - 2/4- Reconsidering the Social Security system, which would open the door in front of youth to learn and would encourage workshops to absorb trained youth. This should be considered a national duty. No social security should be imposed on owners of workshops, driving them to get rid of

trained youth and depriving the country of a genuine school for training technicians that are urgently needed;

- 2/5- Studying the real reasons behind tax evasion, where the outcomes of the study are to be used in rectifying this path.
- 3- Reviewing energy prices, in order to reduce price rates upon rise in consumption (adopting the concept of “big consumers”);
- 4- Continuing to review and amend customs duties, in order to attain the optimum equilibrium between imposed duties on means and requirements of production and on imported consumer commodities and products, in the light of existing challenges.

Second: Investment in human beings:

Human beings are the launching point for the progress of any society, once they are well prepared and their potentials well exploited. Hence, the following deems essential:

- 1- Raising the value of Man, meeting his needs, training him and rehabilitating him;
- 2- Creating appropriate working conditions;
- 3- Highlighting successful elements and outstanding figures in various domains;
- 4- Enhancing new work values and cultures, such as paying respect to time, mutual respect between individuals, highlighting the outstanding

and successful capacities, encouraging team work, and learning to deal with foreign institutions.

- 5- Applying international standards in measuring rehabilitation and success.

Investment in human beings should be the focal point of interest for all managers.

Third: Promoting role of scientific research:

Scientific research plays a major role in developing life in Egypt. Thus, the following should be adopted:

- 1- Allocating an appropriate budget for scientific research;
- 2- Raising awareness on importance of scientific research;
- 3- The state and productive institutions should contribute to supporting universities and research centres, through an organizational framework set in joint cooperation among the Egyptian Federation for Industries, Higher Council for Universities and Ministry of Scientific Research;
4. Preparing a team of specialists in media on scientific research and marketing of scientific researches, in order to assist benefiting agencies in getting acquainted with their research needs.

Fourth: Promoting role of small industries:

Small industries are the backbone of progress and swift growth. In Egypt, they are in dire need to be rehabilitated, developed and their problems solved. This is through promoting their role in enhancing development. Such industries should follow organized and programmed production systems, quality control and modernized management.

The state could enhance small industries through:

- 1- Financial assistance
- 2- Providing a data base
- 3- Raising technical & vocational standards of labour
- 4- Assisting in marketing activities (locally & internationally)
- 5- Technical assistance
- 6- Enhancing coordination in order to allow small industries to integrate better with bigger and more developed institutions.

Fifth: Updating labour laws:

Updating is needed to keep abreast with the reality of present and future changes and with the shift from directed to free economy.

It is impossible to encourage the private sector to invest and raise job opportunities, unless we take into consideration this sector's interests as much as the interests of the workers.

Thus, we are in need of new labour laws that balance between the public national interest, which is represented in combating unemployment by engaging manpower, and the private interest that seeks to reduce costs, raise quality and apply industrial discipline.

The new labour law could set a minimum level of wages and social benefits, leaving other issues for work agreements that are concluded upon negotiation and understanding between employers and workers.

Sixth: Creating investment climate in Egypt:

Creating an investment climate in Egypt depends on several organizational and legislative procedures, as follows:

- 1- Organizational procedures that actually depend on reconsidering the objectives of the General Authority for Investment. For example, the state is to provide industrial edifices, establish a mechanism to govern disputes arising between the investor and different state sectors, issue a periodical for investors, informing them of all the official data and statistics concerning state economies, and issue a periodical that includes transactions within the Stock Market, equity prices and stocks & deeds;
- 2- Legislative procedures, summarized in amending some laws that have a negative impact on investment in Egypt, such as abolishing the relative fiscal stamp tax, extending years of tax exemption for projects suffering

losses, and exempting capital profits arising from re-evaluation of assets from taxation.

Seventh: Raising exportation:

This could be done through:

First: Adopting a set of Egyptian standards by the Egyptian Federation for Industries, that are acceptable to some European countries and USA.

We propose launching the following group of commodities and Egyptian standards:

<u>Commodity</u>	<u>Standards</u>
Fire extinguishers	734/1992, 1494/1990, 1871/1990
Ceramics	270, 271/1988, 293/1990,
Aluminum products & ingots	1751, 1752/1989
Air-conditioning units, boilers & washing machines	378/1985, 1498/1985 2088, 2089, 2090/1992

Second: Establishing a permanent representation for Egyptian industries in some American, European and African capitals, where the state would assist with the funding.

Such representation will help achieve the following:

- 1-Providing data, technical information and quotations, as well as all market requirements;
- 2-Holding exhibitions.

Third: Forming a permanent committee at the Egyptian Federation for Industries for international fairs, specialized in acquainting members of the Federation with such fairs and offering expertise and technical assistance to members – particularly of small industries – in order to participate properly therein.