

**Economic Development through Expansion
and Diversification of Export-Oriented
Industries**

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Introduction

There is no doubt that exportation has been placed on an increasingly important rank in the economic policy priorities, especially in light of the global developments and the ensuring partnership agreements and economic blocs. With the international intertwined relations, the issue of exportation has become on the top priorities of the State.

Exportation is the present and future of Egypt. There is no life for industry or boom for economy without boosting exports and opening new markets in a manner that undoubtedly requires high quality, compliance with international standards, and getting acquainted with the consumers' needs and requirements.

The State backs the issue of exportation, using many mechanisms in this regard, on top of which is that it has allowed the private sector to invest in different production fields.

This has been accompanied with bringing high technology, thus producing high-quality products in the Egyptian market. This also urged the public enterprise sector to develop and modernize its production to keep pace with the new approach.

Under the free market mechanisms, fierce competition and opening the domestic market for imported products, improvement and enhancement have become a must to face competition through the several criteria, mainly including:

- A- Bringing developed technology
- B- Improving the existing equipment and raising their productivity

- C- Choosing the raw materials that meet standard specifications
- D- Rationalizing cost, reducing waste, and rationalizing energy to get a product with a reasonable price
- E- Training labor to enhance performance
- F- Preventive maintenance of equipment
- G- Quality control through production phases and ensuring quality of the end product
- H- Fine packing and packaging and attractive factors

Since exportation is a vital issue within the framework of the modern industry requirements, President Mohamed Hosni Mubarak has been given it due attention within efforts to prepare Egypt to enter the 21st Century.

He has accepted to preside over himself the Supreme Council for Exportation, which is tantamount to a State declaration about the importance of exportation for making the future of Egypt's economy.

Therefore, diversification of industries and expanding the national production base to achieve growing export rates is undoubtedly a national objective to achieve economic development.

First: The importance of developing a comprehensive plan and integrated policy for industrialization

There should be a comprehensive plan and an integrated policy for industrialization. The plan should be prepared by the Federation of Egyptian Industries (FEI) to meet the long-term needs through a prospective view of the industry map.

At the same time, it will serve as guidelines for the local and international markets' needs and vistas of investment for investors. It will guide the investor to the fields in which he/she can invest away from other fields that suffer from redundancies.

Second: The importance of preparing a database and information on the needs of global markets

This is meant to make planned industrial expansions and diversify industries in a manner that achieves growing rates for Egyptian exports.

This requires an integrated database about global markets, consumers and their demands, the economic circumstances that govern these markets as well as the restrictions, legislations and specifications of each market.

This will be guidelines in defining the expansions needed and diversification of industries, thus backing the issue of exportation and investors at one go.

The Foreign Ministry, through diplomatic representation missions, commercial representations and external trade companies, can play an effective role in this regard. It can also promote Egyptian products and goods.

Third: The importance of raising awareness of the necessity of setting a foot in global markets

Some industries are concentrated. This is because some investors refuse to make export offers, on the grounds that they rely on the domestic market in absorbing their production in its entirety. This is a wrong principle.

There should be awareness about expansion in foreign markets, especially in light of the expected fierce competition in the local market after the application of the GATT agreement and the partnership agreements with the EU and the United States to keep abreast with the future and face the new companies and their increasing production.

This will also face importation of goods that have similar counterparts in the local market.

Fourth: Quality is a decisive factor to expand and diversify export-oriented products

With the competition in foreign markets getting fiercer and under partnership agreements, the ability to export is still governed by the quality of the products and goods to be exported.

A good products is the one that is manufactured well, with a reasonable price and good material (spare parts, maintenance, etc), in addition to life expectancy and economical operation (electrical appliances and others that depend on energy)

Therefore, the process of expansion and diversification of export-oriented production is still governed by certain criteria to achieve quality with reasonable cost, through the following:

- 1- Use suitable technology
- 2- Skilled labor
- 3- Good management
- 4- Use effective means to control quality through different production phases and ensure the quality of the end product
- 5- Compliance with standard specifications
- 6- Use good materials
- 7- Continuing training of all staff with different levels
- 8- Paying attention to costs
- 9- Reduce all forms of waste
- 10- Apply planned preventive maintenance systems
- 11- Maintain the environment and keep pace with the international trends in this regard (ISO 14001)
- 12- Keep abreast with modern international trends in the fields of quality management and insurance (ISO 9000)

Fifth: Solving exportation problems is a governing determinant to expand and diversify export-oriented products

The State is doing its best to solve exportation problems. The evidence is that President Mubarak himself has accepted to preside over the Supreme Council for Exportation.

However, there are essential problems impeding Egyptian exports to increase rates to achieve the targeted economic development.

Some of these problems:

- 1- Some imported products and goods are rejected in their countries for not compliance with standards. This threatens existing industries and does not encourage new expansions.
- 2- Laws that regulate the relation between the employees and employers need to be updated to achieve justice to both parties. The current laws are still a cause of failure to expand the industrial production base.
- 3- Despite the fact that the State does not collect exportation fees, all production elements are burdened with additional costs and sales taxes that increase cost and keep away from competition. This requires the cancellation of such fees and taxes.
- 4- Ground, air and sea transportations represent a problem to exports in terms of cost and productivity. This requires a comprehensive plan to modernize means of transportation and reduce costs.
- 5- The absence of an accessible database on foreign markets and their demands. This requires the preparation of a strong database to

provide Egyptian industrialists with all necessary data about foreign markets and export opportunities free of charge.

- 6- The State does not provide a lot of facilities in the prices of lands that are used in industrial investment. Lands should be given to factories for token prices with the provision of more facilities of payment and reasonable repayment periods.
- 7- Financing problems. Soft loans should be provided and the interest rates should be reduced.
- 8- Prices of technical services provided by consultation firms are high and this requires the government organs concerned to provide their services for reasonable prices or free of charge.