

A study on Future of Industry in Egypt

Introduction:

The world has been experiencing a key shift in different economic, political and social aspects. It is also witnessing a dominant unimaginable technological revolution.

Perhaps the most global changes that have effects on industry are:

- A shift from an industrialized to a post-industrialized community (information community),
- A shift from limited and simple technology to a higher and more sophisticated technology,
- A shift from short-term interests, views and calculations to long-term interests and, therefore, paying more attention to strategic planning,
- A shift from centralism and management and production to decentralism,
- A shift from reliance on full subordination inside giant organizations to a status where such institutions' role is confined to strategic planning while the role of individuals, departments and small and medium administration is given more attention,
- A shift from hierarchical to intertwined organizations that depend on interaction and integration among elements in the form of links,

- A shift from industrial thinking with contradictory alternatives to thinking with integrated alternatives,
- A shift from legislative, democratic systems inside industrial unions to democratic participation,
- A shift to free market economy, liberalization of trade, privatization, joining international agreements that organize foreign trade, respecting international agreements such as the GAAT,

In fact, the major shifts in the international arena have led to a new distribution of powers, depending mainly on the economic positives under international production and maximizing the individual's size and right to choose as an indispensable right.

This also includes liberalization of international trade and removes all hurdles that impede the move of services, goods, information, capital and technology in light of an active movement to deepen economic and commercial integration among different regions in the world.

Thus, economy has become the nerve of life and criterion of strength and progress in the modern world.

In Egypt we can only build a strong economy by boosting production through expanding production bases. To achieve this, expansion of production bases should be linked with the ability to boost exports as a planned target.

As we concentrate on the industrial development as a governing factor in a strong economy, we should study and analyze the reality of our industry, effects of international changes in it, survey challenges, concentrate on and support points of strength to increase its positives, and actively overcome all negatives that impede Egyptian industry in order to reach an overall development.

It is no secret that the discussion of the future of industry in Egypt at the national level should, in one way or another, be done away from international changes and challenges that may force our industry will face sooner or later. The target is to interact with the positives of these changes, given that we cannot do without the world.

Constituents of Industry in Egypt

First: Cost of Egyptian industry:

We should take into account several factors that lead, together or individually, to the rise of cost of local product in face of its imported counterpart.

- a- Rise of the interest rate of bank loans for industrial projects, ranging currently in Egypt between 18% and 22%, against a range of 6% and 8% in Europe and the USA. However, fixing an interest rate for all industrial, agricultural and construction activities is unacceptable, because this does not cope with the proportionate priority of these activities during different stages of local economy, which neglects the element of demand/supply abundance and shortage, idle stocks, and dynamism of each of them separately.

Interest rate should have been varied according to the activity, as is the case in Europe, in order to increase or decrease demand for a certain activity. This depends on the calculations of abundance and shortage of demand and supply, as is the case with the construction and housing sector.

- b- The banking sector does not have financial channels to finance real estate and industrial ownership, so that ownership can be shifted easily from an owner to another, with deducting installments from the tax instrument. This can bring about an active movement in the capital

market and economy due to boosting ownership of fixed assets, thus increasing bank resources of credit and indebt. This will definitely affect all economic activities, whether industrial, construction, etc.

- c- Energy rates in Egypt, especially electricity, are still among the highest in the world. Many plants tend to buy power generators to use in their main production lines, making national electricity as a secondary source of power in case these generators break down. This has negative effects on economy, not to mention its strategic effect; how the State can commit itself to providing the infrastructure required for industrial progress at a time when stakeholders, pressured by cost, have to accept modest solutions available at remote industrial communities that lack State infrastructure, including electricity others.

Cost remains at all times one of the most governing elements of competition between local and imported products.

The only alternative available is to take all necessary actions to reduce cost of Egyptian products to the lowest possible level in order to face and withstand importation and boost competitiveness, which is a prerequisite to achieve this end.

Second: Egyptian standards:

It is no secret that all developed countries, without exception, use their rightful state right to develop their own national standards that can create controls to boost their domestic production and limit importation.

Examples are many, including the American standards of cars that made European carmakers like Mercedes to add extra costs ranging between 25% and 300% in order to meet the American standards, which may not be met by some American products.

Thus, the call to Egyptian unified standards conforming to the international specifications should be reconsidered, because such unified standards should not be definite. Every country has its own specifications that govern its national standards that fit its needs and industrial map qualitatively and quantitatively.

Hence, it should be clear that unification in the generalities related to international standards should not exceed the limits of national and regional standards of the state.

When the world is qualified to apply unified absolute standards there will be a need to standardization agencies. We have never learnt about a developed country intended to cancel its standards, relying on international unified standards or intention to develop specifications in the near future.

Here in Egypt we need a comprehensive development of Egyptian standards to suit our circumstances. We need to invent standards for products that have not been standardized so far, thus coping with the world's attitude to tighten any specifications related to health, security and environment.

The Egyptian national standards, once adopted, should be the rules applied to different imports.

Importation through the General Import and Export Authority should be within the limits of the Egyptian standards only, on the basis that these standards are regulatory requirement.

However, in the event a product lacking Egyptian standards we can adopt foreign standards for it, such as the German, British, American or Japanese standards.

Parcels coming from abroad that have to do with health and security should be checked by an official control body at the country of origin. This will be a

substitute to the current system of accepting a sham certificate of standards from the supplier. In fact, such a certificate is fragile and unreliable.

For the current stage we can bridge the gap of Egyptian standards of some commodities by adopting relative foreign and international specifications, such as:

- Standards issued by the International Electric Corporation (IEC),
- Standards issued by the international organization (ISO),
- The American standards (UL),
- The German standards (DIN),
- The Japanese standards (JS),
- The British standards (BS),
- The French standards (NF),
- The European unified standards (EN).

This should be accompanied with translation of these specifications in order to be available to Egyptian manufacturers, exporters and importers.

Third: Taxes:

The Egyptian industrial investor is facing many hardships, unlike other economic activities. Therefore, his area of excellence is still limited to the intermediary activity.

He is still away from the activities of large investments. Unless the industrial investor is encouraged and provided with sufficient incentives, like the developed countries, he will not be able to overcome these hurdles. Many of

them may stop operation and return to commercial activities, which may turn the industrial activity with its exportation probabilities into a consumptive importing one.

It is unreasonable and unacceptable, according to valid tax laws, that the tax segment on the LE 68,000 net profit of industrial activity is 65%.

Undoubtedly, this is a big barrier in facing investment in the industrial activity that needs objective reconsideration of lifting these restrictions, in order to encourage the industrial investor to develop his badly needed role.

Although the tax project has generally encouraged projects through alleviating tax burdens imposed on some activities, this is still insufficient to bring about the desired industrial renaissance.

This respect, capital profits resulting from selling public enterprise sector companies should be tax exempt. This should neither be considered profits, lest the tax drains the sale revenues.

Tax exemption texts should be clear to avoid any problems and disputes between the Tax Department and taxpayers, especially as ambiguous texts are always interpreted in a way that serves the interest of the Tax Department after years of disputes at the courts of law and the State Council.

Even the cases that are settled in courts are considered individual cases that cannot be generalized to other cases, which include:

- To what extent capital profits can be exempted during a tax exemption period,
- To what extent the losses made during exemption periods can be defrayed to the years of taxation,

- The possibility of considering the project's stoppage period due to forcible conditions or an abrupt accident as extension of the exemption period,
- Determining the beginning of exemption of investment companies from the relative stamp tax on shares,
- To what extent investment companies can be exempted from the relative stamp tax imposed on capital increase.

Fourth: Customs:

Competition has got fiercer in today's world among all commodity and service producers and providers. With the liberalization of international trade and adoption of the GAAT, we should be concerned with reducing local product cost to the lowest possible limit.

Customs duties on all production requirements, including equipment as well as raw and intermediary materials, should be reconsidered or completely exempted.

We acknowledge that the customs duties are sovereign resources of the State, but customs on production requirements – in light of such changes – raise the local product cost.

Failure to settle this question, together with other factors, leads to the closure of many production projects that are not able to compete with the imported low-priced products.

Thus, the loss at the State level will be graver than the contributions of the Customs Department.

The expected industrial growth due to reducing customs duties imposed on production materials will lead to a manufacturing movement to the unplanned

activities that are not under the control of the Customs Department, so that these industries will be more controllable. So the State will be able to collect more due taxes, thus increasing total taxes of the State.

No one wants Egypt to turn into a market for foreign goods at the expense of its national industry and job opportunities provided by these industries to the Egyptian citizens, at a time when the unemployment problem is a big loss of the youth capacities.

Neither do we want Egypt's economic activities to be relying on some commercial agents who dump the Egyptian market with foreign goods; so that the rich will not get richer and the poor will not get poorer.

Fifth: Work Laws:

We are in dire need to a comprehensive reconsideration of the work laws that have been issued at the totalitarian regime. Performance quality has become the criterion of work performance.

Tomorrow's community has no room to the lazy, who are away from work performance quality measurements. This is meant to strike a balance between employees and employers.

The State's role, through work laws, should be based on the fact that the State is a neutral party seeing the public interest from the public perspective in a way that achieves the public interest and preserves harmony, social justice and development of industry.

We cannot imagine industrial development without industrial discipline, which cannot be achieved under laws that do not allow the employer to bring a negligent worker to account.

The State shifting from an oriented to free economy should be accompanied with a change in work laws in a way that gives an opportunity to representatives of employers and representatives of workers to reach understanding over work conditions and negotiating this to realize their joint interest.

The system cannot be proper if it favors one party at the expense of the other – that is, success of the industry community is for both parties, and failure too.

In Egypt we have two main problems in this respect (work and labor):

- a- Unemployment with its dimensions. The only solution is to increase rates of employing and depending on workers at different levels.
- b- Productivity with high quality and low cost, including implied labor cut. In this respect, priority should be given to the provision of job opportunities.

Therefore, we need new work laws making a balance between the national interest (represented in controlling unemployment) and the private interest (aiming at reducing costs with commitment to increasing quality and industrial discipline).

The new work law can stipulate a minimum limit of salaries and social incentives, leaving any other issues to the employment agreements between employers and employees.

That is because the labor market and the employers' need to workers will be subject to the supply and demand mechanism.

This will procure gradual advantages that are directly linked with the actual capabilities of workers according to the level of production performance and quality. These are real industrial standards.

Sixth: Technology transfer and finance:

No one denies that there are strenuous efforts in the development field. However, indicators of revenues of these efforts still point out the weak outcome of the development efforts in comparison to the desired increase in the production of goods in order to meet the increasing demand for investment, intermediary or consumptive goods and services for competitive prices in light of changes in the arena. This led to a constant increase in relying on foreign markets.

We still suffer from a shortage of industrial designers and manufacturers who concentrate their efforts on developing industrial products in form and content with a view to boosting its share in local and international markets.

Our industrial reality stresses a dire need to the development of production bases and depending on many of their tools, which have not been tapped so far. These tools include technology transfer, adoption of comprehensive solutions to industrial problems and making available elements of industrial design and innovation.

Egypt is still considered a technology consumer not producer. That is because the absorption of our great human resources in the field of knowledge is still very limited.

Our production of machines is still very limited, too. The distance is a big gap between orienting sufficient investments to the scientific search and acquiring tangible results in the field of technology and assimilating technical knowledge needed for producing machines and equipment instead of importing them.

Even we are experiencing a critical stage where Egypt is collecting local positives and seeking foreign knowledge to be on the international map, we should not limit ourselves to outdated technology available for us at present

while deserted by the world. We have to transfer and assimilate high technology until we are able to develop it later on. It is no secret that technology transfer is costly.

That State has a main role in facilitating and financing technology transfer whether through being a negotiating party to provide the suitable and necessary technology to bring about the desired industry boom or through low-cost financing channels.

This should be made available to the industrial sector to use it. Suffice it that national industry will shoulder risks of using new technology without prior experience.

This way, we can set foot on the world's industrial map. We will only be given access when we have the ability to bring about development in the fields we excel.

Therefore, the State is unquestionably able to undertake this significant role in the current stage through transferring and financing technology.

The incentives of this development at the beginning may not be lucrative to employers, who may not have the cost of acquiring technology until the results of State-financed technology transfer appear in paying off its cost.

Positive effects will lead to opening new marketing fields, creating job opportunities, developing new areas and using local raw.

This will lead to a better distribution of the demographic map with population activity especially in the developing areas.

We can be involved in the technology transfer process through the Egyptian Federation of Industries and chambers of industry by seeking help of local and international experts to contribute to developing Egyptian industry.

Undoubtedly, the main goal of technology transfer is to bring about a comprehensive economic development relying on a technical revolution that can only be achieved through assimilating technology. Many positives will evidently accompany this step or appear later. Within years' time we can shift from technology consumers to technology producers.

It is logical that dealing in technology will spur other fields to link academic sciences with related applicable fields, thus connecting scientific bodies and technology users. This will make a broad scientific base that may be closely connected with the production grassroots through a national comprehensive vision.

Seventh: Education and training

The course of progress won't reach completion unless the Egyptian man's abilities are freed to involve the greatest number possible of Egyptians in the issue of production increase and quality improvement.

This aspiration is not beyond reach when considering the new concept of training that constitutes a continuous and constant process throughout the occupational life phases of individuals and during the establishment's continuity in work. Indeed, such point is necessary for every establishment to face the future changes in midway and be able to deal with them without lagging behind.

Thus, it is indispensable to expand horizontally and vertically, founding habilitation and training centers that apply the code system in the technical habilitation that supports the proved fact that human investment is the best kind of investment on the different levels, national, organizational, or individual.

Eighth: small industries

It is well known that the industrial community cannot progress without dependence on an integrated base of small Industries that interact with the industrial community in give-and-take manner.

In addition to their essential role as main manufacturing player in economy and inexhaustible incubating unit for qualifying individuals with industrial skills in the different specialties and skill levels, they play a more important role, namely, they feed the assembly industries and integrated industries.

Indeed, without these two kinds of industrial activities, no industry may be there. It is evident to all industrial analytics that one of the most significant obstacles of industry in Egypt is the lack for the feeding industries.

Many large industries are obliged to depend upon their own selves in importing these components or manufacturing them with the natural distraction from paying concentration to their specialty to several industrial burdens under new economical and financial loads.

As for the social role played by the small industries, they help fair contribution of the national income in addition to their positive role of keeping their workers away from deviation originated from huge free time undergone by many unemployed persons.

In some industries like textiles, spinning, and carpet industry, we find several industrial phases undertaken in houses and villages that gradually change into industrial units of producing families.

However, the small industries in Egypt suffer so many problems though the efforts exerted by the state in this regard. In addition to the lack of any technical direction to guide the small industries and provide them with the necessary

information, there are several problems such as the lack of stability in having the proper materials whether in price or time, the deficient awareness of the governing specifications of every product and of the accuracy levels required for every machine or equipment used.

Furthermore, they are far from the technical maintenance sources, the standardization means, and the criteria required periodically after maintenance. There remain the problems of lacking the principles of management and organization, and the underdeveloped ways of marketing, distribution, and packing that are apart from the occupational and industrial control standards.

There is no dispute over the importance and vitality of the small industries and their impact on the industrial, economic, and social developments. The countries that achieved rapid growth are those that adopted a successful general frame for the policies that help progress small industries.

For example, India is an ideal for adoption in this respect. India imparted small industries in all industrial activities founding private and semi-governmental organizations under the supervision of the state, and then great outcomes were there.

The small factories i.e. each has less than ten workers, of India produce 38% of the aggregate industrial production. Moreover, those who work in these factories form 50% of the industrial workers in India.

Likewise, in a recent developed country like South Korea, we find that small industries constitute 35% of the aggregate exports. The coming few years will witness the Chinese giant with great and unprecedented industrial rise in terms of the exports number depending to some extent on the small industries though the obstacles of languages, customs, currency, and remote distances.

The state can support small industries through the following means:

1. Financial support

This support takes place in the framework of a stable, general, and national clear-cut policy undertaken through industrial development banks, for resolving the problems of finance contributes greatly to the resolution of getting materials and machineries whether domestically produced or exported from abroad.

The banks may even purchase the materials and machineries on large-scale scope fulfilling the quality standards and in proper price and reserve them in large storehouses to meet the requirements of small industries and escape them the intricate problems of exports and finance.

2. Database

This database will serve these industries especially in respect of the ways of getting materials, machineries, and national and international markets. In addition, it informs them of the technical standard specifications of products, materials, and the way to get the different means of support whether financially, marketing, or technically.

3. Improving the technical and occupational levels of workers

It is no doubt that the occupational and technical disciplines are two pivots for improving the value of workers and their outcome, for the industrial investment will not advance without depending on a proper technical and occupational employment that enjoys the spirit of discipline.

This matter by its own will produce the required outcome and provide work opportunities for workers here and opens doors for them abroad along with securing them better wages.

Thus, it is necessary to cope with the industrial rapid development in the habilitation and training policies to realize the changes in the same speed they occur. We should also give attention to producing the same kinds of occupational habilitation using the same programs under the same codes used internally.

4. Marketing

The state should give hand to these small industries through a national vision directing their course to be a feeding industry from one side and to meet the needs of the markets and consumers on the other side.

This help is necessary to back excellent examples and admit them to the export fields.

5. Technical support

The state should provide for these industries the possibilities of development whether technically, managerially, or financially by securing the necessary consult possibilities to resolve problems through a consultation and development institutions submitted to the supervision of the state, provided that these consult should include the resolution of taxes, customs, and labor laws problems.

Conclusion

Egypt passes through a great period of change in the modern history while approaching the 21st century and facing unprecedented international changes and challenges.

Thus, it is essential to prepare all possibilities and abilities to adjust the political and economical tracks to be able to acquire a proper position befitting Egypt in the present world governed by the standards of the economical powers.

Out of confession that economy is the backbone of modern life and the governing element, also out of the governmental keenness to bring about the entire and total development that secures honorable life for Egyptians, the industrial development occupies the top position in the list of priorities. Indeed, it is the main way to set the foundations of productions and develop exports, and thus bring our economy out of the narrow regional circle.

Consequently, it appears the importance of studying the future of Egyptian industry in face of the national and international changes driving towards progress to undertake its role and maintain the ability to continue and compete.

The research had already analyzed the future of Egyptian industry and studied the modern problems in realistic manner guided by the different obstacles that hinder the track of Egyptian industry in an attempt to resolve them and pave the way for the aspired progress.

These problems may be summarized as follows:

1. High cost
2. The Egyptian non-standard specifications according to the current state.
Thus, it is necessary to develop them as soon as possible to play their role as a governing means for protecting the national industry before the dumping policies.
3. Tax laws

4. Customs laws
5. Labor laws
6. Technology transfer
7. Occupational education and training
8. Problems of small industries

The analytical study of these problems concludes that it is necessary to remove obstacles from the way of Egyptian industry. It sets forward the following recommendations:

1. It is necessary to reconsider the interest-rate on the banking loans for small industries and adopting the principle of various rates of interests in accordance with the sort of activity. It is also important to decrease the price of electrical energy.
2. Developing and modernizing the Egyptian standards of specifications to undertake their role as a governing means that protects the Egyptian industry.
 - Authorizing the international standards of specifications for goods and products that have no Egyptian standards laid down till now.
 - Activating the translation of the international specifications to take guide thereof in serving the Egyptian industry.
 - Imposing the Egyptian standards on the imported goods only to form a protecting line from dumping the national markets and resist illicit competition.
3. Reviewing tax laws and exceptions to encourage industrial investors.

4. Reviewing customs laws to exempt the production requirements such as the material, intermediate goods, and production means like machineries and equipments from customs. Moreover, there shall be no deduction on the imported competing goods and products.
5. Reviewing and developing labor laws to set balance between the national interest represented in resisting unemployment and the business owners' interest of increasing productivity and having good national quality in low cost.
6. Facilitating the process of technology transfer along with the participation with other countries in financing technology.
7. Assuring the role of training and education through a national policy working to launch the abilities of Egyptian man and to invest human resources in the best manner adopting the viewpoint that man is the main way to a successful development policy.
8. The care for small industries and taking all the necessary and sufficient measures to magnify their main role in backing the wheel of industry and economy and it is unforgettable that they have special abilities to resolve many of the society's problems.

Finally, I wish that I have presented an analytical study of the industrial reality in Egypt in an attempt to reach the necessary measures that should be taken to adjust and rehabilitate the industrial track in order to admit us to the 21st century with abilities to face and treat with international changes on an equivalent basis. To God belongs all success!