

## **POSITIVE ECONOMIC INDICATORS AND THE ATTRACTION OF EUROPEAN INVESTMENTS**

Undoubtedly, the positive change in Egyptian economic indicators represents the real force of attraction to foreign investments. The Egyptian economy has witnessed remarkable improvement according to world and local indicators, since the reserve economic activity approached the 5% barrier, whereas in many countries it did not cross the 2.5% line. The cash reserve reached 25 Billion after it had decreased in previous periods to 14 Billion. Also, the infrastructure is at a good to very good level and bearing with the pressure on it of increased demand due to increased investments. 54 cities have been qualified as industrial cities. The rate of the Egyptian Pound is stable against the circulating basket of currencies. Inflation has relatively gone down and ranges between .5 and 1.5%. Also, the size of the market cannot be ignored since it is made up of 75 Million consumers, 55% of which are under 18 years of age, which forms a magnificent magnetic power.

Looking at the Egyptian Stock Exchange, we find that it has been relatively flourishing and noticeably stable in comparison to certain Arab Stock Exchanges, which were exposed to heavy blows in the same period. Also, the present period is seeing a remarkable increase in direct foreign investments just under the \$6 Billion barrier and expected to continue increasing at a higher rate during 2007.

There are several important folders that increase Egypt's ability to attract European investments, among which are:

**The Political Folder:**

Undoubtedly, the moderation represented by Egypt in the Middle East region adds to its stature vis a vis European economic thinking, as a balanced partner and peacemaker in this turbulent part of the world.

**The Modernization of Industry Folder:**

In spite of the fact that the grants and loans from the European Union to the Modernization of Egyptian Industry Center have been consumed with the beginning of 2006, yet the Ministry of Trade and Industry has itself, in an unprecedented initiative, provided funding for this Center so that it may continue performing its duties. This was an incentive to the Center to achieve more success, particularly after it had taken guided steps during the recent period, which were well received by the industrial community and registered important indubitable results.

**The Energy Folder:**

There is an excess of cost saving electric energy of competitive quality in volume and technical quality, which can bring about ambitious industrial goals in the future, especially since the price of liquid fuel is still subsidized by the Government. This fact is a relative benefit in comparison to prices in the European Union, not forgetting Egypt's forthcoming entry into the field of clean and renewed energy. This will open a wide door for European cooperation, particularly German, due to the successful cumulative experience of Germany in the field of solar energy and wind, and maybe also nuclear energy after

resolving the issue of the safe disposal of nuclear waste which was the obstacle blocking its adoption at the present time.

### **The Education Folder:**

There is an increasing number of foreign universities that have received permits to operate in Egypt. This will alleviate the burden on Egyptian universities and make way for human resources development.

### **The Environment Folder:**

This folder is witnessing remarkable progress that boosts Egyptian-European rapprochement in the joint operations sector. On the other hand, it is expected that the agricultural folder improve in return for increased opportunities for imports of European meat and dairy products.

We must seize this opportunity to shed light on the program announced by the government to support the establishment of job opportunities in Upper Egypt for the amount of L.E. 15,000 for each opportunity, to be deducted from fees and taxes on establishments. This shall open the door for activity in the job market in these areas, which were previously neglected.

There is also the new tax law that unified all kinds of taxes at 20%, which is less than half the tax brackets applied in Europe. This is considered an example to be followed and will be by several countries since it revamps the size of local businesses and forms a force of attraction for European investments.

No doubt, Egyptian-European relations are considered in their best state ever. This led the European Union to allocate a funds and grants program in

accordance with this importance which is advanced and axial on the economic side, since quality and efficiency in the use of these funds and grants, is directly related to fulfilling the requirements of the grants, which in turn is tied to managing time so that these aspects of the loans do not fall through. It may be necessary to establish an advisory council in which all ministries are represented to deal with the different grants from the different countries and international conglomerations, which would raise their efficiency in such a way as to achieve the goals and hopes hinging on them. This idea occupies the thought of all those working on the Egyptian economy, particularly in the Ministries of Finance, Trade and Industry, Investment and Labor – as related to training – Transport & Transportation – as related to roads, road and air transport, cool transport and railways.

Needless to mention in this regard, the Egyptian government's directive to develop and modernize the program for legislative, economic, social and political repair. This in turn will improve the general indicators and itself will be a magnetic force for European investments. We must not overlook the fact that any change in any policy, is not immediately followed by results, but the effect comes later. Each program is different from the next. This is like driving a car at the speed of 100 kms./hr., we cannot technically judge during the first seconds of the car's take off, but need some time, which is what we call "rate of speed".

This means that change always starts from zero and achieves increased speed unless obstructed by elements which were not studied by the program planner, which we hope does not happen, nor do we wish it to happen.

It remains to be said that Egypt is considered Europe's gateway to Africa. Also its Arab dealings make it a strong partner due its solid infrastructure. Therefore to complete the rules of competition which include free trade and the free movement of goods and services, we find it necessary to liberate the movement of individuals between neighboring and European countries, since labor is one of the important elements of production. It is time for it to enter into the competition. If we cannot liberate the movement of labor at this stage, then we have to regulate and organize it.

This would be better than the present situation. We can start by regulating the movement of labor from their present locations until we are able to reach the optimal solution of liberation.

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