

Business monthly

THE JOURNAL OF THE AMERICAN
CHAMBER OF COMMERCE IN EGYPT



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for new trade routes*

*Tourism Minister: "The country now
can receive millions more tourists"*





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EFINANCE INVESTMENT GROUP: A REVOLUTIONARY JOURNEY DIGITIZING EGYPT'S TOURISM

e-finance Investment Group is a homegrown developer of digital payments infrastructures established in 2005 to develop the Government of Egypt's financial network. Over nearly two decades, the Group has penetrated all corners of Egypt's digital market and transformed itself into a leading technology-focused investment firm. With a dynamic business model and a flexible organizational structure, e-finance can focus on multiple target markets through its subsidiaries and maximize its ability to unlock value in digital payments. The Group boasts a portfolio of subsidiaries that has enabled e-finance's growth across multiple markets, unlocked synergies across its business lines, and helped digital transformation for various strategic sectors throughout the nation to support the development of Egypt's digital economy and drive towards financial inclusion. Learn more at efinanceinvestment.com.

As Egypt's tourism industry continues to embrace digital innovation, eFinance Investment Group and the Ministry of Tourism and Antiquities have been at the forefront, driving a remarkable change in the tourism sector. Our collective efforts have revolutionized the booking experience at various museums and archaeological sites. Now, we are expanding our cashless payment solution to five more archaeological sites, including the Pyramids of Giza, paving the way to more locations.

The Group provides the tourism sector with digital solutions that have elevated the tourist experience. On this front, the Group has developed and started operating a platform that enables tourists to book tickets for over 30 prominent tourist sites interactively. Additionally, eFinance has developed an e-shop dedicated to selling high-quality replicas of Egyptian artifacts that the Egyptian Ministry of Tourism and Antiquities authorizes.

The Group's solutions also include an automation process for gift houses and ticket booths, where an electronic inventory system will be developed, and POS systems are available.

The electronic ticket reservation system provides centralized reports through revenue-tracking screens using an internationally renowned system used across tourist destinations in Europe and the United States of America.

It is noteworthy that online ticket purchases for entering tourist destinations and museums are available through four distinct electronic methods: an online ticket platform, a mobile app, modern onsite ticket purchasing booths, and a consolidated online platform for purchasing tickets through travel and sales agents. Furthermore, payment is available using both cards and e-wallets.

Our investment in the tourism sector, which started less than two years ago, has been one of the most successful investments. Our digital ticketing solution has become instrumental to the Group's revenue growth, contributing c.10% of e-finance's revenue in 1H2023. It is a testament to our commitment to delivering on the Group's investment strategy, focusing on expanding our presence in critical, undigitized, and underserved sectors.

Following the success of our implementation during the initial rollout across 30 tourist sites, the Ministry of Tourism and Antiquities has awarded the Group additional locations for our digital ticketing solution, which is now active across 66 tourist sites. Moving forward, we intend to expand e-finance's digital ticketing solution further across additional touristic destinations, with a target of being present at over 100 active sites by early 2024.

It is worth noting that Over the past twelve months, Egypt recorded its highest-ever tourism figures, with over 15 million tourists visiting the country, bringing in revenues of over \$16 billion, which represents a significant milestone for the country that the Group is aiming to capitalize on further to support Egypt Tourism sector and its our growth.

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HOW FINANCIAL TECHNOLOGIES ARE UNLOCKING FINANCIAL INCLUSION AND ECONOMIC GROWTH IN EGYPT

Right across the least developed, developing, and emerging economies, financial technologies play an integral role in unlocking financial inclusion for millions previously locked out of the financial system. This is especially so in Egypt, where fintech platforms are transforming opportunities for SMEs, entrepreneurs, and the broader digital economy.

For Egypt, the empowerment of enterprising innovators and startups comes at a critical time. According to official data, Egypt's headline inflation rose to 38.2% in July 2023, marking a notable increase from the 14.6% reported in July 2022. This higher inflation rate has a noticeable impact on the most vulnerable members of society and adds extra challenges for businesses relying on imports and national supply networks. By gaining easier access to digital banking platforms and financing solutions, firms can tap into seamless, personalized, and cheaper financial products and services. Making doing business easier is not only good news for entrepreneurs and growing companies but also aligned with Egyptian government policy.

Opportunities to invest

The Egyptian government has announced a raft of measures designed to stimulate growth through public and private sector investment – and an increased focus on foreign direct investment (FDI). Efforts include the announcement of a \$1.9 billion investment strategy for offshore gas exploration – a sum more than matched by a significant private sector investment by British Petroleum, which has pledged to invest \$3.5 billion in Egyptian gas resources over the next three years.

The country's recent inclusion in the BRICS bloc of developing nations also represents an important milestone in the liberalization of the Egyptian economic model. It is expected to allow Egypt to gain access to concessional funding for development through the BRIC New Development Bank (NDB). All of this comes at the same time as the Egyptian government's strategy for import substitution as it seeks to grow local manufacturing, reduce imports, and enrich national value chains.

In a sign that the government is serious about its localization goals, the President has instructed his cabinet to develop a fresh set of economic incentives, with a raft of measures that was announced on September 5th, 2023. The package includes a five-year exemption from all taxes, excluding VAT, for new industrial projects in strategically important industries that begin operating within the next three years.

Digital banking solutions

Set against such a positive backdrop, financial technologies now have the potential to catalyze investment and opportunity for millions in Egypt. Banks that can offer access to highly personalized digital banking solutions that are built upon AI and analytics have the potential to revolutionize the customer experience and accelerate economic inclusion and GDP growth. As one of the fastest-growing banks in Egypt, the UAE's Mashreq is capitalizing on the nation's new economic

opportunities and transforming the country's banking landscape. Its digital solutions now facilitate the smooth and cost-effective flow of funds into the country in multiple currencies. This makes it easier for companies to import goods and sell their products overseas. Such platforms also encourage FDI by making it even easier for foreign firms to set up shop in the country.

Mashreq's digital solutions are also transforming how Egyptian merchants serve their customers. Its integrated online business banking platform, Mashreq Matrix, helps customers conduct transactions faster, cheaper, and more securely using an effective planning tool to predict cash flow and manage working capital. The platform reflects the Bank's focus on developing and deploying innovative, customer-centric, and relationship-based experiences that unlock personal and corporate opportunities. To deliver on its goals, Mashreq is setting out to accelerate the digitization of its entire suite of retail banking products and services, providing even more opportunities for financial inclusion.

Delivering lasting change

Businesses and individuals can look forward to launching several new and highly innovative digital banking products and services from Mashreq before the end of 2023. The digital solutions coming down the line specifically set out to accelerate financial inclusion and unlock opportunities for as many Egyptians as possible. By reshaping the future of finance through its digital innovations in Egypt, Mashreq demonstrates its long-term commitment to the country and its millions of merchants, traders, and entrepreneurs who collectively form the backbone of the national economy. Having been named the 'Best and Most Influential Bank in Egypt' and the 'Best Retail Bank in Egypt,' Mashreq is already well on the way to delivering the positive - and long-lasting - economic change in Egypt that it is determined to deliver.

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CONNECTIONS

As Egypt continues its rocky path to economic stability, the government and businesses need to focus on how geopolitical shifts will change the country's economic landscape.

International trade is one factor that has witnessed massive instability over the past two years. This month, we look at how fast-paced developments are pushing some countries to explore new trade routes that avoid the Suez Canal. While that may not be as easy as it might first seem, the fact is there will be other options for Asian countries trading with Europe.

Another significant international development happened last month when the U.S. Federal Reserve raised interest rates again, stressing their future decisions will be on a "meeting-by-meeting" basis.

That could be bad news for the government, as such uncertainty reflects negatively on the Central Bank of Egypt's monetary policy.

The key is accurately forecasting how inflation rates will change in 2024 and 2025, assuming no unforeseen global events will upend those predictions.

Locally, the Egyptian Competition Law received several updates to make it more effective in countering monopolistic practices and market manipulation. If effective, it should entice locals and foreigners to start businesses, safe in the knowledge everyone is competing on an equal playing field.

We also interviewed Minister of Tourism and Antiquities Ahmed Issa face-to-face. He discussed his strategy and challenges to grow the sector and become a more effective regulator.

Lastly, we tackled two vital topics. The first is the skill set Egyptian expats need to build careers abroad. The Global Skills Report 2023 detailed what Europe, the Arabian Gulf, and North America (all preferred destinations for Egyptian expats) need regarding business, technology, and data analytics.

Also, we investigated why middle-income nations, using the World Bank's definition, can find it extremely difficult to become high-income economies.

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XIAOMI AND AL SAFY GROUP REVEAL DETAILS OF THEIR FIRST SMARTPHONE FACTORY



Diaa El-Shaarawy, Chief Operation Officer of the Al Safy Group, revealed the details of founding the first factory of Xiaomi Global for smartphones and TV screens, with its exclusive agent & distributor in Egypt. Al Safy Group aims to help the local economy by ensuring product availability and reducing imports, conforming to the directives of HE Mr. President Abdel Fattah El-Sisi, President of the Arab Republic of Egypt, and the Egyptian government's plan to support the balance of trade. Xiaomi factory - with its exclusive agent and distributor in Egypt Al Safy Group - will produce 1 million mobile phones and about 300,000 smart TV screens to meet the needs of the Egyptian market. The factory is being established in the industrial zone in 6th October City on an area of 7,500 square meters. It is expected to be up and running by Q4 2023 as an affirmation of the Egyptian government's support for FDI and its success in attracting and funding projects that support the local currency, Al-Shaarawy added.

What are Al Safy Group's investment goals and directions in the current period?

Al Safy Group is a family-owned conglomerate with a national vision - mainly - aiming to support and implement the Egyptian government's various directives and policies and attract foreign partners to find new projects in Egypt, especially those that contribute to replacing imports or add to exports.

Xiaomi has been one of the most important partners of the Al Safy Group since 2014. So, it preferred to continue joint work to establish its first Middle East factory in Egypt, with a vision to enhance the technology market locally and regionally through increasing product availability and accessibility to customers.

Why Xiaomi, and what does it represent to the Egyptian consumer?

Xiaomi is one of the best-selling companies in global markets. Global sales reports by Canalys - the leading global technology market analysis organization - showed that Xiaomi is the second largest mobile phone maker in sales worldwide. Xiaomi has become the best-selling company in Egypt by selling 1 Million mobile phones in 2022, thanks to its local Exclusive distributor in Egypt (Al Safy Group).

What is the investment cost of the Xiaomi factory?

Xiaomi's factory in Egypt is located on an area of 7,500 square meters in the industrial zone in 6th October City. The cost of the factory amounts to approximately EGP 600 Million. Reducing the import bill is one of the most essential returns of this investment for the Egyptian economy. The new factory will also provide 300 to 500 direct job opportunities to Egyptians and empower the youth aiming for a better future.

The new factory contributes to finding a competitive advantage for Xiaomi products with the highest quality and best price in the local market while meeting all local needs and exporting such products to various foreign markets.

What is the factory's production capacity?

Of course, the Egyptian market owns about 45% of the domestic product. Our factory aims to produce 1 Million smartphones and 300,000 smart TV screens annually. Production costs are also low in the Egyptian market, as well as the absorption of all the factory's production due to the significant demand of the Egyptian market as the best market among all ME markets in terms of high rates of continuously growing demand.

Does demand remain high in Egypt, given the recent hikes in prices?

The growing population indicates that demand will continue to rise but needs to be met with the current price hikes; therefore, this factory will contribute to meeting the demand in the market. Let alone that the local production makes the prices more affordable to Egyptians despite their SEC.

Finally, how is Al Safy Group doing in the Egyptian market?

Founded in 1985, Al Safy Group is a family-owned conglomerate with a diversified investment portfolio headquartered in Egypt. The group has been a pivotal contributor to the Egyptian economy across multiple sectors.

Setting its footprint with operations in a wide range of industries in multiple territories, the group pursues new opportunities, partnerships, and relations to influence the market in the differentiated industries in which its businesses operate, contributing to the Egyptian economy across multiple sectors such as Technology, F&B industries, Retail, Real Estate, Hospitality, and Automotive.

From a generation of founders alongside a second generation filled with new thinking and innovation, combining its ideas to evolve with the business model, Al Safy Group relies on continuity and adaptability to the latest market trends as the crucial differentiator. The narrative behind the group is a testament to the importance of a family unit of principles, longstanding relationships, and evolution within its business model.



SEALING THE DEALS

Finally, it looks like we are inching forward. The big breakthrough came with closing the Egyptian Tobacco deal - a deal that has been hovering more than five months. It looks like the government is on the verge of closing three other deals for state-owned companies with the UAE's sovereign wealth fund ADQ, along with the hotels deal with a Talaat Moustafa Group subsidiary.

The global credit agencies are on watch, with several visits due within the first half of September. The fact that Standard & Poor's did not downgrade Egypt's credit rating last month is a good sign, giving us space to act more aggressively.

In June, I noted that international financial institutions lacked confidence in the Government of Egypt's willingness or ability to divest state assets. Now I can say that this sentiment is gradually changing as the current divestiture program gains momentum. The challenge now is speed: How fast can the government deliver more assets to the market in its bid to raise enough cash before floating the Egyptian pound (EGP).

The state has recently rolled out several other measures to draw in foreign currency, such as issuing dollar certificates with 7% and 9% yields, allowing Egyptian expatriates to pay a \$5,000 penalty to settle outstanding military service obligations, and requiring foreigners to pay for residency permits and expired visa fines in foreign currency. It's a piecemeal approach: Had these

measure been enacted concurrently with a true free float of the EGP, they would have had far more bang for the buck.

The biggest and, to be honest, the only challenge is the issue of trust. Without it, foreign currency will continue to move outside the system.

What is not helping is the rumors circulating that the Central Bank of Egypt will force exporters and tourism sector companies to relinquish their foreign proceeds at the formal rate, rumors sparked no doubt by a member of Parliament calling for such naïve, unwelcome measures.

The business community has banded together with a swift response. The Egyptian Federation of Industries, the Federation of Chambers of Commerce and AmCham Egypt issued a joint letter to the Prime Minister of Egypt cautioning against such a move and pointing out the danger of such rumors. We are still waiting to hear a clear position and denial from the government, which is sorely needed to comfort the market. While the banks' net foreign assets marginally improved in August, they are still in serious deficit. Any further drawdown of currency from banks would prove disastrous.

The name of the game is building trust and confidence in the system. Despite the slow pace, we are still cautiously optimistic about the government's efforts. Again, the coming weeks will reveal more.

TAREK TAWFIK
President, AmCham Egypt



Narrative.
PR SUMMIT



Narrative PR Summit 2023: Egypt Forever Forward

In a world where perception holds immense power, **Narrative PR Summit** stands as Egypt's first international public relations forum, dedicated to reshaping the country's global image. Founded in 2016 by **Lamia Kamel**, former Assistant Minister of Tourism and Antiquities for Promotion, the summit has gained steady momentum, establishing itself as a pioneering Egyptian initiative and a catalyst for development by connecting stakeholders within Egypt and beyond.

Under the captivating theme "Egypt Forever Forward," Narrative PR Summit 2023 is scheduled to take place on October 9th, 2023, amidst the breathtaking beauty of Somabay in the Red Sea. This momentous occasion, held under the auspices of the Ministry of Tourism and Antiquities and the Egyptian Tourism Authority, promises to be a transformative experience.

This year's edition of the summit holds special importance as it expands its international presence, attracting speakers and attendees from around the globe. By facilitating meaningful discussions and fostering collaborations, the summit aims to rebrand Egypt's image, spreading a positive message that highlights the country's unique blend of rich heritage and contemporary vibrancy. Through this collective effort, Egypt seeks to promote tourism, drive positive outcomes for the economy, and attract increased investment to the country.

Lamia Kamel, Founder of the **Narrative PR Summit** and a driving force behind its success, emphasizes the significance of the event for Egypt. She states, "Narrative PR Summit 2023 is an exceptional platform that enables us to showcase Egypt's true potential to the world. By bringing together influential individuals from various sectors, we have the opportunity to revolutionize the way the world sees our beloved nation, positioning Egypt as a leading destination for investment and tourism."

At the heart of the Narrative PR Summit lies the goal of bridging the gap between the private sector and the government to help Egypt realize its vast potential. For years, the summit has served as an engaging forum where the most pressing challenges are discussed, innovative ideas are shared, and new pathways forward are explored. Its mission is uniting stakeholders in working together toward realizing the full promise of this great country.

Narrative PR Summit 2023 proudly presents an impressive lineup of notable speakers who will share their expertise and insights. Among them is **Sir Ben Elliott**, a globally recognized businessman, tourism and investment expert, and the Founder of Quintessentially. Joining him is **Steven Shepperson-Smith**, the President-Elect of the Chartered Institute of Public Relations (CIPR) and Senior Manager Corporate Communications - Africa at Vodafone UK. The summit also welcomes **Mohamed Mansour**, a prominent businessman and former Minister of Transport, and **Dr. Khaled El Enany**, the former Minister of Tourism and Antiquities and a candidate for the position of Director General at UNESCO.

These thought leaders, along with other influential figures, will converge at Narrative PR Summit 2023 to exchange inspiring stories, insights, and strategies aimed at propelling Egypt to greater heights.

Narrative PR Summit 2023 is not just an event; it is an impetus for positive change. By uniting thought leaders, investors, businessmen, tourism experts, and government officials, the summit paves the way for collaborative efforts that will shape Egypt's future. It is a call to action, urging stakeholders to work together to enhance Egypt's global standing and forge a national identity that celebrates its rich past while embracing a dynamic future. As Lamia Kamel aptly puts it, "The power of narrative is incredible, and through this summit, we are harnessing that power to redefine Egypt's story, one that resonates with the world and celebrates the greatness of our nation."

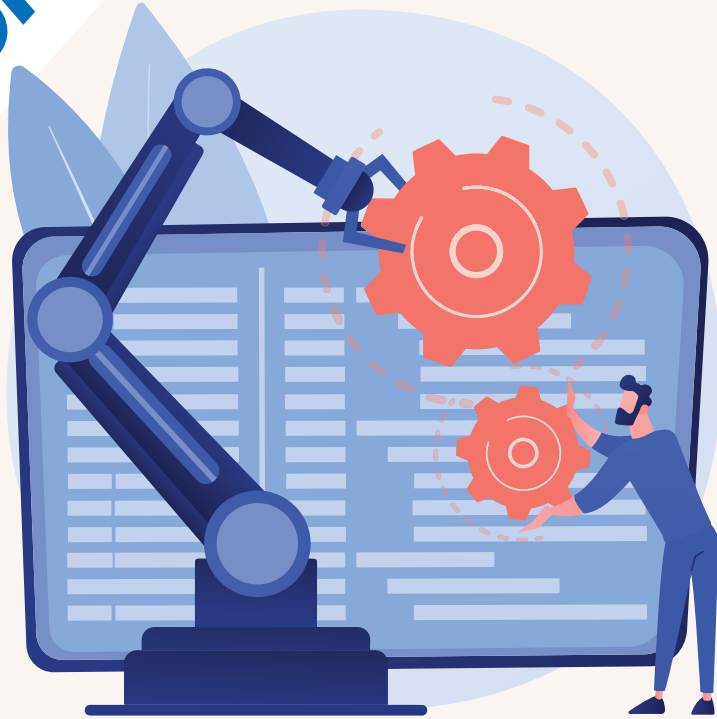
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THE NEWSROOM



INDUSTRY GETS FRESH INCENTIVES

President Abdel Fattah el-Sisi has told the government to implement new incentives to support existing industries and attract manufacturing FDI. The list includes exempting new businesses from taxes for five years. But there will be no exemption for VAT. To be eligible, a company must be operational within three years after applying for licenses.

Additionally, companies could get another five years tax-free if they meet investment targets forecast in their first application, as

well as targets set by the Cabinet.

Investors also would get a 50% discount on the price of industrial plots if they finish the project in half the time they reported in their applications.

Sisi also said requirements for companies to receive the "single approval license" (Golden License) would be relaxed. Top beneficiaries will be those the government labels "priority sectors." They include chemicals, metals, building materials, and textiles.

EGYPT JOINS BRICS

In their August 2023 meeting, the coalition comprising Brazil, Russia, India, China, and South Africa announced Egypt would become a member in 2024, along with Saudi Arabia, the U.A.E., Iran, Ethiopia, and Argentina.

Minister of Finance Mohamed Maait said the move would help Egypt rationalize its hard currency spending on imports, relieving pressure on the budget. It should also help the country secure wheat and oil from Russia.

In 2022, Egypt became a member of the

BRICS New Development Bank -- the bloc's equivalent of the IMF. That was essential to Egypt as a fresh funding source with relaxed conditions, given that BRICS nations are also emerging economies.

The new additions will mean BRICS members will control 43% of global oil production, up from 20% and 34% of the world's GDP, compared to 26%. It is still early, but geopolitical tensions within BRICS may rise as Egypt is at odds with Ethiopia over the Grand Renaissance Dam, and Saudi Arabia and Iran are historic adversaries.

EGX GETS A NEW HEAD

Prime Minister Mostafa Madbouly announced the Egyptian Stock Exchange (EGX) Authority would get a new chairman, Ahmed El Sheikh, replacing Ramy El Dokany.

El Sheikh joined the EGX in 1993. His last appointment was in 2018 when he was named vice chairman. He also sits on the board of several bourse-affiliated companies, including Misr Information Dissemination Company and the Egyptian Investor Protection Fund.

The new EGX chairman also worked in the Financial Regulatory Authority from 2005 to 2011 and Misr for Central Clearing, Depository and Registry in the 1990s.

The news comes amid several high-profile hires, including a new head for the Financial Regulatory Authority and a renewal of Hassan Abdalla's contract as "acting" governor of the Central Bank.



WORTH FOLLOWING

MORE FDI ON THE WAY

Several news outlets have reported Egypt will receive fresh FDI from Russian and Chinese companies. The first is a \$400 million to \$500 million investment from Novostal M, a Russian steel maker. According to sources speaking to Asharq Business, Bloomberg's Arabic portal, representatives from the company met with local government officials to discuss establishing a facility in Egypt.

That aligns with the government's post-Ukraine war strategy to prioritize giving steel-production licenses to foreign companies rather than local ones to attract more foreign currency.

The Suez Canal Economic Zone has confirmed that Zhejiang Cady, a Chinese textile company, will invest \$60 million in a new facility in the Chinese industrial zone in Ain Sokhna, TEDA. The 145,000-square-meter facility should be completed next year. The project's first phase will produce 50,000 tons of eco-friendly fabrics and 8 million garments annually. The factory's target markets will be Europe and the United States.

~Meanwhile, Al Amal for Food Industries is negotiating with the German Development Agency (GIZ) and Chemonics Egypt Consultants to secure \$3 million to invest in a new facility in Sadat City.

WORTH FOLLOWING

MORE OIL AND GAS INVESTMENTS SOON

In a press statement, the Ministry of Petroleum and Mineral Resources said it plans to offer eight to 10 concessions to explore oil and natural gas through early 2024. The document didn't identify the concession locations.

However, some experts expect them to be in the Gulf of Suez, Red Sea, and South Valley.

That aligns with the plans announced by Tarek El Molla, the petroleum minister, in February to attract \$8 billion in new investments in the oil and gas sector.





LEVELING THE PLAYFIELD

The Egyptian Consumer Protection Authority passed amendments to prevent merger and acquisition deals from creating monopolies. The changes have apparent pros and one critical con.

by **Rania Hassan**

With the economy increasingly strapped for foreign currency, the government has been seeking ways to increase the private sector's contribution to GDP. In May 2022, it published the State Ownership Policy (SOP) document, which opens the door for the government to sell stakes in 32 state-owned companies by 2024 by listing them on the stock exchange or selling them directly to foreign investors.

Prime Minister Mostafa Madbouly has said the sell-off would raise the private sector's contribution to GDP from 30% to 65% in three years. In December, he told *Al Ahram English* the aim is to "increase the rate of [private sector] investments by 25% to 30% to achieve 7% to 9% growth in the economy."

Such an influx of private-sector investment could create monopolies, invariably hurting other efforts to promote domestic investment and FDI outside the SOP. "This government believes in the importance of adopting [an effective] competition policy [to] provide an attractive environment for local and foreign investments," said Chairman Mahmoud Momtaz of the Egyptian Competition Authority (ECA) at a March press conference. "The Competition Law has been amended to enhance the effectiveness of the ECA's mandate, granting it additional independence to enforce the law more effectively."

That puts pressure on any local companies targeted for acquisition along with foreign and local investors to determine whether their decisions might disproportionately increase their market influence or, worse, drive out competitors.

Neutralizing the market

The ECA's current strategy began in 2021 and ends in 2025. In May, Momtaz told *AmCham Egypt* that the authority's strategic objectives are to ensure "effective enforcement of competition laws," make sure they are not too restrictive for new or small-scale players and "disseminate the culture of competition."

Momtaz emphasized the focus is on guaranteeing there are "no cartels, [no] abusive dominance, [or] constraints to competing in the market." That is vital, as "Egypt is a concentrated-upstream market with few suppliers giving branding companies and distributors [products]," said Momtaz. "Hence, any price abuses downstream could be [widespread if they are] coming from upstream providers."

The short-term benefits of effectively implementing the ECA's modified legislation should mean fairer prices and even more consumer choices. Momtaz stressed that creating a level and transparent playing field for all companies would also

protect the state. "The government is the biggest buyer. Therefore, our efforts affect the state budget, which can be the difference in saving billions of pounds."

In the long term, a fair and competitive marketplace would help achieve several Egypt Vision 2030 targets. Momtaz said those include "improving residents' quality of life, [and] creating a strong economy that can achieve its strategic objectives. [A level playing field also] expands knowledge and innovation, and ensures a leading stature among other economies."

The ECA's strategy also aims to realize five of the UN's 17 Sustainable Development Goals (SDGs): SDG 1 (no poverty), SDG 8 (decent work and economic growth), SDG 12 (responsible consumption and production) and SDG 17 (partnership for the goals).

Legislative updates

The first amendments to the 2005 competition law were in November 2020. Baker McKenzie's *Africa Competition Report 2022* said those modifications affected "multiple sectors, including healthcare, food, electronic and electrical appliances, automotive, real estate, media and petroleum."

In June 2022, Madbouly announced the creation of the Higher Committee for Competitive Neutrality, which he chairs. It includes representatives from the ECA and several ministers and government officials. During their inaugural meeting, the prime minister said, "The committee [is] a first and crucial step [to ensure] competition and competitive neutrality in markets."

As of May, all government bodies need to "consult with the ECA before issuing legislation that could affect competition," Momtaz told *AmCham*. "Additionally, the ECA is disseminating its guidelines to help [state] agencies assess the impact of their decisions on competition."

Momtaz also noted there will be workshops for employees in state agencies on "competitive neutrality" and smaller modules that would be included in other government-sponsored training courses.

Those efforts enabled Egypt to improve its ranking in the UN's competition protection index from "developed" in "antitrust and competition laws" in 2020 to "very strong" by the end of 2022. "Competition enforcement practices" went from "moderate" to "very strong" in the same timeframe. Meanwhile, "institutions" and "accessibility [and] transparency" were both "very strong" in 2022 compared to "strong" in 2020.

In the works

Seeking to further regulate the market amid a potential influx of private sector investments, the ECA announced last year amendments to regulate mergers and acquisitions (M&A). The president ratified the law in December.

Momtaz said the modifications make "notifying the ECA mandatory for all transactions that [reach or cross] the 'concentration' threshold." That limit is when the "combined turnover [of the target company] in Egypt is over EGP 900 million (\$29.1 million)." It also would apply if two parties involved in a transaction each had an EGP 200 million turnover."

The notification obligation applies to local and foreign investors targeting Egypt-based private or state-owned companies. Momtaz said modified legislation would enable ECA to "investigate complaints from [private sector] market players regarding any anti-competitive decisions made by the state."

The amended law also allows the ECA to proactively monitor and investigate government decisions for any "anti-competitive state [decisions] before they are issued," noted Momtaz. "The ECA will intervene if there is any violation of its guidelines."

The new version divides the M&A approval process for all and any transactions into two phases. The first is "the straightforward one," said Momtaz. "Most [mergers] would be approved in this phase." It could take as long as 45 days. Phase two is when there is concern the agreement would give the new entity disproportionate influence over the market or create a monopoly. That would require a deeper investigation. Momtaz said that phase could take 75 days.

The new version of the law also requires deals involving companies overseen by the Egyptian Financial Regulatory Authority (FRA) to submit merger documents. "The parties are obliged to notify the FRA of any economic consideration that takes place in any of the activities under the supervision of FRA before concluding the contract," said Momtaz. "The FRA is then obliged to consult the ECA before approving" the deal." He said the process should take 30 days from "receiving completed notification [documents] from the FRA."

He noted that, under the new law, companies that finalize a merger agreement before getting official approval from the ECA would be penalized. They would have to pay between 1% and 10% of the transaction value or the total annual turnover of the new company or the value of the assets bought, whichever is higher.

The ECA is not enforcing those amendments yet,

pending issuance of the executive regulations, which the Cabinet is still discussing, Momtaz said. However, he advised companies involved in a potential M&A deal to "pre-notify the ECA of their discussions and consult on the possible impacts on market competitiveness. Those discussions will not have any legal implications."

Regional cooperation

The ECA has been looking to cooperate with neighboring countries to protect consumers, which has proven highly beneficial. "Cooperation may ... help address common concerns by using fewer resources," according to a 2022 OECD report. "[One] example [is] the issue of identifying transactions that the parties unlawfully failed to notify."

In March 2022, Momtaz announced the creation of the Arab Competition Network, which includes representatives from all Arabic-speaking competition authorities. "It aims to increase the efficiency of [MENA] agencies, enforcement, [impose] merger controls, [and] conduct simulations for students," said Momtaz. "We saw a lot of similarities, which [would] reduce costs and increase efficiency."

Momtaz also noted the ECA's participation in the African Heads of Competition Dialogue founded in February 2023. It comprises consumer protection authority heads in countries that are part of COMESA. "It aims to merge legislation, ensure [cross-border] enforcement in anti-competition cases, [conduct] joint training and capacity building programs. [It will also support] joint competition advocacy efforts to enhance trade between member states, [and have a] permanent working group on joint matters and cases."

The ECA is also the home of the U.N. Conference on Trade and Development (UNCTAD) Regional Training Center, where MENA and African competition authority employees train.

According to the U.N.'s competition protection index classification, Egypt's "international agreements" went from "weak" in 2020 to "very strong" in 2022.

Preparation is everything

The government's increased attention to preventing monopolies will only prolong the approval process of M&A deals as ECA investigations increase. "There is a lot of concern in Egypt that the new modification could delay the closing process, rather than the post-merger inspection of competitiveness," Tamer Nagy, global competition partner at White & Case LLP, told AmCham in May,

"The first phase, including weekends, could take two months," Nagy said. "Phase 2 is [an additional] 3.5 months. [In reality, either phase] could extend [beyond that] quite a bit." Another factor that could increase delays is if "the agreement requires clearance across multiple countries," he said.

Taking longer to issue approvals and rejections could significantly hurt Egypt as an M&A destination in the MENA region. In March, U.S. law firm Ernst & Young MENA said Egypt was among the top five destinations for merger and acquisition deals in MENA last year.

According to Enterprise's M&A Tracker, the number of completed deals in Egypt in 2022 reached 66, up from 31 in 2021. Transaction values are also increasing. Vodacom's acquisition of 55% of Vodafone Egypt was the most expensive transaction of 2022.

Mohamed Ghannam, managing partner at Baker McKenzie in Cairo, said in the firm's 2022 M&A report, "Despite increased global and domestic market uncertainties ... we continue to see reasonably strong interest and opportunities in the Egyptian market."

Accordingly, the most effective solution is for local companies to be "proactive" by starting early internal analyses and consultations with the ECA about how the competition landscape would change if a particular deal goes through. "It is a reality in many countries to start early, as delays happen worldwide."

That puts pressure on parties involved in an M&A deal as they must search for potential anti-competition practices

at a very early stage. Additionally, they need to develop a "strategy to avoid competition problems" even before the ECA reviews the M&A request.

Thirdly, modified laws mean companies should always have a backup plan and be on top of their marketing and sales practices if the ECA unexpectedly investigates them.

Nagy stressed that firms need a "standalone policy" that "sets the right tone and provides all the information needed transparently." Sometimes, it is not the company that has done anything wrong. It could be because "the ECA is investigating the sector ... or another company, and needs a reference."

Multinational companies could be subject to an investigation by local competition authorities just because an overseas subsidiary or the parent company is investigated in another jurisdiction. Nagy calls such inquiries "copycat investigations."

He noted such investigations pose a significant threat to a company, as it can get into trouble if it doesn't respond or gives incorrect or inconsistent info." That could happen, as some companies are large, making consistency difficult. Nagy explained, "Sometimes, the anti-competition behavior comes from first-line and low-level employees who violate the company's standard operating procedures." According to Nagy, the most effective solution is having one department authorized to deal with all ECA inquiries and investigations.

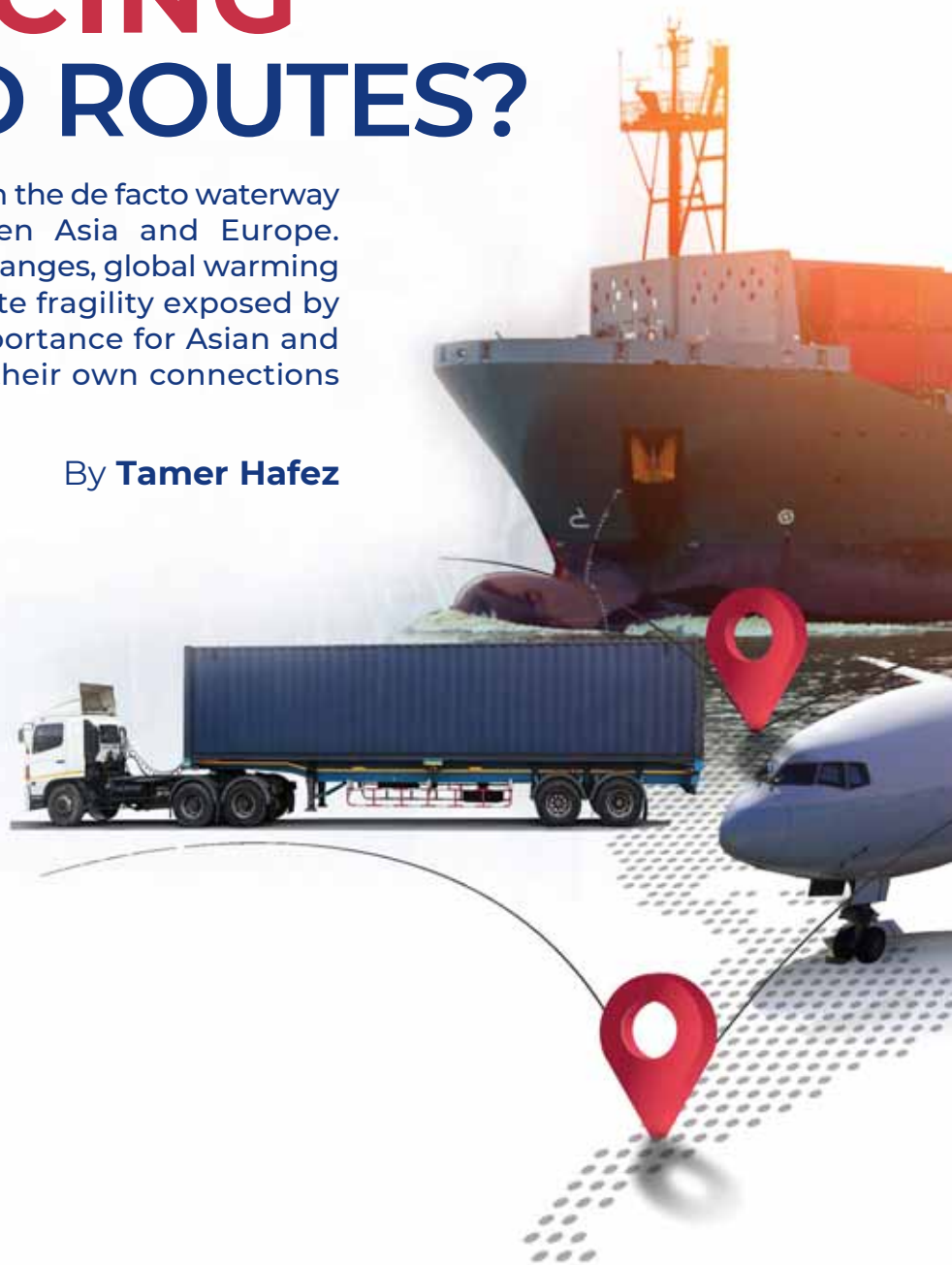
Nagy is optimistic that, with time, discussions and consultations with the ECA will become less burdensome and complex. "ECA processes and investigations should become faster the more they implement the system," he said. Additionally, training company employees to identify, investigate and resolve anti-competition practices internally would expedite the process from the company's side. ■



REPLACING THE OLD ROUTES?

The Suez Canal has long been the de facto waterway for carrying cargo between Asia and Europe. Now, a mix of geopolitical changes, global warming and international trade route fragility exposed by COVID-19 highlight the importance for Asian and European nations to have their own connections to major trading partners.

By **Tamer Hafez**





CONNECTING THE OLD WORLD

Since its inauguration in 1869, the Suez Canal has become the preferred trade route for Europe, Africa and Asia. The government wants to ensure it stays that way.

Accounting for 12% of all global trade and 30% of international container traffic in 2020, the Suez Canal is vital to countries in Asia and Europe, according to Freightify, a platform for freight forwarders. "The Suez Canal is also a key regional shipping hub for oil and hydrocarbons from Asia and the Middle East to Europe," the company said in a 2022 blog. It is "responsible for transporting about 8% of the world's oil and 8% of liquified natural gas."

Not content with those impressive figures, the government wants to increase revenue from the 193-kilometer waterway by raising the number of ships passing through. A book titled *The Suez Canal: Past Lessons and Future Challenges*, published in January as part of a book series by Palgrave Studies in Maritime Politics and Security, said those efforts should "positively contribute to Egypt's national income of hard currencies, create job opportunities for young people living in the Canal Zone [Suez, Port Said and Ismailia governorates], Sinai and neighboring governorates, and create new urban societies."

To achieve that, the state has invested heavily in widening and deepening the canal since 2015, developing ports and roads, upgrading navigation systems, and offering incentives for freighters.

Bigger waterway

August 2014 was a landmark month for Egypt, as the government started digging the "New Suez Canal" to halve transit time to 11 hours, according to a January 2023 article on the State Information Service website (SIS). The project, inaugurated in August 2015, included digging a new waterway along the 60 to 90-kilometer marks.

In a project brief on its website, the Suez Canal Authority (SCA) said the new canal would not only nearly double the number of vessels by lowering wait times but also "raise [its] safety rating" as the

new waterway means an alternate route if the main one is blocked.

The SIS article said the decision to make the Suez Canal bigger was "an affirmation to the world's shipping lines, which is competing to build larger ships, of its ability to receive vessels of large draughts."

In March 2021, however, the government learned the hard way that the 2014 expansion project wasn't enough. That was the month the 400-meter-long *Ever Given*, a mega-ship carrying 18,300 containers of fresh produce, lost control and got stuck for six days near the Bitter Lakes, blocking the canal from both directions. A March 2021 report by the BBC said the incident "held up an estimated \$9.6 billion of goods each day."

After the event, Reuters reported the SCA would "accelerate plans to extend a second channel of the canal and to enlarge an existing channel." SCA Chairman Osama Rabie told the media at the time, "The project will be completed in 24 months. We started in July 2021 and [should] finish in July 2023 ... It will improve ship navigation by 28% in this difficult part of the canal." The government and SCA had not discussed the project's status at press time.

Nevertheless, the SCA expects an average of 97 vessels to pass the Suez Canal daily by the end of 2023, compared with 49 in 2022. The government said those additional freighters should increase the canal's revenues from \$5.3 billion in 2022 to \$13.226 billion in 2023.

Ports, Infrastructure

Another avenue the government is taking to make the Suez Canal more attractive is upgrading ports along its route. In March, the government signed an agreement with Abu Dhabi Ports, a UAE state-owned company, to "improve logistics and port management at its commercial maritime gateways in the Suez



Canal area," reported Marina Blinda of Atalayar, a news portal focusing on Mediterranean countries.

In March, Abu Dhabi Ports said it has a \$200 million concession agreement to invest in Safaga 2 Port, nearly 430 kilometers south of the southern entrance to the canal. According to the media, the upgrade should enable the port to handle as much as 5 million tonnes of general and dry cargo and 1 million tonnes of liquid cargo. It should be operational during the second quarter of 2025.

Also in March, Abu Dhabi Ports signed a 15-year agreement with the General Authority for the Suez Canal Economic Zone to "establish two bulk cement handling terminals in the ports of Arish and West Port Said." Abu Dhabi Ports will operate them starting next year.

Throughout 2022 and 2023, the government made several announcements about improving the infrastructure and increasing dock areas and container-handling capacity in Port Said, Adabiya, Arish, Sokhna, and Al-Tor ports, which all serve ships moving along the Suez Canal. Blinda said that would include "improved road and rail networks." In January, the SIS said the purpose of those expansions is to allow the docking of the biggest category of cargo ships, called Triple E vessels.

The government also is investing heavily in roads and transportation networks around the Suez Canal area to make it a more vibrant trade destination. According to SIS, there are "four mega tunnels and five floating bridges connecting the two banks of the Canal." From April 2017 to January 2023, the government has invested \$25 billion in 192 projects serving the canal, with \$55 billion to be spent in the coming 15 years.

Increasing opportunities

One of the most significant opportunities that could attract more freighters to use the Suez Canal is that it is becoming more eco-friendly, in line with the

International Maritime Organization standards. In November, the SCA said it "initiated multiple initiatives toward the transition to a green canal."

That entails having hybrid-power systems that use solar and wind power "to produce energy for the navigation control station throughout the Canal." The SCA also would replace its fleet of maritime vessels and land vehicles to use natural gas instead of petrol or diesel.

The SCA also noted it is "studying providing incentives for vessels that use green energy." According to an Arab News article, that discount could be as much as 20% for ships that use green hydrogen.

According to the Palgrave Studies in Maritime Politics and Security book, geopolitics will play a significant role in helping the Suez Canal become even more attractive for international trade. It said, "Regional instability in the Middle East ... prevents the development of alternative terrestrial routes."

Another advantage is the canal lies along the route of China's Belt and Road Initiative, which [aims to] increase ... trade between Europe and China." Palgrave said that factor is amplified by China's investments in the Suez Canal region.

However, the government needs to act quickly, given that other countries are actively seeking alternate routes. The main alternative to the Suez Canal would likely be the newly created passage across the North Pole, made possible by the breaking up of the ice pack due to global warming. Palgrave said, "The expected completion of the Northeastern Passage in the Arctic requires Egypt ... to demonstrate greater efficiency and profitability to retain shipping."

THE **NEW** TRADE ROUTES

The Suez Canal is no longer the only favored trade route between Asia and Europe.

Egypt's Suez Canal has been at the heart of trade between Africa, Europe, and Asia since it opened in 1869. Marwan El Sammak, Chairman and CEO of Ship & Crew - Egypt, says, "It is a brilliant way to connect [Asia and Europe] using an all-water solution."

However, that status is under increasing pressure as more countries, particularly in Asia, search for alternative routes. Further complicating the situation for the Suez Canal is that some routes are faster and cost less. They also can be less vulnerable to blockage and accommodate increasingly bigger vessels.

"The blocking of the Suez Canal [for six days] by the 400-meter Ever Given supertanker [in 2021] accelerated ... concerns about over-dependence on the canal, [which] have been around for a long time." James Brown, associate professor at Temple University in Japan, told Al Jazeera in May 2021.

Biggest threat

The Arctic route connecting Asia and Europe is quickly becoming a viable option. Research published in *The Suez Canal: Past Lessons and Future Challenges*, the January 2023 volume of the book series Palgrave Studies in Maritime Politics and Security, found global warming is breaking up the Arctic ice pack, making it possible for some large freighters to use the Northern Sea Route that runs along Russia's Arctic coastline to Norway. Ships leaving from east and southeast Asia could also use it, as the route is in international waters and requires no paperwork or tolls. And it is less vulnerable to closures due to geopolitical developments or accidents.

The Northern Sea Route is ready to accommodate large ships and could prove faster than the Suez Canal. "This is the maritime route that is likely to be free of ice first and thus represents the highest commercial potential," said Canada-based non-profit Transport Geography. "It would reduce a maritime journey between

East Asia and Western Europe from 21,000 kilometers using the Suez Canal to 12,800 kilometers, cutting transit time by 10 to 15 days."

According to Eddy Bekkers, an economist at the World Trade Organization, Europe and Asia increasingly prefer the Northern Sea Route. In a paper published in 2018 by the London School of Economics and Political Sciences, Bekkers predicted there would be "remarkable shifts in trade flows between Asia and Europe, diversion of trade within Europe, heavy shipping traffic in the Arctic and a substantial drop in Suez traffic."

Russia, China, Japan, and South Korea would be the biggest beneficiaries of promoting the Arctic route. According to Emre Abay, a journalist at Russia-based Anadolu Agency, "The Northern Sea Route is essential [for Russia], not only economically but also militarily and strategically." The benefits for China and South Korea are almost all about "searching for faster ways to reach the European market. Russia and China seem to have found what they were looking for in the Northern Sea Route and will continue to work this path."

Maritime experts told Abay, "The Northern Sea Route will be ready to be used at full capacity by 2030,"

India's alternative

Another trade route on the rise is the International North-South Transport Corridor (INSTC), backed by India. Deepankar Sinha, a professor at the Indian Institute of Foreign Trade, said in a June 2021 EuroAsia op-ed that the importance of that path increased significantly after the Ever Given incident in the Suez Canal.

The route is a 7,200-kilometer mix of land, maritime, and lake freight connecting India to Russia. The first leg runs by rail from Mumbai to Bandar Abbas in Iran. Goods are then transferred to trains bound for Baku, the capital of Azerbaijan, then shipped on the Caspian Sea to Astrakhan in Azerbaijan. Cargo then takes a rail route, stopping in Moscow

and ending in St. Petersburg. The corresponding Suez Canal route goes from Mumbai and travels non-stop to St. Petersburg via the Red Sea, the Mediterranean Sea, and Europe's entire western coastline. At 14,756 kilometers, it is twice as long as the INSTC.

Research from the Federation of Freight Forwarders Associations in India said the INSTC is "30% cheaper and 40% shorter than the current traditional route." The federation said, "77 countries ... are part of the INSTC project ... from Europe, Africa and Asia." Regulating their relationships is the Transports Internationaux Routiers (International Road Transport, or TIR) framework, a global system of customs controls.

The INSTC also has a geopolitical dimension. "The INSTC has particular economic and strategic relevance to India given the increasing regional ambitions of China through its One Belt, One Road Initiative," Bipul Chatterjee of CUTS International, an India-based think tank, wrote in *The Diplomat* in 2015. "The proposed INSTC trade corridor could help India secure its interests in Central Asia and beyond."

Emerging routes

Other countries are investigating the feasibility of new trade routes to reduce dependence on the Suez Canal. In 2020, Israeli media reported on plans to dig an artificial 250-kilometer canal (Ben-Gurion Canal) and oil pipeline inside the country to connect its Eilat port on the Red Sea to its Ashkelon port on the Mediterranean coast for international shipments.

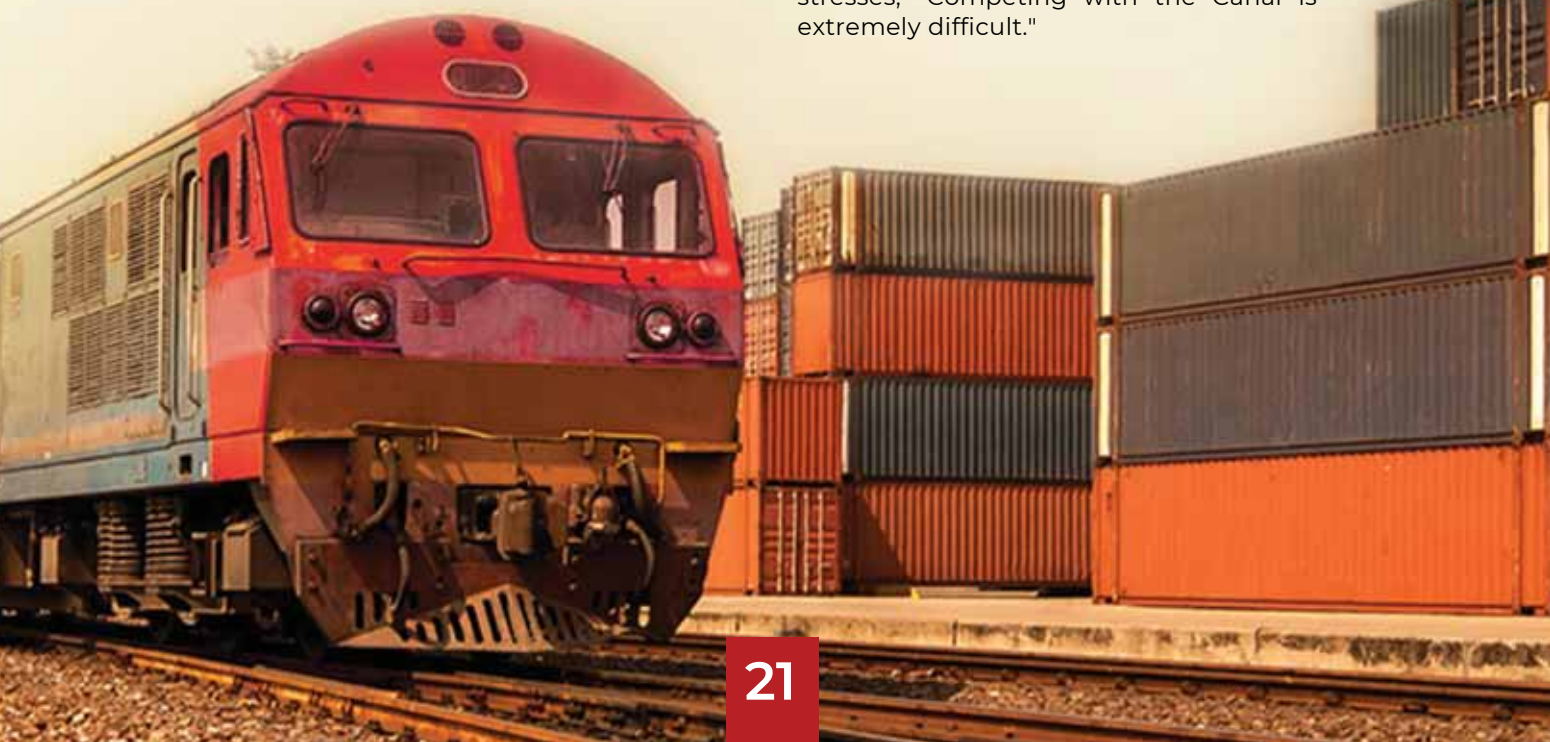
In 2021, after the *Ever Given* blocked the Suez Canal, regional media reported on the potential of extending an oil pipeline between the UAE and Israel to bypass Egypt's waterway. Zvi Bar'el, Middle Eastern affairs analyst at Haaretz Newspaper, wrote in a January 2022 piece, "The bigger problem [for Egypt] could be Saudi Arabia using the pipeline, too, if the kingdom normalizes relations with Israel."

The Israeli government also is talking up a railroad through Jordan to the UAE. Bar'el noted that would only happen if Saudi Arabia agreed since the tracks would traverse its territory.

In 2021, the UAE started using a road route connecting the emirate of Sharjah with Bandar Abbas in Iran (which also connects with the INSTC) and Iskenderun in Turkey to move cargo to Europe. The route takes less time than the Suez Canal, needing seven days instead of 21 to reach its destination. Also that year, TRT World, a Turkey-based news wire, reported Pakistan was interested in the UAE's land route, as it would take 10 to 12 days for Pakistani exports to reach Europe. Those countries use the TIR framework to facilitate the movement of goods.

On the ground, the main risk facing the Suez Canal is it will become just one of a rising number of options for moving cargo between Asia and Europe." While an estimated 12% of the world's maritime trade passes through the Suez Canal, and although this proportion cannot be ignored," Abay stressed, "the route is not indispensable."

However, El Sammak points out that the Suez Canal has no locks and could still be made deeper and wider. Noting that maritime transport is still the most competitive way to move large cargo volumes with a limited carbon footprint, he stresses, "Competing with the Canal is extremely difficult."



NAVIGATING THE TRADE MAZE

Global trade has been in a state of unrest since the economic fallout between the United States and China in 2015. And it is not showing any signs of stabilizing soon.

One of the hallmarks of the global economic system since World War II is that cross-border trade gets easier with time. "Global trade, in many ways, makes the world go round," said a January note from the World Bank. "Think of any electronic good, clothing item or perhaps a chocolate bar; all everyday items which are in consumers' hands and homes [are] because of global trade."

That openness created "better jobs, reduced poverty and increased economic opportunities," said Mona Haddad, global director for trade, investment and competitiveness at the World Bank Group in January. International trade "has lifted more than one billion out of poverty since 1990."

However, the ongoing geopolitical tensions between the United States and China since 2015, the COVID-19 pandemic, and sanctions against Russia since its invasion of Ukraine are changing the global trade landscape. Meanwhile, economic recovery in wealthy nations adds new demands on low- and middle-income exporting countries to rethink their trade and logistics infrastructure.

Trade history

In the 1990s, cross-border trade reached its peak. An IMF paper in June labeled that period an era of "hyperglobalization." Its main characteristic was that "trade with (at the time) low-wage countries influenced goods prices and wages in advanced economies, benefiting consumers in these countries and workers in exporting [nations]."

The IMF paper said the upside of that boom was surprisingly low inflation despite quantitative easing and increasing national debt.

In 2015, the backlash against globalization was in the limelight as wealthy nations outsourced manufacturing to less developed, low-cost countries. "The Unequal Effects of Globalization," a newly published book by Pinelopi Goldberg, Elihu Professor of Economics at Yale University, said, "While the average person in the world was better off at the end of the 2010s, many workers in the advanced economies were feeling left behind, doing worse than their parents."

That aligned with increasing fears from wealthy governments, particularly the United States, that "competition with China was 'unfair' given its use of subsidies as well as restrictions

imposed on companies seeking access to its market," the IMF paper said. "This spurred demands for more confrontational policies toward China, especially because it was no longer a poor developing economy."

The document also highlighted the role of post-COVID-19 supply chain bottlenecks in 2021 in hampering global trade, as major international suppliers came out of lockdowns at different times. That resulted in many governments calling for localizing industries or increasing trade with surrounding and politically friendly nations.

Since last year, the war in Ukraine has further fragmented global trade, as the wealthiest nations imposed sanctions on Russia. However, Russia's allies, including China and major trade partners in the developing world, didn't take any punitive action.

The IMF report said the resulting political fragmentation caused countries to "wonder what would happen if they had to decouple from trade partners of opposing political stances overnight. Policymakers concluded ... it would be better to decouple immediately on their own terms."

That means importers no longer use some low-cost suppliers. "Greater trade barriers lead to higher prices, which mean lower real wages," the IMF paper said. "Globalization may have contributed to ... inequality, but protectionism ... will likely make the problem worse."

What happens next

As the world's biggest economies (China, the United States and European countries) reduce interest rates as inflation cools, trade patterns could change significantly compared to the past three years.

The World Trade Organization (WTO) said in April, "The relaxation of [COVID-19 measures] is expected to unleash pent-up consumer demand ... which could provide a boost to international trade."



To meet rising demand from the world's biggest economies, goods and products must move faster from source markets. According to the WTO's April forecasts, "World merchandise trade volume is projected to grow 1.7% in 2023 before picking up to 3.2% in 2024." That compares with a 3% drop in 2022.

The report said while those growth figures may indicate a recovery in global trade, the regional breakdown is a mixed bag. "Exports from the Middle East [mainly oil] are generally expected to greatly increase to make up for the shortfalls in supplies of Russian energy products," noted the WTO. Conversely, "Africa was ... expected to export greater quantities than it ultimately did. [Instead,] the ... dollar value of the region's exports ... increased sharply (18%) due to higher commodity prices."

However, the WTO warned, "It is difficult to be confident about these [forecast] figures." That is because their "estimates [are] more uncertain than usual due to the presence of substantial downside risks, including rising geopolitical tensions, global food insecurity, the possibility of unforeseen fallout from monetary tightening, risks to financial stability and increasing levels of debt."

Silver bullet solutions?

Amid those uncertainties, governments need to ensure local companies can quickly meet increasing demand from countries with recovering economies. That means faster supply chains to increase exports, which would require significant investments from already cash-strapped economies, such as Egypt. Miishe Addy, co-founder and CEO of Jetstream Africa, a Ghana-based online platform connecting suppliers with producers, told the World Bank in January, "Supply chains [in the continent] are the slowest in the world."

Another way to speed up the movement of goods at ports is for governments to remove bureaucratic hurdles and streamline processes. "The trade policy solutions [must] exist, and most of them [must focus on being] quick wins ... All of [those solutions should] be done at scale," said Vicki Chemutai, an economist at World Bank Group.

Another solution to expediting the handling and processing of outbound products is to rely more on automation. "Technology and digitization make trade faster, cheaper, easier and more predictable," said Alina Antoci, senior trade facilitation specialist at the World Bank Group, in January. "Automation makes things more efficient at borders and ports."

That transformation would result in more efficiency and lower costs. "Automation can lead to increased productivity and reliability, as well as decreased turnaround time for vessels," noted Port Strategy, a think tank. "This can result in lower costs for shipping companies and faster, more efficient transportation of goods."

The challenge with more automation may be finding the political will to reduce dependence on humans at ports. "Taking the human out of some of these processes ... reduces corruption and makes access to information equitable and reliable," stressed Antoci.

Regardless of the solutions, Chemutai stressed that innovative solutions are a prerequisite to expediting processes at ports. "The world of trade is not a simple one, and there are pressing issues to address," she said, "but innovation ... is proving revolutionary [in overcoming] so many [of those pressing issues]." ■



END OF THE ROAD

Experts forecast how the Federal Reserve might change interest rates in 2024 and 2025 and, with it, U.S. GDP growth prospects.

By **Rania Hassan**



When the Federal Reserve (Fed) held overnight interbank rates steady at 5.25% in June, experts said it was a temporary pause. "The Fed 'skipped' a rate hike in June in favor of gathering more data," said Preston Caldwell, a senior U.S. economist at Morningstar Research Services, in July.

As expected, Fed Chair Jerome Powell announced on July 26 a 0.25% hike in overnight interbank interest rates to 5.5%, the highest since 2001.

The possibility of another increase is uncertain. During the July announcement, Powell said, "I would say it's certainly possible that we will raise funds again ... if the data warranted. And I would also say it's possible that we would choose to hold steady." Reuters reported in June that the Fed would adopt a "meeting-by-meeting approach."

For emerging markets, accurately predicting how the Fed might change interest rates over the coming two years is vital to their monetary policies and, ultimately, GDP growth prospects. "The international spillovers associated with ... rising interest rates can heighten the likelihood of financial distress in these economies," said Carlos Arteta, lead economist and head of macroeconomic surveillance at the World Bank, wrote in *EconoFact*, an online publication, "They are ... more damaging in economies with pre-existing vulnerabilities" such as Egypt.

Reasons behind hikes

Arteta said several reasons could push the Fed to raise interest rates, such as unexpected global disruptions that hinder supply chains or political fallout that increases inflation globally or in the United States. "Inflation is the main driver of anxiety in markets and the key catalyst for central bank action in 2022 and 2023," said the stock-trading platform Capital.com in a May analysis. "The Fed is now at the whim of the greater market forces as it tries to steady the economic ship."

Over the past two and a half years, the Fed has

raised interest rates from 0.25% to 5.5% in response to domestic inflation, which reached a 40-year high of 9.1% in June 2022, exceeding the Fed's 2% target. The latest figure was 3.2% in July 2023, up from 3% in June.

The Capital.com article explained that the source of the ongoing inflation crisis is a mix of demand and supply factors that were not necessarily interconnected before the COVID-19 pandemic. It got worse after Russia invaded Ukraine in February 2022.

According to Bankrate, a consultancy, inflation is still above the Fed's target mainly because "its sources have changed." The Bankrate report noted, "Supply shocks that contributed to rapid food and energy inflation have majorly improved. [...] Americans are now dealing with expensive service costs."

Another reason behind the Fed's interest rate increases is to attract foreign investors to deposit their cash in U.S. banks. "The greenback's appeal as a ... haven currency, coupled with increased investor attraction thanks to the Fed's hawkish monetary policy, has helped it outgain most currencies this year."

The appreciation against other currencies has invariably kept prices of U.S. imports contained. Meanwhile, asserting the dollar's "safe haven" status helps America contain potential risks from China, Russia and other nations that want to use their currencies in global trade.

Shaping the future

Odeta Kushi, deputy chief economist at First American Financial Corp., a financial service company, believes the U.S. economy conveys mixed messages. "Goods inflation has been declining, and everyone is confident housing inflation will follow," she told Bankrate in July. "However, recent wage growth, employment, and inflation estimates suggest that services ... are still running hot."

"A less than white-hot labor market and slowing



service sector wage gains are key to getting the Fed to halt interest rate hikes," said Kushi. "Our conviction is the Fed's fight against inflation hasn't yet reached an inflection point." That will likely take a long time, Asawari Sathe, a senior economist at Vanguard, an investment adviser, said in a June research note

Another complication for the Fed is that as inflation inches closer to the 2% target, it becomes more difficult to reduce it. At 3.2% inflation, the United States is "at the point where wringing the last few percentages of inflationary pressures are more difficult," Bernard Markstien, president and chief economist at Markstein Advisers, told Bankrate in July. "It will take the prolonged effects of the likely coming recession and time for the inflation rate to fall back ... close to 2%."

In June, Michael Derby of Reuters reported Fed officials expect that inflation pressure will take a "few years" to ease. Bank of America CEO Brian Moynihan agrees. He told CNN in July that inflation will be between 2% and 2.1% by 2025. "We think it will take [Fed officials] all of this year and all of next year and into 2025 before they get inflation in line with their long-term target."

Rate forecast

For the rest of 2023, Derby reported in June, experts forecast the Fed's interest rate will reach 5.6% by the end of this year. That means in the last quarter of 2023, the Fed will raise rates by 0.1%. That compares to 5.1% that Reuters' experts forecast in March.

However, Caldwell of Morningstar Research Services said the Fed would not increase interest rates beyond the current 5.5%, saying, "We think the Fed is done after this." Daniel Grosvenor, director of equity strategy at Oxford Economics, agrees, stressing the current rate will hold steady as long as inflation is above the Fed's rate.

However, Sathe of Vanguard said, "financial markets [are] wagering on rate cuts in 2023" based "on pricing for bonds and futures contracts [that show] the markets expect the Fed to cut its policy rate by more than half a percentage point by year's end." She noted, however, "That's probably unrealistic [because] inflation will continue ... above 3% through year-end."

The much-anticipated decrease in interest rates should start in 2024 as inflation slowly declines to the 2% Fed target. In June, Reuters and CNBC reported Fed officials are projecting interest rates to drop to 4.6% next year. The two articles said that is higher than forecasts made in March.

Experts and think tanks have significantly varying forecasts, anticipating different inflation numbers over the coming two years. "Inflation remains sticky. ... Home prices and rents have cooled and will begin to act as a disinflationary force on the core number, but risks are to the upside," Yelena Maleyev, senior economist at KPMG, told Bankrate in July. "Home prices are already reaccelerating in some parts of the country, and there is still not enough housing supply for millennials who are aging into their prime home-buying years."

Caldwell predicts the Fed will take the first opportunity in 2024 to reduce interest rates, given that economic growth should be "running below normal." He expects "the first rate cut to come in February 2024, followed by steep cuts" until the end of the year. "That is significantly below expectations of the market and the Fed itself."

In June, Moynihan of Bank of America told CNN he had predicted interest rates wouldn't change until May 2024. He noted that would result in a "mild recession ... in the first part of next year." After that, interest rates should drop as inflation decreases and the Fed attempts to boost GDP growth.

When Trading Economics, a data-curation portal, employed its algorithm, it forecast the Fed would drop interest rates multiple times to 3.75% by the end of next year. Dutch bank ING predicted in a note published in May that U.S. interest rates would start 2024 at 4%, dropping gradually to 3.25% by the last quarter of the year. Lastly, Scotiabank, a Canadian multinational, expects rates to fall to 3.5% by the end of next year.

Sathe is less sure such a quick drop will happen, saying, "The Fed won't be in a position to cut rates until the middle of 2024." A Bloomberg poll published in June found that 70% of "investors expect the [Fed] will keep raising interest rates, with most not anticipating cuts to begin until well into 2024."

By mid-2025, Caldwell of Morningstar Research Services estimates interest rates of 3.3%, about 200 basis points lower than the Fed's forecast. Trading Economics' model expects Fed rates to reach 3.23% by the end of 2025. ING predicts a lower 3% interest rate.

Mind the gap

Lower inflation and interest rates are no guarantee the U.S. economy will recover, fueled by rising demand for goods,



services, and funding. Howard Schneider, a Thomson Reuters reporter covering the Fed and monetary policy, said in June that inflation-adjusted interest rates in 2023 and 2024 paint a different picture than when taking those two metrics separately.

Schneider of Thomson Reuters said the pace of rate decrease and persistently high inflation projections in 2024 and 2025 show the U.S. economy will not have more fiscal space to grow.

He said, "Considering the anticipated path of inflation, [interest rate drop] projections actually indicate monetary policy will grow more restrictive through 2024 on a ... inflation-adjusted basis."

"It's... why the Fed sees inflation continuing to fall through next year and unemployment rise despite expected lower interest rates," Schnieder explained. That means "financial conditions may not become as freewheeling as the headline rate number suggests."

He added that figures in 2023 show the "gap between federal [interest] rate and the expected rate of ... inflation [should be around] 1.7%. By the end of 2024, the spread ... widens to 2%, as the interest rate declines, but the rate of inflation falls more sharply."

Schneider said the Fed is implementing "a subtle exercise that plays on psychology and behavior as much as anything else." It aims to lower borrowing costs by reducing interest rates while ensuring the public perception is that "an old-fashioned bank account is ... an effective inflation hedge," considering the gradually growing gap between interest and inflation.

The Fed's aim from those "small, subtle tweaks to 'financial conditions' [is] to keep monetary policy restrictive through next year as ... not to give inflation a chance to rekindle."

Schnieder projects the gap between the interest rate and inflation won't shrink "until the end of 2025," he said. "And even then [it will] remain above the [Fed's] current estimate of 'neutral,' meaning it is still high enough to put the brakes on the economy." ■



BUILDING A CAREER

The prospect of working abroad has always appealed to local university graduates. The Coursera Global Skills Report 2023 highlights the expertise they may need in their preferred destinations.

Summarized by **Rania Hassan**



Starting a career in a wealthy country or one with economic promise has always appealed to Egyptians. According to research published by the Egyptian Journal of Commerce Studies (EJCS), "Egypt is considered the largest supplier of migrant labor in the Middle East and one of the largest emigrant populations in the world."

During a July press event, Soha El Gendy, the Minister of Population and Immigration, said Egyptian expats reached 14 million to date, nearly 14% of the population. She noted, "A significant percentage of them are businessmen working in the energy, export and import, and pharmaceutical sectors."

According to CAPMAS, the most attractive countries for Egyptians to work and live in are Saudi Arabia, the U.S., UAE, Kuwait, Sudan, Australia, Qatar, and Italy. They comprise over 72.2% of the diaspora.

To remain relevant and of service to international employers, Egyptian expats and those searching for jobs abroad need to ensure they have the necessary skill sets. Being Expat, a portal advising those who take jobs abroad, stressed, "Whether you want to become a more attractive candidate for job openings or take your career in a different direction, investing time in acquiring new skills is an invaluable asset for any expat."

The Coursera Global Skills Report 2023 detailed the skill sets and knowledge in high demand across various regions. Getting such training is increasingly essential as "digital transformation, automation, and globalization are reshaping the labor market, [creating] an unprecedented need for reskilling and upskilling."

New skills needed

Jeff Maggioncalda, CEO of Coursera, said 2022 was a "transformational year" in the international labor scene. It witnessed the introduction of a new breed of free artificial intelligence (AI)-powered tools called generative AI. ChatGPT, Google's Bard, and Microsoft's Co-Pilot are the most well-known in that category of software. "Generative AI intensifies [the] urgency ... to reskill and upskill [employees]," Maggioncalda said. "[It] poses a threat to a new class of knowledge workers."

The report said those new technologies mean

"60% of workers will need retraining between now and 2027, [yet] only half of these workers have access to adequate training opportunities."

That has altered hiring practices and strategies. Employers are "adopting a skills-focused approach to expand their hiring pipelines and create reskilling pathways for workers," the report said.

Companies in advanced economies would likely seek hires with "skills that cannot be easily automated, such as project management, change management, and collaboration." In emerging countries still building their digital economies, companies prefer "to invest in [hires with] digital skills, such as software architecture, mobile development, and programming principles."

The report noted that AI training -- such as artificial neural networks, applied machine learning, and computer vision -- is likely the best option for employees. "Almost everyone will need some level of AI proficiency in the future," the Coursera report said. "Up to 40% of workers could have half or more of their tasks impacted by large language models like those that power ChatGPT."

However, the report stressed that most international companies "need a combination of both digital and human skills ... to harness the opportunities of automation and the side-step its repercussions."

Accordingly, expats who want to move up the corporate ladder should have both skill sets. "Digital skills hold the promise of higher income and greater career opportunities," the Global Skills Report 2023 said. "Meanwhile, human skills like analytical judgment, flexibility, and emotional intelligence are essential for employees in an AI-powered future."

Another requirement for multinational companies, in particular, is that their trained employees hold professional certificates as assurance they passed the training course. "Global demand for professional certificates is surging year on year, particularly ... Africa, the Asia Pacific region, and North America," the report said. "Low-income countries experience the greatest enrollment growth, while high-income countries have the highest overall enrollments."

For Egyptians seeking careers abroad, the skills they need will depend mainly on where they are working. The top destinations are Gulf countries, considered as an emerging market. The skills they require differ entirely from what advanced economies need, including the U.S., Europe, and Australia, which attract almost all of Egypt's remaining diaspora.

GCC skill sets

According to CAPMAS, the GCC's six countries account for 46.7% of Egypt's diaspora, making them the top destination for Egyptians seeking careers abroad. The Global Skills Report 2023 found that nearly 60% of learners in that region use mobile phones to take courses. Meanwhile, the growth rate of those enrolling in professional certificates increased by 32% compared to the previous year.

The report noted that learners in MENA are strong in 'business' skills, with GCC countries achieving 'cutting-edge' scores. That contrasts with "technology" and "data science" skills, which shows "a gap throughout the region."

The report added that within the "business" skills landscape, "learners in MENA are more likely to invest in marketing skills and social media [and] advertising." Employees also prefer taking courses in "leadership skills like people analysis, human learning, and influencing."

In "technology" and "data science" training, learners preferred "to invest in AI-related data science skills like deep learning, artificial neural networks, and computer vision," the report said. Learners also showed interest in "computer graphic techniques, graphic design, and interactive design."

What Europe wants

The EU nations are also another popular destination for Egyptian expats, CAMPAS figures show. The bloc comprises wealthy advanced economies, and the skills they require are the best in the world. The Coursera report noted, "Learners in Europe show strong overall skill performance, occupying 19 out of the top 25 global rankings for overall skills proficiency."

Around 39% of learning in Europe happens on mobile phones. Meanwhile, enrollment in professional certificates increased by 26% from the previous year.

Getting top-tier training is vital for most European countries. "Regional leaders [are] further investing in developing learners in data science to support AI-related skills like machine learning," the report said.

A breakdown shows that "Europe ranks [first] globally for 'business' skills [with] more than half of countries earning 'competitive' or 'cutting edge' proficiency scores." The report said Luxemburg, Switzerland, and Denmark are the top countries in the "business" category. The most likely skills learners seek are "innovation, human learning, and negotiation."

The continent is the second globally in "technology" and "data science." The report said that Spain, Switzerland, and Ukraine are the top nations in "technology" skills. Meanwhile, Spain, Luxembourg, and Germany seek those with top-tier "data science" training and knowledge. Companies in those nations seek employees with skills in "artificial neural networks and deep learning [to] support [their] emerging AI market."

Rebuilding industry

The U.S. is the second most popular destination for Egyptian expats after Saudi Arabia. According to CAPMAS, the number of Egyptians working in the U.S. accounts for over 15.78% of Egypt's diaspora.

There should be a lot of fresh job opportunities as the country is rebuilding its economy fueled by initiatives like the \$222 billion CHIPS and Science Act, passed in July 2022. By the end of last year, manufacturing in the U.S. had grown 4.6%, according to official data. That is over twice the overall GDP growth rate of 2.06%.

Accordingly, the world's largest economy needs an increasing number of highly skilled workers to implement the government's strategy. Chuck Schumer, the Senate's Democratic majority leader, said in July, "This legislation is going to create good paying jobs."

That means Egyptians chasing a career in the U.S. must seek top-notch training as there is a lot of competition for diverse jobs in America. "The U.S. has the largest number of learners in the world," the Global Skills Report 2023 said. "[They have] the world's highest ... demand for professional certificates, which 86% of U.S. employers believe strengthens a candidate's job application."

The Coursera report notes that 41% of learning happens on smartphones, while those enrolling in professional certificates increased by 53% compared to the 2022 report.

The document noted that "U.S. learners perform best in 'business' skills, [particularly] accounting, ... sales, [and] marketing." Soft skills training is also popular, especially "business skills pertaining to ... change management, collaboration, and business communication."

In second place is "data science," in particular data analysis. The report said learners invest in SQL and data visualization software. Meanwhile, "technology" skills are the "greatest opportunity for investment." The top specializations are network architecture and user experience.

Other major destinations

According to CAPMAS, Australia and South Africa are among the 17 countries Egyptian expats favor the most. The former, an advanced nation, aims to "increase ... annual GDP growth rate by between 0.7% and 1.2% [until 2030]," said the Australia 2030 Prosperity Through Innovation document. "The mix of future occupations is uncertain, but the skills needed to perform them are clear."

The country "scores lower [than other advanced nations] in business skills." The highlight strength is "human resources," while "strategy and operation" is a "key area for improvement." In "technology" and "data science," the Global Skills Report 2023 report says Australia is "competitive" globally.

A third of learners use their smartphones, while those seeking professional certification increased by 12% from the previous year.

South Africa, the second biggest economy in Africa after Nigeria, requires qualified talents to fuel its economy to new highs. According to the 2022 Africa Industrialization Index, the country is the continent's "most industrialized economy." In August, South Africa's President Cyril Ramaphosa stressed that industrialization is vital for moving the nation forward.

The Global Skills Report 2023 says the "business" skills score makes South Africa "competitive." The worst scores were in "finance," "human resources," and "communication." Meanwhile, "technology" and "data science" are classified as "an opportunity for improvement."

The report said 58% of learners got their training from smartphone apps, and those seeking professional certificates increased by a third from the previous year.

Learners in South Africa are most interested in taking courses in auditing, investment management, innovation, and risk management. The top specializations in "technology" and "data science" are network architecture, computer programming tools, and interactive design.

Constantly upgrading skills is as critical for Egyptians seeking a long-term career abroad as is understanding the evolving needs of the country they work in. That is because most of them don't plan to return to Egypt, especially if they relocate to a developed, wealthy nation. Research from Mansoura University published in October 2021 shows, "The proportion intending to stay in the host country increases to 67% among Egyptian migrants in Europe and 88% among those in North America." ■

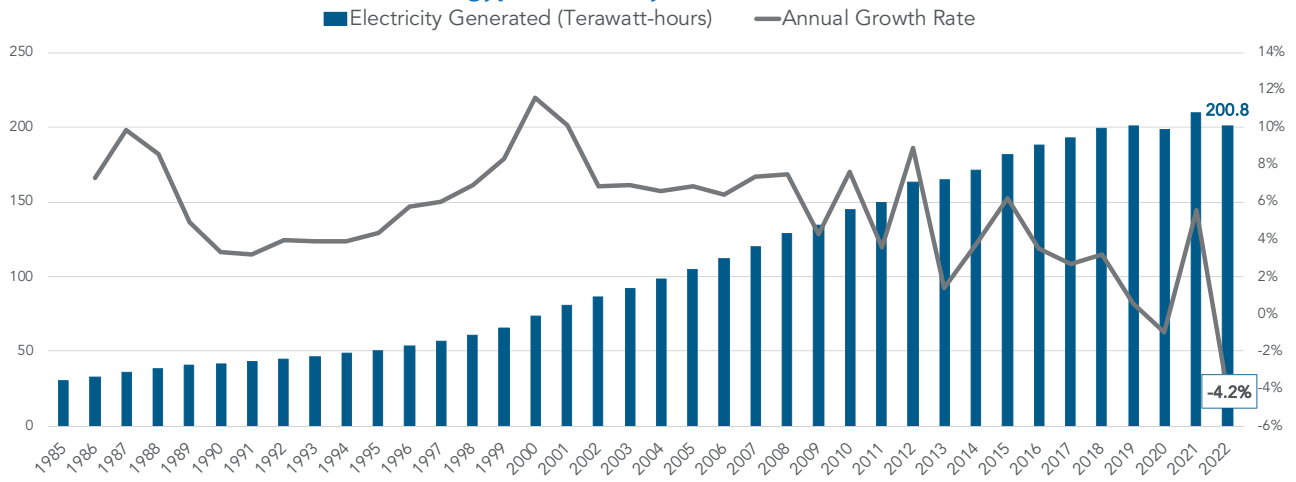




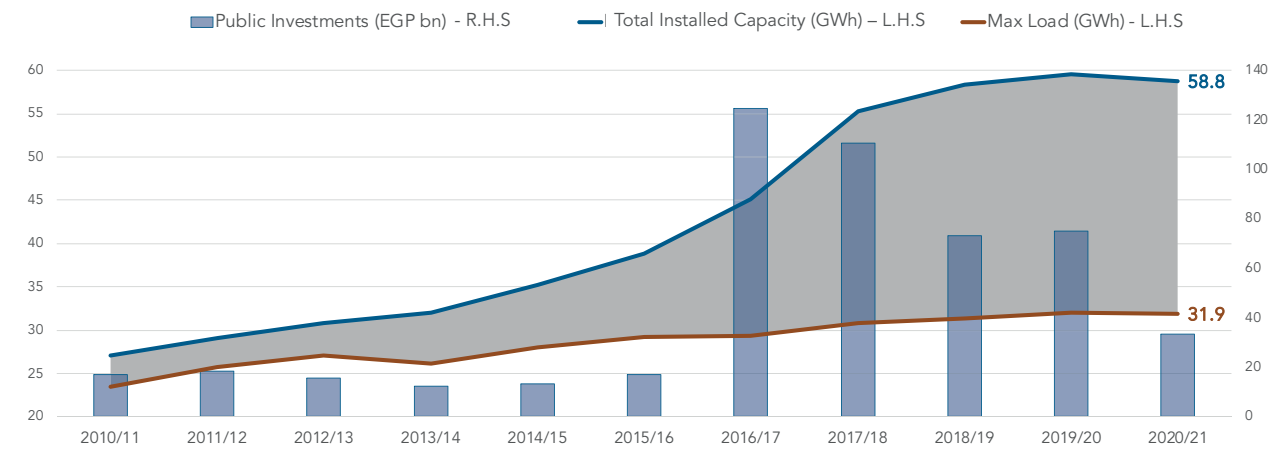
EGYPT'S ELECTRICITY SNAPSHOT

Egypt has invested significantly in the electricity sector with the aim of powering the economic reform program(s) and sustainable development goals, **yet the recent electricity cuts bring to light domestic natural gas production developments (the main fuel used in power stations) and the current FX shortage.** The government already started rationalizing natural gas directed to electricity generation in Q3 2022 in order to free up more gas for export, and recently announced few measures aimed at reducing electricity consumption while allocating USD 250 – 300 mn to import mazut in the upcoming period to increase electricity supply.

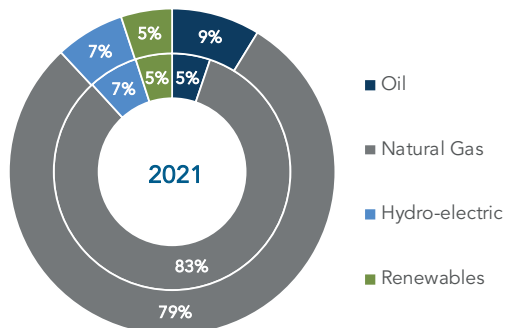
Egypt's Electricity Production



The government invested heavily in expanding electricity production capacity mainly through the three mega Siemens power stations contributing 14.4 GWh



Electricity Generation by Fuel 2022



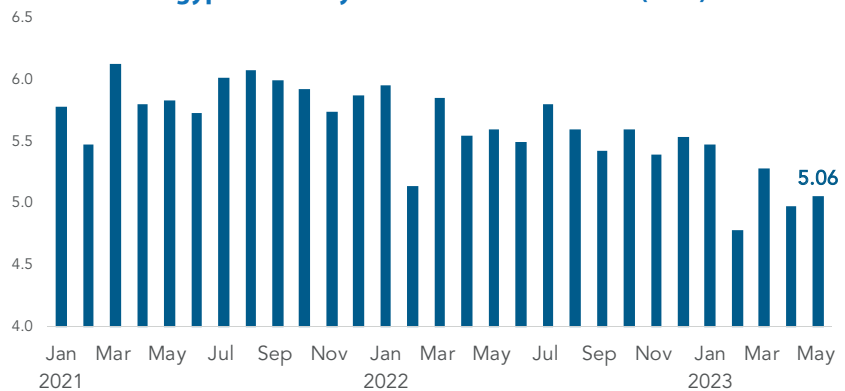
Egypt's fuel mix for electricity generation relies heavily on natural gas (≈80%) with 2022 witnessing some substitution from natural gas to oil compared to 2021. Renewable energy sources and hydro-electric shares didn't change in 2022, accounting combined for only 12% of the electricity generated in the country.

Sources: 2023 Energy Institute Statistical Review of World Energy, MPED & Ministry of Electricity and Renewable Energy

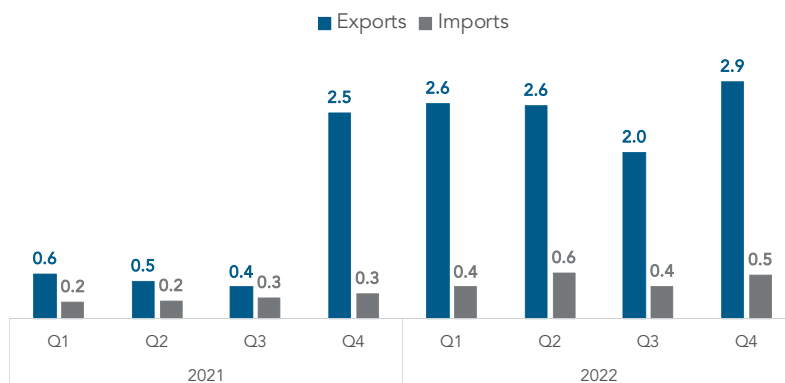
NATURAL GAS STATUS

During the first 5 months of 2023, Egypt's gas production declined by 9% compared to the same period in 2022, likely driven by the reported technical and water infiltration problems* at the mega Zohr gas field (that accounts for almost 40% of the country's gas output).

Egypt's Monthly Natural Gas Production (bcm)



Egypt's Natural Gas Trade (USD bn)



Egypt's natural gas exports spiked in 2022 to cross USD 10 bn on the back of high global natural gas prices, increasing demand from Europe that was trying to find alternatives to Russian gas supplies, and rationalization of domestic consumption. However, during Jan – Apr 2023, Egypt's LNG exports halved to record USD 2.1 bn compared to USD 4.1 bn in the same period in 2022, highly driven by lower gas prices.

Recent Natural Gas Investment Updates

- In January 2023, Chevron (45%) and Eni (45%) announced a "significant" natural gas discovery offshore Egypt in the Eastern Mediterranean Sea - Nargis-1 well located in the Nargis offshore area concession.** No official numbers have been announced about the estimated amount of gas reserves in the well, though Fitch Solutions (BMI) project it at 99 bcm. In February 2023, the Minister of Petroleum and Mineral Resources stated that Nargis-1 well is expected to start production within 1-1.5 years. Egypt's Tharwa Petroleum Company holds the remaining 10% stake in the well.
- In July 2023, Egypt announced a USD 1.8 bn program to drill natural gas exploration wells in the Mediterranean Sea and Nile Delta.** The program is in cooperation with Eni, Chevron, ExxonMobil, Shell, and BP. The aim is to drill 35 exploration wells within two years, 21 in the current FY 2023/24 and 14 in the next fiscal year.

Sources: JODI, CBE, CAPMAS, Reuters, S&P, Fitch Solutions & Amwal AI Ghad
*Fitch Solutions



Market Watch

Stock Analysis

The FX effect

The period from July 15 through Aug. 15 saw the main market indices extend year-to-date gains. The EGX 30 rose 3.6% (23.1% for the year), and the EGX 70 EWI 6.2% (29.9%). Advances outnumbered declines by two to one. Market performance was unscathed by the Central Bank of Egypt's (CBE) surprise 1% rate hike Aug. 3.

Since then, both indices added 3% apiece. Investors probably took the rate hike as a cue for continued high inflation, which they can hedge by taking long stock positions. However, two other themes played out during the period, namely FX-linked plays and earnings-related stories.

Rising local gold prices contributed to a higher U.S. dollar exchange rate of about EGP 42. So it was no surprise to see strong performers led by stocks of companies that are beneficiaries of a stronger U.S. dollar.

For instance, tourism-related stocks like Sharm Dreams for Tourism Investment (SDTI) and Misr Hotels (MHOT) rose 43% and 41%, respectively. Also, export-oriented stocks like Lecico Egypt (LCSW), Alexandria Containers Handling (ALCN), and Raya Contact Center (RACC) rose 34.5%, 19.3% and 17.6%, respectively.

Meanwhile, strong earnings reports helped drive other stocks. Housing & Development Bank (HDBK, up 12.4%) extended its year-to-date gain to 32.5% after second-quarter earnings doubled year-on-year on strong net interest income growth, registering an unprecedented ROAE of 59%. Nonetheless, the stock was trading near its book value. Also, Juhayna Food Industries (JUFO, up 14.6%) reported 24% higher year-on-year earnings during the second quarter on double-digit revenue growth

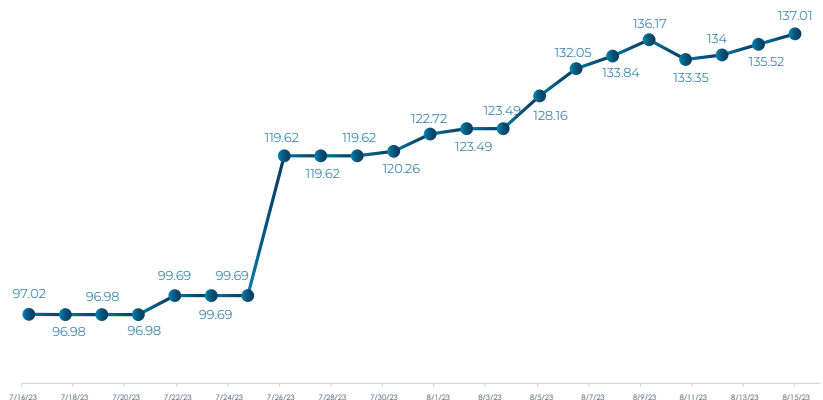
despite a slightly lower gross profit margin.

As for the laggards, they were led by TAQA Arabia (TAQA, down 29%), the latest company to list on EGX. The stock ended the period at EGP 9 a share, which aligns with the independent financial adviser's fair value set before the stock began trading. Its second-quarter earnings fell 11% sequentially on higher finance costs and despite slightly higher revenue. Still, this left TAQA trading at a relatively high price-to-earnings ratio north of 20 times. Also, Beltone Financial Holding (BTFH, down 11.2%), the late high-flier, succumbed to pressure as recent news of its interest in acquiring a digital bank license and a microfinance business did not help.

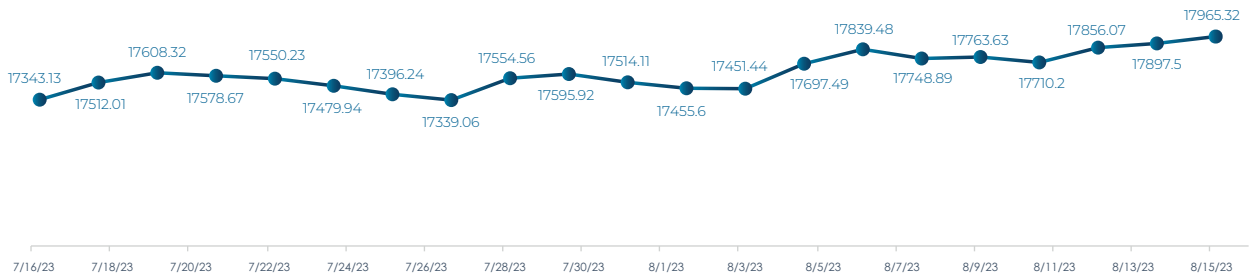
With summer ending, investors will likely take shelter in stocks that are both inflation and FX hedges.

Misr Hotels (MHOT)

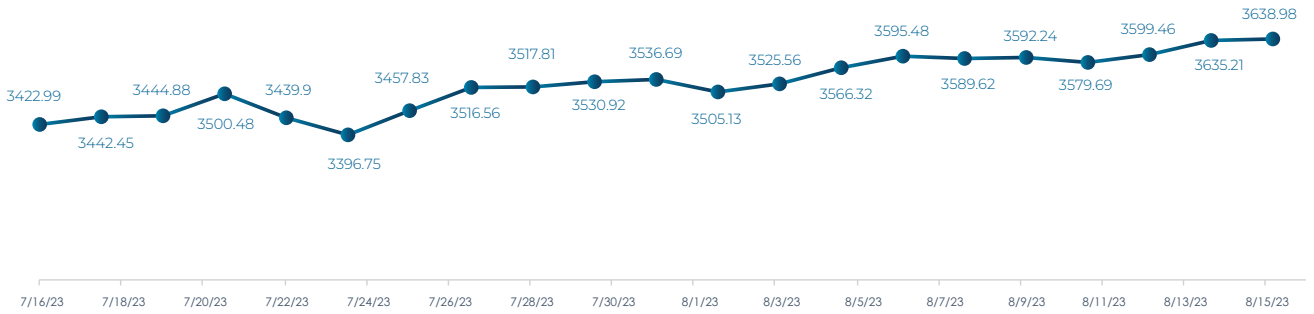
Misr Hotels' (MHOT) stock what its ticker spelled: hot! It rose a staggering 41%, with 167,000 shares worth EGP 21 million changing hands, extending its year-to-date gain to an eye-watering 163%. The company's market cap stood at EGP 5.4 billion. With earnings of EGP 820 million (up 134% year-on-year) on 86% higher revenues and a hefty FX gain, the stock is trading at mid-single digits with a price-to-earnings ratio of 6.5 times. Excluding the FX gain, the stock would have traded at a not-so-demanding 10 times earnings.



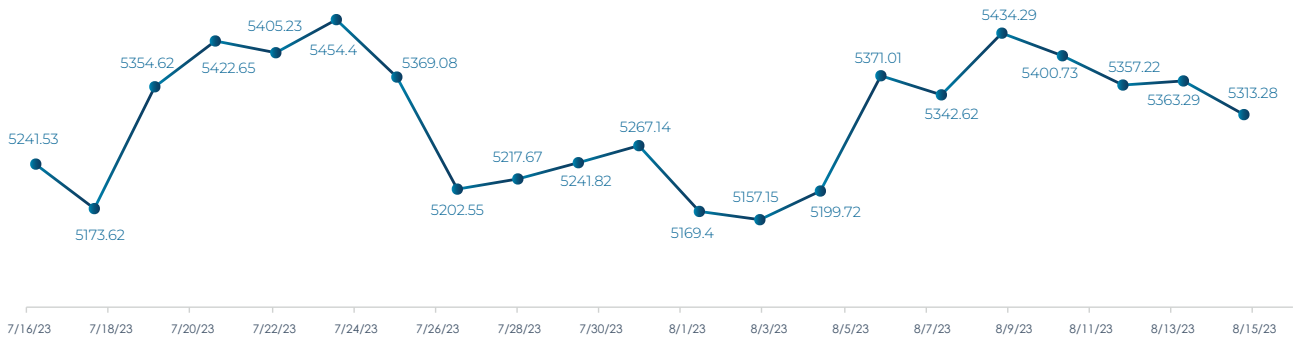
EGX 30



EGX 70



Tamayuz



Tamayuz index is an all-new weighted index, launched on June 23rd. It comprises companies with high free cash flows from operations. EGX stresses that this is not an endorsement of those stocks.



A MATTER OF SUPPLY

Business Monthly has a one-on-one interview with Minister of Tourism and Antiquities Ahmed Issa on his plans to realize the full potential of Egypt's tourism sector.

By **Tamer Hafez**

Ahmed Issa

Minister of
Tourism and Antiquities

With a career spanning over 30 years in banking and finance, Ahmed Issa, the former CEO of retail banking at CIB, Egypt's largest listed bank, has a proven track record of being a "natural-born" builder.

In 1998, he was one of the three founders of CIBC, later called CI Capital, which grew to be one of Egypt's top brokerages. "That is when I realized my interest is in building new things," Issa says. "The bank identified me as a potential leader [of new projects]. As such, they put me on track to either lead or be part of the leadership team of new activities projects."

With such a background, few would guess he would be appointed as the Minister of Tourism and Antiquities. For Issa, the call from Prime Minister Mostafa Madbouly in August 2022 telling him he was nominated for the position "felt like a culmination of my 30-year career in managing change and [as] a problem solver."

One of the critical advantages of having someone from outside the sector lead it is that he comes with pragmatic views and fresh perspectives to increase Egypt's tourist arrivals and revenues from that vital sector.

The replies to the questions were edited for length and clarity.

How did you feel when you got the call informing you of the nomination for the Minister of Tourism and Antiquities position?

The prevailing feelings were of extreme pride and excitement. I met the Prime Minister on a Sunday evening, where he informed me of the nomination and asked me a few questions about my plans to improve the sector.

The holistic challenge was to determine who in the tourism sector deserves to receive the nation's savings and how I can lead the industry to the "next level." As someone who has given loans to tourism companies throughout my career, I know a lot about how the sector operates. Nevertheless, it took all my experience to set a plan, as I am now in charge of the regulating authority.

Another challenge was to ensure the Ministry's strategies and policies cement its role as a regulator to serve better the tourism ecosystem, which comprises over 8,000 tourism companies, marine and diving centers, bazaars, restaurants, and civil society organizations that represent the industry vis-a-vis the regulator and policymaker.

What is your strategy to grow Egypt's tourism sector?

As a problem solver, I had to quickly identify why the tourism sector has yet to realize its potential. I firmly believe that the Egyptian tourism industry deserves so much more.

On the upside, Egypt is spending a lot on improving infrastructure and quality. The country now can receive millions more tourists. Some of those developments are building a sustainable transport network [high-speed train and monorail] to ensure a magnificent experience for those seeking 'sun-and-sea' and Egypt's unparalleled cultural and historical experiences.

The other positive is that Egypt is a very safe country compared to most other popular tourist destinations. That meant our strategy was straightforward.



There is plenty of demand, as there are hundreds of millions of travelers worldwide each year. The fundamental issue Egypt faces is that supply is limited. There are three components to that limitation: plane seats, accommodation rooms, and the tourist experience. We plan to have over 100,000 accommodation rooms on the Red Sea and build the infrastructure to make it accessible for tourists.

Accordingly, my first task was to ensure supply growth and to deliver our product. Those two factors come from more effective promotion and marketing of Egypt as a top-tier and diverse destination for foreign visitors. The other factor is to have a presence in foreign countries to interact with travelers who have Egypt on their shortlist of destinations.

Our marketing activities focus on families, adventure, beach, and culture. These products are extremely popular across a handful of countries. Our focus is on identifying where Egypt has the most competitive advantage and targeting potential travelers in those nations with suitable promotional and marketing activities.

How are you compensating for the loss of Russian and Ukrainian visitors? (In 2019, they were the top two nationalities visiting Egypt.)

We developed a strategy in response to the Russia and Ukraine conflict to maximize the number of tourists still willing to travel. We also designed and implemented strategies to diversify the nationalities of visitors to replace lost demand quickly.

Since the conflict started, the number of Russian tourists has been recovering, but not to the previous average levels.

Meanwhile, we saw more tourists from Germany, the U.S., Italy, France, Spain, the Czech Republic, Poland, Saudi Arabia, India, and China. The growth rates from those countries were equal to 2019 and 2022.



For various reasons, Egypt has gained market share from other destinations, including Latin America and Asia. Meanwhile, European travelers are finding Egypt a more attractive destination than ever, as they now seek destinations that offer better value for money.

Demand has been growing so fast that tour agencies have increased prices. We have seen prices to visit Egypt rise between 20% and 50%.

How are you digitizing the tourism sector?

One of the main benefits of digitization is that it improves the tourist experience, which is one of the main issues we have always faced.

We started by offering tourists the option to book tickets to museums and archaeological sites on our website using a bank card. Meanwhile, local tour agencies can buy in bulk for their customers with a 5% discount.

That has had a tremendous impact. Last year, 90% of the Supreme Council of Antiquities' ticket sales revenues were cash. This year, that percentage declined to 3%. Meanwhile, pre-booking online means tourists will not need to stand in line at any site or museum to get tickets.

However, we need to continue digitizing and automating our services to ensure we take those services to the next level and the one above. We are never satisfied and are always looking for better ways to improve.

What are the biggest challenges facing tourism in Egypt? And how are you solving them?

The two main fundamental limitations are plane seats and accommodation rooms. For the former, we have an effective incentive plan to grow plane seats yearly for all carriers coming to Egypt.

Of course, each tour agency has its own problems, but those two are overarching challenges that will open Egypt's tourism market to new heights.

However, as regulators, we are always looking to do better. We have to automate and digitize our services to industry players. We also have to expedite our license-issuing process to hotels and other establishments. We have to monitor the overall performance of the businesses we regulate and take their performance to the next level.

Accordingly, we have enacted several programs and initiatives. First, we contracted the private sector to manage facilities for visitors and services in several museums and archaeological sites. That is a critical initiative that we will continue to expand.

We are also using the higher income from raising ticket prices to double our spending on restoring and maintaining monuments and archaeological sites to preserve them for the next generation. We are also doubling our capital expenditure budget for museums and other archaeological sites to improve their tourist experience.

On the tourism side, we are expediting the process of allocating land to private sector tourism companies. Meanwhile, The Sovereign Fund of Egypt is working closely with the Egyptian Tourism Federation and other industry associations to coordinate re-purposing abandoned government buildings in Downtown Cairo to become a historical tourist destination or hotel.

Some facilities that ministries have vacated to relocate to the new capital are classified as historical palaces per Egyptian laws. Some would be repurposed to become among the region's most luxurious and exclusive hotels.

Are you introducing any legislative reforms?

The President recently ratified a new law that allows tourism companies to self-regulate via the federation and tourism chambers in tandem with the ministry's regulatory framework. Those industry bodies know their industry the best, and, as a regulator, we must support them.

Accordingly, the law will put unprecedented powers in the hands of associations representing tourism companies to reform the investment climate and truly put the private sector in a leadership position to grow the industry without violating the Ministry's laws and regulations.

One example is that the Ministry of Tourism and Antiquities will only give a license to a company if they are members of the Egyptian Tourism Federation. That way, we would ensure that industry players comply with the federation's standards and regulations.

That [delegation of responsibility] means the Ministry could focus on developing and growing the tourism sector rather than auditing new players and solving individual problems.



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Mohamed Elsallab
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Resident**



FINANCIAL SECTOR

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Giza
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Membership
Type:
Multinational



ENVIRONMENT

USAID's Business Egypt Program
Yomna Mustafa
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Membership
Type:
Not-for-Profit



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**Methode Electronics Inc. (Samaya
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Amr Kais
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Ayman Abdalla

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Dina ElSewefy

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E-mail: membership@amcham.org.eg



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CEO, Enviromaster

Hassan Abdallah

CEO, Enviromaster

Enas Abdel Aziz Ibrahim

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Peter Mollema

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Tamer Waheed

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Radwa Medhat

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Mai Elteir

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Dima EL Dajani

HR Director, Centro Global Solutions

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Category: Public & Diplomatic

Sector: Diplomatic Missions

Category: Affiliate

Sector: Education/Research and Professional Development

Category: General

Sector: Financial Sector

Category: Affiliate

Sector: Food & Beverage

Category: General

Sector: Hospitality/Tourism/Travel

Category: Multinational

Sector: Information & Communication Technology

Category: Affiliate

Sector: Information & Communication Technology



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Managing Director, Japan External Trade Organization - JETRO

Nilay Tarr

General Manager, Astellas Pharma International B.V.

Ziyad El Ahwal

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Country Manager, Haleon EG Limited

Ahmad Aref

CEO, Capital Group Properties

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Muhammad Abdelmagied

CEO, Redcon Properties

Heba Saleh

HR Manager, G4S Secure Solutions (Egypt) LLC

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Sector: Information & Communication Technology

Category: Affiliate
Sector: Information & Communication Technology

Category: Affiliate
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Category: Public & Diplomatic
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Category: Multinational
Sector: Pharmaceuticals

Category: Affiliate
Sector: Pharmaceuticals

Category: Multinational
Sector: Pharmaceuticals

Category: Associate Resident
Sector: Real Estate

Category: Affiliate
Sector: Real Estate

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Category: Affiliate
Sector: Service Providers

Change in Membership Category

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Managing Director, Coca-Cola Hellenic Egypt

Category: General
Sector: Food & Beverage

Shazia Syed

GM North Africa, Levant and Iraq

Category: General
Sector: Food & Beverage

Abdel Aziz Zaki

General Legal Counsel, Samsung Electronics Egypt SAE

Category: Multinational
Sector: Industrial Machinery

Ayman Amer

General Manager, Six of October Development & Investment Co. (SODIC)

Category: Associate Resident
Sector: Real Estate

A Glance At The Press

This job is no longer worth it,
no one has any money for us
to steal.

Al Masry Al Youm, Aug. 23



Media Lite collates a selection of some the most entertaining offbeat and lighthearted news items published in the local press. All opinions and allegations belong solely to the original source publications and no attempt has been made to ascertain their veracity.

Premier League ad campaign's goal: more tourists

The Egyptian General Authority for Tourism has launched a tourism campaign promoting Egypt as a travel destination during the 2023–2024 English Premier League season. The campaign will run on LED perimeter display boards in each game, reaching millions of fans.

The two-minute commercials will highlight destinations, including Marsa Alam, New Alamein, and the Temple of Abu Simbel in Aswan.

According to a statement by the Ministry of Tourism and Antiquities, the campaign aims to utilize the league's world-leading viewership to draw a sizable influx of visitors to experience Egypt's rich history and distinctive offerings.

To make it easier for tourists, the government has simplified visa requirements and application procedures online.

Abram Online, Aug. 15

New Alamein hosts Cairo Drama Festival

New Alamein hosted the second edition of the Cairo Drama Festival titled "60 Years of Drama."

The festival, headed by artist Yehia El-Fakharani, witnessed an intense competition among 58 series screened throughout the year on TV and digital platforms. United Media Services and the Acting Professions Syndicate organized the festival.

Organizers of the Cairo Drama Festival allowed the audience to participate in choosing eight awards related to actors and works.

The festival coincided with the first El Alamein Festival, featuring sporting events and concerts. El Alamein Festival hosted a sunset concert performed by the Egyptian composer Omar Khairat as well as a fashion show by the Filipino fashion designer, Michael Cinco.

Egypt Today, Aug. 25

Chopin-winning pianists perform in Poland

The three young pianists who won the 2023 Chopin Piano Competition for Children and Youth in Egypt performed on Aug. 25 in Zielona Gora, a city in western Poland.

The concert at the Muzeum Ziemi Lubuskiej featured Ali Abdel-Razik (16), Shahd Magdy (18), and Mahmoud El-Batran (20), winners of age categories B, C and D.

For the first time, the three pianists performed a large selection of Chopin's works in front of a foreign audience. On the program were Walz Op. 34 in A minor and Polonaise Op. 40 no. 1 in A major (performed by Ali Abdel-Razik); Nocturne Op. 55 no. 1 in F minor; Scherzo Op. 31 in B-flat minor (performed by Shahd Magdy); and Ballade Op. 23 in G minor and Grand Valse Brillante Op. 18 in E-flat major (performed by Mahmoud El-Batran).

Abram Online, Aug. 26

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