

**Policy Position Paper By
the Egyptian Junior Business Association on**

**EGYPTIAN EXPORTS
& INTERNATIONAL
MARKET PENETRATION**

June 2020



According to statistics according to the Central Bank of Egypt Monthly Bulletin (January 2020), the latest data for key trade indicators are as follows:

FY 2018/2019	TRADE DEFICIT: <i>Approximately \$38 billion</i>
* Non-oil exports	\$17 billion
* Non-oil imports	\$55 billion
FY 2019/2020	THE EXPORT ASSISTANCE PROGRAM SUPPORT: <i>Approximately \$6 billion</i>

** This paper includes the key points and takeaways from the Egyptian Junior Business Association (EJB) meeting on June 7, 2020*

RESPONSIBLE ENTITIES:

- * The Cabinet
- * The Central Bank of Egypt
- * The Ministry of Finance
- * The Ministry of Trade and Industry
- * The Export Councils
- * The Export Development Authority
- * The Egyptian Commercial Services Offices
- * National Telecom Regulatory Authority
- * Ministry of Transportation
- * The Federation of Egyptian Industries and the chambers of industry
- * The Federation of the Egyptian Chambers of Commerce

EXPORTING AND INTERNATIONAL MARKET PENETRATION: KEY PROBLEMS

- * Weaknesses in the performance of business associations and industry and commerce federations, particularly with regard to:
 - » Making available data and studies on how to improve product quality to meet the requirements of international markets.
 - » Reducing production burdens to increase the competitiveness of the Egyptian products in the international markets.
 - » Training exporters on the terms and conditions for entering international markets.
 - » Qualifying exporters for entering foreign markets, particularly that several of the export sectors in Egypt, including engineering industries and construction, are required to satisfy market-specific technical and administrative specifications and standards to engage in foreign markets.

- » Organizing workshops and providing adequate information on the untapped trade agreements such as COMESA, the Greater Arab Free Trade Area Agreement, and the EU-Egypt Partnership Agreement; many of the Egyptian enterprises that have an export capacity are not fully aware of the details of these agreements and thus, are not able to take fullest advantage of them.
- » Providing exporters with training on modern marketing techniques; it is not uncommon for an exporter to seek partners in a foreign market, without giving careful consideration to the right criteria for selecting a partner.
- » Providing training on e-marketing and accessing markets via the internet.
- » Building permanent marketing platforms for the Egyptian product in most of the international markets.
- * Weaknesses in the performance of the Egyptian Commercial Services Offices; despite a presence that spans over more than 50 countries around the world, these offices have severe shortcomings, particularly with regard to:
 - » Analyzing international markets and identifying needs in each targeted market.
 - » Staff working in overseas offices lack sufficient experience and in-depth knowledge of commercial and economic issues.
 - » Providing accurate and detailed data that can assist exporters in making sound decisions, grounded in good understanding of the opportunities available in international markets.
- * Weaknesses in the performance of the export councils affiliated with the Ministry of Trade and Industry, specifically:
 - » The councils tend to be overly bureaucratic.
 - » Most of the councils lack of a clear vision and do not have in place actionable and coherent plans for promoting local products abroad.
 - » The councils fail to provide exporters with adequate advice and information on the optimal approach for interacting with foreign markets.
- * The haphazard implementation of export-promotion programs, which rely primarily on organizing holding exhibitions and conferences. Due to the lack of realistic targets and performance indicators to measure success, the impact of these efforts is very meager, and these efforts do not generate any significant and sustainable increase in Egyptian exports.
- * In its current form, the Export Assistance Program is ineffective and does not lead to any tangible growth of Egyptian exports. In fact, despite not needing such support, several international companies that have production facilities in Egypt do benefit from this program, which is a waste of public money.
- * The technology gap in production has an adverse impact on exports. Most of the industries in the manufacturing sector in Egypt, especially the textile industry, suffer due to equipment and machinery obsolescence and their inability to keep pace with global progress in manufacturing lines. These deficiencies have had adverse effects on the Egyptian product, rendering it lower in quality and more costly, compared to similar products in international markets. The main reason for the slow introduction of modern technologies in manufacturing is cost—the high cost of investing in new production lines exceeds the ability of medium and small factories, primarily due to the high import costs and tax burdens associated with purchasing and installing these lines.

RECOMMENDATIONS

- * The government should partner with the private sector to create a clear and integrated export development strategy, which should include the following elements:
 - » Detailed studies and data covering all productive sectors.
 - » Identification of the strengths and international competitiveness of each sector.
 - » Provision of adequate support to exporters to achieve annual increases in their export growth rate.

- * Restructure the overseas offices of the Egyptian Commercial Services by:
 - » Assigning specialists and experts in the field of international economics and trade to overseas offices.
 - » Increasing the budget allocations for studies and the collection of international market data.
 - » Setting increasing annual performance targets for each office with regard to increasing the volume of Egyptian exports to each of the international markets.
 - » Disclosing information on international markets data and studies through online portal affiliated to the Egyptian Commercial Services in Embassies

- * Develop the export councils by:
 - » Assigning them qualified personnel in economics and business to support exporters and manufacturers.
 - » Tasking them with carryout studies on export opportunities for the different sectors of the economy.
 - » Obligating them to provide advice and technical assistance to producers and exporters to help them maximize opportunities for success in exporting and sustain a presence in the international markets.

- * Adopt effective ways to organize overseas conferences and exhibitions by:
 - » Developing an accurate plan for each event and selecting the most appropriate participants in terms of earnestness and ability to compete.
 - » Establishing export targets for each conference and exhibition.
 - » Systematically updating the plans in order to avoid wasting public money on useless activities.

- * Amend the export support system by:
 - » Reconceptualizing its role so that it does not remain limited to providing exporters with cash payments upon submission of export invoices and directing funds to efforts aimed at improving the competitiveness of Egyptian products in international markets by
 - » Directing funds to the organization of well-designed and effective export promotion campaigns, with set annual export targets.
 - » Expediting payments for businesses eligible for export support.

- * Establish investment funds and specialized banks for financing export development and ensure that they:
 - » Provide funding for modernizing old and low-productivity manufacturing lines in order to improve product quality and reduce costs to increase the competitiveness of local factories in the international market.
 - » Strengthen the system of payment and collection to support exporters operating in high-risk markets, which suffer from weaknesses in their banking systems and domestic currency price fluctuations.

- » Assist exporting companies in obtaining the required quality certifications to enable them to enter foreign markets, taking into consideration the specifications and standards in each country.
- * Abandon the policy of exporting raw materials, and ensure that:
 - » Export support and incentives are directed toward value-added chains to maximize the utilization of natural resources.
 - » Production volumes are increased and industry deepened.
 - * Enhance transportation and shipping services available to exporters by:
 - » Facilitating international shipping procedures to enable small producers to access all foreign markets.
 - » Canceling or, at least, reducing some fees and expenses.
 - » Establishing national navigation lines and facilitating the establishment of special navigation lines to provide services at reduced rates, based on detailed economic studies.
 - » Taking the utmost advantage of the numerous trade agreements signed by Egypt and setting realistic plans and targets to increase the volume of trade with partners.
 - * Streamline processes and further develop the available payment mechanisms by having the Central Bank of Egypt, the National Telecom Regulatory Authority, and the Ministry of Finance work jointly on developing electronic payment and collection systems.
 - * The chambers of industry and commerce and business associations should focus on:
 - » Making available data and relevant resources for improving product quality to meet the requirements of international markets.
 - » Advocating and working with the Ministry of Finance and other concerned ministries to reduce production burdens.
 - » Training exporters on how to satisfy the standards and conditions for entering international markets, and how to take advantage of the untapped trade agreements.
 - » Training exporters on modern marketing techniques and digital marketing, as well as approaches to reaching markets through the internet.
 - » Establishing permanent marketing platforms for Egyptian products in all international markets.