



Expolink Blog: The Voice of the Egyptian Exporter

What Do Exporters Want?

It is time to cease redeveloping export-boosting strategies.

March 2024

There is a consensus today among all segments of society, including thinkers, researchers, decision makers and even the citizen, on the need to rely on more sustainable resources for foreign

exchange, due to the economic crisis experienced by the Egyptian economy, which resulted in unprecedented increases in the level of prices and a significant devaluation in the value of the currency and widened the gap between the official exchange market and the parallel market.

Everyone, led by the political leadership of the state, has come to advocate the need to boost exports. The Egyptian government has already announced since the COVID-19 crisis its aim to increase Egyptian exports to various international markets to reach USD 100 billion annually through the promotion of the Egyptian product, increasing its competitiveness and opening new markets for Egyptian products, in addition to providing all aspects of support to exporters, which is not far away. With this Egypt can go beyond this goal.

The most important question is **whether the policies and actions taken in this regard are actually aimed at enhancing the export climate?**

Quickly reviewing of the most important decisions and policies adopted during the recent period, we find that some of them are in fact contrary to the main objective of increasing exports, foremost of which is the policy of import ban, which did not differentiate in the implementation of the embargo between important inputs of production and manufacturing enhanced exports and those related to consumption. In addition to the decisions to eliminate gas subsidies for factories. Moreover, there is a lack of a clear and targeted industrial policy, as the industrial policy requirements needed to completely replace imports contradict those intended to promote exports. Each of these policies requires different procedures and policies and must be determined according to a specialized study of the industrial structure and productivity. The decision must be taken according to several principles and pivotal conditions, foremost of which is maximizing the economic efficiency of production, productivity and technology and achieving production spillovers and other important economic principles, which have disappeared under the dispersion of efforts in inconsistent targets, and time-wasting studies, strategies and trends that have filled the corridors of governmental and non-governmental bodies and institutions, although export promotion policies and mechanisms have been known and specific and advocated by the business community for decades.

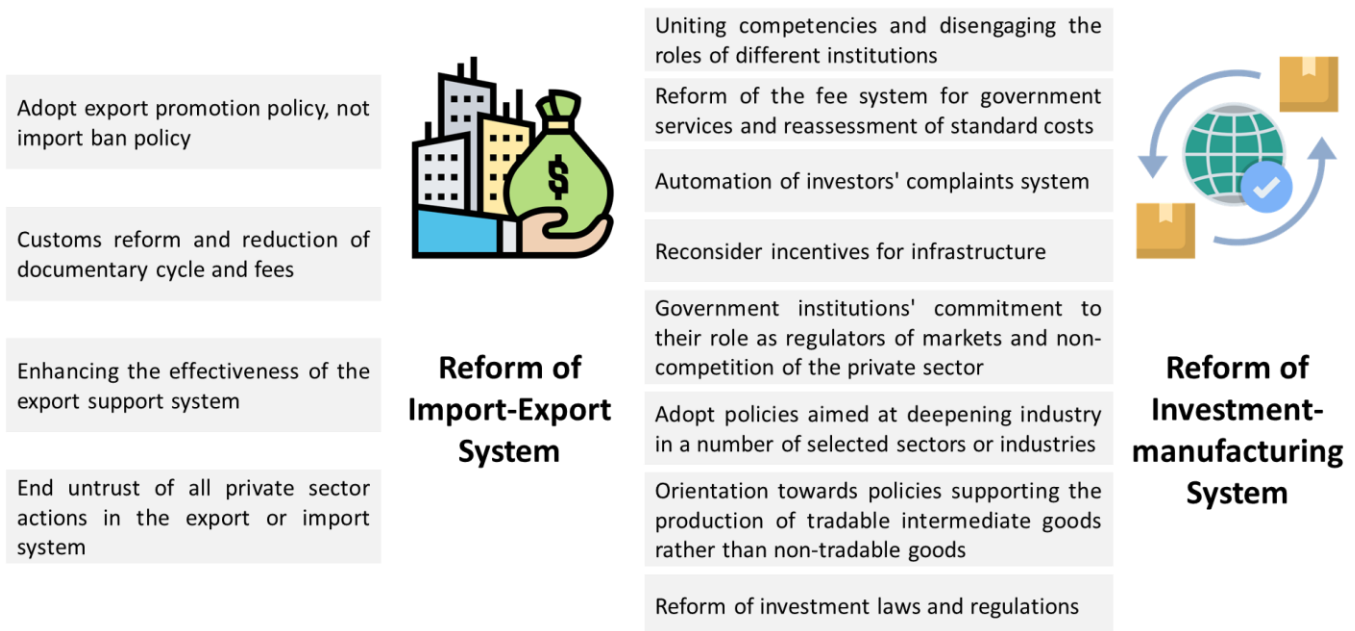
According to the latest study of the Egyptian Center for Economic Studies (ECES) on the Business Barometer on business performance in December 2023, the procedures of dealing with government agencies and the tax system and the increase in fees imposed on government services are at the top of the list of reasons for the low performance index in Egypt.

Thus, we emphasize that the promotion of exports in fact requires the promotion of investment and the provision of the necessary incentives and a supportive environment for this through the implementation of the required reforms, which have been demanded by the exporters and businessmen community and confirmed by many studies, opinion polls and reports. Hence, the Egyptian Exporters Association "Expolink" has adopted **the initiative "investment for export"** in order to support the policies of the state to move effectively to increase Egyptian exports. Until this is decided and out of this interconnected system of policies and procedures, we reaffirm in this blog the vision of the exporting community of the requirements of promoting the export

agenda to reach the national target, which was formulated with the participation of 11 specialized bodies, including the Federation of Industries, Export Councils, Businessmen Associations and Youth Businessmen Associations issuing a document entitled " the vision of the business community for the future of Egyptian exports", which relates to the necessary reforms in both the export-import system and in the investment-manufacturing system in order to enhance our exports to the desired level¹.

Figure (1): Pillars of reforms of the export-import, and investment-manufacturing systems

First: Reform of the import-export system



- There is a need to change the government orientation radically to target "promoting exports" instead of "banning or reducing imports" because of the positive return on the provision of hard currency as well as a correction to the concepts that the increase of foreign currency flows is linked only to the reduction of imports as the increase of exports requires an increase in imports of machinery, equipment and production requirements, which cannot be replaced with local raw materials in order to maintain the quality of the final product and in line with the required international standards.
- Improving import procedures and implementing radical reforms in the customs and the single window system, which are top reform priorities for the foreign trade system as they directly affect export procedures; Exports cannot be increased without eliminating the basic problems in the customs system that have not been fixed by the mechanization of bureaucratic procedures. The process of customs clearance in Egypt takes almost a month, which is noted

¹The business community's vision for the future of Egyptian exports was formulated in collaboration with the Egyptian Center for Economic Studies (ECES)

by a report issued by JICA as one of the most important obstacles to the effectiveness of modern international supply chain management.

if customs clearance takes approximately one month, the overall scheme for modern international supply chain management will be significantly delayed in the Egyptian market, according to a report by Japan's JICA². It is not clear how the reforms in the Customs Law and the amendment of its implementing regulations issued in 2021 have helped to solve the fundamental problems in the customs system, which were the complexity of the documentary session, including:

- **Problems with the dropback system and temporary permit:** Which are the main reason behind the high export costs and length of time.
- **The existence of several entities responsible for inspections and disclosure:** There are more than 38 authorities responsible for inspections and disclosures, in addition to customs. Despite the launch of the single window in 2020, which provides all services related to the release of goods, the system suffers from numerous shortcomings in its original design. It is not currently working toward the original goal of limiting all procedures to one place, which ultimately leads to maximum efficiency, but rather a single window from which many actors work, increasing and exacerbating problems and increasing bureaucracy.
- **Lack of clear and uniform criteria for estimating costs and import procedures as a whole:** There is a significant difference in dealing with the same product in terms of costs and procedures or the time taken for import procedures between different ports.

In addition to other problems and obstacles in the customs system in Egypt³. There are also many detailed studies of the ECES that illustrate the export process of some strategic goods through interviews with relevant parties from exporters and businessmen. The study covered a number of products; including the export of apparel, home textiles, marble and granite, tomato products, and the import of palm oil, tractor and automobile spare parts and accessories, iron and steel, and ethylene polymers in their primary form.⁴

- **Reform the mechanisms of the export support program to enhance its efficiency so as to be an incentive to support exports rather than mere financial arrears that are difficult to collect and do not add to the ability of exporters to compete globally.** In this regard, we welcome the government's efforts to automate the system of export support and stress in this regard that mechanization must result in removal of obstacles and problems facing the exporter in the speed of obtaining the support, for example, the requirement for the issuance of a certificate issued by customs is one of the problems that hinder the completion of documents for obtaining export support in a short time, as this procedure takes up to a year. the Federation of Industries has called for a review of this procedure for correction. The solution is not in mechanization, but in dissolving the procedural system governing the process of recharging the burden in order to achieve efficiency and effectiveness.

² The Study on Multimodal Transport and Logistics System of The Eastern Mediterranean Region and Master Plan. https://openjicareport.jica.go.jp/pdf/11893450_05.pdf

³ Federation of Egyptian Industries. <https://fei.cipe-arabia.org/ResponsibleEntities/ViewProblems?ID=13>

⁴ Egyptian Center for Economic Studies. <https://eces.org/en/category/working-papers/>

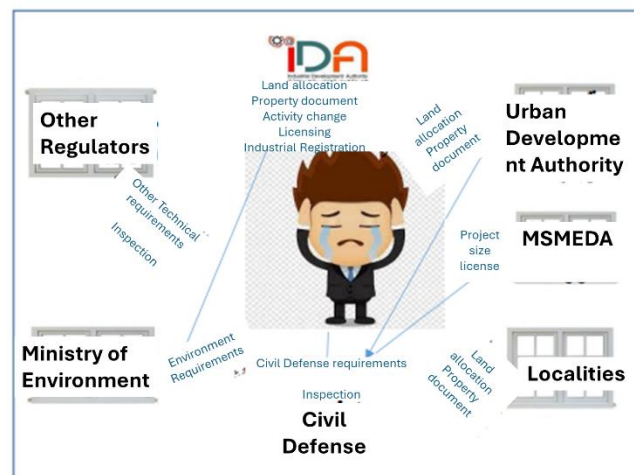
- Review the import ban controls, especially the controls on the needs of industries supporting exports of production inputs and raw materials, mainly electrical appliances, fertilizers, textiles, apparel, and others. Despite the easing of the foreign exchange crisis – the main factor behind these decisions – the need to carefully study the manufacturing chain of exports of Egyptian products that are competitive in the global economy so as not to be affected by any other decisions aimed at reducing imports.
- Restoring government confidence in the private sector and ending the questioning of all private sector actions in the export or import system, monitoring, and verification, thus increasing the cost and time required to complete the procedures. This applies specifically to the role of the Industrial Control Authority.

Second: Reform of the investment system for manufacturing for export

Any incentives for industry such as the Golden License, and any customs or tax exemptions will be limited in impact. and won't spur industrial development or provide sustainable solutions to the problems experienced by investors in the industry, and therefore in their ability to export because they do not address the root of the problem. It is the institutional framework responsible for the investment system in the industry and therefore work on the development and reform of the institutional and legislative system in general to enhance the export capacity of the Egyptian state.

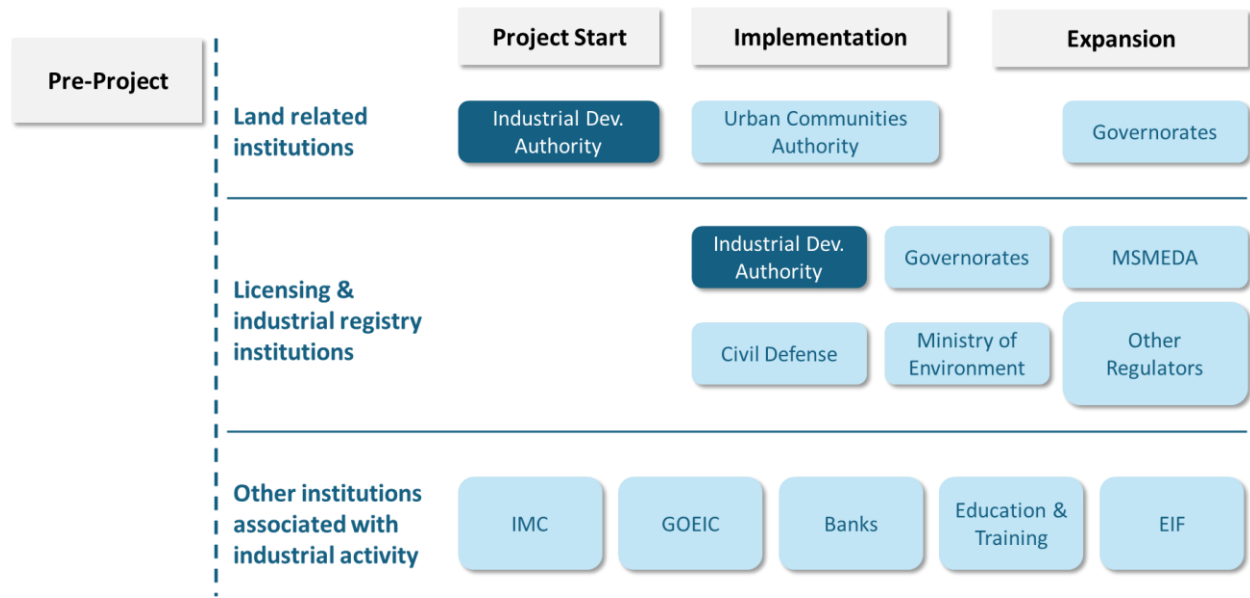
- Immediate reforms in the Industrial Development Authority through activating the law already in place in the Industrial Development Authority and eliminating all the complications associated with the extraction or renewal of the industrial register and licenses resulting from internal decisions of the Authority and not existing by law or executive regulations, especially those related to small projects, by cancelling these decisions.
- Reduce fees for government services and re-evaluate standard costs (the cost of various services provided by the Industrial Development Authority to manufacturers), in a fair manner commensurate with the cost of service through external experts and under the supervision of the Prime Minister and the Federation of Industries, and the need to reconsider tax policies that are developed in complete separation from the objectives of production, operation and export.
- Dealing with investor complaints through a digital institutional system away from individual efforts.

Figure (2): Procedures and complexities facing the factory when extracting or renewing the industrial register



- **Reforms of the industrial investment system** through the dismantling of the interconnections between the bodies within the system and the achievement of **real institutional reform and not apparent up to the "comprehensive contract" in which the investor deals with the Industrial Development Authority only.**

Form (3): The axes of the industrial investment system and the multiplicity of entities responsible for each stage



- **Unify the full allocation of land, including** the sovereign authorities, so that the whole system can be fully digitized, such as the UAE and Saudi Arabia.
- **Increasing the infrastructure incentives:** According to the study of the Investment Monitor, one of the most important incentives to attract investors is the provision of infrastructure appropriate to the needs of the investor. Infrastructure development works must be employed to serve the needs of the investor in establishing projects in multiple regions.
- **Ending the dangerous overlap between the role of sector regulators and key players in it,** the regulator may not set the rules and enter implementation as a competitor to the private sector. This problem is evident at all levels and is evident in the export of construction materials, particularly marble, a promising export sector, which is currently in danger of being phased out due to this overlapping roles.
- **Accelerating the exit of government from the economic activities:** In this regard, the State ownership document issued in 2022 is a positive step from the government if it is implemented without delay and with future promises not to enter new investments for them in the same areas from which they are exiting.
- **Adopting policies aimed at deepening the industry in several selected sectors or industries,** which can enhance the competitiveness of Egyptian manufacturers in the local market and support the more effective integration of Egyptian industry into export value chains. In this

regard, priority sectors can be identified based on high export potential, and then work to establish strategic partnerships with countries that have strong trade and investment relations with Egypt to direct their investments toward these sectors.

- To move toward policies supporting the production of tradable intermediate goods, which represent about 30% of Egypt's total imports, including petrochemical products, plastics, iron and steel products, industrial yarns, and others. In this case, regional and international partners must work with the Egyptian government to achieve sustainable growth in the medium and long term, by facilitating the transition from a growth model based on the production of non-tradable goods such as real estate to a new model based on tradable goods such as intermediate goods⁵.
- Reforming investment laws and regulations, as well as redoubling efforts to improve the investment climate and combat corruption so that the Golden License and its advantages to the investor, especially for export, are the basis and not the exception, which further enhances the confidence of foreign investors in the Egyptian economy. In this regard, Egypt can position itself as an attractive investment destination, especially in light of the current global changes, including the war in Ukraine, trade disputes with China and America, the tendency to restructure global production chains, reduce dependence on China in trade and industry, and the trend of manufacturers in European countries to near friendly markets, African countries are at the top of the most targeted regions of major industrialized countries to localize their industry.

The government is making many efforts to boost Egyptian exports, but these efforts do not see their real impact because they come individually and not within the framework of an integrated system of radical reforms, along with insufficient transparency in the presentation of results. Therefore, if the Egyptian government wants to boost exports in order to create a sustainable source of foreign exchange flows which in turn will support more sustainable economic growth, it must develop a targeted strategy to promote exports as a more sustainable source of foreign exchange and work on radical reforms in the import and export system and the investment system for manufacturing for export.

In addition, the government should periodically and more transparently announce the results of the taken reform measures in all the obstacles put forward by the Egyptian exporters to ensure that these reforms are beneficial to the private sector and create a more transparent and clear channel of communication between the government and the business community.

⁵ Amr Adly.2023. <https://carnegie-mec.org/2023/05/08/ar-pub-89663>