



# UK Trade & Investment

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2014 and Looking forward

EGYPT





## Egypt in the news – what you have probably seen and heard

“Egyptians ousted President Morsi on the 30<sup>th</sup> of June revolution”





## Egypt in the news – what you have probably seen and heard

“Egypt’s military and police cracks down on MB protestors”





## Egypt in the news – what you have probably seen and heard

“Egyptians turn out for key constitution vote”





## Egypt in the news – what you have probably seen and heard

“Ansar Beit al-Maqdes claims responsibility for Taba bombing”





## Egypt in the news – what you have probably seen and heard

“New interim government sworn in”





Egypt does faces major challenges in these and other areas

BUT.....







## What happens elsewhere?

“Thirteen killed in US Navy base shooting ”





## What happens elsewhere?

“Thailand: regime threatens covert violence”





## What happens elsewhere?

“Deadly violence in Ukraine”





## What happens at home?

“The impact of the 2013 Social Security cuts: more social disorder this summer”





## What happens at home?

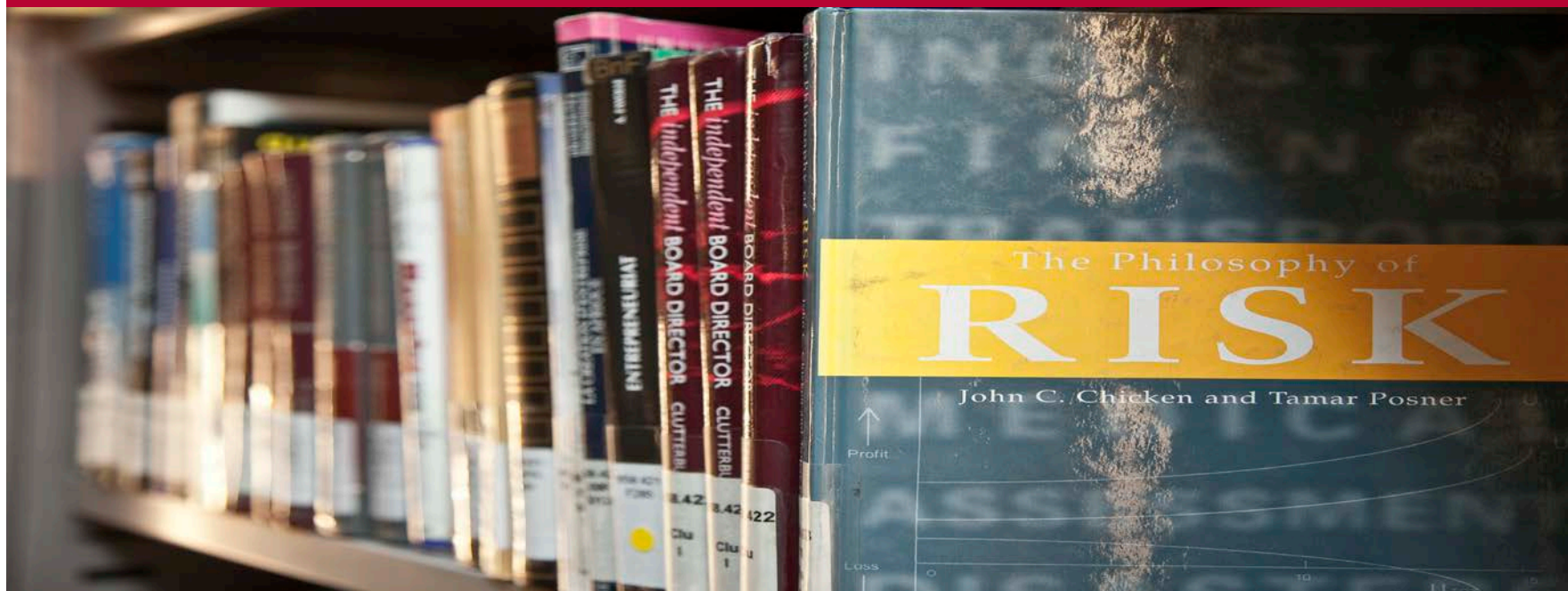
“Stop it before it is too late Belfast police chief pleads”





So.....

Let's try and get a more balanced picture of reality in Egypt





### ....and start by putting everything in context....

- Egypt has traditionally been a very safe and hospitable place to visit and live in
- Countries always go through a period of unrest during and after significant political change
- Egypt murder rate is 1.2 per 100K; the same as the UK's (source UNODC 2010)
- Other developed and developing countries regularly suffer from riots and terrorism
- Egypt has major problems at the macro-economic level, but there is plenty of liquidity in the real economy
- Egypt's fundamentals are good – high growth can be expected again once current problems are overcome and political and economic stability return
- Despite the headlines and the current instabilities, normal life (and business) go on normally for most people, in most places, most of the time



# ...and learning what you might not know about Egypt

- Egypt is one of the 5 developed and developing nations likely to suffer least from global economic crises (source: Merrill Lynch/Credit Suisse 2009). This has proved true
- Egypt has the 3<sup>rd</sup> largest economy in the Middle East
- Egypt maintained positive growth in 2011, 2012 and 2013 DESPITE the “revolutions”
- Goldman Sachs named Egypt as one of the top 15 countries from which global growth will come over the next 12 years (source: Goldman Asset Management 2012)
- Egypt ranks 21st (out of 183 countries) in ease of opening a business: 7 days; OECD average:12 days (source: World Bank, 2012)
- “Cultural” tourism in Egypt has declined dramatically since January 2011, but tourism to the Red Sea has held up reasonably well in terms of tourist numbers
- FDI is DOWN but not NOT dead in Egypt. 2 major new investments from the UK alone in the last 12 months
- Ernst & Young 2013 Attractiveness of Investments in Africa report: Egypt ranked 2<sup>nd</sup>





### ... and some facts about Egypt that may surprise you....

- 1 in 4 Arabs is an Egyptian
- Egypt was the world's sixth largest exporter of liquefied natural gas
- The Aswan High Dam generates enough electricity in one year to power one million televisions for 20 years.
- Egypt produced 4 Nobel laureates (awarded for peace, chemistry and literature)
- Historically Egypt has ranked first in North Africa and second in Africa in securing foreign direct investment
- Egypt is the largest rice producer in Middle East and North Africa. It is also the world's largest importer of wheat
- 20% of Egyptian companies are owned by women
- Egypt is the first Arab country to have its own satellite
- EgyptAir is Africa's largest airline
- 8% of global trade passes through the Suez canal



So.....

Let's have a more detailed look at Egypt today





## BUSINESS OVERVIEW - Key Facts and Economic Indicators

- **Total Area:** 1,001,450 Sq. Km
- **Population:** Approaching 90M (March 2014)
- **Population Growth:** 2.6%
- **Unemployment Rate:** 13.4% (Q4 2013)
- **Real GDP Growth Rate:** 2.1% (2012-13)
- **GDP at market price:** USD 272bn
- **Average Consumer Price Inflation:** 11.7%
- **Foreign Direct Investment (net):** USD 3bn (FY 2013)
- **Import dependent (Imports: USD 58bn Exports: USD 26bn USD (CBE)**
- **Exchange rate: £1=LE 11.62** (March 2014)





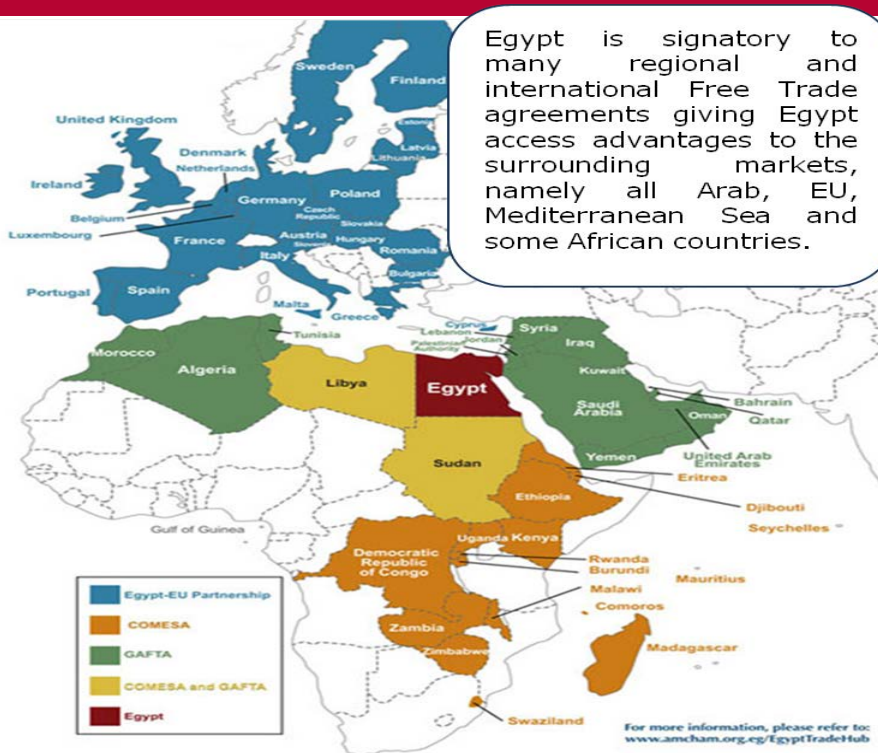
## Business Overview - Egypt's advantages The "fundamentals"

- Privileged geographical position
- Diversified economy (consumption driven and import dependent)
- Free trade agreements and arrangements
- Market size
- Demographics
- Natural Resources
- Suez Canal

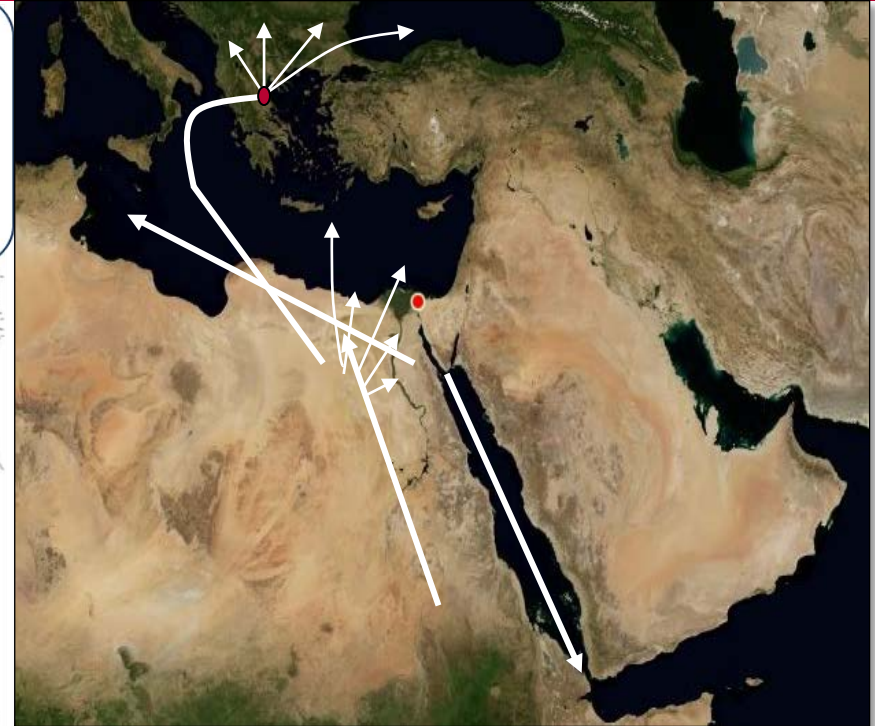




## BUSINESS OVERVIEW - EGYPT: the trade hub



Egypt is signatory to many regional and international Free Trade agreements giving Egypt access advantages to the surrounding markets, namely all Arab, EU, Mediterranean Sea and some African countries.



Strategic location in the centre of the Middle East & North Africa (MENA) region (800M people)

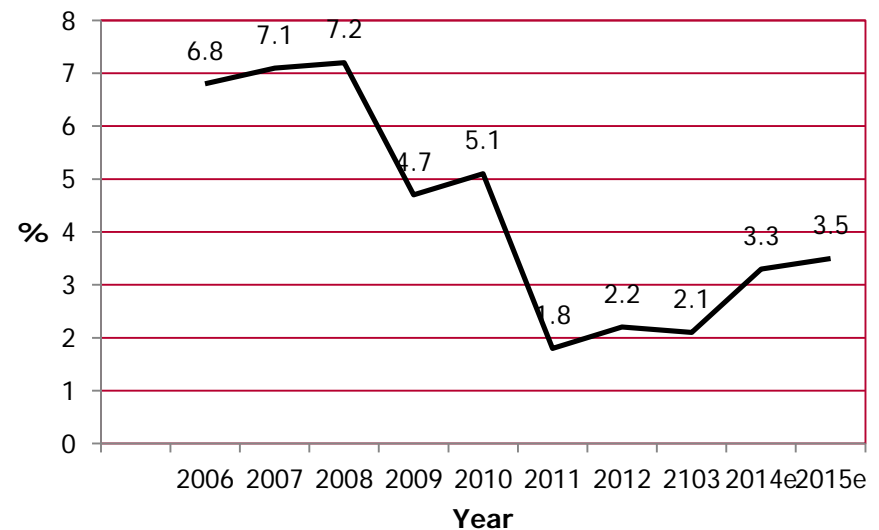
Suez Canal: the hub for the world's maritime traffic



## BUSINESS OVERVIEW - Business Environment

- Major trade destination strategically located at crossroads between Europe, the Middle East, Africa & South Asia
- Egypt has the largest population in the Arab world and is the third largest economy in the Arab world after Saudi Arabia and the UAE
- Large market with a dynamic and young population of approaching 90M which is expected to double in the next 25 years
- Almost 50% of the population are under 25 years of age (Source: Egyptian Statistics House)
- Largest labour pool in the Middle East: 27M
- Egypt remains a growing attractive market;
  - Real GDP growth peaked at 7.2% before the global financial crisis,
  - slowed to under 2% in 2011 after the "Arab Spring"
  - expected to rise again from 2014

Egypt real economic growth rates



Growth forecast to average 3.9% 2013-2017

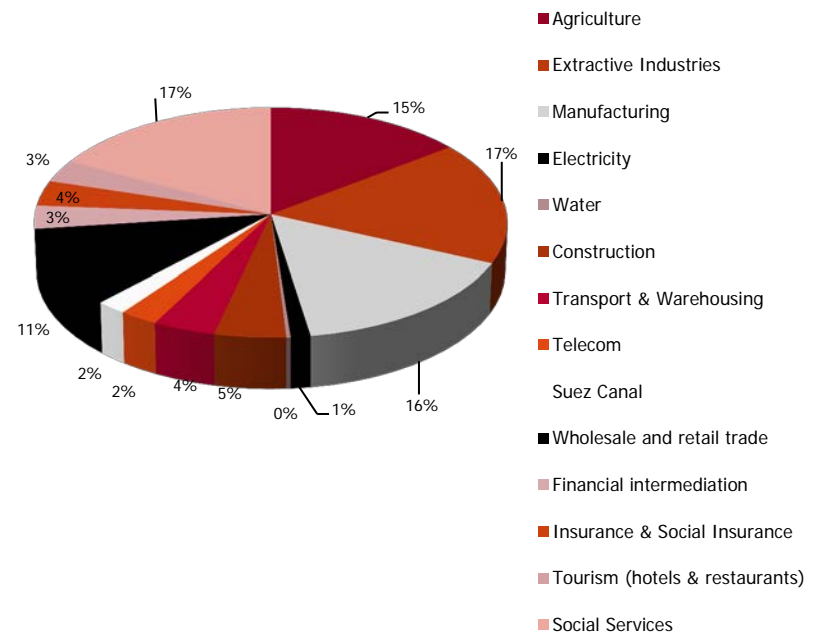
Source: IMF



## BUSINESS OVERVIEW - Business Environment

- Diverse economy which will remain heavily import dependent for the foreseeable future
- Favourable costs of doing business in Egypt:
  - low personal tax rates (10%- 30%)
  - flat corporate tax rate (25%)
  - low sales tax rates
  - cheap land costs
  - cheap energy costs – even after subsidies are lifted
- Regional & international investors and donors have expressed support to Egypt contributing to economic stability and growth
- Strong financial sector – largely unaffected by the banking crisis

GDP by Sector FY2012/13





### BUSINESS OVERVIEW – Macro-economic situation today

- Real GDP slowed to 2.1% in FY 2012-13 after spiking at 7.2% in 2008
- Inflation down slightly to 11.4% in Jan 2014 (10.7% Dec 2013)
- Exchange rate depreciated by 19% since Jan 2011 to LE 6.99 = 1 USD
- Net international reserves declined from USD 35bn in Jan 2011 to USD 17.3 bn at end Feb 2013
- Exchange controls in force
- Tax revenue collection ineffective
- Budget deficit the greatest weakness: over USD1bn per month
- Subsidies (food, energy) take up over 20% of budget spend. A further 30% goes to debt servicing, and 30% for public sector wages
- External debt remains at a manageable level of under 15% of GDP
- 2 economic stimulus packages announced totalling LE 33.9bn (USD 4.8bn) including capital expenditure (eg LE 2bn) for Suez Canal RDP), social programmes, minimum wage rise





## BUSINESS OVERVIEW – Political Situation

- Egypt has a history of absolute rulers – from the Pharaohs to military dictators
- “Arab Spring” revolution January 2011
- Egypt’s first ever democratically elected president (Mohamed Morsi) took office July 2012
- Mass protests on 30 June 2013 against Morsi and his regime end his rule
- New interim president Adly Mansour installed with military support
- Priority of interim government: implement political “road map”
  - Constitution & Referendum took place in January 2014
  - Presidential elections before end June 2014
  - Parliamentary elections September 2014
- Situation calmer now but underlying tensions remain; a divided society
- Most MB Leaders are in prison. Risk of increasing radicalisation. Dissent increasingly not tolerated. Press freedom under threat.



## Egypt – major short term challenges

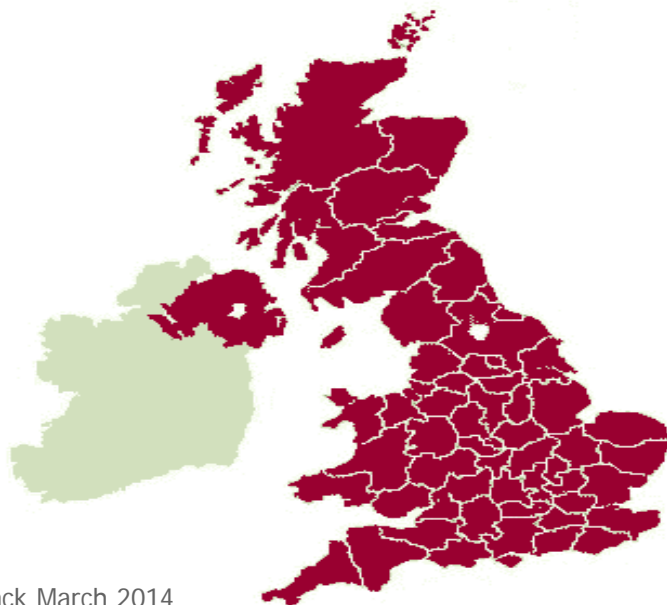
- Currency reserves still at a critically low level
- 14% budget deficit; need for subsidy reform and structural economic change
- Infrastructure creaking at the seams
- Investment environment deteriorating
- Political and social instability
- Sinai insecurity
- Attracting Foreign Direct Investment
- International financing for major projects
- Building democratic institutions
- Overcoming its negative image
- Multiplicity of regulations and regulatory agencies, and excessive bureaucracy
- Cumbersome customs procedures
- Ongoing issues with obtaining foreign currency (to pay suppliers)
- Legal challenges to existing investments





And....

What about our bilateral relationship?

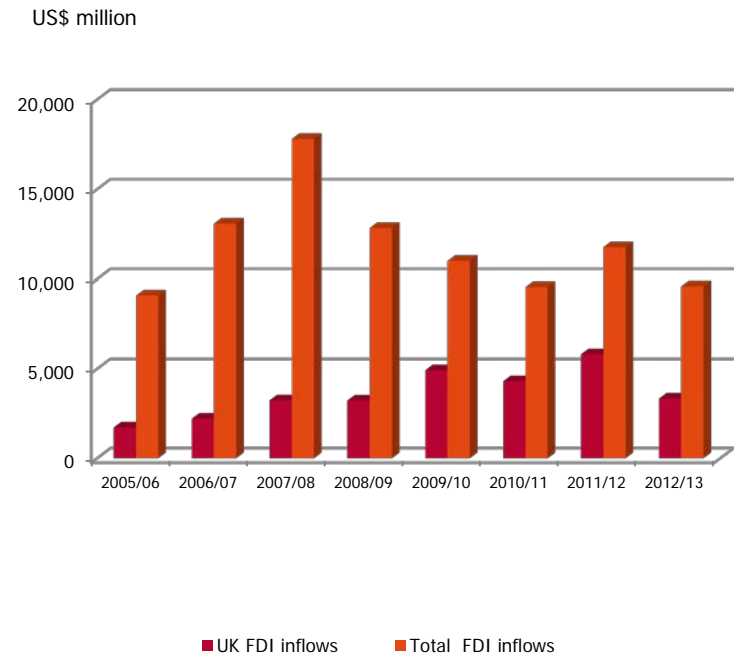




## UK/EGYPT TRADE RELATIONSHIP

- Strong historical ties
- UK is the largest foreign investor in Egypt
- Large number of UK invested businesses in Egypt
- UK was the largest foreign investor in Egypt in 2013: 35% of Egypt's FDI inflows in FY 2012/13 came from us
- UK is Egypt's 4<sup>th</sup> largest export market
- Bilateral trade in 2013 up 8.7% year on year to £1.68bn but trade surplus in the UK's favour has reduced by almost 50%
- Strong UK footprint in O&G & Retail sectors

### FDI Inflows to Egypt

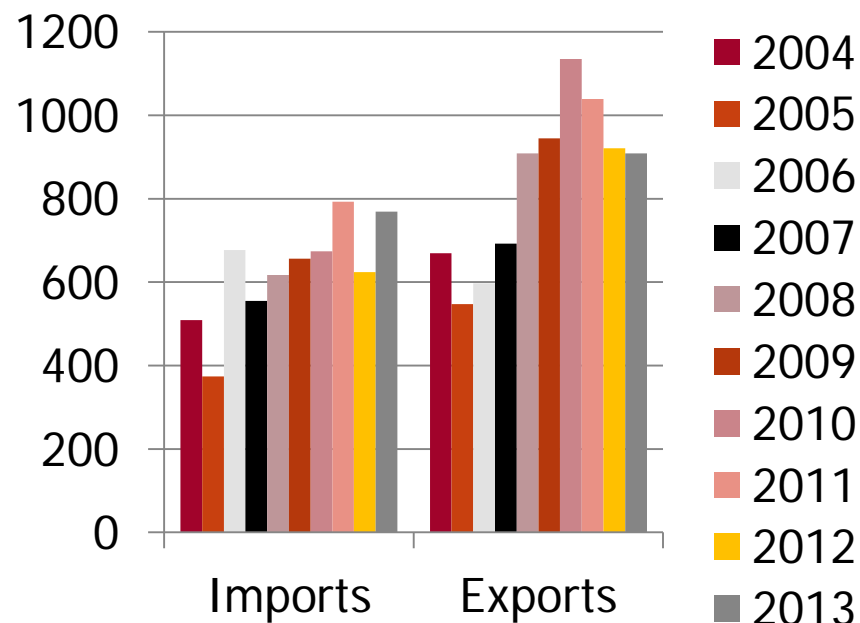


Sources: CBE, UKTI



## UK/EGYPT TRADE RELATIONSHIP

- In 2013, UK goods exports to Egypt were marginally (-1.2%) down on 2012 at £909.4M
- Egypt is the UK's 42<sup>nd</sup> largest export partner (down from 40<sup>th</sup>)
- In 2013, UK imports from Egypt increased by over 23% to £769M
- Egypt is 57<sup>th</sup> largest exporter to the UK (down from 52<sup>nd</sup>)





# UK/EGYPT TRADE RELATIONSHIP

- Vodafone – Egypt’s biggest private sector taxpayer, most retail outlets, re-invests all its profits in the Egyptian business. 70% of Vodafone’s call centres are run out of Egypt
- BG plans further investments once current receivables issues are resolved
- BP currently produces almost 15% of Egypt’s entire oil production and supplies nearly 40% of the domestic gas demand with its partners. Further investments underway
- GSK is the largest pharmaceutical company in Egypt
- The top 6 largest FTSE 100 companies measured by market cap invest in Egypt, and 25% of FTSE companies have significant operations there
- UK footprint in Egypt is a lot larger than one might expect: in retail, construction, energy, pharma, ICT, security, tourism
- All major UK investors continue to invest (eg HSBC, Barclays, GSK, Vodafone, Carillion, IHG, Gleeds, Mace, BP, ACTIS...)
- UK products, services and expertise are highly regarded - and can often command a premium



## Business Opportunities in Egypt

- Diversified nature of the economy and import dependence mean that needs are great
- Principal short term opportunities lie in trade, although long term investors may also be interested depending on attitude to risk
- Government is committed to improving the business and investment environment, although progress is slow
- Infrastructure creaking at the seams – huge investment needed in energy sources, power generation, transmission and distribution, railways, ports, water and waste water
- Macro-economically the country has problems; but plenty of liquidity in the real market and rising population. Good market for retail and consumer goods
- Demographics, population growth & need for global competitiveness require significant investments in education at all levels, including management development, vocational training
- Partnership opportunities with military controlled businesses for production facilities



## UK Government priority sectors in Egypt

- **Infrastructure**, especially the Suez Canal Development Project, Ports Developments and PPPs
- **Education**, focusing initially on vocational training, educational standards and publications
- **Retail**, focusing on attractive more UK brands to the market with Egyptian partners
- Other sectors where we are proactive: Security, Energy, Financial Services, ICT, Healthcare and Pharmaceuticals



**The UK has much to offer Egypt in all these sectors**





# Some final points





# Business Culture in Egypt



- People are friendly and welcoming – be friendly back
- Relationships are crucial – so building trust is key
- Don't be late for appointments (and beware the traffic in Cairo and Alex – it's busy and unpredictable)
- Respect traditions – do not be surprised or offended if you are asked to wait while your contact goes to pray
- Do not offer to shake a Muslim woman's hand unless she offers it to you
- English is generally spoken – but an attempt at a few words of Arabic will gain you many brownie points
- Sales/marketing collateral in English is fine



# Business Culture in Egypt



- Business dress is formal
- Business cards are important – have them printed in English on one side, Arabic on the other
- Concepts of what is polite and acceptable can be different (e.g. mobile phones)
- Smoking in offices and restaurants is not banned
- Do not expect to be offered alcohol – especially at lunch; and many places do not serve it at all
- Many taxi drivers do not speak English – get someone to write down your destination address in Arabic
- Use white taxis (with meters) only
- Egypt is hot and dusty – a tiring place to work. Stay hydrated!





# Doing business in Egypt: the 5 "P"s



People

Presence

Patience

Perseverance

And the 5th: **PREPARATION**





## UKTI EGYPT

### UKTI TEAM

- 11 Professional advisors – organised in sector teams
- Main office located in the British Embassy in Cairo, and the British Consulate in Alexandria
- Close relationship with UK-Egypt business organisations (eg. BEBA, EBBC, EBCC)
- Close collaboration with the British Council





### UKTI Egypt – services and USPs

- Strategic and business partnerships
- Consultancy services, strategic/tactical advice
- Programme Arrangement
- Market Research and Briefings
- Press & marketing services
- Sector reports & business opportunities
- Event organisation (at HMA's Residence, Director, UKTI's Residence, the Embassy, or elsewhere)
- Lobbying
- Access to key public and private sector players and introductory meetings
- Trade Missions
- The UKTI portal, Open to Export
- We cover all major sectors of the economy where we see opportunities for UK companies
- We understand the local business culture
- We can open doors that would otherwise stay closed
- We know the major players – we have excellent contacts in government, industry and the media!
- Access to UK Export Finance (ECGD)
- Integrated working with other sections of the Embassy



# Thoughts to leave you with

- Due to major political change in Egypt, the country is suffering economically and socially in the short term
- But we do not believe that the state will collapse into anarchy and civil war
- Democracy is taking root – and successive governments are beginning to grapple with the challenges Egypt faces. Political stability should return after the elections
- But the road is rocky. Everyone has to learn how to live in a democracy, and politics are trumping economics in the short term
- Despite the global downturn and the “Arab Spring” political upheavals Egypt’s Economy continues to grow; the fundamentals haven’t changed
- Egypt is not a dangerous place to live, work, visit or do business. If in doubt – FCO travel advice!
- There is money in the real economy. Retail has expanded quickly and will continue to do so
- **Now** is the time to come to the market and find business opportunities. A successful business can be built today – it will expand substantially as growth returns and demographics kick in
- The competition is there. If we aren’t there to bid for and take advantage of opportunities, they will!
- The UKTI team is here to help identify opportunities, and help you enter the market to take advantage of them



So many Fortune 500 companies and hundreds of multinational and regional players are unlikely to be wrong!







And why should we be confident that Egypt is not “too big to fail”, and will grow to take its place as one of the world’s largest economies?

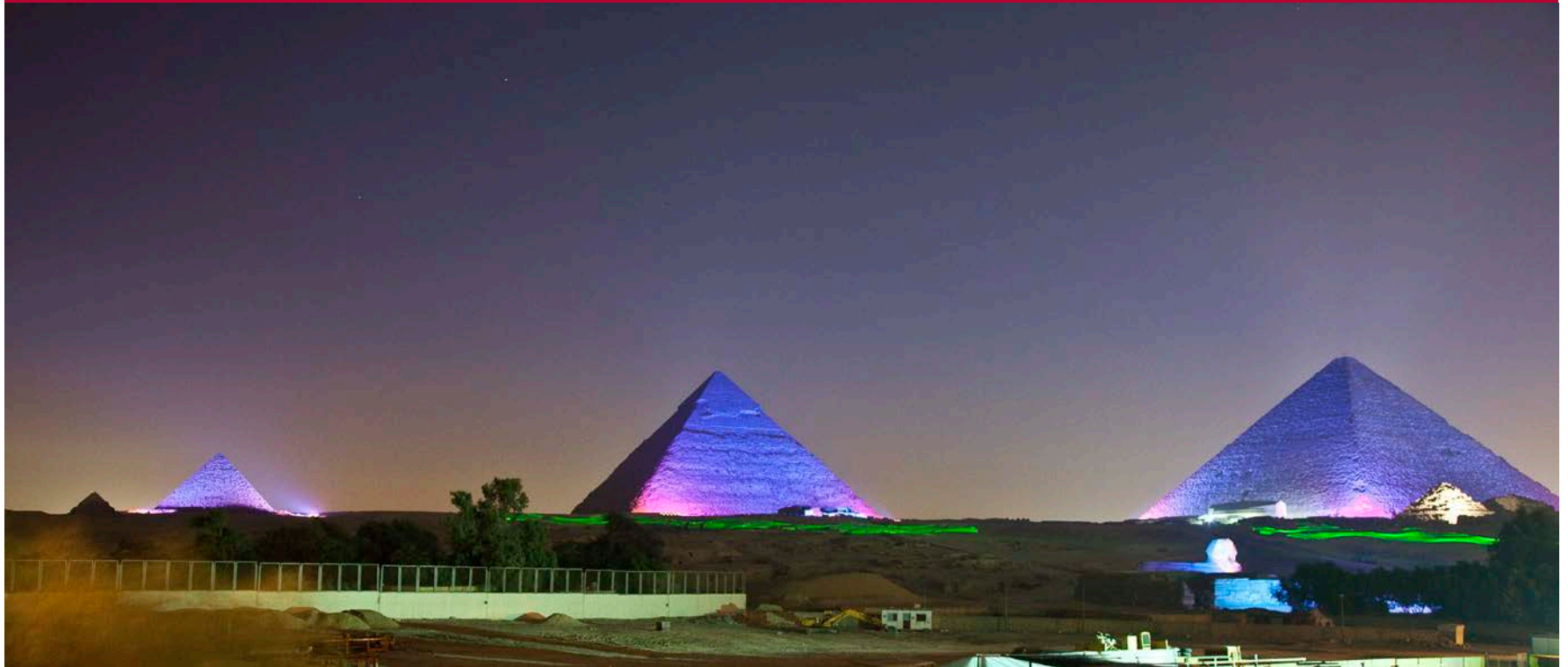
This country has a great track record!





Why we should be confident that Egypt will grow to take its place as one of the world's largest economies

From the pyramids...





Why we should be confident that Egypt will grow to take its place as one of the world's largest economies

To the lighthouse at Alexandria...





Why we should be confident that Egypt will grow to take its place as one of the world's largest economies?

The Suez Canal...





Why we should be confident that Egypt will grow to take its place as one of the world's largest economies

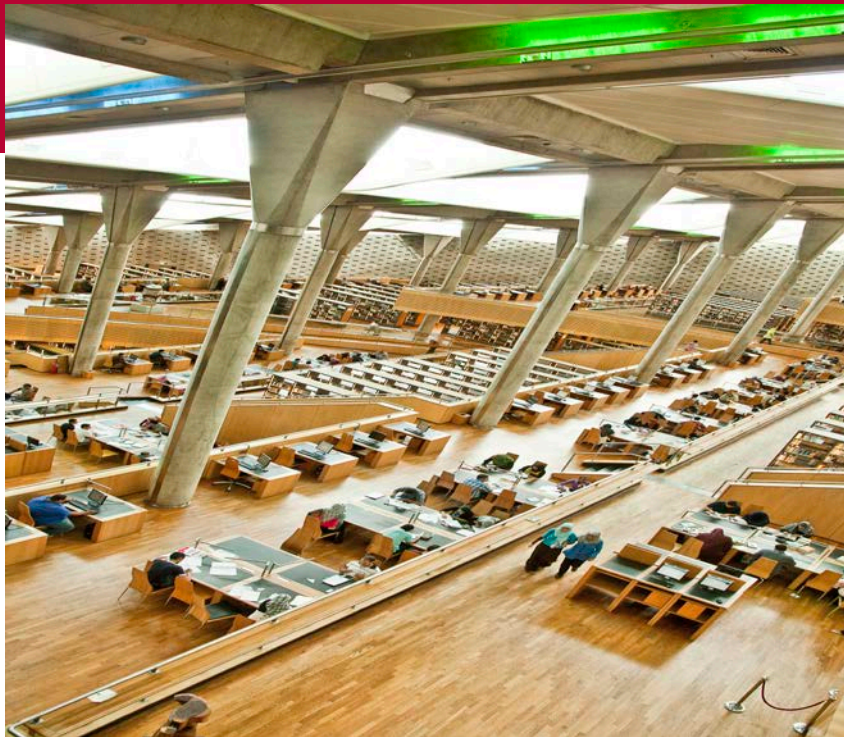
The Aswan High Dam...





Why we should be confident that Egypt will grow to take its place as one of the world's largest economies

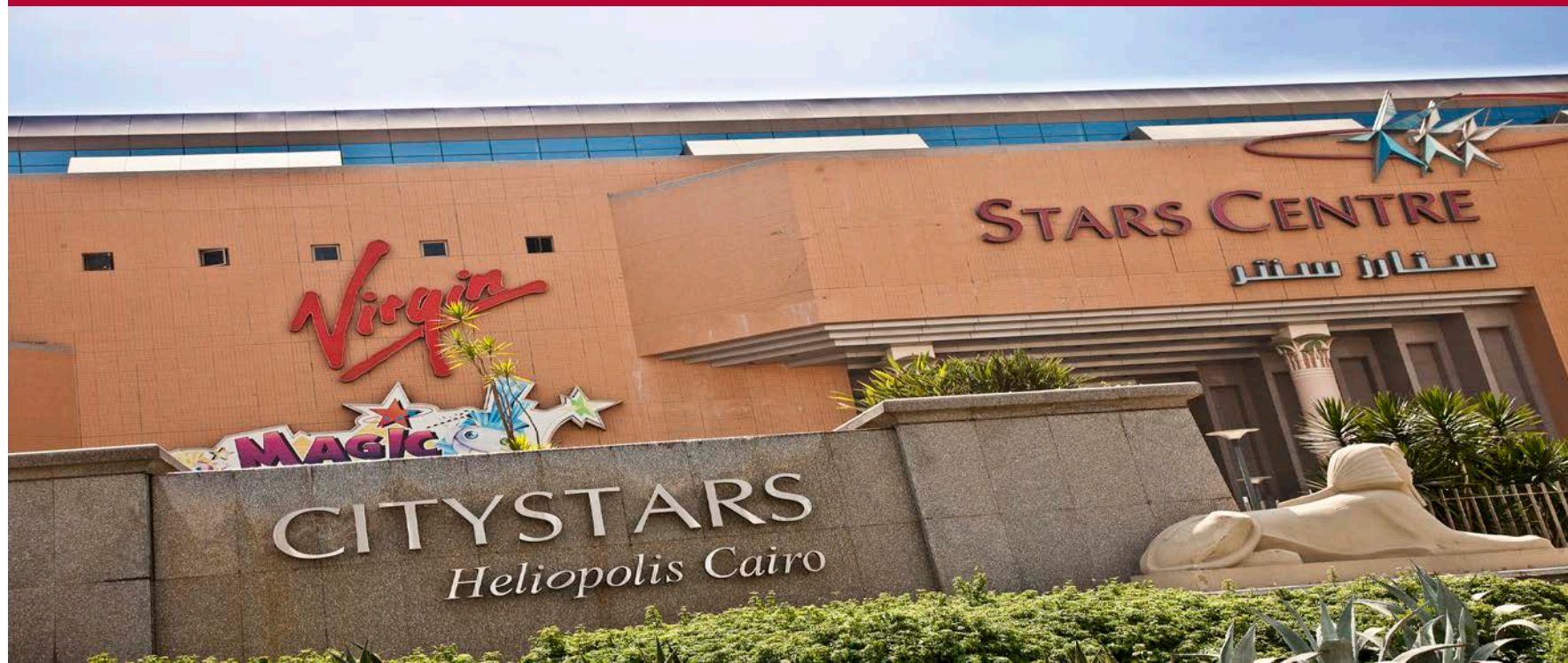
The biblioteca in Alexandria...





Why we should be confident that Egypt will grow to take its place as one of the world's largest economies

And new, modern parts of the city built in the desert!





Things happen in Egypt – they always have

So come and help shape its future!







“It is not why UK businesses should do business in Egypt  
- but when”

And now is the time to come...don't miss the boat!!





## Further information



### Contact

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### UKTI Egypt on social media

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[linkedin.com/ukti](https://www.linkedin.com/company/ukti); [ukti egypt](https://www.linkedin.com/company/ukti-egypt)



[twitter.com/ukti](https://twitter.com/ukti); [ukinegypt](https://twitter.com/ukinegypt)



[youtube.com/uktiweb](https://www.youtube.com/channel/UCk1w1w1w1w1w1w1w1w1w1w1)



[flickr.com/ukti](https://www.flickr.com/photos/ukti/)

[blog.ukti.gov.uk](http://blog.ukti.gov.uk)



**ANY QUESTIONS?**

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