

Partnering with the private sector

INTERVIEW WITH RACHID MOHAMED RACHID

MINISTER OF TRADE AND INDUSTRY, EGYPT



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took up his duties as Minister of Trade and Industry in 2004, a member of the economic team appointed in the cabinet reshuffle. He comes from a prominent career spanning more than two decades in international business, during which time he served as President of Unilever North Africa, Middle East, and Turkey. Mr Rachid is founder and member of the Board of Directors of the Egyptian Centre for Economic Studies and the Future Generation Foundation, and participates in many of Egypt's leading institutions and think tanks.

During the World Economic Forum in Davos, you indicated that although the road to full recovery from the economic crisis may be difficult, you expect to reach pre-crisis growth rates by 1st July, the beginning of the new fiscal year. How is the recovery progressing? Which sectors are driving this recovery, and why?

Throughout the economic crisis of 2010, there was a strong realisation that the impact of the crisis was not rooted in events that were taking place in Egypt or decisions made domestically. The impact was largely due to developments that were taking place in the international community and in Egypt, like in many other countries, we were suffering due to factors that had little to do with us directly. In fact, we were among the countries that were not severely impacted by the crisis because the reforms that Egypt began to implement starting in 2004 had made our economy stronger and more resilient. By January of this year, it seemed that everyone was very excited about the fact that we had all hit rock bottom as far as the crisis is concerned. It was not clear why everyone was so excited. But since then, the focus, at least as far as Egypt is concerned, has been on how to move forward.

There is great optimism that the performance of the Egyptian economy will pick up. Last year, we hit almost 5 per cent growth despite the economic crisis, and we are optimistic that by the start of 2011, we will be getting closer to our rate prior to the crisis. One of the main sectors that has been growing, even during the economic crisis, has been construction, which grew some 20 per cent last year. We expect that this sector will continue to do very well. Another area of great growth potential is the internal trade sector, which has been a priority for Egypt since late 2008. We are working to increase investment, both domestic and international, in the sector in order to facilitate access for Egyptians throughout the country to competitively priced products. This will create jobs not just in the major cities, but throughout the country. We aim to develop this sector, which has huge potential, especially when you consider that Egypt has some 80 million consumers.

We are also working very closely with members of the business community in both trade and industry in order to provide them the support they need in order to grow. This is done through cooperation in identifying the challenges they are facing and working together to provide solutions

to these challenges. We are also working very closely with them to identify niche sectors where Egyptian industry can excel, as well as new markets where Egyptian products have a comparative advantage.

The World Bank named Egypt as one of the world's top 10 economic reformers. Reforms have taken place throughout the system, from education to infrastructure and exchange rate liberalisation to the dismantling of bureaucratic barriers to business. Many reforms have been put in place, but much work remains to be accomplished. Where do the futures reforms lie and how will they impact the international investor?

The key thing about reforms is that they take place through a process. In order for reforms to be successful and have a real impact on the performance of the economy of any country, it is essential to understand that the reforms being implemented will only be effective if they are maintained and if they reinforce one another. There have been many reforms that have been implemented by the Egyptian government over the past few years. The reason they have been successful has to do with the fact that the government was committed to these reforms, and was willing and able to deal with the challenges that come with that. Even during the economic crisis, the government continued the course of reforms and did not undo the decisions that were taken because there is strong belief in the process and also because there is a clear vision of where we want to be.

We still need to work to identify the challenges facing the business community and the best ways to address these challenges. Reforms will continue in many areas, particularly in providing support to investors in all sectors, ensuring that policies are working to empower instead of hinder their growth. We will still continue to focus on facilitating training for the work force in order to ensure that the Egyptian labour market has the skills needed by the business community to compete internationally. There will be a strong commitment to developing the areas of internal trade by ensuring the availability of land throughout the country with the appropriate facilities tailored to the needs of trade. There will be work on improving the efficiency of transportation of goods within the country and to our major international trading partners, as well as increased competition in order to cut the cost of shipping goods.

But most importantly, there will always be a willingness to listen carefully to the needs of the business community already working in Egypt and investors, both domestic and foreign, and for the government to work with them in order to address these needs.

Mr Monem Said Aly, director of the Al Ahram Centre, recently pointed to the growing role of the private sector in Egypt. Business Associations and Chambers of Commerce are becoming more active and involved. How does this benefit the international business community? Does this generate greater transparency in business?

There is a huge role that can be played by business associations, chambers of commerce and export councils. These are the people who are actually doing the work and they are the ones most in touch with the needs of the business community. Their involvement in policy formulation has been one of the factors that has helped the Egyptian economic reform process over the past few years. They also facilitate access to information for new investors; they can put members of the Egyptian business community in touch with members of the international business community; and they can function as consultants for policy makers. So they play a huge role and have been an integral part of Egypt's own brand of public-private partnership.

US foreign direct investment in Egypt totals approximately US\$7.5 billion, yet most of that investment continues to target the energy sector. Where do you expect future investment to migrate, and what would you say to American investors in order to persuade them to explore the economy for other opportunities?

When it comes to trade and investment relations with any country, there will always be a dominant sector. But, at the same time, when you are looking at a country like Egypt with a huge consumer base and a diversified manufacturing portfolio, the opportunities are infinite.

In the case of the US specifically, the Ministry of Trade and Industry and the United States Trade Representative (USTR) are working closely to identify new opportunities for cooperation.

There are teams working together to identify priority sectors for both countries, and identifying ways to facilitate cooperation in these sectors. There will also be greater efforts to reach out to members of the business community and share opportunities for cooperation.

Here again, business councils can be extremely effective because they're not just hearing from a government official, but they are hearing from people who do business in Egypt every day and that is a very important tool. **F**

The involvement of business associations in policy making has been key to the success of Egypt's reform process



Spreading over three million square metres in Cairo's west suburbs, Smart Village Cairo, was built to accommodate major multinational and local companies in the field of telecommunications and information technologies, and has progressed to stand today as one of this region's renowned fully fledged business parks