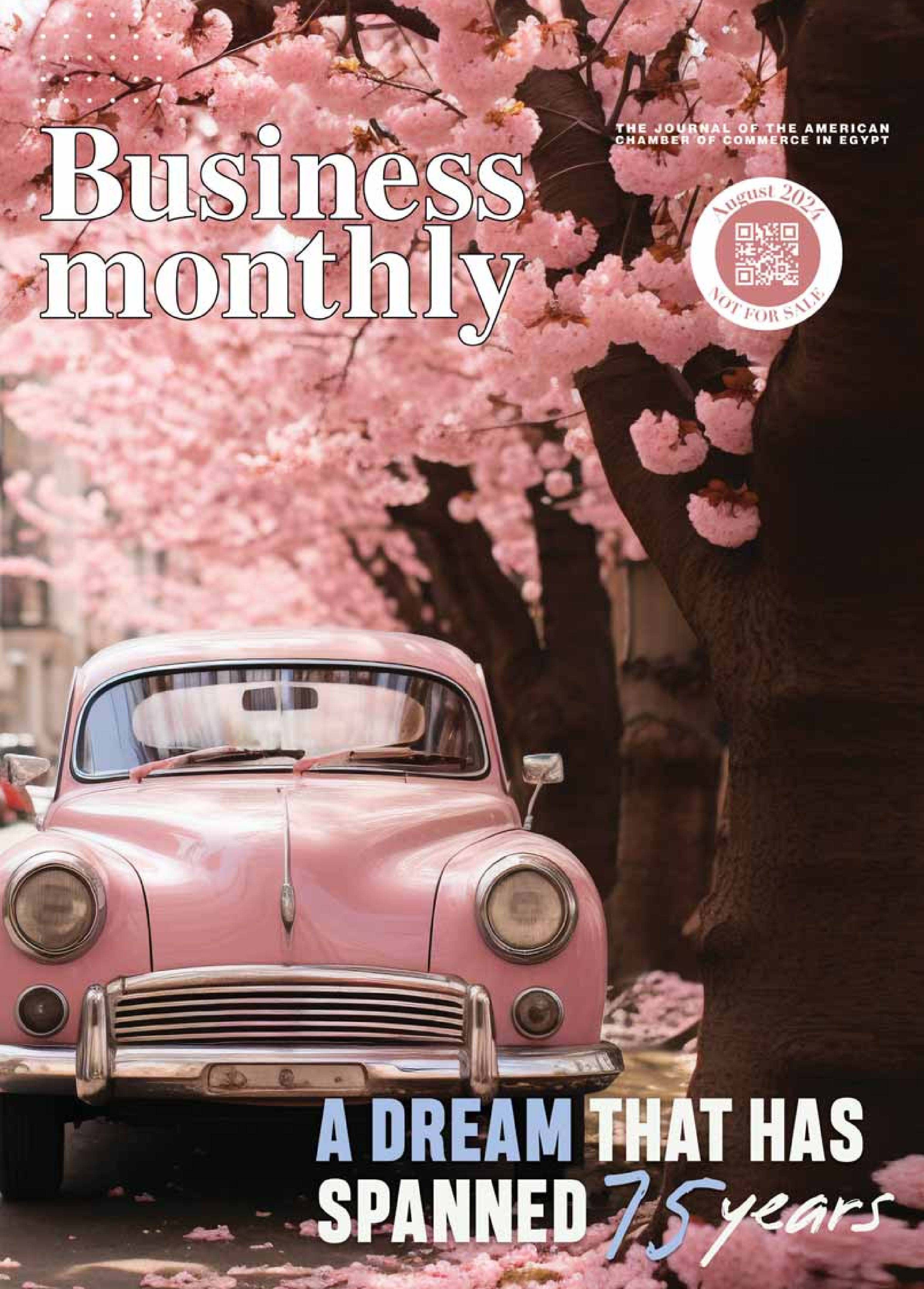

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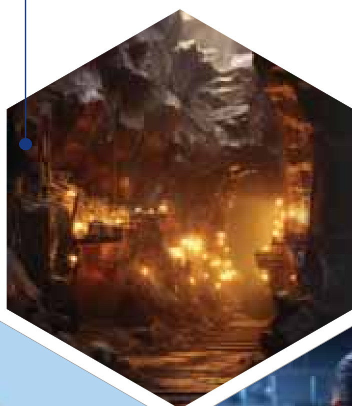

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INNOVATION AND CHANGE

Investment, investment, investment. That continues to be the new government's mandate as it takes the reins amid investor trepidation about ongoing conflicts in Ukraine and the Gaza Strip.

This time around, ministries responsible for promoting investments have undergone some fundamental structural changes. That means an evolving philosophy about how to attract entrepreneurs and business decision-makers.

The first is the ministry responsible for manufacturing. In the new government, it has merged with the Ministry of Transportation. Leading both is Kamel El Wazir, the outgoing transportation minister with a storied military career.

That is a far cry from the previous Minister of Trade and Industry, Ahmed Samir, a technocrat who headed industry associations and was a former member of Parliament and leader of the industry committee.

What the merger and dramatic change in leadership mean for Egypt's industry strategy remains to be seen, especially as the national transportation network, particularly roads and bridges, was transformed under El Wazier.

The second two changes indicate Egypt's investment strategy will likely prioritize what foreign institutions want to see.

The Ministry of Investment is back for the first time since 2011, but is now also responsible for foreign trade. Leading it is Hassan El Khatib. He left a managing director position at the European Bank for Reconstruction and Development (EBRD) to accept the ministerial appointment.

That likely means more investor-friendly reforms catering to the expectations of international financing institutions like the EBRD, International Finance Corporation and others.

The third change was the merger of the ministry responsible for international cooperation (managing relations with the IMF, World Bank, and other similar bodies) and the ministry responsible for planning the economy. Rania Al Mashat, the outgoing minister of international cooperation, is leading them.

That would likely mean more structural reforms are coming, in line with what international agencies, particularly the IMF (the government's top lender), have been asking for from Egypt.

On paper, those changes promise to improve Egypt's business environment for FDI and local private-sector investors. The question is, can they succeed in tangibly transforming Egypt's economy, soon?

Tamer Hafez
Managing Editor

Business monthly

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Sara Amer

U.S. address: 2101 L Street, NW Suite 800 • Washington, D.C. 20037
Please forward your comments or suggestions to the Egypt editorial office:
Business Monthly
American Chamber of Commerce in Egypt
33 Soliman Abaza Street, Dokki 12311 • Cairo • Egypt
Tel: (20-2) 3338-1050 • Fax: (20-2) 3338-0850
E-mail: publications@amcham.org.eg
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MAKE THE MOST OF THE MOMENT

It's been more than a month since the new Cabinet was sworn in, and the challenges are still mounting, despite a flurry of activity and oft-repeated statements from the Prime Minister and Cabinet members about empowering the private sector and seeking new investments.

To be fair, the regional uncertainty and the level of military escalation are not helping. Suez Canal revenues are down 65%, natural gas exports are down 85% and if things flare up, tourism will surely be impacted. Hot money outflows are accelerating, and we see that reflected in the valuation of the Egyptian pound. In a way, that's a good sign that our currency float is somehow working.

That said, there are positive signals: the S&P Purchasing Managers Index for Egypt is inching toward growth territory, government debt is down to USD 154 billion, and net foreign assets are still in the positive.

However, the general approach is still short sighted and transactional. I believe the real challenge for this government is to rebuild trust and instill new confidence among existing investors in parallel with inviting newcomers. In fact, new investors will only come when they see that current investors are comfortable with the local and regional conditions.

As I have noted before, our narrative is good, but walking the talk is the challenge. A transactional approach will not help.

There must be scheduled concrete steps regarding divestiture of state-owned enterprises (SOEs). The government needs to implement the law that levels the playing field between the public and private sector without further hesitation. And it needs to address the main bureaucratic impediments facing investors, which include issues related to land allocation, licensing and permits, recurring hidden and unsubstantiated government agency fees, security clearances, tax collection, clearance of goods across borders, … the list goes on and on.

The interest is definitely there. We saw it at the EU Investment Conference in June, which is to be followed by more high-level activities. There is also another Joint Economic Commission meeting with the U.S. government in early September, and a large business delegation of U.S. companies scheduled to come to Egypt in October to explore investment opportunities in multiple sectors.

This is an opportune moment, and the government has to get on the fast track to make the most of it. The old transactional approach has never worked before and will not work now. We need a cohesive government and a clear economic strategy. We truly hope this time someone is listening and will act accordingly.

TAREK TAWFIK
President, AmCham Egypt

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THE NEWSROOM

SUPPORT INITIATIVE TARGETS WOMEN ENTREPRENEURS

The Central Bank of Egypt (CBE) has signed the Women Entrepreneurs Finance Code initiative agreement with the European Bank for Reconstruction and Development (EBRD) to finance women entrepreneurs, the CBE said in a statement.

The initiative aims to maximize financing opportunities for women-led micro, small, and medium-sized enterprises while providing them with technical support.

"This initiative coincides with the government's vision to improve the financial inclusion of women and the central bank's efforts to provide more financing opportunities for women entrepreneurs in collaboration with all concerned entities," said CBE Gov. Hassan Abdallah.

This initiative is a partnership among 14 governments and eight multinational development banks hosted by the World Bank Group. The EBRD has launched it in three Arab countries: Egypt, Morocco, and Jordan.

"The EBRD is committed to supporting the CBE through implementing the We-Fi initiative as a platform to bridge the gender gap in Egypt," said Jürgen Rigterink, EBRD's first vice president and head of the Client Services Group.

CBE data shows that women's financial inclusion reached 20.3 million, growing by 244% from 2016 to 2023.

CENTRAL BANK, FRENCH AGENCY SIGN MOU

The Central Bank of Egypt (CBE) signed a memorandum of understanding (MoU) with the French Development Agency (AFD) to kick-start the "Finance in Common" initiative. The initiative engages with banks, financial institutions, and regulatory authorities to promote sustainable development goals (SDGs).

The initiative seeks to integrate sustainable practices within Egypt's financial and banking sectors to foster inclusive economic growth. It will offer technical assistance, capacity-building programs, and credit facilities to participating banks to finance projects involving environmental and social factors.

Furthermore, the initiative aims to provide technical support on topics related to climate action and sustainable financing, including environmental risk management and relevant reporting and disclosure frameworks related to developments in sustainable finance, to enhance the banking sector's contribution.

The initiative also seeks to develop sustainable financing for micro, small, and medium enterprises.

EGYPT TO RECEIVE EUR 1 BILLION FROM EU

The EU will disburse EUR 1 billion of the first tranche of its EUR 7.4 billion financing package to Egypt by October, Christian Berger, head of the EU delegation to Egypt, told the MENA news agency.

The first tranche agreement was signed during the Egypt-EU Investment Conference hosted by Egypt on June 29-30.

The financing package is part of the Strategic and Comprehensive Partnership between the two sides, launched in March.

According to Berger, the package consists of three main elements, including financial support valued at EUR 1 billion (already signed); EUR 5 billion in the form of favorable loans, part of the EU's full financial support amounting to EUR 7.4 billion; and EUR 600 million for projects in multiple sectors, including transport and migration.

Berger noted the EU also is discussing another MoU amounting to EUR 4 billion for 2025-2027.

During the Egypt-EU conference, MoUs and agreements worth EUR 67.7 billion were signed to support the Egyptian economy.

MINING PORTAL AIMS TO ATTRACT INVESTMENT

Egypt is set to launch a digital platform named "Egypt's Mining Portal" by the end of this year. According to Minister of Petroleum and Mineral Resources Karim Badawi, the online platform will facilitate access to data for mining investors.

Badawi noted the mining sector struggles to attract new investors, showing the need to transform the Egyptian Mineral Resources Authority into an economic entity.

The minister said Egypt is rich in mineral resources like gold, silver, zinc, and platinum. He noted that Egypt's gold reserves are approximately 7.3 million ounces, with 2023's production amounting to 560,000 ounces of gold and 17.5 million tons of other metals. He added these numbers are projected to reach 800,000 ounces of gold and 30 million tons of other metals by 2030.

Additionally, the ministry aims to raise the mining sector's GDP contribution from its current level of less than one percent to 5%

Private sector manufacturing

MINISTERS SHOW SUPPORT FOR AUTO SECTOR

To stress the importance of local passenger car manufacturing and the private sector, the first field trip Kamel El Wazir, the new minister of Transport and Industry, made was to the Nissan Egypt factory.

During the visit, the minister stressed the importance of facilitating the expansion of existing manufacturers and vocational training.

Nissan Egypt is the country's biggest passenger car manufacturer in terms of volume (producing more than 25,000 units annually), with local components accounting for 51% of the final product. According to the Automotive Marketing Information Council, an industry body, in 2023, Nissan Egypt accounted for 13.1% of total car sales. It is also the only exporter of passenger cars.

Recently, Jordi Vila, president of Nissan Africa, told local media that the company plans to expand to meet the demand for passenger cars throughout Africa.

SECOND CHANCES

A 2024 report from the Information and Decision Support Center highlights Egypt's legislative landscape for recycling and potential investment opportunities.

by **Rania Hassan**

Reusing discarded materials and products to make new ones or repurposing them is not new. In March 2023, The Financial Times published an article stating that recycling waste might date back to Plato in the 4th century BC. According to a 2006 book titled “Recycle: The Essential Guide,” recycling gained popularity "during periods when resources were scarce."

In 2024, trepidation continues about what will happen when resources are depleted, especially "rare earth materials" used in electric vehicles, batteries and solar panels, which experts say could eventually replace fossil fuel powered products.

The problem with excessive consumption is humans cannot remake raw materials. "They were formed, along with Earth, billions of years ago," Xiaozhi Lim, a science reporter for Discover magazine, noted in a 2020 article. Miners are now “looking for natural ores in places once considered too remote."

The opportunity to take advantage of recycling is huge. "After a century of heavy industrial activity, we … have a wealth of … waste … full of reclaimable elements," noted Lim.

An April report by the Information and Decision Support Center (IDSC) highlighted some of Egypt's recycling rules and regulations, and showcased promising business opportunities.

Local landscape

Realizing the importance of reusing waste, the government has included recycling in the Egypt Vision 2030 plan, published in 2015. In 2021, it launched E-Tadweer, an app that helps consumers send unwanted electronic devices to specialized recyclers. To encourage use of the app, the government grants them a discount voucher for new devices on top of the cash they receive for their recycled devices.

The IDSC report said those efforts happened "despite very little data and information about the feasibility of the models they eventually used." The document pointed out that those efforts prioritize electronic waste recycling.

Recycling other types of waste still requires garbage collectors to separate organic and inorganic waste and send promising materials to the correct recyclers for a fee.

In an earlier report, the IDSC said as of June 2023, Egypt had 28 recycling factories with plans to double that to 56, without specifying a deadline.

Regulating recycling

The IDSC's 2024 report said the overarching legal definition governing recycling in Egypt is "waste management." It describes any activity whose purpose is to "control" waste material. The document added the definition is flexible enough to regulate the management and repurposing of existing and future types of waste.

The law also has an expanded legal definition of "industrial waste," compared to other types of byproducts. “That extended definition allows manufacturers to be eligible for the ‘Green Badge,’ which requires them to not just dispose of their waste safely, but use recycled materials,” the IDSC said.

To regulate recycling, the government amended the 2020 Recycling Law in 2022 to allow each governorate to plan how to dispose of their waste. However, the Waste Management Regulatory Authority (WMRA) must approve the plans.

The law also requires waste producers to have a "pyramid-shaped diagram" showing how a product is recycled, repurposed, reclaimed and disposed of. The diagram, along with WMRA's decision and comments, is then sent to the Industry Development Authority for filing and reference.

The law also requires companies that produce waste to prove they have trained personnel managing the discarded materials.

Additionally, WMRA requires waste producers to have a committee comprising officials from several government agencies and ministries to supervise the disposal and recycling processes.

The manufacturer also must have a detailed register of all the waste materials it produces and a "field map" detailing the processes and technologies used at each stage of the recycling and waste treatment process. It must also include a list of recyclable and nonrecyclable materials permanently or temporarily stored at a facility.

The law requires manufacturers to prove that no recycled or original materials are classified as hazardous by Egyptian law.

Lastly, companies get precedence when applying for a "Green Badge" if their products are designed to be easily disassembled and recycled, and a "significant portion" of components are recyclable. The IDSC report doesn't mention the minimum percentage of recyclable material required for a product to qualify.

Missed opportunity: Plastic

The IDSC report said plastic recycling is a promising business opportunity, particularly in Egypt, given the country's population size, young demographic and low awareness of the risks of using plastics, particularly outside major cities.

"Over the decades, plastic proved to be a versatile product. It is affordable for many industries – from cars and construction to packaging," the IDSC report said. "Efforts to replace plastic have largely not lived up to expectations, particularly in packaging, as alternatives are significantly more expensive."

Additionally, "government agencies, manufacturers and brands need to invest in raising consumer awareness of plastic alternatives and changing their behavior," the report said. "That would be difficult to implement at this stage."

Another reason plastic recycling will boom for years to come is "demand for plastic is multiplying"in fast-growing regions like Asia and Africa. The report forecasts that by 2060, plastic consumption by those two continents will quadruple.

That would be a significant amount of plastics, as the combined populations of Asia and Africa represent 77.3% of the global population.

Meanwhile, low awareness of the risks of plastic waste means unsafe disposal of plastics will remain a significant problem. "By 2060, non-degradable plastic waste will have increased by over 180% from 2019 levels," the IDSC said. "The amount thrown in the ocean will be an even higher 300%."

To slow that pace, the IDSC stressed the need for more plastic recyclers and reliable supply chains. "Thankfully, the 'circular plastic economy' concept is gaining momentum worldwide. It is not only about promoting sustainable recycling of plastics, but also encouraging manufacturers to use more recycled materials."

That would create investment opportunities, starting from the collection phase and continuing throughout the entire recycling process. "The forecast is that plastic recycling will increase fivefold between 2019 and 2060," the report said.

Agri-waste reusing

With agriculture accounting for 15% of Egypt's GDP as of June, according to government data, and the country's large predominantly young population, local food consumption and waste are high. "North Africa and West Asia have the highest volume of food losses (waste) in the world, accounting for 32% of global food waste," IDSC said.

The report noted that waste occurs throughout the local supply chain. During production, losses happen from insects and rodents infiltrating storage, harsh hot weather, crop diseases, spoilage during transportation and damage during manual harvesting, IDSC said.

The report said food can spoil when transported between various stops in the local supply chain and during treatment. Excess consumption also creates food waste.

Recycling food is unlike repurposing other waste. Agriculture waste is very specific and almost impossible to prevent or decrease without reducing the amount of food produced. "Food waste comes from processing it," IDSC said. "The leftovers are seeds, outer shells, and other secondary components that aren't edible."

To prevent the bulk of that waste from ending up in landfills, the IDSC report said the government and companies need to introduce and develop new industries that benefit from each type of waste. The list of such uses includes "bio-coal, which has a lower carbon footprint when ignited than the normal variant. It can also be used to enhance fertilizers." There is

biofuel, which is considered "a renewable source of energy," the IDSC said, given that it uses plants that can be regrown.

Tech and metals

Recycling electronic equipment is essential, particularly in Egypt, where the ICT sector has expanded 16% annually for the past five years, making it the fastest-growing sector in the country.

New technologies, especially those using artificial intelligence, fuel the need for faster personal computers, smartphones, servers, sensors and control units. "Technology serves as a catalyst for change ... It is reshaping work processes, production methods and consumption patterns." said Stefan Calimanu, vice president of trade and export services at ResearchFDI, a think tank, in May 2023.

Recycling unwanted electronic devices is necessary, as they contain hazardous materials, including mercury, arsenic, lead and cadmium.

They also contain vital "rare earth materials" used in manufacturing clean energy products, such as "lanthanum, cerium, neodymium, samarium, europium, terbium, and dysprosium," Keith Kirkpatric, research director at The Futurum Group, a think tank, wrote in the publication "Communications of the ACM." The IDSC also noted that such devices contain general-purpose minerals like gold and copper.

Electronic waste recycling will have a spillover effect, the IDSC said. It will reduce dependence on fresh mineral resources, protect the environment from hazardous materials found in those devices and increase job opportunities for low-skill workers such as collectors and drivers, as well as those with advanced skills who operate the recycling plants.

Using recycled materials is good for business as they are "cheaper than using new raw materials or components. That means lower consumer prices. Using repurposed materials will also accelerate production and save energy, as it is much faster and energy efficient than mining for fresh minerals."

The IDSC forecasts that global recycling of the electronics waste industry will increase from $60.4 billion in 2023 to $91.6 billion by 2032.

Data, data

To attract recycling investments, the IDSC report stressed the need for accurate, reliable and extensive research on the targeted materials. "The lack of reliable data will increase the investment costs for recyclers as they must pay out of pocket to identify the capabilities of the local recycling supply chain. That ranges from where to get good-quality recyclable materials to who and where they will be used."

The IDSC report noted that without such information, recyclers risk producing more recycled materials than needed. That is a big problem, "as this is a demand-driven industry."

Another downside the report noted is that without accurate data, "the government can't price waste correctly, can't determine the feasibility of various incentive programs, and can't run effective awareness programs based on the types of waste and where they are produced."

GOING FOR THE GOLD & NICKEL

The new government wants to accelerate investment in mining minerals and related industries as global demand soars for electric vehicles, solar panels and other products fueling the transition to green energy.

by **Rania Hassan**

Throughout the pharaonic era, gold and other minerals were used in everything from utensils to crowns and even plating the Giza Pyramids, as evidenced by surviving artifacts. Research published in 2020 by Egypt Oil & Gas, a government-owned portal, said the nation's oldest mining activities date to about 3,100 B.C.

However, mining for precious metals and minerals faded over time as searching for oil and gas took over. In 2018, then Minister of Petroleum and Mineral Resources Tarek El Molla launched the country's first national strategy to revive the mineral mining sector.

In the Egypt Mining Forum (EMF) conference in July, new Minister of Petroleum and Mineral Resources Karim Badawy highlighted government plans to increase mineral mining from 1% of Egypt's GDP in 2023 to 5% by 2030. "Our strategy to develop the local mining sector is to free it from bureaucracy, which will result in more transparency, and therefore attract new investments to the sector," said Badawy. "The private sector will play an essential role in achieving our targets."

Mining hub

In his keynote address, Badawy stressed stabilizing Egypt's macro economy as the first step in attracting fresh investments in the mining sector. The second is to reform policies and laws to become more investor-friendly. "The return of the Ministry of Investment stands as a testament to the government's commitment to making Egypt a major investment destination," he said. "We already have inter-ministerial committees working on the necessary modifications to develop the sector."

Among Badawy's first decisions was to make the Egyptian Mineral Resources Authority (EMRA) an autonomous economic government agency similar to the Egyptian General Petroleum Co. "We expect that to happen in the fourth quarter of this year," he said. That change would focus regulatory and decision-making powers within EMRA.

Badawy said the new EMRA would implement the ministry's strategy, develop and announce international mineral mining bids more frequently, and promote renewable energy usage in mining sites to reduce the sector's carbon footprint.

He also said the ministry is working more closely with international finance institutions to secure innovative, low-interest loans with relaxed terms and conditions for eco-friendly miners.

The minister also said more technical training courses would be offered to private-sector mining workers to meet local market demands.

A vibrant mining sector should benefit other existing industries and introduce "new value-added industries, where mined minerals are processed locally before being sold," Badawy said. "We also are looking at increasing mining equipment manufacturing locally."

Sherif El Shahawy, chairman of state-owned Shalateen Mineral Resources, announced the first value-added project during the EMF conference: an "industrial mining complex in Aswan ... It should be ready for operation next May." Badawy said. The long-term plan is to make "the eastern desert a regional gold hub."

Lastly, the minister announced the development of a digital platform to show potential investors the locations and sizes of mineral mining opportunities nationwide. "We are starting with a trial now," he said. "We should go live by the end of the year."

Attracting investors

Supporting the growth of mining activity in Egypt requires significant funding for new projects. "It is not surprising to find financing mining projects challenging," international law firm Watson Farley & Williams said in a February investor note.

"Over the past few years, metal and mineral prices have not generally had the positive run that might have been expected," the law firm said. "The causes are varied – the global economy, uncertainty over China's economic outlook, wars in various parts of the world and a lack of clarity as to whether governments will ... back one type of transition 'solution,' over another."

Despite those challenges and diverging approaches to reaching net-zero emissions, the Watson Farley & Williams note said demand for minerals used in clean energy products will only accelerate. "This includes nickel, classed as strategic or critical, as well as others, such as iron ore, that are less relevant to [climate] ambitions but nevertheless a necessity in a continually developing world economy."

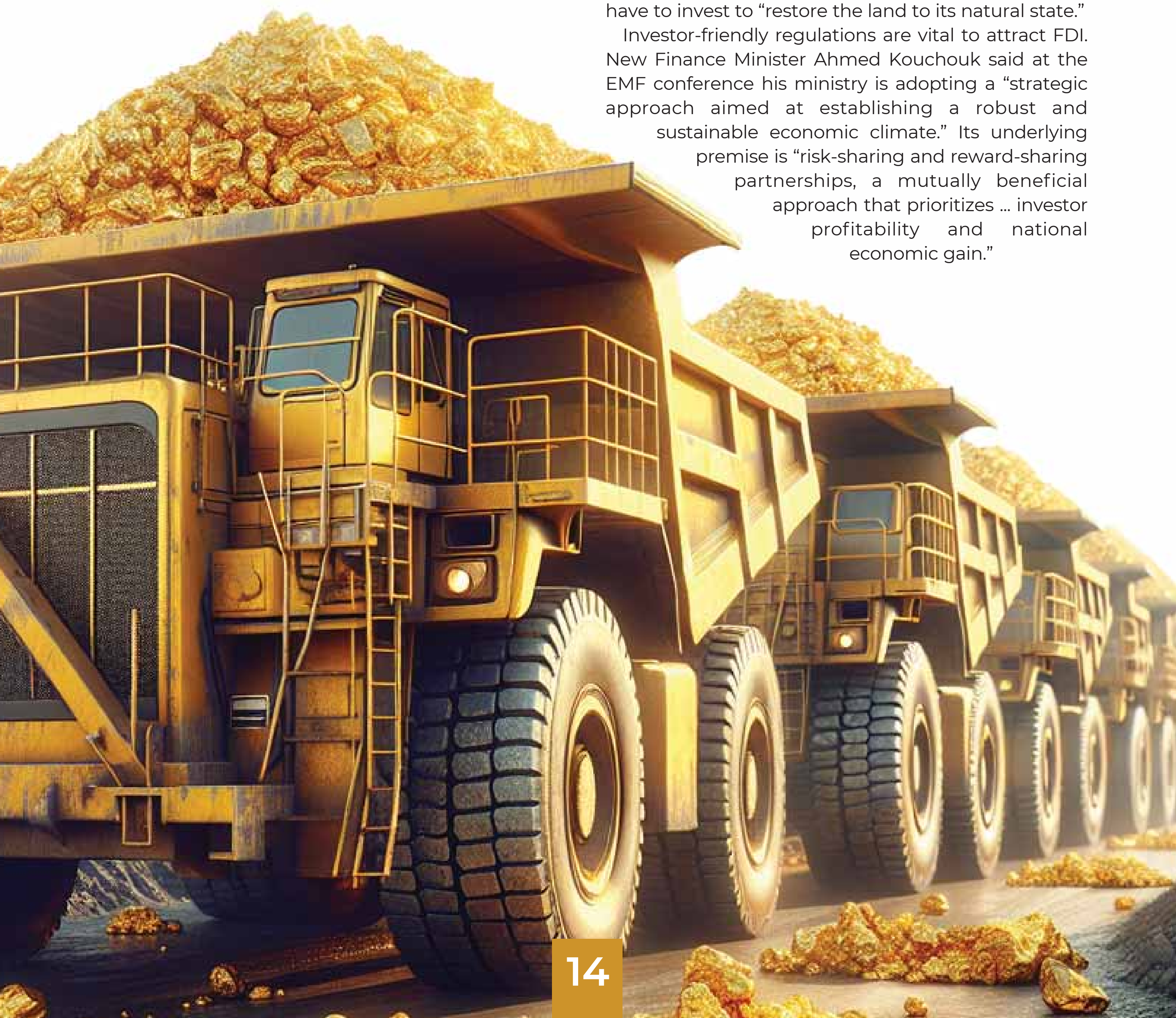
However, governments need to ensure mining activities don't damage the environment or deplete resources. "We have been working with the mining sector for three years to decarbonize it," Environment Minister Yasmine Fouad stressed at the conference. "We plan to continue this work ... creating a clearer and concise roadmap for the sector that takes the environment into account.

Fouad said that would fuel the government's ambitions to build eco-friendly products like electric cars and solar panels. "We are also ensuring that the communities surrounding those mines are eco-friendly and can thrive ... after a mine is depleted and shut down."

A June report by Pan Africa Resources, an African gold producer, said, "Optimizing environmental performance and social impact isn't just about ethics or regulatory compliance; it is also good business practice."

The report noted that mining companies have to invest in onsite facilities to "reduce, reuse and rethink [how to benefit from] mining waste." They also need to modify processes and procedures to conserve freshwater and build treatment plants to purify the water they use. Pan Africa Resources said using renewable energy onsite would reduce a mine's carbon footprint. Lastly, once done, mining companies have to invest to "restore the land to its natural state."

Investor-friendly regulations are vital to attract FDI. New Finance Minister Ahmed Kouchouk said at the EMF conference his ministry is adopting a "strategic approach aimed at establishing a robust and sustainable economic climate." Its underlying premise is "risk-sharing and reward-sharing partnerships, a mutually beneficial approach that prioritizes ... investor profitability and national economic gain."



He plans to build on his predecessor's achievements. "We also are adopting an inclusive approach to receiving suggestions and ideas that would promote FDI."

Kouchouk said the priority is to stabilize laws and regulations, especially taxation. "We will also be looking at incentives for mining investors and ways to increase the investment space for the private sector."

Where miners go

The government's priority is to attract miners to the Golden Triangle, a 2.7 million-acre plot shared by Qena, Safaga and Al-Qusayr governorates. The 2016 project announcement said the region contains "75% of Egypt's mining minerals."

It noted the most abundant minerals in the zone are iron, copper, gold, silver, granite and phosphate. Ismail Gaber, then head of the Industrial Development Authority, told local media at the time, "The Golden Triangle development project is considered the second-largest project that will aid in developing Egypt's economy due to the high income expected from the area once it is developed."

The plan is to convert this plot into a "new industrial capital by building industrial, commercial, mineral, and touristic [facilities] to serve not only Egypt but Africa," reported local media. The government's 2016 announcement said the Golden Triangle opens the door to establishing new industries in Egypt and promoting existing ones.

Despite its potential, the Triangle has attracted few investments. In 2023, the State Information Service reported that "Prime Minister Mostafa Madbouly issued directives to officials to accelerate the development of the Golden Triangle's Economic Zone." He also ordered the Ministry of Petroleum and Minerals to draw up a road map for development."

According to then Minister of Planning and Economic Development Hala el-Said, as of November, the Golden Triangle has a phosphate fertilizer complex built over 100 feddans in El Quseir city. Another project is a logistics zone under construction on 61 61.7 feddans in Safaga. Since then, the government has not announced any new projects in the zone.

Lessons from Africa

With its committed pursuit of FDI, Egypt needs to be aware of potential risks arising from relying heavily on foreign miners. In December, Ben Radley, a lecturer in international development at the University of Bath in the U.K., chronicled how decisions by African governments led them to "lose control [of their mines] to foreign mining companies."

Radley said the "first stage" was when African governments and presidents "took steps early to place resources under state control," he said in December on the Conversation, a digital platform. That included nationalizing foreign miners in the country. Meanwhile, state-owned enterprises dominated most mining value-added activities.

Over time, Radley said, the state dominance caused mining production to "stagnate or drop" as the search for oil and gas became more financially feasible, fueling local economic activity and becoming a significant source of foreign currency if exported.

The "second stage," he said, started when African governments realized the extent of their respective untapped mining opportunities. To capitalize on them, those nations sought international institutions like the World Bank and global superpowers such as China to fund and operate mining projects. "With the regulatory framework overhauled [to appease the international investment community], foreign investment was unleashed to seek out fresh opportunities," said Radley. "From 2002 to 2012 … mineral exploration spending in Africa rose by more than 700%."

Not everyone benefited from that boom. That was because "some prized deposits were already occupied by [informal local] miners [extracting] silver, copper, cobalt, tin, tantalum, iron ore, aluminum, tungsten, wolframite, phosphates, precious and semi-precious stones, and rare earth minerals," Radley said.

To allow mining FDI into those lucrative areas, African governments issued laws that "forcibly displaced and removed" African miners from the best deposits and restricted them to working in less productive areas.

To avoid such a situation without compromising mining FDI, African governments "must [offer] incentives for local companies to mine and process [minerals] before exporting," James Boafo, a lecturer in sustainable development at Murdoch University, said in a May blog on the Conversation. That "would increase local returns, create jobs, and drive the growth of other sectors."

For Africa to become a mining and processing hub, nations can't work separately, especially when mining for high-demand minerals used in eco-friendly products, like electric vehicle batteries. "There is a need for coordinated efforts in Africa to build local capacity along the mining chain, from exploration to the market," said Boafo. "In this way, Africa would not only be a source of raw materials, but a competitive source of low carbon products." ■

RACING TO BECOME AN AUTOMAKER

Egypt has long dreamed of becoming a regional automotive manufacturing hub. To fulfill that ambition, it first needs investor-friendly policies and strategies targeting local automakers. It also requires political nuance to navigate the geopolitical gap between Eastern and Western governments that creates barriers for the auto trade.

Meanwhile, the future of global brands is uncertain as car-makers increasingly compete with tech companies and platforms.

The upside is that recent government decisions regarding the foreign exchange rate, particularly, have carmakers optimistic they can refocus on growth rather than survival.

By **Tamer Hafez**

RESURRECTING THE RAMSES

Since the 1960s, passenger car manufacturing has been high on the government's agenda. The newly appointed government will likely continue those efforts.

Producing and selling locally made passenger cars has been the proverbial feather in the cap of Egypt's successive governments since the late 1950s. "Every country in the world longs for a car industry," Adel Gazarine, then chairman of the Egyptian Businessmen Society, said in a documentary on Egypt's first locally manufactured car, the Ramses. "It gives prestige to the country. It's said that any ... country longs for three things: to set up embassies, to have a flag, and to establish a car industry."

The first decade of the 21st century saw a surge in local auto assembly investment, with Jeep, BMW and Mercedes-Benz leading the way. At the time, Egypt was a globally recognized auto investment destination: The Mercedes-Benz local facility was its third outside the EU (after the United States and China). Egypt was also one of four countries outside Germany that hosted a BMW factory.

As of 2024, 15 auto manufacturers assemble passenger and commercial vehicles locally, sourcing at least 45% of their components from domestic suppliers. AmCham Egypt's Industry Insight report said locally made cars accounted for over 60% of sales in Egypt last year.

The government wants to grow the industry further. The first target is to increase the percentage of local components. "We are looking to offer incentives for local carmakers that increase the local components percentage beyond 45%," said Prime Minister Mostafa Madbouly in May.

The second goal is to increase exports, which reached nearly $6 million in 2023, down from an all-time high of $48.8 million in 2013, according to Trend Economy, a data aggregator. That would be vital to offset the nearly $2 billion Egypt paid to import cars last year.

Why cars?

Aside from the prestige of being one of 47 nations (out of 195 recognized countries) with car industries, the sector has significant macroeconomic benefits, according to a 2023 research paper titled "The Automotive Industry Cluster in Egypt," published by the German University in Cairo (GUC).

"The sector promotes innovation and [attracts] billions in investments," the report said. It is "dubbed the 'industry of industries' because it is so closely linked to 20th-century industrial progress and mass production and consumption."

Research by Kocaeli University in Turkey said auto producers, feeders, and support industries "contribute significant tax revenues from vehicle sales, usage-related levies, personal income taxes and business taxes. Production and sales of new and used vehicles, parts and services deliver excise, sales, value-added and local taxes, and import duties."

MedCrave, a research company, said that in developing countries like Egypt, auto manufacturing contributes "less than 10%" of the industrial sector. That can go up to 40% in economies with advanced auto industries like Morocco, which is the seventh biggest producer of cars worldwide in 2024, according to Data Panda, a data aggregator.

Additionally, the sector's exports are "more high-tech products and less raw materials," the MedCrave report said. That generates high profit margins, fuels local R&D spending and innovation, and advances worker skills and education.

Catch-up strategy

In 2022, the government announced the Automotive Industry Development Strategy. Its mandate is to "establish [Egypt] as a key gateway to the emerging African automotive market," read the strategy document. It would achieve that by developing a "comprehensive and integrated industrial policy" to tackle the "prevailing global economic conditions and changing context of automotive production."

To implement this strategy, President Abdel Fattah el-Sisi created the Supreme Council for the Automotive Industry (SCAI) to "approve general policies, plans and strategies necessary for the development of the [local auto] industry ... and follow up on its implementation."

The council also develops the "general framework for legislative and administrative reform of the automotive industry [and] studies appropriate solutions to the obstacles facing the industry and works to conclude agreements and exchange experiences with leading countries."

Its first decision was to create the "eco-friendly automotive industry support fund" to finance the development of local zero-emission electric vehicles (EV) manufacturing. The fund also finances low-emission vehicles, such as natural gas-powered cars.

In November, the council launched the National Automotive Industry Development Program (AIDP), which offers a tiered incentive program based on the percentage of local components used in locally assembled vehicles. It also contains stimulus for EV producers and feeders. Incentive packages are available to raise awareness (and therefore demand) for locally produced EVs. Those incentives are in addition to those in the 2017 investment law.

Only private-sector auto manufacturers and their feeders producing "passenger cars, SUVs, vans and microbuses" are eligible.

The strategy document also said EV buyers should get "cash incentives [up to] EGP 50,000, ... exemption from license tax [and] state resource development fees, as well as obliging real estate developers to provide charging points at a specific rate in residential and commercial projects."

Also aligning with strategy targets, the government created the Automotive Industry Unit last year. It is responsible for "developing detailed accreditation and qualification guidelines for car manufacturers, [and] creating application forms to join" the development program."

It also "establishes a detailed information system on local value-added calculation forms for car manufacturers or local component suppliers." It communicates with investors by sending them "memos and information publications ... and answering inquiries."

Lastly, it "develops controls and mechanisms" for incentives due to manufacturers.

From deals to implementation

Since the AIDP was announced, the government signed agreements with Nissan Egypt, General Motors, and Stellantis Group to "manufacture their cars in the industrial city of Ibaz in east Port Said Governorate. VW will "manufacture automotive paint materials" there, the State Information Service said in November.

The government also announced that Proton would establish a factory in Ein Sokhna's industrial complex. Ghabbour Auto and Itamco said they will expand operations in Sadat City under AIDP to build 100,000 cars annually. The state also signed four other agreements to build car factories in industrial cities around the Suez area and Greater Cairo.

The government also said it is investing in the state-owned El Nasr Automobiles factory, which will build passenger EVs and zero-emission buses.

However, a July 2023 research paper from the German University in Cairo (GUC) highlighted a critical problem. "Egypt's education and training institutions ... have roadblocked [the local automotive sector's] global competitiveness," said research author Menatallah Darrag, a management assistant professor. According to INSEAD University's Global Talent Competitiveness report, Egypt ranked 88th out of 134 countries worldwide and 15th out of 21 in the MENA region.

The nature of Egypt's labor problem stands out. "Unemployment rates among educated people ... grow as education levels rise," Darrag said, "showing the inability of the education system to satisfy labor market requirements for credentials and skills, particularly in the private sector."

Darrag said the solution is to implement a "complete strategy and develop specific and thorough employment policies and programs rather than relying on legislative reform and the relaxation of inflexible labor laws, which are blamed for rising labor costs and unemployment."

EVS COMING SOON?

Significant changes to global electric vehicle manufacturing dynamics could allow Egypt to attract EV foreign direct investment and target the EU automotive market.

As one era ends and another starts, significant disruptions are inevitable. First movers already have an advantage and want to maintain it. Everyone else is striving to catch up by accelerating adoption of the latest technologies while protecting lagging domestic companies from more advanced foreign competitors.

The global auto industry faces such a difficult transition, shifting from internal combustion engine (ICE) vehicles, which have existed since the 1830s, to modern electric vehicles (EVs), commercialized in 1996.

Those difficulties arise from decisions made by China, the EU and the United States regarding EV manufacturing and cross-border trading. To increase supply and demand, China subsidizes EV manufacturing, while the EU said it will ban the sale of new ICE cars as of 2035. Meanwhile, the EU and United States are raising customs on EVs imported from China to protect domestic-made vehicles.

Egypt could benefit significantly from that volatile situation and become an auto manufacturing platform that meets the needs of all three major EV markets. It has a free trade agreement with the EU and entered a geopolitical coalition with China (BRICS) this year, while the Qualified Industrial Zone agreement allows Egypt-made products to be exported duty-free to the United States under certain conditions.

Raising trade barriers

In September, the European Commission opened an investigation into China's state subsidies to EV manufacturers, focusing on exporters to the EU. "Global markets are now flooded with cheaper electric cars," commission President Ursula von der Leyen told the bloc's Parliament. "And their price is kept artificially low by huge state subsidies."

She added the investigation includes Chinese, European and US EV brands that use China as a manufacturing base to export to Europe.

The Chinese government responded by announcing several anti-dumping investigations on general imports from the EU, United States, Taiwan, and Japan between February and May.

While that tit-for-tat was ongoing, US President Joe Biden announced in May a quadrupling of import duties to more than 100% on EV vehicles from China. Those new tariffs take effect Aug. 1.

Politics, as much as economics, dictated the US decision. "Coming off more than a decade of statistics-led industrial planning, coupled with huge subsidies, forced technology trains and a closed import market, China has emerged as the clear leader in [EV] production and sales," Claude Barfield, a senior fellow at the American Enterprise Institute think tank, said in June. "The US views the EV challenge [as a] power contest for global political and strategic leadership."

In June, the EU announced an elaborate tiered customs scheme ranging from 17.4% to 38.1%. Those are on top of the 10% importers of China-made EVs pay to bring those cars to the EU.

These customs tiers are based on the EV brand imported from China. Importers of BYD EVs pay the lowest, as those cars are the most expensive relative to others from China. SAIC Motor Corp. importers pay the highest because they are the least pricey. Importers of other Chinese EV-making brands and "made in China" European and US brands like BMW and Tesla will pay extra duties ranging from 17.4% to 38.1%.

China's immediate response was to "open [another] anti-dumping investigation. [This time] into imported pork and its byproducts from the EU," Reuters reported in June. The newswire said the investigation focused on Spain, the Netherlands and Denmark.

"China is almost certain to retaliate [further] to pressure European officials to negotiate," said an AP report. The news agency expected the most likely scenario for the Chinese government is to "raise duties on cars with engines larger than 2.5 liters." That would affect high-end luxury vehicles, such as BMW. Mercedes-Benz, Rolls-Royce, Porsche and Ferrari.

Relocation

China-based EV makers can't afford to be shut out of the EU market or have their products sold at higher prices than the competition. That is because demand for EVs is expected to soar in just over a decade. In February 2023, the EU Parliament said it would ban the sale of new fossil-fuel-powered cars starting in 2035, forcing potential local new car buyers to purchase zero-emissions vehicles.

That potentially lucrative opportunity, plus the extra tariffs levied on their EVs, means China-based carmakers are rapidly expanding their manufacturing footprint beyond their homeland.

BYD has had an EV bus plant in Hungary since 2016. It also has facilities in Thailand, Brazil, and Uzbekistan. In December, the carmaker started construction of a passenger EV and hybrid vehicle factory in Hungary, which should begin production by late 2026.

In February, BYD said it was scouting a suitable location for a factory in Mexico. In May, Micheal Shu, BYD's European managing director, said the company is looking to build another factory in Europe next year.

In March, Chery Auto, China's largest automaker by volume, said it was in talks with the Italian government to build a car factory. In April, the manufacturer signed a joint venture with Ebro-EV Motors, a Spanish EV automaker, to produce a Chery EV model and two ICE-powered SUVs. Production should start later this year.

Chery Auto also is "eyeing [a] UK factory this decade," reported the Financial Times in January. The facility would build "a range of petrol, hybrid and electric cars." The EV maker also promised in 2023 to invest $400 million to build a factory in Argentina in 2030.

Brian Gu, co-president of XPeng, a Chinese carmaker backed by VW, entertained the idea of building EVs in Europe to bypass the extra duties. "We have to work around what is required to compete," he told the media in April.

In June, Reuters reported that China's SAIC is selecting a site in Europe for its new EV factory. The new factory will likely sell MG cars, which are currently only produced in China.

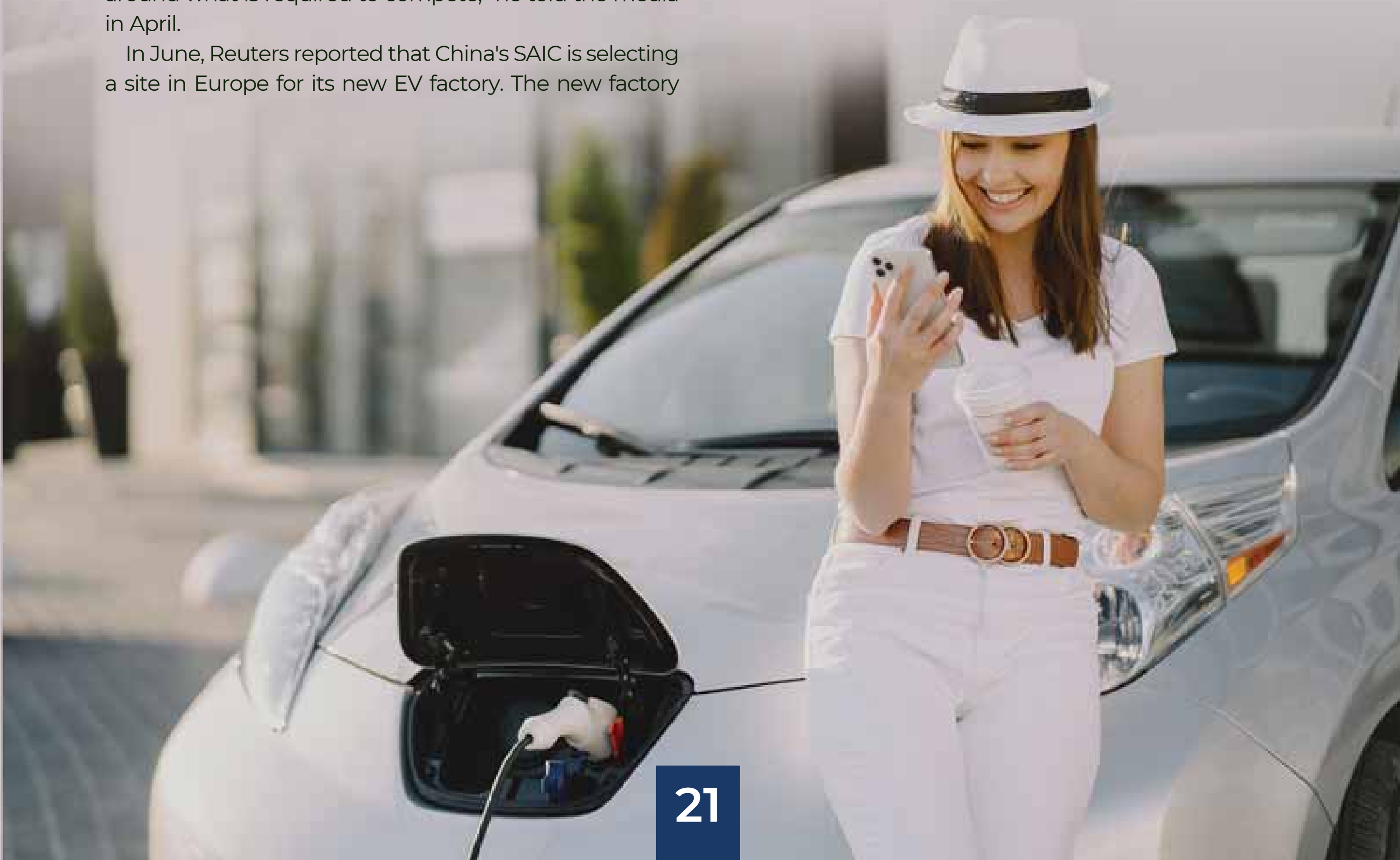
Geely, which owns Lotus and Volvo, has facilities in Belarus, the UK, and Indonesia. In 2022, the Chinese car brand signed a licensing agreement with Izera of Poland to produce the country's first EV. No updates have been reported since.

No other way?

Egypt has yet to benefit from the global shift to EVs. Over the years, the government announced only plans and signed agreements with international car brands. Very little tangible progress has materialized despite a free trade agreement with the EU, which has almost no restrictions or quotas on products made in Egypt. Also, the country's central geographic location is ideal for accessing the African market.

With the 2035 EU deadline for banning new ICE car sales looming, the government should quickly resolve domestic EV manufacturing problems to capitalize on that potentially lucrative opportunity. It would be vital not only to attract fresh auto FDI but also to prevent the current 15 local manufacturers from looking elsewhere to build EU-bound EVs.

In September, BMW CEO Oliver Zipse told CNN, "European mass-market carmakers might exit the production of mass-market cars after the ban comes into effect due to profitability concerns."



THE ROAD AHEAD

A report from Deloitte offers scenarios of what's coming for carmakers.

The global automotive sector is witnessing significant changes. "There has been no shortage of headlines in the news cycles about the struggles and opportunities for this sector," Lawrence Keyler, global automotive leader and partner at RSM US, a think tank, said in a 2024 insights note.

Those changes arise from increased competition, which will challenge how traditional auto manufacturers (OEMs) "think about their product development, marketing, and supply chain," Grand Lui, manufacturing lead at RSM Canada, said in the annual insights report.

Local auto manufacturers could be noticeably affected because they assemble models belonging to major international OEMs.

Deloitte's "The Future of Value Chains 2025 and Beyond" report highlighted four possible scenarios for OEMs. All of which "demand a significant willingness to change" on the part of auto manufacturers.

Landscape

The Deloitte report says today's fast-paced technology developments mean traditional automakers are increasingly competing with big tech players "with pockets full of cash that they are willing to invest."

That is shifting investment focus to software and connected services over hardware, such as engines and mechanical parts. Electric vehicles will further diminish hardware development budgets as they "contain far fewer components than combustion engines," Deloitte's report said.

That invariably impacts R&D budgets and development directions, the choice of suppliers, and the equipment and personnel manufacturers need to develop high-tech cars. Automakers also have to decide which tech features would impress but not overwhelm owners.

OEMs will be most affected by new technologies, such as 3D-printing car parts, artificial intelligence, and the country's digital infrastructure. Another factor is the availability of affordable financing for individuals and manufacturers. Being eco-friendly and sustainable is the third factor.

Government policies and legislation will also impact the future of the global car industry. That includes intellectual property rights laws, freedom of trade, public infrastructure, and data storage facilities.

Lastly, changing behavior will indirectly impact the global car market. The Deloitte report highlighted consumers' "safety awareness, material wealth, trust in [automakers], customization and urbanization."

Scenario 1: **Almost everyone wins**

This is the best-case scenario. "In this world, [EVs and hybrids], autonomous driving and integrated mobility are a common reality for the broad public," the report said.

OEMs "set the standards and are the dominant players. Their diverse range of products and services allows "innovative outsiders ... to play according to the rules set by the OEM."

The Deloitte report forecasts that eventually "33% of all cars sold" will be at least partially powered by an electric motor. Customers will accept self-driving cars, and "OEMs [will] need it as a prerequisite for lucrative digital business models." Individual vehicle sales will decrease 24% as ride-hailing becomes more popular.

Meanwhile, "digital business models [could] contribute [up to] 20% of the [OEM's] total revenue," the report said. This scenario will accelerate the digitization of the industry (manufacturing 4.0) to increase "efficiency, reduce prices, and [improve] quality." The downside is automakers will require fewer factory workers.

Scenario 2: **Tech domination**

In this scenario, tech companies will overpower the auto industry, and customers will embrace that situation. "OEMs ... mainly become suppliers of white-label cars to the internet giants."

To increase sales, automakers must either "provide a superior platform for infotainment and mobility services or retain a strong brand image."

Ultimately, "OEMs are not able to fully cash in on revenue potential" as their vehicle hardware is commoditized. That means profit margins will decrease, the report said.

In this scenario, 36% of all cars sold will have electric motors. The latest technologies and features would only work on EVs. Also, corporations would demand only EVs for their fleets to showcase their eco-credentials and an avant-garde image.

New car sales would drop 24% as customers increasingly prefer ride-sharing services over owning a car.

In this scenario, OEMs' digital business models would find "competition from IT giants ... difficult to defeat." Meanwhile, manufacturing 4.0 and automotive layoffs would accelerate faster than the other three scenarios.

Scenario 3: **Playing defense**

This scenario would see "massive lobbying by OEMs [to] prevent potential new high-tech players from entering the market ... This defensive strategy ... slows down technical development. That means potential innovations may not be rolled out to the market."

Meanwhile, technologies under development, such as autonomous cars, would not see further developments, causing "dramatic accidents" as they are immature. That would ultimately lead to a "loss of consumer acceptance," the report said

Around 18% of cars on the road would be powered by electric motors. The report says customer demand for EVs would be low, as government regulations fuel most of the demand.

"High-tech cars [would be] marketable only in premium niches." Personal car sales would drop "10% due to [ride] sharing." Meanwhile, the OEM's offerings will be the differentiator in the market.

In this scenario, "digital services are not the focus of customers' interests ... Investment [would be] worth-while only to ... premium segments." Manufacturing 4.0 would be adopted only to improve efficiency, prices and car quality. The upside is that more auto workers would be needed.

Scenario 4: **Almost everyone loses**

In this scenario, OEMs and tech companies focus on reducing costs at the expense of hardware and feature differentiation. "The car is a mere means of transportation, and brand attractiveness diminishes," Delloite said. "The technology hype has cooled down, ... putting an end to the rise of high-tech cars."

The commoditization of transportation and tech features decreases profit margins, and OEMs prioritize lowering manufacturing costs rather than offering better cars and features.

Ride-hailing tech companies and public transport would be the winners. Meanwhile, "private car ownership decreases, [and] fleet management becomes [important] to OEMs."

The report expects 21% of cars sold will be electrified in this scenario. "High-tech vehicles would be present in premium segments, with mainstream vehicles sharing the same technologies and features."

In this scenario, low customer demand and distrust of OEMs and tech companies mean "investment would most likely be unprofitable." Manufacturing 4.0 would only proliferate to reduce costs and increase efficiency. "Vehicle sales will not be significantly affected."

The future

The Deloitte report stressed that OEMs' business model decisions in the coming years will shape the future. "Today, [an OEM] primarily operates two business models: producing and selling vehicles and offering financing services," the report said.

In coming years, Delloite says OEMs will seek more revenue by building unbranded parts for other manufacturers. "The main customers ... will be new market entrants such as Google or Uber. They will focus on ... user-centric software while leaving hardware development to OEMs."

Another business strategy will see OEMs monetize the data their cars collect when driven. That revenue stream would come from vehicles sold for ride-sharing services or infotainment software and apps, "as well as other ways of monetizing the large amounts of data available in and around cars."

Other significant factors will be decisions made by non-automotive players and regulators, as well as the speed of technology adoption in general, the Deloitte report said. "OEMs ... need to position themselves toward a clear target picture, perhaps investing at times... to get a foot in the door — while accepting that some of these investments will end up as sunk costs."

VIEW FROM THE TOP

Ankush Arora,
CEO of Al Mansour Automotive Group, discusses survival strategies post-pandemic, government efforts to promote local industry, and the future of the local market.

Replies were edited for length and clarity.

Q: What is the scope of Al Mansour Automotive's operations?

The Al Mansour Automotive Group has operated as a passenger and commercial vehicle distributor for 50 years. We have been the market leader for 20 years [based on data from the Automotive Marketing Information Council, an industry body]

We have been assembling cars locally for the past 44 years. It started with a joint venue with General Motors, becoming their local manufacturing partner for commercial vehicles and the importer of passenger cars (Chevrolet) since 1983.

Local components account for over 60% of our commercial vehicles. In our passenger cars, it is around 45% [the minimum required by law].

Since 2020, volatility in global supply chains, foreign currency challenges and external factors have caused us to pause local assembly of passenger cars and focus solely on commercial vehicles.

Q: How much damage has the local auto market incurred since the pandemic?

Regarding sales figures, the local auto sector entered 2020 on a high note. Annual growth rates in 2019 were up 35% compared to 2018.

Despite the lockdowns in 2020, local automotive sales continued growing to 2021, when more than 325,000 units were sold — the highest on record. It was also our best year for both commercial and passenger cars. We sold 50,000 locally made units, 42,000 of them were commercial.

Between 2019 and 2021, our import car sales also boomed. We sold 93,000 units versus 52,000 units by the end of 2018. It took us just three years to almost double our sales.

That growth declined aggressively in 2022 and 2023, mainly due to bottlenecks in global supply chains caused by the pandemic and conflicts in Ukraine and Gaza. Local sales dropped by two-thirds.

Another factor we had to cope with was rising car prices due to limited supply, coupled with increasing demand, among other critical factors, which complicated importation.

Starting in 2024, we saw signs of a recovery as Inflation rates tempered and the March devaluation stabilized the exchange rate and supply of dollars.

Q: What was your survival strategy?

The critical factor that allowed us to successfully navigate the uncertainties of the past two or three years is that the company has always been lean and agile despite its large footprint.

We saw the writing on the wall in early 2022 and quickly decided to focus on the things we can control. For example, we couldn't control what was happening in Ukraine and Gaza, global oil prices or foreign currency shortages.

Instead, we focused on things we could influence, such as keeping our costs under control and eliminating any inefficiencies in our system.

We offered customers more services and privileges, especially after-sales maintenance and spare parts availability, to keep them happy with their cars rather than chasing market share and volume.

That meant attracting owners of our high-end brands (Opel and Peugeot) to our official service centers via promotions. We also catered to our commercial vehicle and low-end car owners who prefer roadside repair shops because they are cheaper and convenient.

The second part of our strategy was to develop and expand existing operations in Iraq, Libya and Sub-Saharan Africa to mitigate some of the group's risks in Egypt.

We also aligned our managers and executives on the requirements in this new phase by shifting their mindsets from chasing volume and market share to targeting existing customers with successive services.

Q: What will your sales strategy be in the coming few years?

What we see in Egypt is similar to regular business cycles. During inflation, consumer behaviors, preferences, expectations and habits change. Our challenges and opportunities stem from our diverse brands and, therefore, broad range of target customers.

Accordingly, our pricing strategy will continue to be a function of the brand. Our target is to have an offering from at least one of our brands at every price point. We also will focus sales and marketing efforts on what drives sales in each of our brands, be it price, prestige or technology.

Q: What do you think of the government's efforts to promote the local car industry?

The government's Automotive Industry Development Program (AIDP) is undoubtedly a big motivator for bringing more local assembly and manufacturing projects to Egypt, ultimately making it a regional automotive manufacturing hub. It supports both suppliers and manufacturers.

Incentive programs like AIDP are vital as the auto industry is very capital-intensive and has a long return-on-investment period compared to other sectors.

The key to AIDP's success is for local auto manufacturers to focus on cars that are in high demand in the local market. Without those vehicles, you can't achieve scale and, therefore, can't be competitive. That ultimately prevents local automakers from exporting their cars.

In addition to AIDP's incentives, the government has significantly expanded the road network, making passenger and commercial cars more appealing as drivers are considerably less likely to encounter traffic jams.

One missing element is affordable, tailored auto financing options. Even before the challenges since 2020, buyers almost always bought their cars in installments. It will be more vital now with the recent price jumps.

For us, as manufacturers, policy and regulation consistency is vital because we base our long-term plans on what they say.

Q: Are there plans to assemble new models in Egypt? Are any of them EVs?

We plan to manufacture three models locally. The first will be introduced toward the end of this year and the last will be in the second half of 2025.

None of these models is an EV or hybrid. However, we are open to introducing electric vehicles if local market conditions are favorable.

Q: How do you see the future of local auto manufacturing?

We are at an exciting crossroads regarding where we take the automotive industry. The country has enormous potential for consumption and supply manufacturing has many strengths, including human talent and geographic location.

Free trade agreements with neighboring countries will be essential to making Egypt a continental and regional auto manufacturing hub.

First, local auto manufacturers need to avoid assembling "show and tell" luxury brands, which happened in the early 2000s. This made Egypt an auto-manufacturing country, but not an export hub as we never reached suitable volumes.

Focusing on the needs of most local car buyers will attract more automakers to capitalize on that opportunity. We saw that happen in Thailand with commercial pickups and in India when Suzuki partnered with the government to build affordable city cars.

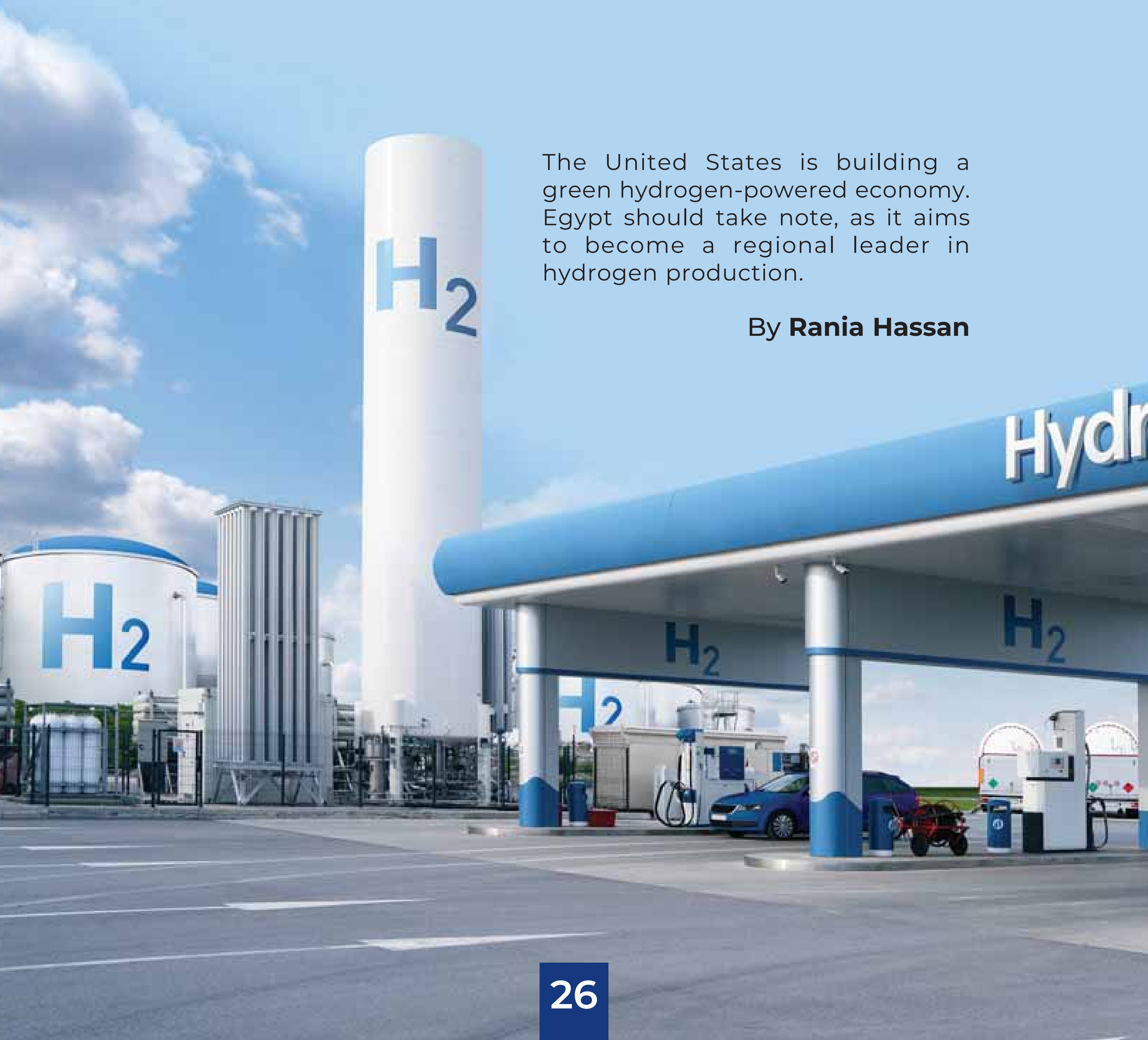
The goal is to have a few manufacturers build huge volumes (tens of thousands of units annually) rather than many car brands build lower volumes (thousands of units yearly).

The former scenario would see costs per unit decline because of economies of scale, increasing competitiveness, scale and, ultimately, exports. ■

HYDROGEN BLUEPRINT

The United States is building a green hydrogen-powered economy. Egypt should take note, as it aims to become a regional leader in hydrogen production.

By **Rania Hassan**



The idea of using the world's most abundant resource (hydrogen) as fuel is not new. According to the World Intellectual Property Organization, Swiss engineer François Isaac de Rivaz patented an engine that used hydrogen and oxygen as fuel in 1806. The idea died quickly when fossil fuel combustion engines proved more feasible.

It was only in 2016 that hydrogen fuel came to the spotlight once more. Countries recognized its potential as a zero-emissions fuel when the EU certified it under the CertiHy Guarantee of Origin that classifies hydrogen's eco-credentials based on its production methods. It can be "gray," "blue" or "green." Gray (and other shades of black) hydrogen fuel uses oil to produce it. Blue hydrogen is when the production process captures and stores carbon emissions, while green hydrogen utilizes renewable sources like solar or wind.

Countries and international agencies are focusing on green hydrogen as one of the best fuels for significantly reducing emissions to meet the 2030 U.N. target of net zero emissions. "Hydrogen as a fuel offers great potential to decarbonize various industries and hard-to-abate sectors," said AirSwift, a consultancy specializing in energy and infrastructure, in a February blog. It “replaces fossil fuels in processes such as refining, iron, steel, chemicals and transport."

Since 2022, the government has been flaunting the idea of becoming a regional hub for green hydrogen. Its main export target is the EU, which is accelerating its transition from natural gas amid supply disruptions from Russia that started last year. According to Mohamed Shaker, minister of electricity and renewable energy, Egypt had signed 23 green hydrogen MoUs as of December.

To convert those MoUs to FDI, the government should pay attention to what the United States is doing. "Ensuring America is the global leader in the next generation of clean energy technologies requires … government and industry," said Jennifer Grandholm, U.S. secretary of energy, in July. "That is why [we are] helping industry unlock the full potential of this incredibly versatile energy resource and supporting [their] long-term success."

U.S. vision

The U.S. Department of Energy launched its National Clean Hydrogen Strategy and Roadmap in June. Its vision is to commercialize production and maximize use of green hydrogen. "Achieving commercial-scale clean hydrogen deployment is critical to creating good-paying jobs and new economic opportunities in communities across the nation while also enabling our long-term decarbonization objectives."

The DOE's “Pathways to Commercial Liftoff: Clean Hydrogen” report, in March, said, "A hydrogen economy has the potential to add 100,000 net new direct and indirect jobs by 2030." That requires incentivizing and supporting multiple sectors to switch to green hydrogen, while ensuring enough supply to meet demand.

The report estimates green hydrogen production would have to increase from just under 1 million metric tons in 2022 annually to 10 million metric tons by 2030 to satisfy projected demand. It added that "near-term demand" will likely come from existing use cases transitioning from gray to green hydrogen. By 2050, the DOE forecasts clean hydrogen production should reach 50 million tons per year.

Creating ecosystems

The DOE established the Regional Clean Hydrogen Hubs (H2Hubs) program last year to "help form the foundation of a national clean hydrogen network." Its funding comes from the Bipartisan Infrastructure Law passed in 2021.

H2Hubs aims to establish six to 10 regional clean hydrogen facilities at an estimated cost of $7 billion. Those centers "will be a central driver in helping communities across the country benefit from clean energy investments, good-paying jobs and improved energy security."

The program links hydrogen producers, consumers and the region's connection infrastructure to accelerate the decoupling from fossil fuels. "An added benefit of the H2Hubs program is the opportunity to push for a more diverse mix of hydrogen end-use applications," according to ING.

H2Hubs will prioritize investments in "production, processing, delivery, storage and end-use [applications] of clean hydrogen, including innovative uses in the industrial sector," noted the U.S. Office of Clean Energy Demonstrations. Those "are crucial for achieving President Biden's goal of a 100% clean electrical grid by 2035 and net-zero emissions by 2050.

Incentives, incentives

The other "building block" is incentives. Green hydrogen consumers and producers benefit from tax credits under the Inflation Reduction Act (IRA), passed last year. It allocates $369 billion to address energy security and climate change over the next decade.

The IRA gives manufacturers of green hydrogen fuel a tax credit of 2.6 cents on every kilowatt-hour they generate and up to $3 per kilogram of clean hydrogen they produce. However, those incentives are for the first 10 years of the project. Yuanrong Zhou, a researcher in the International Council on Clean Transportation's fuels program, said that is about a third of the project's lifetime. "Projects starting in 2023 would benefit from the full 10-years' worth of credits, while plants opening later would receive progressively less," Zhou said.

The IRA also gives green hydrogen producers the option of "tax transferability," meaning green hydrogen producers "can sell their tax credits to a buyer who owes taxes." "The effect of [that option] is still uncertain," said Zhou, adding that benefiting from this option requires additional "legal and due diligence costs."

A February note from ING said producers also can get a "one-time investment tax credit of up to 30% of the cost of a qualified clean hydrogen (or hydrogen storage) property."

She noted this financial support has enticed several U.S.-based manufacturers to scale up their hydrogen dependence and build infrastructure. In the first half of this year, five clean hydrogen projects in the United States were announced, adding to 33 already operational as of the end of 2022.

Challenges

According to the DOE, the first set of challenges facing the United States in building a green hydrogen economy is the high cost of infrastructure connecting producers to the project, especially if they are not located in the same vicinity.

ING noted that governments could repurpose existing fossil fuel infrastructure for carrying hydrogen fuel when traveling long distances. Those pipes would "require reconfiguration and adaptation to avoid problems like hydrogen leakage."

Transporters could blend green hydrogen with natural gas to avoid such upgrades. However, that solution has limitations. "Today, natural gas pipelines can handle up to 20% of hydrogen blending; beyond that … it could damage the pipelines," said ING.

Meanwhile, using land freight to transport green hydrogen requires "specialized … track and train tanks," also making their application "limited," ING said.

Those factors are coupled with the financial unfeasibility of commercializing hydrogen production. According to Statistica Research Department, the estimated cost of producing blue or green hydrogen in the United States is between $3 and $4 per kilogram. A 136-kilogram barrel of crude oil costs from $3 to $12 to refine. AirSwift's blog post said the higher cost comes from "challenges surrounding production costs, infrastructure, incentivizing demand, storage and transportation."

To reduce production costs, countries must "invest in extensive innovation and technological breakthroughs," AirSwift noted. The most effective approach is to lower the cost of electricity used to produce clean hydrogen. Producers also need to "increase the efficiency and operating lifetime of facilities."

Those solutions should greatly benefit blue and green hydrogen. The former would use new technologies to capture carbon more efficiently and effectively, while the latter would use advanced solutions to lower the cost of renewable energy. AirSwift stressed that promoting those two types of hydrogen fuel would "unlock structural changes from pilot to commercial scale ventures in time to meet net-zero targets."

The U.S. government says its efforts to entice producers, innovations and increase use cases should bring clean hydrogen costs down to $2 per kilogram by 2025 and $1 by 2030. However, AirSwift stressed those cost estimates are contingent on where the fuel is produced, how it is consumed, and the distribution network and infrastructure used.

Proving credibility

One of proponents' most significant concerns is eco-friendly production and transportation. That is a sticking point in the United States given incentives have four tiers depending on how much CO2 hydrogen fuel production produces.

Ensuring the eco-credentials of green hydrogen products requires legislation. Frank Wolak, president and CEO of the Fuel Cell and Hydrogen Energy Association, told Reuters in June, "The Treasury must develop a set of guidelines … The promise of the Inflation Act has been extremely helpful for the United States and has stimulated investments from overseas, but this incomplete guidance leaves unfinished business." That means developing a system to quantify the "greenness" of each producer.

Wolak stressed such a framework is a "high-stakes game" for the industry because "failure to qualify for the highest tier would undermine the economic viability of any green hydrogen project."

Another question is how "hydrogen producers demonstrate their use of clean electricity" to benefit from the incentives, noted AirSwift. One way is to purchase that electricity directly from producers without going through the national grid. That would be much easier if a green hydrogen producer also had a renewable power plant.

For those who don't have that option, AirSwift stressed the importance of having "power purchase agreements" from the grid to ensure supply. The government also should offer and regulate "renewable energy certificates," which guarantee the purchased electricity is eco-friendly.

The other topic important to hydrogen producers is calculating the "carbon intensity of their delivery," said AirSwift. For one, it determines how much a producer receives in tax credits from the IRA. " "Longer-distance delivery of clean hydrogen could [be] more costly, [requiring] further measures to lower transport carbon intensity."

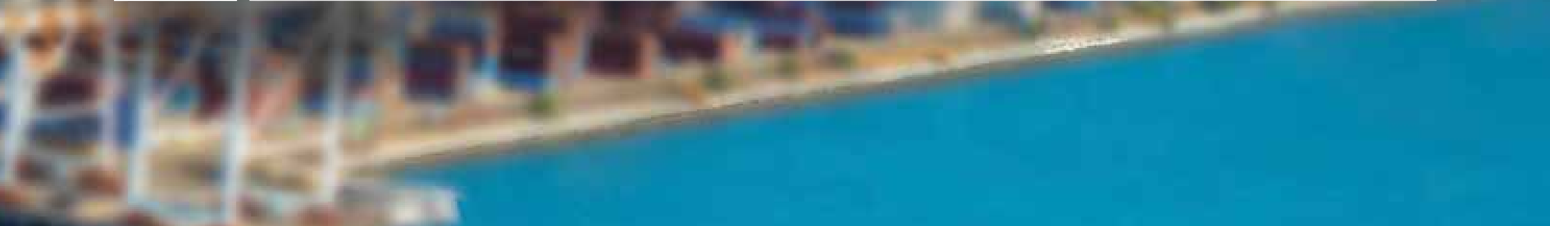
The other factor is whether the hydrogen fuel is transported as a gas via pipelines or liquified and transported on trucks that use fossil fuels. AirSwift noted the environmental impact of the latter is "significantly" higher.

Solidifying eco-credentials quickly while creating use cases for green hydrogen, with supply increasing to match demand, is essential to building a hydrogen economy. "The more quickly guidance rules are out," stressed AirSwift, "the faster projects will be expected to move to their next stages." ■

TIME TO ..SOAR OR SINK

An update on the latest news from the BRICS geopolitical coalition that Egypt joined at the start of 2024.

by **Tamer Hafez**



Egypt's ongoing need for financing and investment is well-documented. "Egypt faces two key challenges when it comes to financing," Yomna Mohieldin, a Harvard University research fellow, said in an April blog on Finance for Development Lab, a think tank. "Firstly, a lack of funds due to a foreign liquidity squeeze ... led to credit downgrading [which made borrowing more expensive and scarcer]. Secondly, a growing perception that regional partners' support for the Egyptian economy is declining."

Until the end of 2023, Egypt had to secure almost all its debt and external financing needs from developed wealthy nations (the United States, represented by the IFC, IMF and World Bank, and Europe, represented by EBRD) and the GCC. A small portion came from the African Development Bank and other international institutions.

To expand its options, the current administration sought membership in the Brazil, Russia, India, China and South Africa (BRICS) coalition in 2023, becoming a member in January.

The main benefit for Egypt is access to fresh loans from the BRICS National Development Bank (NDB). It "challenges the dominance of existing global institutions, such as the World Bank and IMF," said a research note from Boston Consulting Group (BCG) in April.

The other significant upside for Egypt is "BRICS gives emerging markets the opportunity to align on global topics and new economic opportunities," BCG said.

BRICS, BRICS+, BRICS++

In 2001, Jim O'Neil, then chairman of Goldman, grouped Brazil, Russia, India and China, calling them BRIC. All were emerging markets with similarly high potential to attract FDI. In 2011, South Africa joined, changing the acronym to BRICS.

That coincided with members agreeing to make BRICS a geopolitical intergovernmental coalition. It aims to align them on critical global topics and lobbies the rest of the world for their shared interest as one entity.

In 2012, BRICS founding members created the National Development Bank and pledged $75 billion to boost its lending power to governments, becoming an alternative to the IMF. They also announced plans to extend a dedicated fiber optic submarine cable to connect all BRICS member nations.

In 2016, the idea of increasing the number of members to improve the bloc's global economic and political clout surfaced in response to rising economic fallout and sanctions by Western nations against China's state companies and Russia. This year, BRICS added Egypt, the UAE, Ethiopia and Iran to create BRICS+. Saudi Arabia joined later.

The new members boosted BRICS's presence on the global scene. According to the advocacy group Committee for the Abolition of Illegitimate Debt, BRICS+ accounts for 29% of the world's GDP compared to 20% for BRICS. The expanded coalition also accounts for 25% of global trade, compared to 20% for BRICS, while its oil production share stands at 42% versus 20%.

Additionally, BRICS+ is home to 45% of the global population compared to 41% under BRICS, making it the biggest consumer market in the world, by far.

The coalition could grow further. In July, ahead of the BRICS+ annual summit, various media reports said up to "40 additional countries from Asia, South America, and Eastern Europe are eagerly seeking membership."

An anonymous Russian government source told India-based Business Standard, a news portal, "Russia [which leads BRICS in this round] wants to create a partner-country group." That entails asking each member nation to "list 10 countries out of the 33 ... that have applied to join BRICS. The common 10 nations would have a better chance of becoming BRICS+ members.

Business Standard reported the front runners are "Pakistan, Turkey, Thailand, Malaysia, Venezuela, Cuba, Nigeria and Kenya."

Digitization update

In late January, Russia and India announced they would work together to "promote digital economy initiatives as part of their expansion efforts within the BRICS alliance," reported Elias Al Helou, a journalist for Economy Middle East.

Egypt could benefit from similar agreements, especially regarding artificial intelligence (AI), as it was the first MENA country to launch a National AI

Strategy in 2019. The Government AI Readiness Index, which Oxford Insights Group published in December, ranked Egypt 62 out of 192 nations. In Africa, Egypt stands higher than fellow BRICS member South Africa, which ranks 77. Among the Arab countries in BRICS, Egypt ranks third after the UAE and Saudi Arabia.

However, Egypt significantly lags behind almost all BRICS+ nations in digital currencies. "There are few countries that have made serious progress in using national digital currencies," Anatoly Aksakov, chair of the Financial Markets Committee of Russia's State Duma, told the media in June. "However ... it will be common practice within five years."

China was first among the BRICS+ coalition to adopt a digital version of the yuan in 2019. "The central banks of Hong Kong, Thailand, the UAE and Saudi Arabia [both BRICS members] are working with Beijing and the Bank of International Settlements on the ambitious cross-border Project mBridge," which experiments with linking countries' digital currencies, Forbes reported in July.

In December 2022, India announced its pilot program for the digital rupee. Reuters reported, "The Reserve Bank of India [met] its target of 1 million daily transactions by end [of] 2023." The newswire said digital rupees are used to pay employee benefits, hence the high number of transactions.

In August 2023, the Russian Central Bank launched the "pilot phase" of the digital ruble. "We are currently conducting consultations and negotiations with many friendly countries and, of course, with the BRICS countries on cross-border payments through digital currencies," Elvira Nabiullina, Bank of Russia governor, said in June.

In July, 30 Russian banks accepted digital ruble transactions. Media reported that over 600 Russian consumers and 30 domestic companies executed at least one transaction using the new currency.

Brazil also is piloting its central bank-issued digital currency (Drex). A March research note from the Economist Intelligence Unit predicted it won't officially launch until early next year, "given that regulatory agencies still need to outline the new legal framework for the digital currency and its infrastructure."

In April, South Africa announced it had started testing the digital version of its currency under its Digital Payment Roadmap strategy. A statement from the South African Reserve Bank (SARB) said the country's digital currency "will be used for regional payments in Africa." SARB set a two-year timeframe for supporting domestic stablecoins.

Outside BRICS founding member states, the UAE issued an amendment in October 2023 to its 2018 law to expand the definition of currency to include a "national digital currency." In June, Saudi Arabia joined Project mBridge but made no official announcement on a digital riyal.

In Egypt, a news report by state-owned Ahram Online in January said the Central Bank is "set to launch the electronic pound by 2030." The project is under development by "committees [comprised of] all relevant ministries and national authorities," the CBE said.

Politics update

Political and economic interests play significant roles in decision-making in the BRICS+ coalition. A paper by the Euro Mediterranean Economist Association in September said China's response to Western sanctions on its state companies since 2016 has been to "urge a rapid expansion of BRICS ... to become a geopolitical rival of the G7," a group of wealthy nations.

In March, the BRICS+ coalition said it was developing an alternate payment system for members based on digital currencies issued by each member's central bank. "We believe that creating an independent BRICS payment system is an important goal, ... which would be based on state-of-the-art tools such as digital technologies and blockchain," Kremlin aide Yury Ushakov told the media at the time.

In July, Iran proposed creating a "common mechanism to connect the financial systems of all BRICS nations," reported Al Mayadeen, a Lebanon news portal. Their idea would "eliminate reliance on the U.S. dollar, expedite transactions, and fortify economic relations among the BRICS bloc's developing economies by [effectively] establishing a common currency."

As it stands, China, Russia, Brazil, India, Saudi Arabia and the UAE are partially bypassing the international payment system and the dollar, executing some of their cross-border trade transactions in their respective local currencies. In July, Russian Foreign Minister Sergey Lavrov told the media this "process cannot be stopped."

Also in July, Russian officials discussed the need for a BRICS+ parliament to coordinate and align members' policies. "Parliamentary dialogue, including within the BRICS framework, is more important today than ever," a July statement from the Kremlin said. "The idea [of having a BRICS+ parliament] will definitely ... materialize."

Jean-Joseph Boillot, an associate research fellow at the French Institute for International and Strategic Affairs (IRIS), said in June that despite the diversity of BRICS+ member nations, "most of [them are] fundamentally united with a strong internal consensus to finally free themselves from the Western international order."

However, Boillot noted, "BRICS+ [is not] a confrontational anti-Western club. In reality ... with Saudi Arabia, the [UAE] and Egypt joining the group, ... the consensus is more along the lines of multi-alignment, rather like India, which has recently moved closer to the United States without severing its relations with Russia."

Panda in the room

With a GDP size almost twice that of the remaining BRICS members combined, China has a "dominant position in BRICS, ... reflected in intra-bloc trade flows and the bloc's foreign policy positions," Alicia Garcia-Herrero, chief economist for Asia Pacific at Natixis, an investment firm, said in an April op-ed on the East Asia Forum.

That means most countries aspiring to join BRICS mainly want more access to the Chinese market. "BRICS members are increasingly intertwined with China as far as trade is concerned, but the remaining members have very few ties among themselves," Garcia-Herraro explained. "Bilateral trade between BRICS members other than China remains extremely low."

Moving forward, that dependence is a significant risk for the BRICS+ coalition, as China's economy is struggling to grow. Statistics show China's GDP growth rate dropped from more than 10% in 2010 to 5.2% by the end of 2023. In the first half of this year, GDP growth rates dipped below 5% for the first time since 1990.

David Lubin, a senior research fellow for the Chatham House's Global Economy and Finance Programme, said the reality is even worse. "The mood among Chinese households and corporates is much bleaker than the data suggest," he said in January. "Growth looks set to weaken this year, limiting the support that China might provide for the rest of the world economy."

"China is at the edge of a deflationary trap: consumer price inflation has been negative in four of the past six months," he said. "This risks turning into a self-reinforcing spiral if households postpone purchases in the hope that prices continue to fall – a dynamic that isn't helped by China's falling population.

That means the cohesiveness of the BRICS coalition will look increasingly precarious in the coming years. Garcia-Herrero noted, "The future of BRICS is uncertain given its heavy dependence on China's economic future and the ... sentiment toward China among its members." ■

Market Watch

Stock Analysis

Back to life

The period from June 15 to July 15 saw the market's two significant indices recover, with the EGX 30 and the EGX 70 EWI rising 5.8% and 5.9%, respectively. Investors also focused on a few events that may set the scene for the coming period.

First, Elsewedy Electric's (SWDY) tender offer went through after 19.98% of its shares were tendered to U.A.E-based Electra Investment Holding in a deal worth $449 million (EGP 21.2 billion). That meant abundant liquidity could potentially be reinjected into the market.

Secondly, Act Financial's (ACTF) initial public offering (IPO) was open during the period. It marked the first Egyptian IPO in the primary market in over two years, hence the high interest in its private placement (oversubscribed 22 times) and public offering (oversubscribed 55 times). However, its EGP 1.04 billion size would absorb only a fraction of the cash proceeds from SWDY's tender offer.

Third, the Central Bank of Egypt (CBE) was due to meet on July 18 to decide on interest rates. While the CBE was widely expected to keep rates unchanged, investors were keen to read between the lines of the statement accompanying the decision for any clues on its direction in the coming months.

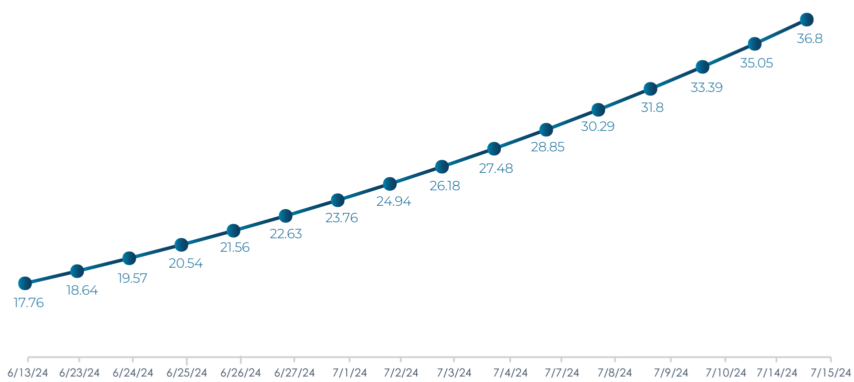
Undoubtedly, the SWDY deal attracted investor interest in specific names driven by comparison within the same industry, other potential acquisition targets, inclusion in the market's main index, and ideas where some of SWDY deal's dollar liquidity can be parked.

For example, Electro Cables Egypt (ELEC, up 25%) rose as investors continued to re-rate the stock given SWDY's deal. Also, investors may have been looking for the next SWDY-like deal, which could explain the pop-up we saw in Al-Ahly for Development & Investment (AFDI, up 34%) and EFG Holding (HRHO, up 21%). Emaar Misr for Development (EMFD, up 16%) came back in favor as investors were betting it would replace SWDY on the EGX 30 index, which was due for its semi-annual rebalance by the end of July. Another indirect beneficiary of the SWDY deal was Maridive & Oil Services (MOIL, up 17%), whose stock trades in dollars and hence attracted some of that SWDY deal liquidity. Meanwhile, Egypt Kuwait Holding (EKHO, down 7%) fell despite being one of Egypt's few stocks with global depository receipts (GDRs) listed overseas.

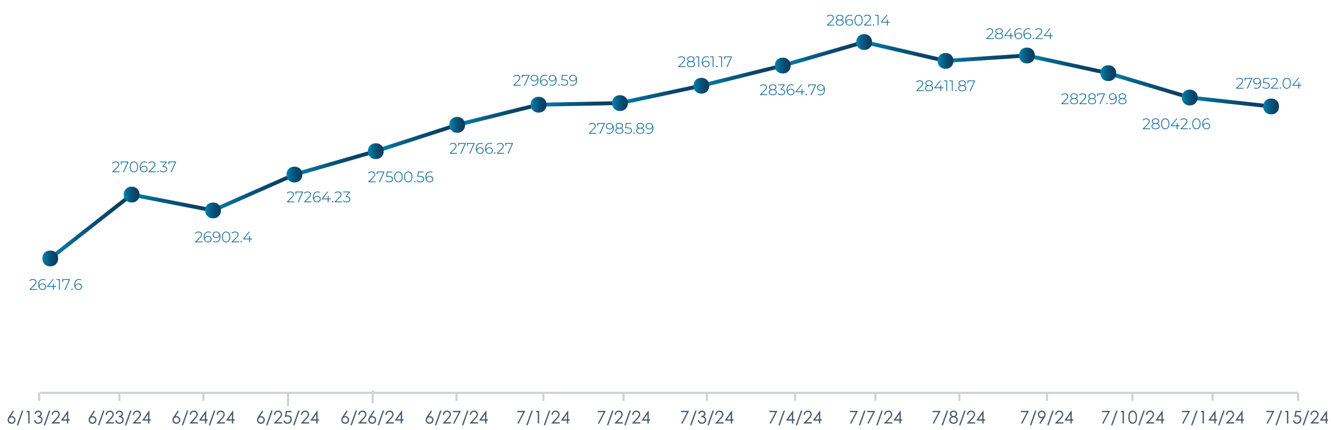
Going forward, investors will be on the lookout for companies' second-quarter results. Companies will likely continue to report strong double-digit growth, underlying the foreign exchange gain for the quarter. However, since the second quarter will have the full impact of the EGP devaluation, exporters' revenues and those linked to commodities will likely see sustained top-line growth in the coming period.

Egyptian Iron & Steel Co. (IRON)

Egyptian Iron & Steel Co. (IRON), which has been under liquidation since 2021, has come back to life, or at least its stock did. The company recently denied rumors it is studying a mega project on its 2,000 feddans of land. Later on, the Financial Regulatory Authority asked the company to disclose details of its land plots and ownership. IRON's stock has been on a roll, hitting the daily limit for 15 trading sessions during the period. The stock more than doubled to EGP 36.80, extending its year-to-date gain to 137%.



EGX 30



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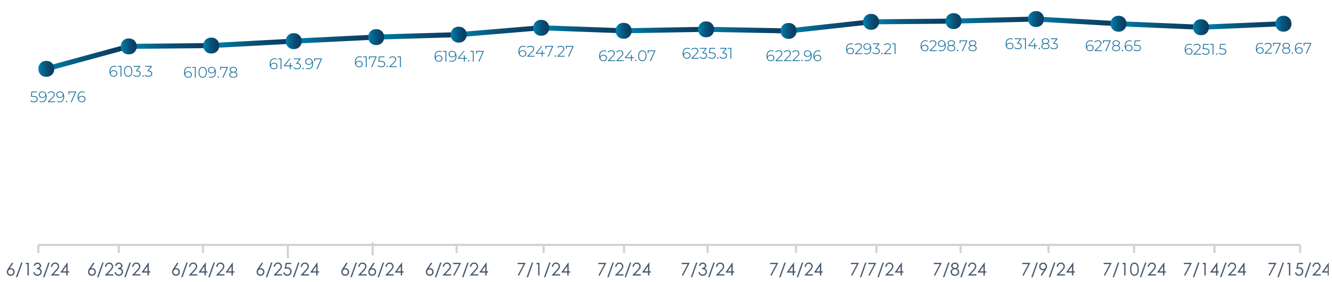
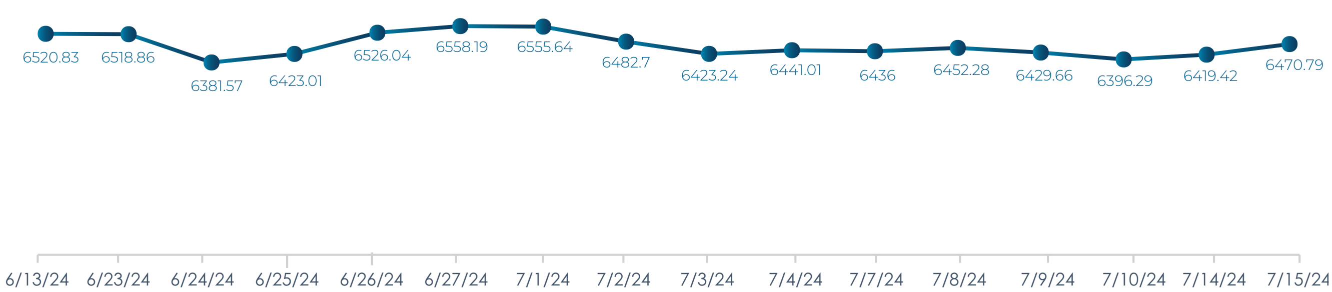


Tamayuz



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.

COMBATING GLOBAL ECONOMIC CHALLENGES

Talking to AmCham Egypt members, Mahmoud Mohieldin, UN special envoy for financing sustainable development, emphasized the building blocks to keep up with the changing business landscape.

By **Fatma Fouad**

According to the U.S. Economic Development Administration, economic resilience in a local or regional economy is about anticipating risk, evaluating how that risk can impact key economic assets, and building a responsive capacity.

In Egypt, the Egyptian National Competitiveness Council noted in May that "Enhancing economic resilience is crucial for Egypt to mitigate the risks associated with global disruptions and capitalize on new opportunities."

Under the theme of "Doing Business in a Fast-Changing World," Mahmoud Mohieldin, U.N. special envoy for financing Sustainable development, spoke to AmCham Egypt members in July about the need for vigilant preparedness to navigate global uncertainties.

The speech came as the new government overhauled the ministries responsible for manufacturing, transportation, investment, international trade, economic planning, and international relations, including merging, separating, and reviving old ones.

Areas of Change

Mohieldin stressed the significant impact of ongoing geopolitical tensions on Egypt's economy, citing a "deficit of trust coupled with a surplus of crises and economic turmoil."

He said today's problems first appeared seven years ago and are now accelerating more quickly. The fast pace of demographic transitions, he noted, comes with a significant global need for a talented and skilled workforce, particularly in Europe.

With 60% of Egypt's population under 30 years old, according to the World Population Review, Mohieldin emphasized Egypt's youth as a powerful asset that could work abroad, underscoring the country's comparative advantages and opportunities.

He stressed that upskilling young people "comes with investments in health, human capital, and talents"

Another critical area is rapid urbanization, he said. "Urbanization can happen, however, not necessarily with a good plan, so we can see the beauty of rural Egypt disappearing along with opportunities in farming and agriculture."

Notably, population growth has increased the demand for land for housing, industry, and infrastructure, diminishing arable land. Mohieldin stressed Egypt's need for comprehensive urban planning and organized infrastructure to prevent informal settlements and the disappearance of rural spaces.

Climate change is also a significant challenge facing farming and agriculture. He noted that unprecedented heat can cause disruptions to farming and other disasters. "In recent years, Egypt and other Mediterranean countries have faced unprecedented heat waves that have reduced the production of crops like mangoes, maize, dates, and vegetables," Sayed Khalifa, head of the Agriculture Syndicate, said in July.

Hussein Abu Saddam, head of the Farmers Syndicate, told state-owned Ahram Online in July that those heat waves would significantly increase the prices of fruits and vegetables until the end of the summer. "Most of these crops are grown in open fields rather than greenhouses," he said, "making them more susceptible to the negative impacts of higher temperatures."

In this regard, Mohieldin stressed the importance of investing in climate resilience and efficiently mobilizing resources.

He noted that dealing with the ups and downs of commodity cycles requires reliance on risk mitigation tools. Mohieldin emphasized that this would necessitate maximizing trade diversification and the inclusion of different economic sectors—a shift that is happening now in the Gulf region.

Tech and business

Mohieldin also addressed technological disruptions and artificial intelligence (AI), noting that "implementing the technology is affecting macroeconomic stability, fiscal and monetary issues, and balance of payment shocks, directly and indirectly."

He said the adoption of AI in developing countries will be challenging. The IMF AI Preparedness Index has shown some developing countries are not ready for AI due to a lack of human capital and digital infrastructure. He also noted that regulatory issues related to usage ethics limit countries' adoption of AI.

He urged the development of clear and balanced regulations. "Regulators shouldn't rush to enact new laws that restrict AI and prevent it from being adopted thinking that it will take over the world," he said. "Instead, they need to strike a balanced approach that leverages the opportunities presented by AI while mitigating the challenges that come with its adoption."

Weakened governments

Mohieldin highlighted some practices governments should avoid, such as relying on civil service to deal with joblessness and underpaying civil servants compared to the private sector. In addition, he stressed that assessing education progress only by enrollment rates hinders overall development.

Mohieldin explained that banning imports or exports disrupts the dynamics of the global economy. He cited the Russian-Ukrainian war and its impact on Egypt's imports, which he said would last for at least 10 more years.

While Egypt's imports-to-GDP ratio is within an acceptable range as it mainly imports essential grains and machinery, the challenge lies in exports. He noted exports represent about 13% of GDP; by comparison, Vietnam's exports account for 105% of GDP.

To increase exports and enhance climate compliance, Egypt needs a supporting industrial policy incorporating green components, rapid digitalization, and incentives like the United States and EU.

The U.S. industrial policy is supported by the Inflation Reduction Act, which created more than 20 tax incentives for clean energy and manufacturing. According to the U.S. Department of the Treasury, the incentives encompass "additional bonuses to enhance investments in communities and workers, as well as mechanisms that will increase private sector investment."

The EU export system also incorporates a Carbon Border Adjustment Mechanism, which imposes a tariff on carbon-intensive products.

However, Mohieldin explained that Egypt should also minimize the spillovers of such new industrial policies. That is mainly because such new policies are still being tested and may not prove effective in Egypt.

Stop doing wrong

Mohieldin has a set of solutions to deal with the world's fast pace of change. On the top of his list is the need for investment in resilience and risk management. "Prevention of harm should be prioritized over benefits."

He noted that savings, as a ratio of GDP, should be prioritized over investment because weak domestic savings would compel the country to seek external capital and investment flows.
The savings gap in Egypt has always been huge. In 1960, the ratio of savings to GDP was 3.5%, compared to an investment-to-GDP ratio of 15%.

In 1974, the Open-Door Policy helped increase the ratio of savings to GDP to 8%, while the ratio of investments to GDP was 19%. In 2014, savings to GDP was 5.2%, while investment-to-GDP was 14%.

Mohieldin emphasized the importance of foreign investments and economic diversification. Gulf countries with their high savings ratio, he said, are still keen to attract FDI by offering various incentives.

Another major challenge for the Egyptian economy is the low 15% ratio of tax revenue to GDP. He explained that such a percentage could ruin the country's whole business model regarding growth and development. Mohieldin said public investment needs to be doubled in certain areas within the country.

A look Ahead

While Egypt's extended fund facility with the IMF is scheduled to expire by the end of 2026, Egypt needs to plan its way forward two years from now. The IMF projects that Egypt will see higher growth, lower inflation, and less debt in the coming two years.

According to Mohieldin, Egypt should avoid lingering in the IMF's "intensive care unit." By 2026, the Egypt-IMF relationship will reach its 10th anniversary, and he believes that is long enough for the country to thrive independently.

Mohieldin underscored that economic growth will happen when the private and public sectors partner to invest in human development, infrastructure, and green transformation. He stressed that investing in human resources will equip the population with needed training and skills to manage shocks and unfamiliar situations. He also discussed the importance of bolstering Egypt's financial resources and strengthening its provisions for international reserves.

He noted Egypt needs to create a new home-grown development model to help the country work toward "Vision 2030," which is fully compatible with the UN Sustainable Development Goals. Rather than creating a new vision, the new Cabinet should leverage and build upon the existing framework.

Mohieldin urged Egypt to examine the performance of neighboring nations and study the region to understand better the African trade agreement and investment opportunities that might be forged with Mediterranean countries. "This new rule of the game is if you have a good relationship, especially with a history of more than 100 years like the one that we have between the U.S. and Egypt, please keep it protected," he said. "Relationships tested for decades can help Egypt invest and trade better."

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Pharmaceuticals Committee Roundtable Meeting

26 June
A briefing from the Egyptian Drug Authority

On June 26, the AmCham Pharmaceuticals and Healthcare Committee organized a Roundtable Discussion featuring Ali Ghamrawy, Chairman of the Egyptian Drug Authority (EDA). The discussion shed light on EDA's roles and responsibilities, capacity-building efforts, drug registration, pricing, and Intellectual Property (IP) rights protection, among other critical issues.

Ghamrawy noted that news outlets have been extensively reporting on counterfeit and smuggled medications, raising concerns in the political arena. Consequently, the Authority has decided to implement track-and-trace measures. When correctly implemented, the system will enable the tracking and tracing of drugs throughout the supply chain, including small pharmacies, to address pricing discrepancies.

The importance of IP Law was also emphasized, with Ghamrawy highlighting the issue of multinational companies releasing new medications abroad before in Egypt. He stressed that fair availability and not withholding medications is crucial for the advancement of IP law. Additionally, he elaborated on the consideration of new indicators, such as the interest and inflation rates, when deciding on price increases for different products.

Furthermore, Ghamrawy said Egypt ranks first in volume and second in value in the Middle East. He also stressed the importance of data protection for innovative products and highlighted the need for legislative predictability, IP rights, and clinical trials to attract investment in the Egyptian drug market. The discussion also covered several technical aspects of the IP law in Egypt and introduced the idea of a national marketing code and code of practice.

Customs and taxation

16 July
Lastest tax updates

The Customs and Taxation Committee hosted a session on Tuesday, July 16th, addressing "Egyptian Tax Authority Latest Updates and Developments" with guest speaker Rasha Abdel Aal, Head of the Egyptian Tax Authority.

Abdel Aal emphasized the importance of tax reform and removing obstacles facing investors. She highlighted the country's efforts to promote investment and noted that a new fiscal policy document would soon be introduced for public consultation. This document aims to foster a more conducive environment for investment by addressing key challenges and streamlining processes.

She also noted the activation of the joint committee established between the Egyptian Tax Authority and AmCham Egypt. The committee is dedicated to addressing tax issues faced by member companies and finding effective solutions. Its first meeting is scheduled for mid-September.

Abdel Aal covered several other topics, including the facilitation of tax screening, updates on dispute resolution mechanisms, the standardization of criteria for calculating taxes on wages and salaries, and Article 3 of Act No. 30 of 2023.

She also highlighted the latest updates from the electronic invoice system, including implementation challenges from the vendor side.

Abdel Aal underscored the Egypt Tax Authority's ongoing efforts to collaborate with businesses and investors. She talked about the successful implementation of development projects and mechanization efforts to integrate the informal economy into the formal system, which requires cooperation.

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A Glance At The Press

Al Masry Al Youm, July 27

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.

Umm Kulthum songs fill Paris

In celebration of Egyptian National Day and 100 years of diplomatic relations between Egypt and France, Egyptian artists Marwa Nagy, Reham Abdel-Hakim, and renowned soprano Amira Selim performed on July 9 at the La Salle Gaveau theater in Paris.

"The celebration highlighted the strong diplomatic ties between Egypt and France, which started in 1924, along with the bilateral relations between both countries," said Alaa Youssef, ambassador of Egypt to France. "These relations include all fields: economy, education, technology, culture, and art.

During the celebration, Abd El-Hakim and Marwa Nagy performed Umm Kulthum's songs.The ceremony also featured the launch of a book titled "Egypt and France: Centenary of Diplomatic Relations."

Egypt Today, July 18

Egyptian exhibition opens in Shanghai

"On Top of the Pyramid: Exhibition of the Civilization of Ancient Egypt" will be at the Shanghai Museum in China through Aug. 17, 2025. The exhibition welcomed 12,000 visitors on its first day (July 19), eventually selling 250,000 tickets.

The exhibition is a landmark showcase dedicated to ancient Egypt and the largest since 2003. Over 95% of the artifacts in the exhibit are on display in China for the first time. The exhibition features 787 artifacts from seven Egyptian museums, including a massive statue of Akhenaten, a human-shaped sarcophagus from the Saqqara Ole site, and the treasures of ancient kings like Tutankhamun, Amenemhat III and Ramses II.

Mohamed Ismail Khaled, secretary-general of the Supreme Council of Antiquities, said the exhibition "is expected to greatly enhance the promotion of Egyptian tourism, particularly cultural tourism, in the Chinese market, which is a key target for Egypt."

"On Top of the Pyramid' is divided into three halls: Era of Tutankhamun, Land of the Pharaohs, and Secrets of Saqqara. The Ministry of Tourism and Antiquities brought artifacts discovered by the Egyptian mission in Saqqara, Egypt's oldest and largest necropolis, such as colored coffins, colored limestone statues from the Old Kingdom, and mummified animals.

Ahram Online, July 20

Egyptian startup nets top prize at global awards

Egypt-based sustainability startup Bahtinent won first place in the 2024 Global Student Entrepreneurs for the Middle East, Pakistan, and Africa (MEPA). The sustainability startup targets fishing communities by providing biodegradable nets from banana tree waste.

The competition attracted 1,357 applicants from 39 countries, with Bahtinent the only Egyptian startup in the competition.

Bahtinet competed against finalists from Africa, Lebanon, Pakistan, and Kuwait, operating in the fields of recycling, medicine, software technologies, and education.

"Competing in this global competition has solidified our mission to create sustainable solutions for marine conservation and empowered us to continue pushing the boundaries of innovation," said Yara Yousry, co-founder of Bahtinett. "The experience has been a life-changing journey, affirming our vision and inspiring us to make a lasting impact on our oceans and communities."

Alongside global recognition, Bahtinent received coaching and mentorship from the Entrepreneurs' Organization and INJAZ team in Egypt.

Startup Scene, July 9

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10 years

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