Interview: Mahmoud El Kaissy – President, and Hassan Behnam – Counselor, French Chamber of Commerce, Egypt

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The President and the Counselor of the French Chamber of Commerce and Industry in Egypt, discuss plans to establish a French industrial zone in Alexandria (North of Egypt) to further attract French FDI, and furthermore highlight the unique French-Egyptian relationship.

Could you please introduce us to the French-Egyptian relationship?

Mahmoud El Kaissy (MK): A remarkable feature of the French-Egyptian relationship is that none of the CAC40 companies left Egypt during the unrest in 2011, a fact that the current Prime Minister Ismail Sherif knows and approves of.

Hassan Behnam (HB): In 2011 I was the regional Director of communication at the commercial department of the French embassy, dealing also with roughly 115 French companies in Egypt. If any of those had wanted to leave Egypt we couldn't have prevented them. During the dangerous times in January and February 2011 very few left temporarily, some for a couple of weeks, but never fully closed operations as they were convinced that the situation would improve in a short period of time. By March, these companies were back to business and fully operational. The confidence French companies have in Egypt is based on various simple reasons: bilateral historical

ties still prevail in the current relationship and the French are confident in their knowledge about the cultural and business perspective on the whole middle eastern and gulf region. They realize the potential and unique opportunities offered by the Egyptian economy and never doubted the return to this potential.

In 2010, Egypt was internationally recognized as an emerging economy. A natural feature of markets in this stage of development is the emphasis on enhancing the quality, parallel to quantity of products and services. In the context of know-how transfer, French companies were a major partner for Egyptians at this time. Thus Egyptians feel at ease with the French as the common experience and collaboration further bonded. For years, French investments have been the most diversified in Egypt and present in nearly all sectors of activity.

MK: Although French investments are the most diversified, we are still behind the Germans and British investments in terms of volume where France is ranked fifth. As military cooperation between both countries developed recently, and substantial French investments have been made in Egypt from the electronic appliance, cement and the food packaging sectors, the combined investment volume climbed to roughly four billion euros (USD 4.4 billion) in 2014. Our ambition for the future is to further enhance French FDI into Egypt.

What is your current plan to further enhance French FDI into Egypt?

MK: One of our most innovative ideas is the FIZA Project (French Industrial Zone in Alexandria). Although Egypt provides strategic location advantages, has excellent trade agreements, has established logistics facilities into East and South Africa and is host to 1.7 million Francophones, French companies still tend to prefer Algeria or Tunisia to Egypt for FDI because they speak French. The rationale behind this is the assumption of an increased ease of doing business due to the absentee of the language barrier. The justification of our project is that the ease of doing business will be enhanced in a way that as FDI destination, Egypt becomes beneficial over Algeria or Tunisia.

HB: Earlier this month, Mr. El Kaissy introduced our project of FIZA to the visiting French Prime minister Manual Valls, in presence of his Egyptian counterpart Sherif Ismail, who both welcomed the project as an innovative initiative that bares great potential for both the French companies and Egypt’s economy. The core idea is that Egypt will provide the necessary infrastructure and surrounding services, and in return, the French companies will bring their know-how and special equipment. This combination will enable a rapid start of the project and production in an eco-friendly environment, as FIZA will only be host to non-polluting production units. Besides, it will bring further investment into Egypt and create employment opportunities for Egyptians. Another

important issue is that besides the satisfaction of domestic needs, since the framework for re-exporting is already in place, FIZA and Alexandria as a whole will become the export hub into East and South Africa.

As FDI encouragement is a central aspect of the current Egyptian policy makers, the responsible authorities who have welcomed the FIZA project are committed to ease formalities for permits, licenses and authorizations regarding customs and taxes. Meanwhile, the main concern for French companies is security and political stability. Although Egypt still suffers from the image born in 2011, the situation has changed and is improving significantly. Egypt is a safe and stable country! We are confident that this image will change positively in the future and that FIZA project will soon become a reality.

What are current challenges your members have to overcome?

HB: The challenges are rather minor but yet existent. The recent devaluation of the Egyptian pound combined with lack of foreign currency is not an ideal situation for our members. Some of them experience challenges with tax and customs authorities due to the fact that the regulatory framework has multiple overlapping regulations in place. One reason is because the former regulatory authorities have not been following through with unification plans. This issue was mentioned to the head of the tax authority in one of our recent seminars. Another issue is corruption which is still a concern for some business circles in Egypt. Personally I have no proof for that but I have heard and read that the context is not yet at a satisfactory level. Nevertheless the authorities are working firmly on this issue, combating corruption at all levels and I am confident that they will succeed, but it needs time and perseverance.

What are the key industries you are trying to attract to Egypt?

MK: The Egyptian population is currently growing by roughly five million people every two years. Apart from education, we need to create employment opportunities. Therefore we are trying to attract industries that have a large demand of human resources. The challenge is that in light of global technological advances which reduced the demand in human labor in general, these industries have become scarce. Industries that bare the potential for joint export are also in our focus; with ’joint export’ I mean exporting in close collaboration with domestic players to penetrate the African, Middle-Eastern and Mediterranean markets. We are also focusing on companies in the food packaging industry, where Egypt was able to establish itself as an international player, with companies providing services to the two largest retail chains in the UK, among others.

How can you help French companies to establish themselves in Egypt?

HB: The French Chamber of Commerce and Industry in Egypt is an important player in building commercial bridges between both countries: among other services and activities, we provide help and assistance to French businesses willing to expand their operations into Egypt and vice versa, and besides providing general information services, we offer our extensive network and connectivity to find the right partners and/or agents to the interested companies.

Currently we have 577 members representing nearly all business domains. To answer the needs of all the different commercial sectors they represent, we created ten specialized committees that care for the specific needs of respective individual businesses. Each committee organizes regularly seminars where leading public authorities participate as panelists or moderators, thus establishing a dialogue between the public and private sectors. Since our main concern is the benefit for both Egypt and France, we offer our specialized and diversified services to all interested companies in both countries, be they members or not.

What do you think you will achieve in the next two to three years?

MK: I do not have a definite answer to this question but rather a vision. Egypt in the future cannot rely only on the tourism industry. Following recent events and discoveries, for instance the discovery of the 20th largest gas field in the world, alongside the potential for solar energy, I am confident that the energy sector will become the new economic pillar in Egypt and that it will be energy autonomous in the future. As for the present, I see huge potentials for French investments in the new Suez Canal zone, as big projects surrounding this mega structure are lining up.

HB: On a smaller scale, our aim is to increase the number of our members; not just for the sake of having a high number, but mostly to enrich our Chamber and thus widen the experience for our members. We continue to innovate and to inform French companies about Egyptian projects and thus enhance French FDI into Egypt, and I am confident we will be successful in doing so.

I believe the current Egyptian government is following the right path: they do their best to set a proper framework for attracting FDI, they implement reforms, they seriously fight corruption, and they genuinely act in the best interest of Egypt. Therefore, French companies should be aware that Egypt is on the right track and is slowly but surely gaining momentum, provided the regional crisis and tensions do not expand.

What is the final message you would like to be heard around the world?

MK: Egypt will grow! From personal experience I know for instance that Egypt is currently witnessing a new generation of young pharmacists entering the market who are foreign educated

and will help transforming the pharmaceutical industry in Egypt through downstream innovation. Besides the new opportunities for pharmaceutical companies that will arise through this era of innovation, these companies should realize that Egypt's population is huge, but not healthy. Thus Egypt will always provide a large pool of patients in need of innovative drugs and treatments.

HB: Firstly: Egypt is a country of 90 million potential consumers. Therefore you will end up by selling your products here. Secondly: keep in mind Egypt's unique opportunities and its outstanding geographical positioning as a crossroad and hub for Africa. Thirdly: Egyptians experienced two revolutions in two years and they need some time to recover from the natural side effects. Therefore come to Egypt but be patient. In this country everything ends up by being solved. Come and discover, or revisit Egypt and you will realize that you and your business will be safe here, and do not take for granted everything the international media portrait. Egypt is a country full of opportunities, in all domains and at all levels. Egypt is truly back in business!

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