THE BUSINESS GATEWAY

Egypt 2006

ASCAME

Mediterranean Economic and Business Guide









THE MEDITERRANEAN ECONOMIC AND BUSINESS GUIDE

is the first of its kind, gathering comprehensive information on economic and trade, business environment, capabilities and opportunities, potential partnerships, etc. within the unique and vast Mediterranean area.

G.E.O.C.

THE OFFICIAL PUBLICATION OF THE ASSOCIATION OF THE MEDITERRANEAN CHAMBERS OF COMMERCE AND INDUSTRY AND THE EGYPTIAN CHAMBERS OF COMMERCE AND INDUSTRY

Welcome message by His Excellency Mr. Hosni MOUBARAK

President of the Republic of Egypt

PRESIDENCY OF THE
ARAB REPUBLIC OF EGYPT

The Business Gateway to Egypt 2006

It gives me a great pleasure to introduce this book about the prospects and opportunities for investing in Egypt, which comes as part of a wider effort to promote investment in the Mediterranean.
For too long, countries in our region have acted independently on what is fundamentally a matter of collective interest. We need to look at investment opportunities in a regional manner and we need to face the challenges together.

In the past, our region has been plagued by more than its fair share of conflict, war, violence and terror. Our future lies in maintaining a just peace in the region, growing our economies, creating employment, and above all else promoting the right to choose and to be an active economic agent for all those willing to take the challenge. For this to happen, we need to grow investments within our region many fold. This above all else is what would allow rates of economic growth to increase and to be sustainable, labor markets and opportunities to expand, and trade and exchange to take place at a greater scale.

The opportunities for investment in the region are abundant. In this book, investment opportunities in Egypt include ambitious projects in tourism, agricultural production, petrochemicals, textiles, pharmaceuticals, infrastructure projects, information and communication technologies to name but a few sectors. With the right infrastructure in place, a skilled and competitive workforce, a sound legal business environment, and a network of bilateral and multilateral trade agreements with the major economic bwks, Egypt today represents a unique and exciting opportunity for investors.

But in the process of reaching this Position we have had, over the last two years, to make difficult decisions and to tackle fundamental issues both in the economic and political spheres. During 2005 we have amended our Constitution by popular referendum to allow for multi-candidate presidential elections have held those elections under the scrutiny and observance of the whole world, and have held Egypt's most hotly contested parliamentary elections again under supervision of our judiciary and observance of the world media. On the economic front, the reform has taken a new impetus with the introduction of new tax and customs laws which reduce the cost of doing business. The privatization program has gained momentum and proceeds last year alone exceeded those of the previous four years. New sectors have been opened up for investment, restrictions lifted and bureaucratic obstacles reduced and streamlined. The results have been a soaring stock market, a reduction of inflation from 12 to 5%, an increase in foreign currency reserves by more than 50%, a record inflow of foreign direct investment, and perhaps more importantly, a growing confidence within Egypt that we have turned a page and that our reforms have gained enough momentum and credibility to allow them to be sustainable.

Today we are in a position to look forward and to have bigger dreams. But those dreams will require that we look beyond our borders and that we share our vision with neighboring countries.
The prospects for all of us are much greater than we have so far thought possible with our collective action, integration, and drive. It is in this context that I welcome every effort for the Mediterranean region to act collectively on attracting investment and on establishing the right connections for the promotion of its business opportunities. Our future lies in our collective will to change, and Egypt is reasserting its commitment to be at the forefront of such collective drive.

President Hosni MUBARAK

BACKGROUND OF EGYPT

EGYPT HISTORY

The Egyptians entered history early: 5,000 years ago they started writing about how Imhotep built a pyramid for the ruler of the river nation. The preceding 2000 years had seen Egyptians create innovations such as domesticating donkeys and local cereals as well as the import, mainly from Mesopotamia, of such useful technologies as the wheel, pottery, bricks and writing itself.

Despite Mesopotamia's early lead in the civilization stakes they had nothing to compare to the pyramids which would come to dominate the lower Nile and show the world the importance of the afterlife to the inhabitants of the Nile valley between the deserts.

Those deserts protected Egyptian society and allowed it to take its own path towards education, mathematics and religion. A reputation which fascinated all who visited the country in the turbulent millennia ahead when the grain fields fed by the river's annual flood would feed many builders and many soldiers – native and foreign.

By tradition Upper and Lower Egypt were united by Pharaoh Menes in 3100BC. The first Dynastic period (circa. 3100-2686), which was the first large centrally governed state in the world, was followed by a second c.2686-2181 BC which saw the construction of the Pyramids at Giza. The Middle Kingdom c.2040-1786 BC was a time of Art and Architecture centred on a new capital created at Thebes (now Luxor). The Pharaohs of the Middle Kingdom also conquered lands south along the Nile taking the border of the Kingdom past the first cataract at Aswan.

The New Kingdom (c.1567-1085 BC) saw great wealth created in Egypt, elaborate tombs such as that of Tutankhamen were constructed. Under Rameses II war with the Hitites weakened Egypt and after a period of instability the nation fell to the Assyrians c.650 BC.

The Persians ruled from 525 to 404 BC when the last of the native dynasties appeared. In 332 BC Egypt fell to Alexander the Great, the Macedonian established a new capital at Alexandria. After Alexander's death one of his general's, Ptolemy, became the ruler and established the Ptolomaic dynasty which persisted for three centuries during which Alexandria became a famed centre of learning. The ascendancy of the Romans led Ptolomy XII to ask the Roman emperor Pompey for aid leading to the end of the independence of the Ptolomy dynasty. Cleopatra tried to reassert independence through her relations with Mark Anthony and Julius Cesar but she was defeated at the battle of Actium in 31 BC.

Cleopatra's son Ptolemy XV was the last of the Ptolemys he was killed by the Roman Emperor Octavian and Egypt became a Roman province. From the 2nd century AD until 451 Alexandria was the intellectual centre of the Christian Church, producing celebrated figures such as Saint Athanasius and Saint Cyril. In 451 the Council of Chalcedon condemned the creed of Monophysitism (the belief that Christ had a single divine nature rather than dual human and divine natures) that had been adopted by the Coptic Church leading to isolation from other Christians.

In 642 Egypt was conquered by the Muslim Arab Umayya dynasty, which in 750 was supplanted by the Abbasids. Arabic became the official language and Islam the dominant religion. Under the Fatimids (967-1171), Cairo became a centre of Shiite culture. Saladin's rule (1171-93) was notable for the defeat of the crusades. His Ayyubid dynasty was overthrown in 1250 by Mamluk soldier slaves. In 1517 Egypt was conquered by the Ottomans who ruled for nearly three centuries.

During the Ayyubid period, further advances were made in the field of architecture. Salah ed-Din's (Saladin's) Citadel still stands out as a lofty, striking example of Islamic architecture. The Mamelukes were no less advanced in this field. They also left behind a great wealth of finely designed and decorated mosques, domes, mystics' houses, palaces, schools, khans (inns), fortresses and public drinking fountains. Egyptians under Islamic rule adopted the same techniques and styles of art and ornamentation prevailing in the preceding periods. The most notable arts of this period were wood engraving and ornamentation, assembled dove-tailed and lathed wood work. Islamic style textiles, porcelain and stained glass were also widely known during this period.

For three years Egypt was occupied by the French under Napoleon but they were expelled by Muhammed Ali who created the modern Egyptian state. The completion (1867) of the Suez canal connecting the Mediterranean and the Red Sea spurred British Imperial ambitions. In 1882 Britain subdued Cairo and remained even after Egypt became an independent monarchy in 1922 under Fuad I. Fuad was succeeded by Farouk (ruling from 1936-1952). The creation (1948) of Israel saw the involvement of Egypt in the first Arab-Israeli wars.

In 1953 the monarchy fell, and Gamel Abdel Nasser led (1954-70) the new republic. Nassrr's nationaliztion of the Suez Canal (1956) was briefly and unsuccessfully contested by Israel, Britain and France. In 1958 Egypt, Syria and Yemen formed the short-lived United Arab Repbulic. Egypt was defeated by Israel in the Six-Day War (1967). Nasser oversaw the building of the Aswan high dam to regulate the vital waters of the nile.

On his death (1970), Nasser was succeeded by Anwar Sadat. After defeat in the Yom Kippur War (1973), Sadat signed the Camp David Agreement (1979) with Israel, who withdrew from Sinai in 1982. The peace treaty prompted Egypt's expulsion from the Arab League, and the assassination (1981) of President Sadat. Hosni Mubarak succeeded Sadat and a state of emergency was proclaimed.

In 1989 Egypt was readmitted to into the Arab League. In return for military support in the Gulf War Egypt received USD 7billion of debt relief.

GEOGRAPHY OF EGYPT

Egypt enjoys a distinguished geographical location at the juncture of the ancient world continents of Africa, Asia and Europe. It has always been a cultural meeting ground between East and West, North and South. Egypt is also the crossing road of the heavenly religions of the world. The Arab Republic of Egypt is located in the north-eastern corner of Africa and south-western Asia. It is bounded on the north by the Mediterranean Sea, on the east by Palestine, Israel and the Red Sea, on the south by Sudan, and on the west by Libya. It includes the Asian Sinai. Land borders: Gaza Strip 11 km, Palestine 266 km, Libya 1,115 km, Sudan 1,273 km.

The country is about 1,085 km from north to south and about 1,255 km from east to west. It has a total area of 1,001,450 km2. The highest point is Catharine Mountain that is 8,668 feet high. The lowest point is Qattara Depression and is 436 feet below sea level.

Natural resources include petroleum, natural gas, iron ore, phosphates, manganese, limestone, gypsum, talc, asbestos, lead and zinc. Much of the country is desert 2.87 per cent is used as arable land and permanent crops occupy 0.48 per cent of the land mainly date palms and citrus groves. Irrigated land was estimated at 33, 000 sq km in 1998. There are 5 important oases in Egypt and they are all located in the Libyan Desert. They are the Farafrah, Bahriah, Dakhla, Kharijah, and the Siwah oases.

Papyrus plants grow only near the Nile.

The River Nile

"Egypt is the gift of the River Nile", said Herodotus, the great Greek historian, on his only visit to Egypt. There is no better way to trace the course of Egyptian history than to follow the course of the Nile. The river has been Egypt's lifeline for millenniums, fertilizing the narrow strip of land along its bank with a deposit of silt after each annual inundation - now controlled by the High Dam at Aswan. Along its length Pharaohs, nobles and lesser mortals have all built monuments and tombs to immortalize themselves.

Firstly the tributaries which contribute to the Nile waters, secondly The White and Blue Niles join near Khartoum in Sudan and other tributaries join the White Nile further south. The second zone is the stretch between Cairo and Khartoum. The third and last zone is the delta, where the Nile divides into several branches, of which Rosetta (Rashid) and Damietta (Dumyat) are the main ones. The Nile Delta is the widest habitable area of the Nile, and it even includes several lakes, like Manzala, Buruillus and Edku.

Modern times have added more division lines and two dams at Aswan. South of these dams the river valley opens up, allowing rich agriculture and high population density. The width of the Nile below Aswan is 2.8 km in average. The greatest width is at Edfu, with 7.5 km, the smallest at Silwa Gorge, near Aswan, with 350 metres.

The High Dam
The High Dam symbolizes the strong will and great determination of the Egyptian people. The dam protects them against the annual River Nile flood. It also saves the excess water that is used when needed, to spare the population from suffering a drought. The High Dam is the most important project that Egyptians have implemented for Nile water management. In fact, it is a landmark in their history. This eminent dam positively affects various areas such as irrigation, agriculture and power generation. Hundreds of feddans are now continuously irrigated instead of using the basin system, and more than a million feddans are now reclaimed. Moreover, electrical power is generated on daily basis.

About 83 per cent of the total water of the Nile comes from Lake Tana, 1,800 metres above sea level in the Ethiopian mountains. The lake overflows every summer causing a flood that is controlled today by the barrages of Sudan and southern Egypt .

This water flows through the Blue Nile until it joins the White Nile at Khartoum to form the Nile. The other main source is the White Nile originating in Uganda and Burundi. It contributes with 16 per cent, but this is a more steady flow.

Without it, the River Nile would run dry in May. As there are many single contributors to the White Nile, it is a question of definition on where the Nile really starts.

The longest stretch of the Nile comes with the start of the Kyaka River in Burundi. This passage goes through Lake Victoria, then through the Victoria Nile, Lake Albert, and the Albert Nile, which is also called the Mountain Nile in Sudan . The Mountain Nile joins other rivers flowing from Sudan to form the White Nile.

The third contributor is the River Atbara, which joins the main course of the Nile 300 km north of Khartoum. Atbara River contributes with less than 1 per cent, and runs dry at times of the year.

The Nile carries water all through the year, but the amount of water it carries, varies depending on the season. The Nile ends at the Delta, which is also considered as the most fertile place in Egypt.

Population

On January 1, 2006, Egypt's total population was estimated at approximately 73,671,661 (2006 Census) and recent reports stated that the population is 73,671,661 including the number of Egyptian citizens abroad (January 2006 est.).

The highest population density is in Cairo, where it reaches 2136.1 people per square kilometer against 63.7 people per square kilometer in Egypt as a whole. In Upper Egypt, it reached 97.8 people compared to 867.8 people in Lower Egypt. In frontier governorates it slightly exceeded 1 person per Km2 (Egypt Human Development Report 2003).

This indicates the heterogeneity of population distribution across the inhabited areas in Egypt. There has been continuous increase in the size of the population, according to the results of the last five censuses, in spite of the decrease in fertility levels.

The population growth rate reached 1.94 per cent per cent in 2004 and decreased to 1.91 per cent in 2005.

There has been a noticeable change in the percentages of children below 18 years during the last two decades. This category represented 47 per cent of the total population in 1976; however it decreased to 42 per cent in 1996. Then it increased to reach 49.2 per cent in 2000. The proportion of the elderly (65+) was 3.6 per cent in 1976 and decreased to 3.2 per cent in 1996. But it witnessed a slight increase reaching 3.6 per cent in 2000.

It is widely known that Egypt is characterized by a high proportion of children, and the dependency ratio is considered to be high according to international standards. The dependency ratio was 77 per cent in 1986, but it declined substantially to 69.9 per cent in 2001 according to Egypt Human Development Report 2003. However this proportion is still high compared to several developed and developing countries.

THE KEY SECTORS OF EGYPTIAN ECONOMIC EXPANSION

THE EGYPTIAN BUSINESS FRIENDLY ENVIRONMENT

Egypt is uniquely situated on the intersection of trade links between Europe, the Middle East and Africa. It constitutes sea, air land crossing point in the transit of goods, passengers and communications.

This location enhances opportunities of successful investment projects in Egypt with access to Arab, African, Asian and European Markets.

Since President Mubarak assumed office in 1981, Egypt has enjoyed democratic-based social and political stability. Since the social, economic and cultural prerequisites for such a transition have been already fulfilled, rapid strides towards democracy were possible.

In addition to internal stability, Egypt adopts a rational and meaningful foreign policy. Guided by the wisdom of President Mubarak's, Egypt maintains strong relations with all world countries. Manifestations of such policies include President Mubarak's commitment to just and durable peace, his initiative to free the Middle East from mass destruction weapons, his call for an international conference on combating terrorism and boosting solidarity among peoples and states to establish peace especially in countries of interest to Egypt.

Egyptian diplomatic efforts have been primarily employed to serve development objectives, to secure vital national interests, and to enhance Egypt's economic relations. It is Egypt's policy also to provide wider prospects for regional and international cooperation based on mutual interests. Hence arises Egypt's keenness to join the World Trade Organization and the COMESA, to conclude association agreements with the European Union and Mediterranean countries, to revive the Arab Common Market agreement, to establish the Arab Free-Trade Zone, and to activate the role of the G-15 developing countries and D-8 Islamic countries.

A partnership agreement with the US and cooperation agreements with Japan, China, South Korea and India have been sought. Positive indicators of Egyptian economic performance reflect strengths of the economy and sustained implementation of development plans and building of modern Egypt.

Egypt presents many guarantees and incentives to provide the best investment climate and maintain the rights of investors as well. In this regard, laws have been issued to give companies and individuals the right to import all the required materials, equipments and spare parts besides entitling them to export their products without obtaining any permission from any part.

The issued laws provide tax exemption for five years on the revenues of trade and industrial activities as well as the profits of the companies and institutions.

The tax exemption extends to ten years as regards the companies established in remote areas and new urban communities. Coupled with the low general tax rate (the government recently decreased the number of tax brackets to three and while broadening the scope of each bracket cutting down the maximum tax rate to 20 per cent from 40 per cent) the system of tax exemptions is encouraging foreign investors to consider Egypt.

At one time in Egypt different fees and taxes were imposed on commodities, products and consumption. To rectify this disparity of multiple laws and regulations law no. 133 (l981) was issued.

When the economic reform program was launched, the general sales tax was adopted by virtue of law no. 11 for the year 1991, to replace the different consumption taxes. Such tax underwent several amendments until it became a cornerstone of the Egyptian taxation system. It brought in about 30 per cent of the state's fundamental domestic revenues. Indeed, the taxation tools raised the efficiency of the system and led to the targeted equilibrium in society. The reform program was aimed at up-grading the sales tax and dealing positively with the challenges emanating from its application.

Reform has led to the constant development of the customs tariffs to achieve balance between economic and social activities. Assistance to the lowest income classes was originally coupled with assistance for local industries by providing protection within local markets.

TRANSPORT & COMMUNICATION

Transport, communications and information is one of the most important, vital institutional sector in Egypt while it directly affects day-to-day life, is also critical for all social, economic and service activities in Egypt. This integrated sector plays an important role in urban communities such as large cities and capitals, where human activity is dense, as well as more remote rural or industrial communities where transportation of products and raw materials is in high demand, and coastal communities where seaports and airports can shoulder the burden of carrying imports and exports. Demand for the services of this sector mirrors human needs for transport, communication in addition to needs of producers, exporters and tradesmen.

Transport

The transport sector in Egypt has witnessed important enhancements and achievements. The state has concentrated on providing a modern and efficient infrastructure, leading to increased production and investment and a higher standard of living for its citizens. In addition, transport plays a pivotal role in socio-economic development plans through improving productivity and competitiveness, increasing job opportunities, achieving public national goals and improving the quality of life in Egypt in general.

Railways

The rail network has always enjoyed great care by the state since it is the principal means of transport for Egyptians and their goods. Community, urban and economic development plans depend on the availability and efficiency of railways. In Egypt, railways play the central role in the passenger transport market making: more than 460 million trips per year, (excluding the Under-Ground Metro passengers); more than 35 per cent of the total passenger/km, and carrying 1.2 million passengers per day. Moreover, railways transport 13 million tons of cargo every year; 8 per cent of the total km/ton capacity. The railway operates 1270 trains every day, providing 630,000 seats per day.

Underground Metro

The 2.6 km final phase of the second line, Shubra el-Kheima-Giza, covering the distance from Ummul-Masriyeen to Mouneeb has recently been completed. Studies for phases I and II of the third line for the Greater Cairo underground metro between 'Ataba 'Abbassia and Haroun er-Rashid have begun - the proposed line will be 9.5 km, in addition to studies for phase I of Alexandria-Abu Quir underground metro at a length of 21.5 km.

- Studies and designs for Belbees vehicular tunnel project in Sharqiya Governorate have been completed and construction is under way. The project consists of two tunnels, each carrying 4 vehicular lanes with a clearance of 5.5m. One is 520-m-long, while the other is 385-m-long.

Roads and Bridges

Roads and bridges network is the main artery for development and progress and the smooth flow of national economy. Through it, new urban communities that attract dense population beyond the narrow valley are created. Furthermore, it helps push forward agricultural and industrial development everywhere in the country.

River Transport

As in ancient times the Nile river network is still a throbbing artery for commercial traffic. River transport figures high in state plans and many programmes have been implemented. In view of its low cost, special attention is now accorded to this vital and environment-friendly mode of transport.

The Nile Damietta branch was upgraded into a first-class waterway by developing and raising efficiency of ar-Rayah al-Behairi, an-Nubaria Canal and Cairo-Aswan waterway, in addition to constructing new river harbours and a container-handling harbour efforts were made to upgrade, raise efficiency and secure navigation in Lake Nasser.

Maritime Transport

Maritime transport is one of the most important transportation sectors because of its tremendous affect on the national economy. It particularly facilitates cross-border flows of various commodities and merchandise in a world where international trade has become an indicator of economic advancement or backwardness. Ports are of great economic importance to maritime countries due to the availability of various activities and direct effect on trade and economic returns to Egypt regionally and internationally. Egypt's ports are pivotal in the region's maritime transport industry and it plays a major role in serving vessels and commodities.

Suez Canal

For almost a century and a half, the Suez Canal has been one of Egypt's most outstanding geographical, historical, political land marks. With its central location it links east to west. As a major artery of world trade, it plays a pivotal role in enhancing peace, prosperity and cooperation among peoples of the world. The Suez Canal plays a pivotal rule in the flow of trade and travel between east and west. It figures out as the fourth tributary of Egypt's balance of payments as it injects USD 5.3 million into the Egyptian treasury every morning.

Improvements to the canal are vital to maximise the benefit of this structure to Egypt. Work is currently underway to develop and deepen the navigational course of the Canal. To cater for a draft of 66 feet allowing the passage of ships with loads of up to 250,000 tons. To this end dredging equipment and plants have been modernized or replaced and new dredgers are being built. New launches, some locomotives and a closed circuit TV. network were purchased to monitor navigation movement.

Water supply, sanitary drainage and power stations in the three Canal Zone governorates have been reinforced. To meet its social responsibilities, the Suez Canal Authority is enhancing infrastructure facilities and social, cultural and entertainment clubs, frequented by citizens, in the Suez Canal zone.

Air Transport

Air transport is an important element in economic development as it is directly related to tourism, export and urban development. Egypt is the pioneer of air transport in the Arab region and the Middle East. Egypt Airlines reaches out to almost all parts of the world. Egypt's airports are presently connected to 72 world cities, in addition to 12 Egyptian cities, against only 28 world cities and 5 Egyptian cities in 1981.

Qualified Industrial Zones

To set a balance between protecting the local Egyptian business and encouraging direct foreign investment Egypt established free zones in the 1970's. These zones allow companies to produce goods within Egypt while enjoying complete freedom to manage investments and import/export goods without facing Egyptian tariffs. Foreign companies who work within free zones have complete freedom to repatriate capital. The only significant restriction is that goods produced within free zones and sold within Egypt are counted as exports from abroad.

Protected from law suits, nationalisation of assets and able to bring in foreign workers the free zones are havens of liberal capitalism which help to boost GDP and exports. All free zones enjoy close proximity to transport hubs such as ports and airports and are provided with water, power, communications and internal transport networks. Because of their special status for import/export each free zone includes customs officials and security to allow export of produce and import of resource with the minimum of bureaucracy.

The position of each free zone has been selected to permit specialised utilisation of Egypt's resources. For instance Nasr City Public Free Zone is in the heart of Cairo and benefits from the close proximity of hundreds of services and a wide range of workforce skills. This zone is characterized by industrial activity accounting for 90 percent of total projects. These range from food, textile, engineering, and chemical industries. Other projects are divided between warehousing and service activities such as computer, and seismic survey. The

Alexandria free zone has similar businesses taking advantage of proximity to that city.

The Media City development is the most recent free zone established in February, 2000 in the 6th of October City. It covers an area of 3 million m2. This free zone is dedicated to investments in fields of arts and media production. The city lies outside the customs territory of Egypt. Its land is majority owned by the private sector, and through its board of directors is managed by publicly. It has total access to world-wide communications networks and serves as a hub of Egypt’s thriving media industry.

The Suez Canal provides resources for free zones concentrating on oil, ship related industries as well as companies involved in the Suez Canal mega project. There are two types of free zone public and private. Private free zones enjoy the same benefits as public and are more specialised towards industry there are 39 private free zones serving: Drugs and pharmaceutical production; Ready-made garments; Petrochemicals; Electric household appliances and refrigerators; Ceramics and sanitary ware; Paints; Cement.

Egypt's free zones enjoy some of the best incentives guarantees and exemptions world-wide. In view of their numerous advantages including direct access to the outside world, and availability of complete infrastructure facilities, free zones are in fact an important mechanism for increasing exports, boosting GDP and creating new job opportunities. Although free zones remain an integral part of state territory and subject of its sovereignty, the traffic of goods in and out is governed by specific import, monetary customs and other regulations. This allows more flexible dealings and exchanges, thus luring more investments.

As free zones are designed to encourage export, GAFI managed to turn them from warehousing areas for local markets to production and manufacturing centres for export purposes. It is GAFI's sustained policy to make use of the incentives and exemptions provided by free zones to increase exports and realize fair competition between free-zone and in-land-based products. Yet some projects produce intermediate goods, production requirements or services in demand at home. In all cases, exports by industrial projects should not be less than 50 percent.

Since the promulgation of the Law on Environment No.4 of 1996, GAFI gives approvals for free-zone projects only subject to compliance with environmental protection requirements. Currently, there is coordination between GAFI, the Ministry of Environment Affairs and the Environment Impact Assessment Office at the public free zone in Alexandria to implement GAFI's plan for afforestation and setting up a main industrial waste management unit. Each industrial project is under obligation to set up an industrial waste management unit. All free zones are closely supervised by GAFI, Customs Department and Seaport Security Department.

COMMUNICATIONS AND INFORMATION

Egypt is striving to keep abreast of and introduce the accelerating development of telecommunication and information technology. Egypt's entry into the telecommunication and information age is now an unavoidable national responsibility and one that the country has embraced with open arms establishing the Media Free zone in the year 2000 to serve the thriving Egyptian Television and Film business.

Communications

The Egyptian Telecommunications Company (Telecom Egypt) relies on its own self-resources. The company's investments in national phone coverage grew from 8.5 per cent to 17 per cent of the population. The large phone network underwent extensive modernisation in the 1990's. Internet and access and mobile service are widely available.

Recent investment (USD 700 million) is being used to establish underground and aerial networks and new telephone exchanges in under-served towns and villages.

Information

Egypt today is experiencing the information revolution and the beginning of an information renaissance that depends in the first place on abundant and rapidly circulated knowledge.

Consequently, in this the oldest of cultures, there is emerging a new culture of communities based on freedom of knowledge and the state's orientation towards advanced technologies employing economic systems that can be called the "information economy" or the "digital economy".

The government is fostering this recent change by advanced programs of education. From developing the skills of graduate to providing youth with basic information technology skills through implementing free training programmes in cooperation with Egyptian universities by specialists and academics.

The government bears the cost of training in 12 universities and 108 colleges in 23 governorates. 48,340,000 young graduates have already received this training to prepare them for the new society.

It is the government's role to provide a new generation of youth with professional skills ushering them into the global IT market. To this end, customized training programmes were devised and accredited by international IT firms to provide Egyptian graduates with the needed professional knowledge and skills. These training programmes were so designed as to fit with the market needs.
The cost of training is shared equally by both the state and international IT firms involved. Trainees are paid monthly. Twelve firms were contracted to provide specialized training programmes. Some 5,000 trainee/year have completed training while other 2074 are under training.

To this end, access to computers and the Internet is provided for all social categories, through IT clubs established by the state for citizens in youth centres and other public places. The clubs aim at giving youth and children the chance to use computers and the Internet in cities and rural towns.

44 new clubs were opened in Cairo and governorates in addition to the earlier 300 clubs. Besides, 12 IT firms were established and 1213 new job opportunities were created and 124 trainees were given IT skills courses. There are now 754 operating IT companies in Egypt enjoying the huge potential of the market for IT services among Egypt's more than 70 million inhabitants.

EGYPTIAN PATH TO ECONOMIC GROWTH

Economic Reform

The Egyptian economy has averaged GDP growth of 4.26 per cent over the last eight years and in 2005 GDP growth was confirmed at 5.1 per cent. These impressive figures reflect a diverse economy based on resilient and expanding agricultural and tourist sectors as well as lucrative oil and gas deposits and the ever buys Suez Canal. To build the modern dynamic Egyptian economy has been a slow process of careful reform.

The Egyptian Economy has passed through a number of stages since the 1952 revolution. The first stage, which began in 1952 and lasted until 1960, was shaped by a number of economic policies tending toward re-distribution of resources through the effective intervention of the state in economic activity.

Foremost among the economic changes of that period was Law of Agricultural Reform, issued in September, 1952 it encouraged industrialization and provided jobs. The establishment of the Permanent Council for developing the National Production later in same year led to direct government investments such as the Iron and Steel Company in 1954 and the nationalization of the Suez Canal in 1956. The committee for national planning was created in 1957 to replace the National Production Council.

In 1960 the Second stage, defined by the Comprehensive National Economic Planning and Socialist Application policy, began. The objective of the First Five-Year comprehensive plan 1960–65 was to create a leading economic. Socialist Laws, determination of work hours and wages, organization of relations between owners and tenants, and intervention in determining prices were all part of the plan. There was a 38% increase in the growth rate during the first five-year plan.

In 1967 a third stage of Egyptian economic development emerged, sometimes called the economy of war stage, where the economy suffered from a shortage of finance. Policies was set to serve the preparation for war, as the military expenses increased from 5.5 per cent in 1962 to 10 per cent of the Gross Domestic Product (GDP) in 1967 then to 20 per cent of GDP in 1973.

The fourth stage began in 1974 when the economic system underwent drastic change through the provisions of the Open Door Economic Policy. Comprehensive planning gave way to annual programs, or rather mobile steps, and made use of Arab and Foreign capital. A high growth rate of 9.8 per cent was achieved during that period, though growth was concentrated mainly in the services sectors, rather than the productive sectors.

To encourage the productive sectors the government returned to Comprehensive National Planning (1982- 1990). New law improved the investment climate by implementing programs for economic, financial and administrative reform through a series of procedures and policies.

The present stage of the Egyptian economy started in 1990. Monetary and structural disorder inspired profound changes in the market economy mechanisms. Foremost among policies adopted were: free interest rate reform and free exchange rates, establishment of a free market for foreign currency, implementation of privatization programs and freeing public sector and external trade.

The epic change from a directed economy to a free-market economy reduced the budget deficit, cut inflation rates to less than 3 per cent and stabilized exchange rates. In addition to adopting the free trade policy, Egypt stemmed restrictions and obstacles to investment.

During the period from 1991 through 1997, Egypt achieved success with its Economic Reform Program. A progressive policy of privatization in the banking sector and other public sector companies contributed to raising the growth rate to 5 per cent.

The Egyptian Economy was moving forward when, due to the downturn in the world economy since 1997, it faced some difficulties. The Egyptian Economy faced a set of challenges that were represented by a high rate of deficit in budget and higher credit rates, and, meanwhile, reduction of revenues of oil's foreign currency. Despite these challenges the Egyptian government could control the budget deficit through many economic procedures and legislative reforms in the fields of taxes, customs and some key economic laws.

Picture of the Egyptian economy: the main figures, production data, dynamic sectors, foreign trade figures

Egyptian GDP growth peaked at 6 per cent in 1999 and then fell as the downturn in the world economy took its toll. Its lowest point was 3 per cent in 2003 after which the figure climbed to around 5 per cent. Growth is driven by exports helped by the 25 per cent depreciation of the national currency against the US dollar following the introduction January 2003 of a partially floating exchange rate, and the current account showed a surplus at the end of the 2003/4 fiscal year of USD3.7 billion. This surplus accompanied by a strict monetary policy, has also addressed the problem of availability of foreign exchange, which was holding back foreign imports. The depreciation has, however, contributed to the importation of inflation. The inflation rate in 2003/4 was 8 per cent.

Growth prospects are good, particularly in the tourism and natural gas sectors. The Suez Canal is generating substantial profits, and demand for reconstruction in the gulf has revitalised the construction sector.

The 2005 estimates put the national GDP at USD 337.9 billion, GDP growth at 4.5% and GDP per capita at USD 4,400. GDP by sector figures for 2003/04 show that industry including petroleum and mining contribute 29 per cent, commerce 20 per cent, agriculture 16 per cent, government and other services 12 per cent, transport, communications and the Suez Canal 10 per cent, construction 4 per cent, utilities (electricity and water) and tourism each contributed 2 per cent. While all these sectors registered growth the primary contributors to GDP growth in 2003/04 were: industry; trade and finance; services and agriculture.

Structural reforms have made progress in recent years. In 2004 the number of customs tariffs was reduced from 27 to six and the average rate from 14.6 per cent to 9.1 per cent. In 2005 the banking sector underwent a major privatisation, restructuring and recapitalisation program, along with the introduction of stricter prudential ratios.

Privatization

The change to the private sector coincided with applying the comprehensive reform program. The public sector had been dominating the economic arena, since 1960, with almost 94 per cent of total investments. In 1974, when the Open Door Policy was launched, several laws encouraging private investment have been issued, which raised the private sector share to 20 per cent of total investments. In 1989 the private sector' share increased to 32 per cent of the total investment funds.

However, the Public Sector still underwent several problems. A study by the National Council for Production and Economic Affairs showed that prior to application of the privatization policy, 94 out of 114 Public Sector companies faced a problem of liquidity, 56 companies were hindered by debts exceeding 50 per cent of their assets, while 48 companies were afflicted by losses during the period from 1981 through 1986. In 1990 losses in the Public Sector amounted to USD 87 million

The poor performance of the Public Sector initiated the comprehensive reform program which leant toward market mechanisms and a free market economy. It was necessary to consider a new the role for the state which would be confined to indicative planning using monetary and financial policy mechanisms in order to guarantee stability of the market.

A new mechanism for the public sector was to be adopted in parallel with the private sector. Hence, Law 203, concerning the Business Sector Companies, was issued in 1991. The Public Business Sector was organized to comprise 17 holding companies whose management objectives were to be based on proper economic principles taking into consideration the social dimension. The new development was aimed at confining the activities of the Business Sector to strategically important projects, or else to be privatized or include elements of the private sector to expand ownership.

The Egyptian government drew up a blueprint of the privatization program in 91/1992. The detailed program was declared in January 1993, to be carried out over a period of five years in two parallel lines namely: separation of management from ownership (Privatization of Management), and encouraging the Private Sector to take part as a shareholder or purchase public companies.

The privatization process was aimed at: utilizing the possibilities available for the Public Business Sector at a larger scale; expansion of ownership base among citizens; allocating sales returns for bank debts payment; bringing in foreign capitals for investment; and activating the money market.

On issuance of Law No. 203 in June 1991, The Egyptian Privatization Program was launched (with a number of laws, amendments and decrees then followed to help implementation run smoothly). The law stipulated for replacing the 'Holding Companies' with institutions or organizations of the Public Sector, anticipating a positive change upon the completion of the privatization programs. Egypt had laid down a plan to privatize all its Public Sector companies by February 2002, yet 181 companies were still state-owned by end of 2002.

By June, 2002, the government had completed 132 main privatization operations and 57 partial privatization processes, out of 314 Public companies which were offered for privatization. The revenue amounted to USD 2.5 billion. These dealings included selling 38 companies where the government was a major share holder, 16 companies with the government holding only minority of the shares, via Public Tenders. 28 dealings were conducted directly with investors by means of fixed terms. Besides these sales, 20 government companies carried out 21 operations of asset selling, while 30 others were sold by in-house associations of shareholder employees. Consequently, the Public Companies' share of the total labour force shrank to 2.5 per cent by mid 2002, from 7 per cent in 1991.

THE ENERGY SECTOR

In 2004/2005 Egypt exported USD 5276 million of oil. Egypt produced an average of about 594,000 barrels per day (bbl/d) of crude oil in 2004, down sharply from its peak of 922,000 bbl/d in 1996, but only modestly below the 618,000 bbl/d produced in 2003.

Egypt is hoping that exploration activity, particularly in new areas, will discover sufficient oil in coming years slow the decline in output. Egyptian oil production comes from four main areas: the Gulf of Suez (about 50 percent), the Western Desert, the Eastern Desert, and the Sinai Peninsula. Increased production of natural gas liquids, which averaged 114,000 bbl/d in 2004, also has offset some of the decline in crude oil production.

Oil from the Gulf of Suez basin is produced mainly by Gupco (Gulf of Suez Petroleum Company) under a Production Sharing Agreement (PSA) between BP and the Egyptian General Petroleum Corporation (EGPC). Production in the Gupco fields, with most wells in operation since the 1960s and 1970s, has fallen in recent years. Gupco is attempting to slow the natural decline in its fields through significant investments in enhanced oil recovery as well as increased exploration.

Egypt's second largest oil producer is Petrobel, which is a joint venture between EGPC and Agip of Italy. Petrobel operates the Belayim fields near the Gulf of Suez and also is undertaking an upgrade program to stem declining production. Other major companies in the Egyptian oil industry include Badr el-Din Petroleum Company (EGPC and Shell); Suez Oil Company (EGPC and Deminex); and El Zaafarana Oil Company (EGPC and British Gas -- BG).

A new oil find was announced by BP in May 2003. The Saqqara field, located offshore adjacent to the existing El-Morgan field, is expected to reach peak production of around 40,000 to 50,000 bbl/d, and begin commercial production in late 2005 or early 2006. Saqqara represents the largest new crude oil discovery in Egypt since 1989.

Egypt's overall oil production has been declining more slowly than in the Gulf of Suez fields, due to new output from independent producers like Apache and Seagull Energy at smaller fields, especially in the Western Desert and Upper Egypt. Crude oil production in the Qarun block in southern Egypt reached around 60,000 bbl/d by early 2000, but has since fallen to 34,000 bbl/d. Apache and Seagull have developed the Beni Suef IX field in the East Beni Suef concession in Upper Egypt, which produces over 5,000 bbl/d. The field is said to contain around 100 million barrels of crude oil.

Apache and Seagull have also developed the Wadi El-Sahl field in the South Hurghada block, which is producing around 20,000 bbl/d. A joint venture between EGPC and Agip is producing about 40,000 bbl/d from an area in the Qattara Depression in the Western Desert, in the Meleiha and West Razzaq blocks. Khalda Petroleum, a joint venture between Apache and EGPC, produces around 50,000 bbl/d in the Western Desert in the Khalda and East Bahariyya areas.

Offshore oil production possibilities in the Mediterranean are beginning to be explored. The largest concession awarded went to Shell, in February 1999, for a large deepwater area off Egypt's Mediterranean coast. BP and TotalFinaElf also were awarded a large offshore block from the same bidding round. A smaller offshore concession was awarded to Italy's ENI-Agip.

EGPC awarded five exploration contracts in July 2004 to a newly-formed state-owned upstream oil firm, Tharwa Oil. Four of the five concessions cover unexplored areas of the Western Desert, with the fifth covering an offshore block in the Mediterranean. Burren Energy of the UK also was awarded two blocks in the Gulf of Suez under the 2004 licensing round, which closed in January 2005. Other awards under the 2004 licensing round are still pending.

Suez Canal/Sumed Pipeline

In addition to its role as an oil exporter, Egypt has strategic importance because of its operation of the Suez Canal and Sumed (Suez-Mediterranean) Pipeline, two routes for export of Persian Gulf oil. The SCA offers a 35 per cent discount to liquefied natural gas (LNG) tankers, with even deeper discounts for the largest LNG tankers, as well as other discounts for oil tankers.

The SCA is continuing enhancement and enlargement projects on the canal. The canal has been deepened so that it can accept the world's largest bulk carriers, but it will need to be deepened further to 68 or 70 feet, from the current 58 feet, to accommodate fully laden very large crude carriers (VLCCs). The SCA has attempted to reach an agreement with its main competition for northbound crude traffic, the Sumed pipeline. Such an agreement could bar any tanker small enough to traverse the canal from transporting oil through the pipeline. The SCA offers incentives for tankers to off-load a portion of its cargo through the Sumed, allowing for passage through the canal, and reloading at the other end of the pipeline.

The Sumed pipeline is an alternative to the Suez Canal for transporting oil from the Persian Gulf region to the Mediterranean. The 200-mile pipeline runs from Ain Sukhna on the Gulf of Suez to Sidi Kerir on the Mediterranean. The Sumed's original capacity was 1.6 million bbl/d, but with completion of additional pumping stations, capacity has increased to 2.5 million bbl/d. The pipeline is owned by the Arab Petroleum Pipeline Company (APP), a joint venture between Egypt (50 per cent), Saudi Arabia (15 per cent), Kuwait (15 per cent), the U.A.E. (15 per cent), and Qatar (5 per cent). The APP also has been increasing storage capacity at the Ain Sukhna and Sidi Kerir terminals.

Refining

Egypt's nine refineries are able to process 726,250 bbl/d of crude, with the largest refinery being the 146,300-bbl/d El-Nasr refinery at Suez. The government has plans to increase production of lighter products, petrochemicals, and higher octane gasoline by expanding and upgrading existing facilities. There are no new "greenfield" refinery projects under constructio, but the Egyptian Ministry of Petroleum is considering one project to be located near Port Said, with a capacity of 200,000-to-300,000 bbl/d, to be co-located with a major petrochemicals complex. If built, it would be primarily an export-oriented facility.

The new 100,000-bbl/d MIDOR (Middle East Oil Refinery Ltd.) refinery in Alexandria commenced operation in April 2001. While it had originally been planned as a primarily export-oriented project, most of its products are now sold locally. The Israeli company Merhav, which had been the largest Israeli investor in Egypt, sold its 20 percent stake in the refinery to the National Bank of Egypt in June 2001.

NATURAL GAS

Due to major recent discoveries, natural gas is likely to be the primary growth engine of Egypt's energy sector for the foreseeable future. Beginning in the early 1990s, foreign oil companies began more active exploration for natural gas in Egypt, and very quickly found a series of significant natural gas deposits -- in the Nile Delta, offshore from the Nile Delta, and in the Western Desert. Today, Egypt's natural gas sector is expanding rapidly, with production having more than doubled between 1999 and 2003. Natural gas production in Egypt averaged about 3.6 billion cubic feet per day (bcf/d) in 2004.

Production is expected to rise to around 5.0 bcf/d by 2007, with much of the increased volume being exported as LNG. Major foreign companies involved in natural gas exploration and production in Egypt include BG, BP, ENI-Agip, and Shell. Apache also produces gas from its concessions in the Western Desert. The Egyptian government formed a new state-owned entity in August 2001 to manage the natural gas sector, Egyptian Natural Gas Holding Company (EGAS), separating those assets out from EGPC.

Egypt's government estimates the country's proven natural gas reserves at 66 trillion cubic feet (Tcf), based on several new finds. Probable reserves are believed to be 120 Tcf or more. Most of this increase has come about as a result of new natural gas discoveries offshore from the Nile Delta, and some finds in the Western Desert. In the Nile Delta, which has emerged as a world-class natural gas basin, recent offshore field developments include Port Fuad, South Temsah, and Wakah. In the Western Desert, the Obeiyed Field is an important natural gas area currently under development.

The International Egyptian Oil Company (IEOC), a subsidiary of Italy's ENI-Agip group, is Egypt's leading natural gas producer, operating in the Gulf of Suez, the Nile Delta, and the Western Desert regions. In cooperation with BP Amoco, IEOC has been concentrating its natural gas exploration and development efforts in the Nile Delta region. On November 4, 1997, BP (along with its partners EGPC and IEOC) announced plans to develop the giant Ha'py gas field in the Ras el-Barr concession of the Nile Delta region at an estimated cost of $248 million. The field came onstream in February 2000, and has reached an output of 280 million cubic feet per day (Mmcf/d). In September 1997, IEOC tested the Temsah gas field (located offshore from the Nile Delta) at 11.6 Mmcf/d. In October 1998, BP (25 per cent owner) and ENI-Agip signed a natural gas sales agreement with EGPC (50 per cent owner) and IEOC (25 per cent owner) for Temsah. Temsah's gas reserves are estimated at 3.9 Tcf, and the field reached peak production of 480 Mmcf/d in 2003. IEOC also operates several other smaller natural gas fields.

Two areas in the Western Desert -- Obeiyed and Khalda -- have shown great potential for increasing Egypt's natural gas production in the near future. Obeiyed is producing 300 Mmcf/d, after the completion of a pipeline linking it to Alexandria. Production in the Khalda concession is currently around 275 Mmcf/d. Apache reported two new natural gas discoveries in Khalda in 2003, the Qasr field, and signed an agreement with EGAS in 2004 for development and sales of the output. By the end of 2005, this brought Apache's output to 650 Mmcf/d.

Several other major new natural gas finds currently are under development. In May 1999, the Italian firm Edison and the BG Group made a large find ("Scarab/Saffron") in their West Delta Deep Marine concession, which tested at 45 Mmcf/d, followed by another ("Simian/Sienna") which tested at 44 Mmcf/d in October 1999. The two companies announced in July 2000 that their second and third wells at the field had also tested successfully at a similar flow rate, which was contained by the capacity of the equipment.

Natural gas demand has grown rapidly in Egypt as thermal power plants, which account for about 65 per cent of Egypt's total gas consumption, have switched from oil to gas. Domestic natural gas consumers are to be served by several private distributors, franchises for which were awarded in late 1998. One of the franchises, awarded to a team headed by BG and including the Egyptian construction firm Orascom and Petronas of Malaysia, built distribution infrastructure in Upper Egypt as far south as Asyut, where no piped natural gas had been available.

The rapid rise in natural gas reserves has led to a search for export options, which has become particularly important to Egypt's future international balance of payments due to the decline in oil exports. In late 1999, the Egyptian government stated that natural gas reserves were more than sufficient for domestic needs, and that foreign firms producing gas in Egypt should seek export customers.

In the search for export partners for the considerable natural gas reserves one option is the construction of an offshore pipeline from El-Arish in Sinai up the coast of Israel, with a possible extension onward to Turkey. The East Mediterranean Gas Company (a consortium of EGPC, Merhav of Israel, and Egyptian businessman Hussein Salem) had been set up to pursue the project.

Another export pipeline to Jordan began commercial operation in July 2003, making possible Egypt's first exports of natural gas. Egypt was responsible for building the section from the existing pipeline terminus at El-Arish to Aqaba in Jordan, with a subsea section in the Gulf of Aqaba bypassing Israeli waters. Construction of the section of the pipeline from Aqaba to northern Jordan is being undertaken by a Jordanian firm, the Al-Fajr Company for Natural Gas Transportation. A contract was awarded in January 2004, and construction completed by the end of 2005. Egypt, Jordan, and Syria agreed in principle in early 2001 to extend the pipeline into Syria, with eventual natural gas exports to Turkey, Lebanon, and possibly Cyprus. The feasibility of this option is questionable, though, as Turkish demand probably would not support another source of piped gas (beyond agreements in place with Russia, Azerbaijan, and Iran). A more modest version of the plan could include the addition of pipeline links to only Syria and Lebanon.

Egypt's other option for exports is liquid natural gas (LNG). Two LNG projects are currently underway. The Spanish firm Union Fenosa is building a two-train liquefaction facility at Damietta, which shipped its first cargo in January 2005 upon the completion of the first train, with a capacity of 268 Bcf per year.

The second LNG export project ("Egyptian LNG"), at Idku, is to be built by BG in partnership with Petronas. The project is tied in to natural gas reserves from BG's Simian/Sienna offshore fields, and began production ahead of schedule in March 2005, with a second liquefaction train operational by late 2005. Gaz de France is to be the main offtaker for the Idku LNG project's first train, having signed a contract in October 2002 for 127 Bcf per year beginning in 2005.

INDUSTRY SECTORS

Egypt is experiencing an unprecedented era of social and economic development. It has the foundation stones that qualify it to initiate comprehensive industrial development.

Egypt is now coping with globalisation merging its economy with global economy, forming partnerships with the European Union, negotiating a free trade agreement with the United States of America, and concluding further agreements with the Arab and foreign countries using its comparative advantage in these areas.

Egypt's industrial wealth is expanding. Three new factories are set up daily, there are 75 industrial zones spread throughout the country with 20 thousand factories according to recent statistics, and tens of thousands of workshops that produce manufactured products using highly sophisticated technologies.

Egypt has a great asset in its PhD scientists and researchers who work in universities, research centres and production facilities. They help absorb and develop new technologies that are appropriate to the Egyptian production environment.

Many Egyptian scientists and experts work abroad in renowned universities, research centers and large companies. Their knowledge and experience can be used to push the development wheel in Egypt. Egypt has a large base of university graduates who can become productive energies capable of innovation, creativity, and hard work. Their skills can be fully exploited through education and training.

Egypt possesses new urban communities, industrial communities, and reclaimed lands which can serve as an infrastructure for industrial, agricultural and handicraft production. Egypt has enacted law to regulate set up, and manage special economic zones all over the country.

The law includes regulations to use latest management and control systems and exemptions in an attempt to ensure the interaction between the national and foreign capitals. The purpose is to construct large establishments and industries grounded in the use of the latest scientific and technological potentials that offer job opportunities, ensure income generation, contribute to boosting exportation, and help attract further national and foreign investments.

These pillars supporting industry make the sector the most capable of developing and promoting Egyptian society through economic progress, along the lines of the advanced industrial countries.

The Textile and Garment

Egypt's textile industry is one of the mainstays of the nation's industrial sectors. Egyptian cotton is world renowned for quality and the textile and clothing industry is of strategic importance to the economy. At a time when Egypt is facing rising unemployment, the textile industry employs over one million people and generates about $1.25bn (£643m) in export revenue.

The workmanship and export of textiles has been carefully supervised by governments throughout Egyptian history. It was considered as an important part of the Egyptian economy. The processes and methods of making textiles, as well as materials used, steadily improved from Ancient Egypt to the Islamic era. Cities began to specialize in types of fabric and the Egyptian textile industry became famous.

Changes in the global arena since 2004 are anticipated to bring more risks and challenges for the sector as well as new opportunities. The end of the US system of national qutas has hi many producers of textiles hard. But Egypt unlike for instance Spain has the advantage of being able to provide large numbers of skilled workers for a very low wage premium. This situation should isolate Egypt from some of the danger presented by large producers such as China.

To avoid the worst impact, Egypt is signed a Qualified Industrial Zone (QIZ) agreement with the US, the biggest market for clothes and textiles, as well as with Israel. And recently signed another such agreement with turkey ensuring a future market for the countries textile exports.

The textile and clothing industry in Egypt represents one quarter of all non-oil exports. The industry is

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mainly in public hands – 90 per cent of cotton spinning, 60 per cent of fabric production and 30 per cent of apparel production are handled by government concerns. Misr Fince Spinning and Weaving is the largest enterprise of its kind in Africa.

While the public sector dominates this large industry the private sector proportion is one of the most dynamic sectors in Egypt attracted a large amount of foreign investment and 50 per cent of if foreign direct investment comes from the US.

Exports to the EU, mainly bed linen and terry towels (79 per cent), are growing rapidly - at 81.8 million euros for year 2004 and 90 million euros to the end of November 2005.

Chemicals

The chemical industry in Egypt has been facilitated in its development by the country's strong oil industry sector which is able to provide raw materials, feedstocks and manufacturing infrastructure. Key chemical industry sectors include fertilisers, petrochemicals, polymers and other chemicals. Other chemical industries include nitrogenous fertilizers; paper manufacturing and converting; plastics and leathers; cement; cigarettes and tobacco; car tyres.

Metals

Like the textile industry Egypt entered the metals industry while most humans were still in the stone age. Ancient Empires were immensely jealous of the vast horde of gold accumulated by the pharaohs.

Egypt is blessed with deposits of iron ore, manganese, lead, zinc, gold but the modern metals industry is however based on steel and aluminium.

Steel

Production of steel is soaring in Egypt driven by strong construction industry demand. Total crude capacity rose from 5.5 million metric tons in 2004 to 6.2m mt in 2005. Finished production rose by 1.1m mt in 2005 to 6.5m mt.

Finished consumption in Egypt has grown by more than double the regional average in 2005 (13%). The Egyptian steel industry is gearing up for a return to the peak years of the late 1990's. Excess production is being absorbed locally and little or no increase is expected in exports as the additional production will be diverted to meet local demand. Finished product consumption grew by 28 per cent in 2005. Long products demand increased from 2004 to 2005 by 800k mt to 3.6 m mt. Flat Products demand went up in the same period by 174k mt to 0.8 m mt.

Looking forward, the M.E. will witness significant development in the coming few years not only in the Gulf but in other countries as well (Algeria, Iraq, Sudan, Egypt). The region is expected to sustain steel demand growth in excess of 10% p.a. till end of decade.

Aluminium

In 1972 a scheme was initiated on the banks of the river Nile which was to culminate in the completion of one of the most exciting developments to rise from the desert in centuries. Egyptalum's 190000 tonnes per year aluminium plant situated at Nag Hammady, some 100 kilometers North from Luxor has come to represent a commitment to investment in the future which reflects the philosophy of Egypt itself.

Nag Hammady is unique in several ways. The development has risen from the barren desert,to realise one of the most technologically advanced sites of its kind . Also a city has been established alongside the plant to provide every amenity from hospitals to stadiums, to housing set in tree-lined avenues.

TOURISM

The antiquities of Egypt have always drawn Europeans to visit the nation. In the recreational tourism domain, there are scores of unique tourist destinations such as Sharm -el-Sheikh, Hurghada, Safaga and others. Moreover, Egypt is renowned for therapeutic and environmental tourism as well as other kinds such as Safari, conferences and sports.

Tourist numbers have been increasing steadily except for a reduction in 2001 when the world tourist industry took a downturn. Increases in numbers have more than made up for that reduction in fact in the six years from 1998 to 2004 tourist numbers more than doubled from 3.1 million to 7.7 million. In the same period total tourist nights in the country increased four fold from 20.1 million to 81.6 million indicating an increased preference for longer holidays.

The tourism sector makes a significant contribution to the Egyptian economy, representing around 4.4 per cent of GDP and 7 per cent of total employment if only the direct effect is considered. However, when secondary/indirect effects are taken into account, these percentages rise to 11.6 per cent and 15 per cent, respectively. Tourism is also the largest foreign exchange earner in the country, with receipts reaching a value of US$4.3 billion.

In 2000/2001 investment in tourism was worth L.E.99.3 million, representing a significant and growing share (7.3 per cent) of total investment. Investment opportunities are presented by the TDA, specifically in the Red Sea, Aqaba Bay, Ain El-Sokhna, Ras Sudr, and Ras El-Hekma areas. In addition investment opportunities related to privatization, hotels, tourism-related services, and eco-tourism exist.

The tourism sector in Egypt is experiencing growth in both supply and demand, creating potential investment opportunities. Despite the recent decrease due to the September 11th attack and political conflict in the region, long-term expectations for tourism in Egypt remain optimistic.

Safari Tourism

Egypt is famous for its deserts and mountains that offer an adventurous experience to for locals and a large number of tourists. Tourists are usually escorted by a tour guide who sets up a tent, a bonfire and arranges a couple of bedouine activities that the tourists participate in, such as dancing, milking a cow or a goat, henna application and much more. Tourists are also offered traditional bedouin meals.

One of the most famous places a tourist can enjoy a safari is the St.Catherine mountain. And there are several other Safari destinations in Egypt such as Mersa Alam,Safaga,Ain Sukhana, Sinai,Sharm el-Sheikh etc.

Sport

In Egypt tourists can practice their favourite sport in one of hundreds of the club that offer activities such as golf, horseriding or water sports.

Egypt with its fascinating nature, sunshine and hospitable people welcomes its visitors and invites them to spend vacations full of joy, rich in culture and knowledge together with unforgettable memories on the banks of the Nile.

Home for the golfers – Egypt boasts many world-class golf courses including seaside courses, desert courses in a range of diverse golfing packages.

One example of recent investment in golf and tourism is the Dreamland Golf and Tennis Resort located on the outskirts of Cairo, the Golf and Tennis Resort is part of Dreamland City, currently the world's largest private sector development project.

Once completed this 2,000 acre project will also include a theme park, shopping center,16 cinemas,equestrian riding center,more than ten thousand residential units,nine hotels, conference center,an additional 9-hole course and the world's largest clubhouse.

Clubhouse and Amenities include: a fully stocked pro shop and locker rooms, rental equipment and power carts, a Swiss Inn Restaurant and Lounge, a tow-on course snack bars and refreshment carts, an Eight night-lit tennis courts and swimming pool.

18 holes, par 72, 7205 yards, rating 74,four tees Annual memberships, daily golf, tourist groups welcome Pro shop, caddies, power carts, club rental,tournaments, food and beverage on the course Golf Pro,lessons,swing analyzer & other electronics,golf academy.

Conference

Conference tourism represents a significant type of tourism that involves high tourism revenues and provides a great opportunity to highlight the Egyptian tourist attraction through every international rally .

Cairo International Conference Center is a major illustrious façade for such type of tourism as the center is well equipped with the state-of-the-art technical facilities.

Recently,Egypt has hosted the first international bourse of tourism named Mediterranean Bourse. Due to the great demand for international conferences and exhibitions, 12,000 m2 were added to the Cairo International Conference Centre.

Festivals are considered a major source of tourism and media attraction, yielding considerable economic returns to organizing countries. Egypt organized numerous festivals that attracted a broad audience such as the following: Cairo International Song Festival, Cinema Festival, Tourism and Shopping Festival, including Gold Festival, Opera Aida, International Cairo Fair, International Alexandria Cinema festival, Annual celebration of unearthing of Tut Ankh Amon tomb.

Therapeutic

Egypt is considered one of the richest environments of therapeutic value by virtue of its natural resources and dry warm weather, Egypt is home to several unique sulphurous and mineral springs: in addition to the miraculously healing ability of the black sand found in the city of Safga .

Egypt is rich in its world class treatment resorts due to its genuine natural resources such as its, dry and warm climate, and lots of mineral and sulfuric streams, black curative sands.

Egypt has gained a valuable position on the tourist map; not only due to the fact that it contains a vast amount of historical monuments, but also because of the variety of options it presents to tourists .

Due to Egypt's magnificent resources it has become one of the world's most famous destination that offer natural medical treatment under the supervision of specialized doctors and their dedicated staff.

FINANCE AND BANKING SECTORS

Foreign Currency and the Balance of Payments

Between July and December of the financial year 2005/06 Egypt's balance of payments (BOP) realized an overall surplus of USD 2.6 billion (leading to an equivalent rise in the foreign exchange reserve assets with the CBE) against USD 0.7 billion during the corresponding period of the previous year (2004/05). This was an outcome of the positive shift in the capital and financial account, from a net outflow of USD 0.4 billion to a net inflow of USD 2.8 billion. In addition, the BOP current account achieved a surplus of USD 1.1 billion, due to the surplus realized on the services balance and the increase in net unrequited transfers.

The 15.1 per cent rise in the trade deficit to reach USD 5.9 billion was an outcome of the increase in merchandize imports by USD 3.0 billion or 26.3 per cent, to reach USD 14.4 billion, and the growth in merchandize exports by about USD 2.2 billion or 35.4 per cent, to reach USD 8.6 billion. A breakdown of total merchandize imports indicates that imports of intermediate and investment goods account for 53.9 per cent, a matter that will have a positive impact on investment and growth in the future.

The improvement in merchandize exports was a reflection of the pick-up in oil exports by 87.6 per cent as a result of the tangible improvement in the exports of natural and liquefied gas which escalated from USD 38.0 million during the period of comparison to USD 1.1 billion during the period under review. In the meantime, the proceeds of non-oil exports remained almost stable at their level compared with the corresponding period of FY 2004/05.

The services surplus reached USD 4.2 billion due mainly to the rise in tourist revenues by 12.0 per cent to USD 3.9 billion and the growth in Suez Canal tolls by 10.0 per cent to reach USD 1.8 billion because of the rise in the number of transiting ships and net tonnage. Moreover, receipts of investment income showed an increase.

Net unrequited transfers remarkably rose by 13.2 per cent to reach USD 2.7 billion. This was ascribed mainly to a 35.1 per cent rise in private transfers as an outcome of the increase in remittances of Egyptians working abroad.

The Capital and financial account achieved a net inflow of USD 2.8 billion during July/Dec.2005/06 (against net outflow of USD 0.4 billion during the corresponding period of the previous FY 2004/05). This was attributable to the remarkable improvement in net flows of foreign investment in Egypt (direct, and portfolio). As such, foreign direct investment (FDI) in Egypt recorded net inflow of USD 3.3 billion, including USD 1.9 billion of foreign investments in the petroleum sector, and USD 520.2 million of the proceeds of selling local entities to foreign investors (against USD 1.4 billion and USD 28.0 million, respectively, during the corresponding period of the previous FY 2004/05). In addition, net portfolio investments in Egypt achieved an inflow of USD 2.8 billion against USD 0.1 billion during the corresponding period of the previous year.

Banks

The reform of the banking system was meant to be a cornerstone of the overall economic reform in Egypt. Interest rates and foreign currency were deregulated. Budget deficit finance mechanism was changed to make use of treasury bonds. Law 37 was issued in1992 to allow the Central Bank intervene in case a bank faced problems that would shake its financial status. The law also established a deposit-insurance fund and raised the banks' stock share in joint ventures to 40 per cent by maximum.

The banking sector in Egypt has comprised the Central Bank as well as a big banking system of public, joint and commercial banks. Established in 1960, the Central Bank is a public and legally independent institution. The Central Bank has been set as responsible for emitting banknotes, formulating the monetary policy, maintaining the stability of the Egyptian currency, administering the state's reserve of gold, supervising other banks, and managing government debts.

On May 28, 2003, the Central Bank issued "The Banking System and Currency Law" to replace statutes set upon establishment. The new law tightened regulations for paid capitals, and stipulated for ethical rules and principles to curb capitals flow. I n 1990, inflation rate in Egypt amounted to 21.2 per cent, then went down to 3,8 per cent in 1999. It maintained that rate till 2002 when it reached 4.2 per cent.

The banking sector plays a crucial role in the development process of Egypt. The banking sector consists of commercial banks, which are local banks and non-local banks. It also includes specialized banks and financial institutions operating in the fields of investment and credit for industry, agriculture, housing and rural development. In addition, there are branches affiliated to these banks and institutions. Deepening this sector and its reform would lead to higher rates of economic growth. This mechanism is achieved mainly through the role of the banking sector in mobilizing more savings and channelling them to better investment allocation. This, in turn, would lead to higher productivity and more capital accumulation. To achieve these results, an efficient banking system, prudential controls and a friendly, non-distorted macroeconomic framework are required.

The Banking industry in Egypt is amongst the oldest and largest in the region.
Banking reform started as part of the open door policies in the mid seventies when foreign banks were allowed to operate in Egypt. Later in the nineties, as part of Egypt's economic and financial reform program, the banking sector was completely liberalized, while banking supervision was further strengthened in accordance to international standards**.**

The Government of Egypt has been currently undertaking a comprehensive reform strategy for the financial sector as a whole and the banking system in specific. The goal of banking reform was creating an efficient banking sector which offers better quality services .The financial reform measures taken in the early 1990s emphasised reform of the monetary and fiscal policies, not the revamping of financial institutions.

Egypt is currently moving steadily towards becoming the biggest financial centre in the region. Owing to the flourishing privatization program and the prospering domestic bond market, banks have encountered new investment fields which helped them diversify their portfolios and lower their financial risks. Meanwhile, most banks expanded on providing non traditional services such as brokerage, investment consultations, asset valuation and sales, and mutual fund operations which also helped improving capital market services.

Banking reform was primarily based on promoting transparency and use of adequate accounting and supervision standards. According to the Law, banks are required to publish their financial statements on quarterly basis in compliance with the Accounting Standards (IAS). In addition, the Law requires all banks to be audited by two different independent auditors, with auditors changing every two years. In addition, Laws are periodically reviewed with the aim of refining legislation to foster competitiveness in the sector. To this effect, the new income tax law No. 5/1998 closed a chronic loophole which provided banks and financial institutions with a double tax exemption through deducting interest income from the tax base and use the proceeds in purchasing tax free securities. The provisions of the new law aim to spur innovation and healthy competition among banks to engage in productive activities and extend loans to customers and smaller businesses.

In June 1998, major amendments to the Banking Law which permitted private ownership in public banks were ratified by the Parliament. Individual banks invited international financial houses for internal valuations and ratings. Later in mid 1999, the Central Bank of Egypt and the General Assembly of the two real estate banks approved the first bank merger in Egypt by merging the "Credit Foncier Egyptien" and the "Arab Land Bank" into one financial entity.

With a view to strengthening the Central bank role and independence, the Ministry of Economy in cooperation with CBE drafted a new Central Bank Law which aims towards institutionalizing the Central Bank independence and defining its role in determining the monetary policy**.**

Government efforts to reform monetary and fiscal policies have gained momentum in 2001 when the cabinet agreed to prioritise the modification of laws governing the performance of the banking sector. In addition, drafts of two key banking laws -- the Central Bank and National Investment Bank laws -- were endorsed.

The first of these was an amendment to the law governing the performance of the Central Bank of Egypt (CBE). Under the amendment, the CBE would have full independence in drawing up monetary policies and greater supervisory powers over the banking system in Egypt.

The second bill aimed to alter the role of the state-owned National Investment Bank (NIB) in boosting development and fighting recession. The cabinet's decision to amend the CBE law has been widely hailed as a progressive step in Egypt's economic history.

National Bank Of Egypt

National Bank of Egypt (NBE) is the oldest commercial bank in Egypt. It was established on June 25, 1898 with a capital of £1 million. Since its inauguration, NBE was granted the note-issuing privilege, besides assuming the banking activities of the government as well as handling the usual operations of commercial banks.

During the 1970's, the Bank embarked upon rendering all the banking services relating to foreign trade under the specialization policy. Even in the current open market era and amidst an open competitive environment, NBE managed to maintain its distinguished position, together with its catalytic role in supporting the economic and social development.

Thanks to its diversified experience, NBE managed to achieve positive and sound results. According to 2003/2004 figures, NBE's financial position rose 7 per cent to score L.E. 131.7 bn., total deposits grew 14 per cent to reach L.E. 105.3 bn. and total loans 6 per cent to record L.E. 67.8 bn. Moreover, NBE accounted for 21 per cent of the banking system's total assets, 23 per cent of total loans and 23 per cent of total deposits. In addition, NBE financed 25 per cent of Egypt's foreign trade during the year.

According to the July 2005 issue of the Banker, the leading international banking magazine, NBE came on top of the Egyptian banks occupying the 311th rank among the top 1000 world banks and the 4th rank among top 100 Arab banks in terms of total assets.

Capital Markets

The Egyptian Bourse

During one of their informal turn of the century meetings at the Café New Bar, Cairo's merchants and brokers were reminded once more by their leader, Monsieur Moise Cattaui, that the time had come for Cairo to follow Alexandria's example and have its own Bourse. With the number of limited liability companies reaching 79 at an aggregate capital of 29 million pounds, the city's taipans could no longer conduct pork barrel politics on Cairo's sidewalks or inside coffee shops and hotels.

And so it was when on Thursday, 21 May 1903, an ad hoc site committee presided by Maurice Cattaui Bey, chose the old premises of the Ottoman Bank (today Groppi-Adly Branch) on Maghraby Street as the elected but temporary official headquarters of the newly incorporated Bourse and Banking Company of Egypt Limited a.k.a. Bourse Khediviale du Caire.

It was in 1928, a year before the Wall Street crash that the Cairo Bourse moved into its present premises on Cherifein Street. The art nouveau building with its multiple neo-Doric colonnades was designed by French architect George Parcq who was responsible for much of Cairo's elegant interwar buildings including Sednaoui's department store on Midan Khazindar.

Achievements of the Stock Exchange

A program of modernization around the turn of the millennia has allowed the Stock Exchange of Egypt (based in Alexandria and Cairo) to expand rapidly. Value of traded on the market almost doubled between 1998 and 2004 from USD 4,066 million to USD 7,367 million. Importantly Stock Market Capitalization as a percentage of GDP increased from 29.9 per cent to 52.6 per cent.

The most important achievement of the Exchange last year was the acquisition and modification of the new automated trading system, EFA. The revision of the trading rules have been finalized, the testing of the trading system is close to completion and it is scheduled to go live in the first quarter of the year 2000. The system acquired by the Exchange is an integrated total solution encompassing trading, clearing, settlement, and depository functions, with all the features and functions required for enhancing liquidity, efficiency, fairness, and transparency in the market.

A modern and robust technology infrastructure is being implemented at the Exchange to complement the above-mentioned advanced market solution. This includes the installation of state-of-the-art telecommunications and networking infrastructure covering local and wide area networks and linking all market entities to the Exchange. This solution allows for the expansion of the number of remote trading terminals ensuring wide coverage and accessibility of the trading system for information broadcast as well as for trading accessibility. This network represents the backbone for the spread of trading to other locations all over Egypt. The Exchange has also started the implementation of institution-wide information systems, to equip the Exchange with intelligent decision support and strategic planning tools and information.

One of the Exchange's main objectives and priorities is protecting investors. It has approached this objective along two axes: a monitoring and regulatory axis, and an information dissemination axis. On the monitoring and regulatory side, an advanced surveillance system has been developed. This integrated, open and expandable system uses the latest data warehousing and mining technologies that provide for real time on-line surveillance functionality and furnish a wealth of information for off-line surveillance. Also, the Exchange, with the assistance of international experts, has drafted a set of membership rules to ensure that investors receive high-quality services and adequate protection.

To further protect investors' interests, a collaborative effort between a number of institutions has resulted in the development of a guarantee fund to ensure timely settlement of transactions. Finally, the Exchange has recently started developing an alternative dispute resolution (ADR) system to solve disputes involving investors and brokerage firms in a swift and less costly manner than traditional courts.

With respect to information dissemination, the Exchange has established a firm devoted to this purpose. It is expected to start transmitting information via satellite-based systems and TV broadcasting in the first half of next year. In the first phase of the project, the Exchange will focus on disseminating financial, economic and company information in Egypt, and will expand the range of dissemination in the second phase to the Middle East and North Africa (MENA) region.

Finally, the Exchange embarked on, and successfully completed, an ambitious project to restore and renovate the building housing the Cairo Stock Exchange furnishing it with the latest-technology trading floor. The Exchange also leads a project to remodel the area surrounding the premises to become an environmentally-friendly pedestrian district equipped with wall displays and screens showing stock prices on real time.

AGRICULTURE

Agriculture continues to be a major sector of the Egyptian economy employing 5,206,000 workers in 2003/04, accounting for 27.9 per cent of the total Egyptian labour force. It is self sufficient for poultry, eggs, dairy, fish, cotton, rice, vegetables and fruits. 75 per cent of meat is locally produced and 80 per cent of sugar. Surpluses for export generated USD 800 million in 2003/4.

Reform of the farming industry in Egypt continues – including many large projects to irrigate desert. The government aims to sustain the increase in cereals production which amounts recently to 18 million tons yearly through the contrivance of high yielding varieties, national campaigns, and setting optional floor price for targeted crops so as to be consistent with border price and maintain rice acreage around 900 thousand feddans a year. Other aims include substantiating the Cotton Price Stabilization Fund with the purpose of raising production of this major crop to meet the requirements of domestic mills on the one hand and fulfill export objectives on the other. The Cotton Fund also safeguards cotton producers against the risk of price fluctuation arising from economic liberalization policy application.

To aid the balance of trade the government is looking ot replace imports with home grown crops such as: Increasing production of edible oil crops to substitute imports through the expansion of sunflower, soybeans and canyola areas and setting acceptable optional floor price of such crops. Sugar production is set to be increased through the expansion of sugar-beet crop which proved to be promising in several governorates. More beet-sugar factories are planned to be established in Fayoum governorate and Nubaria Zone. Horticultural crop production amounts to 21 million tons yearly and will benefit from the establishment of a vegetables and fruits stock exchange.

The government's plans for reform also include provision of for ecological farming with restrictions on pesticides. A programme to encourage women to consider working in agricultural jobs has been established.

Recently graduated youth are gifted reclaimed land in the framework of Mubarak National Project to help alleviate unemployment. The rest of reclaimed land will be allocated for small farmers investors. Land located in Upper Egypt and Oases (New Valley governorate), East and North of Suez Canal, and in National South Valley Development Program will be reclaimed from the desert in a programme aiming at creating new integrated communities to alleviate living conditions in dense populous areas in Delta and in old Valley strip. The reclamation is an attempt to open up the vast empty spaces in Egypt to modern productive agriculture away from the Nile

The Nile

Egypt is the gift of the Nile. The Nile is the longest single river and the second longest continuous water way in the world. From time immemorial the Nile flooded its valley annually. Crops were grown on the mud flats left by the water as it subsided and, at a very early period, a system of basin irrigation was developed. Cereals (barley, wheat and sorghum), legumes (faba bean, lentil and chick-pea), flax, berseem clover and onion were cultivated for thousands of years. This remarkable river has exercised a unique influence on the history of civilization.

The necessity of controlling its course and utilizing its water taught the ancient Egyptians the art of river engineering and the sciences of land-surveying, agronomy and astronomy. The pharaohs created unique systems to survey and invented methods of irrigation. The Nile influenced the foundation of social, legal and political order. Since the days of Mohammed Ali in the 19th century, when cotton-growing was developed in the Delta, a great change in Egyptian agriculture has taken place. Several large projects including the Delta barrage and dams in Upper Egypt (1835-1909) were constructed in order to render perennial irrigation possible. The first school of agriculture was established in 1869 and the first directorate of agriculture in 1875. This impetus resulted in the increase of cultivated land to more than 5 million feddans by the end of the 19th century.

During the 19th century, agricultural research was carried out by the Egyptian Agricultural Royal Society, and as early as 1897 a number of experimental farms were established at various localities. In 1910 the Department of Agriculture

was established under the Ministry of Public works. Concern was given to researching cotton breeding, fertilization and water requirements, and to producing and distributing certified seed.
The horticultural section focused on citrus reproduction and control of pests. A royal decree established the Ministry of Agriculture in 1913 and His Excellency Mohammed Said Pasha was the first Egyptian Minister of Agriculture. lts headquarters moved in 1913 to the historic Dokki building, where the Ministry is still housed. Among the first departments established were Plant Breeding, Horticulture, Chemistry, Entomology, Agricultural Education, Veterinary Medicine and Agricultural Inspection. Ministerial offices opened in various regions of the country. The Ministry has gone through several dramatic reforms in the past decades. It has grown from only 7 major departments in 1913, and 28 in 1950 to 194 in 1963. Ninety two of these dealt with various aspects of agricultural production. Among the major departments were Agriculture, Horticulture, Plant Protection, Soil, Animal Production, Veterinary laboratories and seed production. These research departments were reorganized into one research body named the General Authority for Agricultural research (1971), which was later (1983) renamed the Agricultural Research Center (ARC).

Megaprojects

The implementation of a set of mega national projects started by the end of the second millennium and will continue for long years to come. These aim at re-charting a new urban and production map that can achieve balanced development in Egypt's various provinces and ensure optimal exploitation of all available, but not yet exploited resources in desert areas rich with promise.

These mega projects will help create new urban communities outside the valley in the depth of the Egyptian desert. The new communities will absorb the ever increasing population; thus alleviating population intensity in the valley, increasing the percentage of populated areas from 5.3 percent to 25 percent of Egypt's total area. These projects are centralized in two areas, namely Southern Egypt and Suez Canal and Sinai.

1- Toshka Project

Toshka project is designed to create a new delta in the south of the Western Desert parallel to the Nile, adding 540,000 feddans to the cultivated area, to be irrigated by Nile water and comprising various economic activities.

2- East Owainat Project

East Owainat project, a major development venture in the Southern Valley, is located in the southwestern part of Egypt's Western Desert. The project aims at reclaiming and cultivating an area of 230,000 feddans totally depending on subterranean water reservoir available in the project area.

Moreover, clean agricultural techniques will be applied to produce pollutant-free crops suitable for exportation. Up to June 30, 2003, about 47,000 feddans were cultivated and infrastructure for 380 wells was implemented. Scientific method was applied in selecting the crops, the most significant of which are: potatoes, medicinal herbs, fruits and grains that suit regional climate. Production yielded quite promising results and was totally exported. The 10-year project has total investment cost of LE 3.5 billion and is expected to provide 20,000 job opportunities.

3- Al-Salam Canal Project

Salient of the mega development projects is Al-Salam Canal project. It will help add to the cultivable area 620,000 feddans depending on the Nile water mixed with agricultural drainage water at Salam Canal and its branches extend over a length of 262 km. It is divided into two phases: Phase I (West of Suez Canal) and Phase II (East of Suez Canal and Sinai).

4- Sharq Al-Tafria' Project

Sharq Al- Tafria' mega project, located east of Port Said at the northern-western corner of Sinai kick-started 4 years ago.
It covers an area of about 220 km2 bounded to the north by the Mediterranean Sea over a length of about 22 km2.

MODERN EDUCATION

When Mohamed Ali took over Egypt's rule in 1805, he introduced modern European-style education following the respected French model. He established high schools (1816), preparatory schools (1825) and primary schools (1832). Ali was also interested in specialized schools such as the School of Medicine, the School of Engineering and the School of Languages and Administration.

Missions were sent to Europe thanks to the efforts exerted by the education pioneers Refaa Tahtawi and Ali Mubarak and the missions brought back valauable examples of practice in Europe schools.

The first cultural project, called the Ragab Statute, in Egypt was that of Ali Mubarak (1867). He established the Teachers' School (Dar el-Oluom) in 1880 to provide schools with Arabic language teachers. In 1908 national universities were opened.

In 1923 the constitution made primary education compulsory for all Egyptians: boys and girls. A bill was issued to establish The Egyptian University in 1925, which consisted of four faculties: Arts, Science, Medicine and Law. Other universities were set up: Alexandria (1942), Ain Shams (1950) and Assuit (1957). In addition to the Azhar Islamic university other universities were established in the governorates from 1930.

Taha Hussein's main interest was in developing education programs. He called for Arabic and Egyptian to be taught in schools. He urged the state to extend plans for the creation of universities. Following the July 23 revolution, the state adopted the principle of the Democracy of Education and thus provided people from all walks of life the opportunity to become educated.

Since 1957 the development strategy in Egypt has recognised the importance of education for economic development and the alleviation of poverty recent action included the 1971 creation of a constitutional right to education, in 1991 education was declared the nation's top priority. President Mubarak has continued the long tradition of reform through education he declared the 1990's the decade of literacy for all Egptyians.

A series of national conferences was held to develop education. In 1993 the national conference on primary education was held followed the next year by a conference on improving preparatory education. Another national conference was held in 1996 on promoting teachers' status. In 2000 a national conference was dedicated to means of spotting and caring for talented pupils. In December 2004 a conference was held in Alexandria to emphasize the necessity of free education as a basic right to which all Egyptians are entitled.

The achievements of the education sector are as follows: 37,257 schools in 2004. Enrolment rates for the school year (2003/2004) were estimated at 14,870.6 thousand students: 1620.98 thousand in the primary stage and 1464.5 thousand in the preparatory stage. Illiteracy was down 28.8 per dent in 2004.

In recent years, interest has increased in university and higher education. Egypt now has 12 state-run universities comprising 278 faculties with 1,319,525 students enrolled (according to 2004/2005 statistics). There are also four private universities alongside the American, Sengor, French, German, al-Ahram-Canadian and the British Universities.

In 2003/04 there were 34 thousand university teaching staff (2003/2004). Modern education systems were also introduced such as Open Education that now serves about 35 thousand students (2003/2004).

Studies in foreign languages (English and French) were introduced in the faculties of Commerce, Law, Economics and Political Sciences and Mass Media where about 23 thousand students are enrolled.

University budgets in (2003/2004) have amount to USD 1.072 billion with each student's share being USD 1,015 per year.

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