

# European Union and Egypt Beyond Investments

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*The Mediterranean sea has been the true cradle of civilizations, yet the source of contradictions. An element of unity, yet division. A transporter of wealth, epidemics and war. A witness to the rise and collapse of civilizations. But throughout its long history, its countries and the trade routs linking them increased, grew and flourished.*

*Though commerce was one of the most important components that created peace and cross-cultural communication, and was the basis of cooperation among the Mediterranean civilizations, yet trade did not ship only goods, but transported people, ideas, religion and sometimes war or epidemics, but more important, technologies and capital, what is known today as FDI.*

*They were the modern people of the past, the outcome of the melting pot of goers and comers, of a variety of ethnic, cultural and religious origins, but all were open minded, multilingual, and most important enterprising pioneers.*

*In 1773 BC, King Amenhotep III launched the first documented trade mission to what is known today as the European Union. Ever since, tens of multi-modular trade routes took merchants and travellers, allowing for trade and cultural exchange between peoples. Egyptian, Mesopotamian, Phoenician, Carthaginian, Greek, Levantine, Roman and Moorish cultures, just to name a few. And today Egypt EU relations are at their prime.*

*Such relations escalated with the Global Mediterranean Policy (GMP) in 1972, and the Redirected Mediterranean Policy in 1989, then peaked with the Euro-Mediterranean Partnership (EMP) or Barcelona process in 1995 and the entry into force of the Association agreement in 2004 forming the legal basis of EU-Egypt relations which where further strengthened with the implementation of the European Neighbourhood Policy in 2007, then an institution was created with the Union for the Mediterranean "UfM" in 2008*

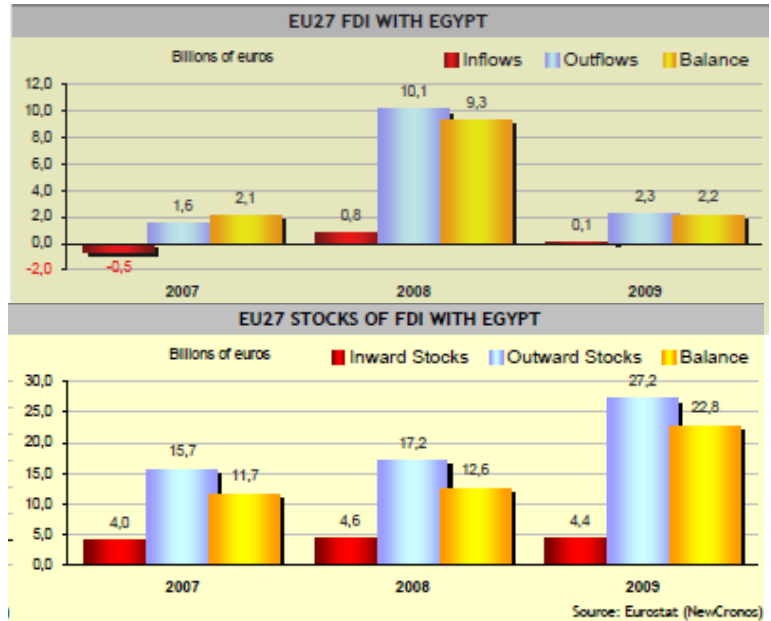
*Now, in 2011, the EU has become simply Egypt's number one partner at almost all fronts. From trade and investment, to tourism, to technology transfer to human resources development and education, as well as development cooperation, and political, social, cultural and human relations.*

*This paper portrays the highlights of such partnership from a business perspective*

## Investment

Egypt is the number one recipient of Foreign Direct Investments in the Mediterranean region. In 2008 EU direct investment in Egypt (stocks) increased 40% up to €20.2 billion, from €12.3 billion in 2007. That stock is almost half the EU total stock in the region of €43.3 billion.

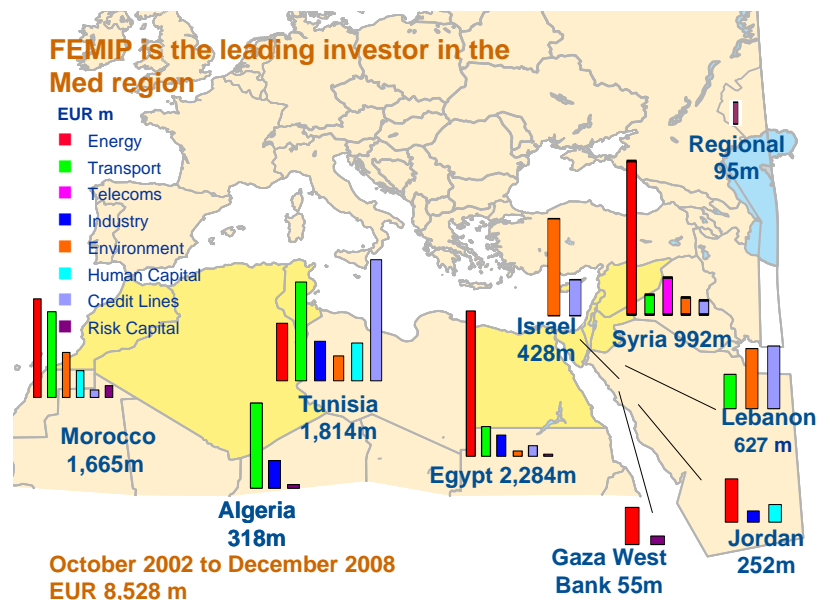
From 1970 till end of February 2011, the UK is the number one cumulative net investor in Egypt with a total net stock of US\$ 5.393 billion. Eight other EU member states share with it the top 30 list with a total of 4052 projects constituting 34% of the total net stock for the top 30 countries, namely, France, Netherlands, Italy, Spain, Germany, Greece, Luxembourg, and Belgium.












## European Investment Bank (EIB)









EIB is by far the first investor in the Mediterranean ten countries, where to date, using an EC grant element, it has invested over € 22.772 billion encompassing loans, private equity and technical assistance. Egypt has had the largest share exceeding € 5,573 billion, which is spread amongst the key sectors of energy, environment, industry, transport and support for small and medium-sized enterprises (SMEs).








In 2010 alone, EIB investment in Egypt reached a record € 906 million where it provided € 300 million for Giza North power plant, € 260 million Egyptian power transmission (both facilitated by € 20m EU grant under the Neighbourhood Investment Facility and with extra KfW and AFD funding), and € 346 million loan for the Egyptian Refining Company.


















### Net EU FDI From 1970 to Feb. 2011







| Net Cumulative in all Sectors |                        |   |                                 |                                |
|-------------------------------|------------------------|---|---------------------------------|--------------------------------|
| Order                         | Country                |   | Number of Established Companies | Cumulative Investments in US\$ |
| 1                             | United Kingdom         |    | 1107                            | 5,393.0                        |
| 2                             | Saudi Arabia           |   | 2573                            | 5,146.2                        |
| 3                             | United Arab Emirates   |   | 540                             | 4,398.0                        |
| 4                             | Kuwait                 |   | 800                             | 2,886.3                        |
| 5                             | Libya                  |   | 348                             | 2,344.8                        |
| 6                             | France                 |    | 567                             | 2,229.5                        |
| 7                             | Netherlands            |    | 362                             | 2,172.2                        |
| 8                             | Cayman Islands         |   | 69                              | 2,062.5                        |
| 9                             | United States          |   | 946                             | 1,850.7                        |
| 10                            | Italy                  |    | 766                             | 1,478.4                        |
| 11                            | Spain                  |    | 137                             | 1,028.1                        |
| 12                            | British Virgin islands |   | 99                              | 871.1                          |
| 13                            | Bahrain                |   | 152                             | 831.8                          |
| 14                            | Lebanon                |   | 974                             | 783.7                          |
| 15                            | Panama                 |   | 93                              | 739.4                          |
| 16                            | Switzerland            |   | 320                             | 633.7                          |
| 17                            | Germany                |  | 782                             | 526.2                          |
| 18                            | Palestine              |   | 1538                            | 512.5                          |
| 19                            | Jordan                 |   | 1084                            | 509.2                          |
| 20                            | Iraq                   |   | 3208                            | 472.7                          |
| 21                            | Qatar                  |   | 148                             | 430.1                          |
| 22                            | Greece                 |  | 119                             | 419.1                          |
| 23                            | Syria                  |   | 1009                            | 400.4                          |
| 24                            | China                  |   | 1101                            | 335.0                          |
| 25                            | Canada                 |   | 349                             | 317.0                          |
| 26                            | Yemen                  |   | 203                             | 267.8                          |
| 27                            | Turkey                 |   | 366                             | 226.4                          |
| 28                            | Luxembourg             |  | 72                              | 197.4                          |
| 29                            | Belgium                |  | 140                             | 191.6                          |
| 30                            | Japan                  |   | 56                              | 178.8                          |









| Communication & Information |                |   |                                 |                                |
|-----------------------------|----------------|---|---------------------------------|--------------------------------|
| Order                       | Country        |   | Number of Established Companies | Cumulative Investments in US\$ |
| 2                           | Holland        |  | 36                              | 246.9                          |
| 3                           | United Kingdom |  | 69                              | 80.5                           |
| 6                           | Sweden         |  | 6                               | 46.2                           |
| 8                           | France         |  | 43                              | 38.1                           |
| 9                           | Germany        |  | 39                              | 19.6                           |
| 11                          | Luxembourg     |  | 4                               | 12.6                           |
| 27                          | Norway         |  | 3                               | 2.0                            |
| 30                          | Ireland        |  | 8                               | 1.7                            |







| Construction & Real Estate |                |   |                                 |                                |
|----------------------------|----------------|---|---------------------------------|--------------------------------|
| Order                      | Country        |   | Number of Established Companies | Cumulative Investments in US\$ |
| 3                          | United Kingdom |  | 121                             | 523.2                          |
| 11                         | France         |  | 50                              | 73.8                           |
| 14                         | Germany        |  | 83                              | 52.6                           |
| 22                         | Spain          |  | 18                              | 26.8                           |
| 24                         | Denmark        |  | 16                              | 18.8                           |
| 27                         | Italy          |  | 76                              | 9.4                            |
| 29                         | Ireland        |  | 6                               | 7.4                            |

| Finance |                |   |                                 |                                |
|---------|----------------|---|---------------------------------|--------------------------------|
| Order   | Country        |   | Number of Established Companies | Cumulative Investments in US\$ |
| 1       | France         |  | 19                              | 1,292.9                        |
| 3       | Italy          |  | 6                               | 919.5                          |
| 6       | United Kingdom |  | 53                              | 654.1                          |
| 7       | Netherlands    |  | 13                              | 650.3                          |
| 10      | Greece         |  | 2                               | 348.1                          |
| 19      | Luxembourg     |  | 10                              | 49.2                           |
| 27      | Germany        |  | 11                              | 13.5                           |

| Services |                |   |                                 |                                |
|----------|----------------|---|---------------------------------|--------------------------------|
| Order    | Country        |   | Number of Established Companies | Cumulative Investments in US\$ |
| 1        | United Kingdom |  | 422                             | 981.1                          |
| 3        | Netherlands    |  | 138                             | 544.1                          |
| 8        | Italy          |  | 227                             | 192.1                          |
| 13       | France         |  | 212                             | 85.2                           |
| 20       | Germany        |  | 244                             | 34.6                           |
| 21       | Spain          |  | 39                              | 34.5                           |
| 22       | Norway         |  | 21                              | 30.7                           |
| 24       | Cyprus         |  | 58                              | 27.8                           |

| Tourism |                |   |                                 |                                |
|---------|----------------|---|---------------------------------|--------------------------------|
| Order   | Country        |   | Number of Established Companies | Cumulative Investments in US\$ |
| 3       | United Kingdom |  | 161                             | 484.1                          |
| 7       | Germany        |  | 181                             | 130.3                          |
| 10      | Romania        |  | 5                               | 84.8                           |
| 12      | Italy          |  | 165                             | 78.2                           |
| 15      | Luxembourg     |  | 9                               | 63.3                           |
| 18      | Cyprus         |  | 17                              | 57.4                           |
| 20      | Belgium        |  | 43                              | 42.6                           |
| 22      | Greece         |  | 9                               | 32.1                           |
| 25      | France         |  | 97                              | 26.9                           |
| 26      | Netherlands    |  | 41                              | 26.2                           |
| 30      | Denmark        |  | 11                              | 16.0                           |

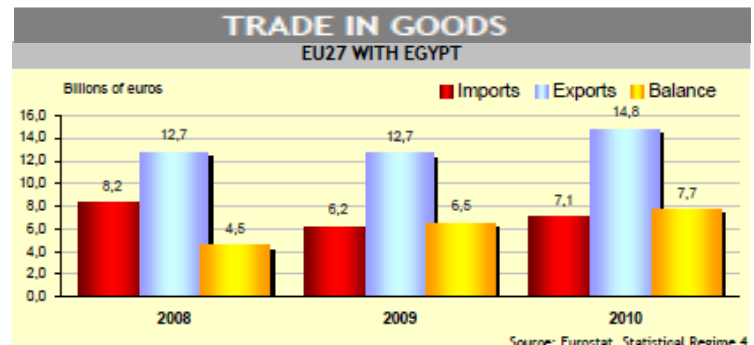
| Industry |                |   |                                 |                                |
|----------|----------------|---|---------------------------------|--------------------------------|
| Order    | Country        |   | Number of Established Companies | Cumulative Investments in US\$ |
| 1        | United Kingdom |  | 251                             | 2,386.6                        |
| 3        | Spain          |  | 50                              | 949.7                          |
| 6        | France         |  | 121                             | 692.1                          |
| 7        | Netherlands    |  | 83                              | 679.5                          |
| 13       | Italy          |  | 253                             | 275.9                          |
| 15       | Germany        |  | 195                             | 241.3                          |
| 21       | Belgium        |  | 35                              | 141.3                          |
| 27       | Denmark        |  | 30                              | 84.2                           |

| Agriculture |                |   |                                 |                                |
|-------------|----------------|---|---------------------------------|--------------------------------|
| Order       | Country        |   | Number of Established Companies | Cumulative Investments in US\$ |
| 3           | United Kingdom |  | 30                              | 283.5                          |
| 7           | Germany        |  | 29                              | 34.4                           |
| 10          | Netherlands    |  | 17                              | 21.7                           |
| 12          | France         |  | 25                              | 20.4                           |
| 15          | Luxembourg     |  | 2                               | 19.0                           |
| 28          | Italy          |  | 25                              | 2.9                            |

GAFI, 2011

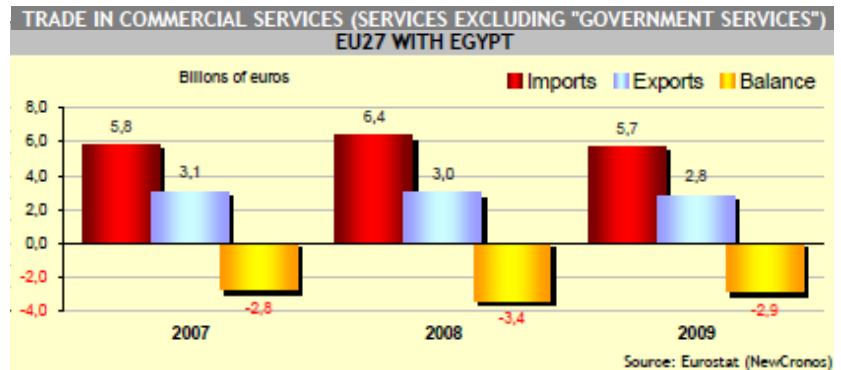
## Trade

The EU and Egypt have made significant progress in freeing up trade between them. Since the entry into force of the EU-Egypt Association Agreement in 2004, half of the EU industrial exports to Egypt has already been liberalised and special preferential treatment for agriculture has significantly boosted agricultural trade. Subsequent negotiations (concluded in 2009) have furthered the liberalisation of agricultural, processed agricultural and fisheries products, and ongoing negotiations



aim at improving conditions for services trade and for companies seeking to establish businesses in both markets.

Trade in Goods between the EU and Egypt has risen substantially after the entry into force of the EU-Egypt Association Agreement in 2004. Today the EU is Egypt's number 1 trade partner sharing 31.2% of Egypt's total trade and absorbing 29.9% of Egypt's exports. On the other hand, Egypt is the 28<sup>th</sup> EU trade partner. Likewise, the same applies to trade in services where the EU shares 33.5% of Egypt's total trade in services and absorbs 37.3% of its exports



## EU'S TRADE BALANCE WITH EGYPT

### European Union, Trade with Egypt

| Period                            | Imports |                     | Share of total EU Imports (%) | Exports |                     | Share of total EU Exports (%) | Balance | Trade  |
|-----------------------------------|---------|---------------------|-------------------------------|---------|---------------------|-------------------------------|---------|--------|
|                                   | Imports | Variation (% y-o-y) |                               | Exports | Variation (% y-o-y) |                               |         |        |
| 2006                              | 7.654   | 46,3                | 0,6                           | 9.081   | 6,9                 | 0,8                           | 1.427   | 16.734 |
| 2007                              | 7.035   | -8,1                | 0,5                           | 10.405  | 14,6                | 0,8                           | 3.370   | 17.440 |
| 2008                              | 8.234   | 17,0                | 0,5                           | 12.742  | 22,5                | 1,0                           | 4.508   | 20.976 |
| 2009                              | 6.173   | -25,0               | 0,5                           | 12.662  | -0,6                | 1,2                           | 6.489   | 18.835 |
| 2010                              | 7.071   | 14,5                | 0,5                           | 14.767  | 16,6                | 1,1                           | 7.696   | 21.838 |
| 2010Q1                            | 1.547   | -                   | 0,5                           | 3.232   | -                   | 1,1                           | 1.686   | 4.779  |
| 2010Q2                            | 1.693   | -                   | 0,5                           | 3.665   | -                   | 1,1                           | 1.972   | 5.358  |
| 2010Q3                            | 1.785   | -                   | 0,5                           | 3.865   | -                   | 1,1                           | 2.080   | 5.650  |
| 2010Q4                            | 2.047   | -                   | 0,5                           | 4.005   | -                   | 1,1                           | 1.958   | 6.051  |
| 2011Q1                            | -       | -                   | -                             | -       | -                   | -                             | -       | -      |
| 2011Q2                            | -       | -                   | -                             | -       | -                   | -                             | -       | -      |
| 2011Q3                            | -       | -                   | -                             | -       | -                   | -                             | -       | -      |
| 2011Q4                            | -       | -                   | -                             | -       | -                   | -                             | -       | -      |
| Average annual growth (2006-2010) |         | -2,0                |                               |         | 12,9                |                               |         | 6,9    |

## Human Resources Development

For over a century, EU member states have been contributing to high quality basic education in Egypt through tens of British, French, German, Italian, Irish, Spanish, and Dutch schools. That is besides a host of EU and member states projects for Education enhancement and Modernization.

Likewise, EU vocational education and training dates back to 1896 when the first Italian Don Bosco was established in Alexandria followed by another in Cairo in 1926. Then in 1996 came the Mubarak Khol Initiative introducing the German dual system, which today has 76 vocational schools in 22 Governorates



The Chamber of EuroChambers in Egypt



The General Authority for Investment

offering training for 32 occupations in partnership with 1900 companies, besides 21 regional units within the private sector organising decentralised training. Then the EU came in 2005 with the flagship, TVET, that is developing national regulatory and support institutions for a decentralised and demand-driven TVET system, providing capacity building, and established a network of geographic and sectorial enterprise partnerships through a PPP mechanism.

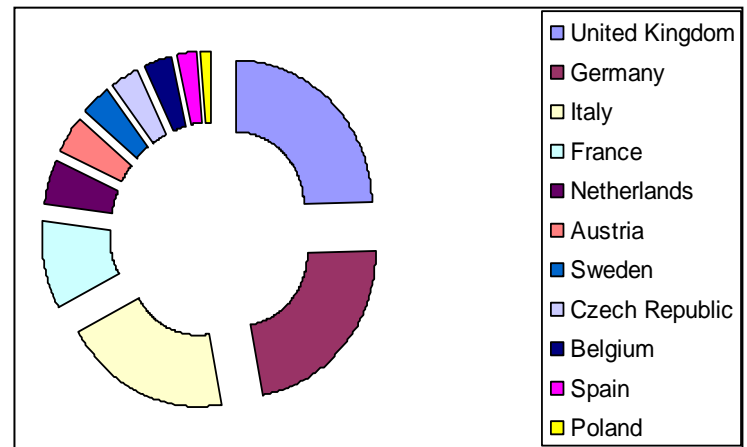
EU university education started in 1992 with the establishment of the German University in Cairo (GUC) in cooperation with the State Universities of Ulm and Stuttgart. That was followed in 2002 by l'Université Française d'Égypte in partnership with Université Paris 3 "Sorbonne Nouvelle" and l'université de Nantes, then in 1998 the British University in Egypt (BUE) with a group of UK universities led by Loughborough University. That is besides the Italian UniNettuno, and a host of EU institutions offering language training, exchanges and post graduate studies in the EU led by the British Council, the Deutscher Akademischer Austausch Dienst (DAAD), Centre Français de Culture et de Coopération (CFCC), Istituto Italiano di Cultura, the Swedish Institute, Danish Agency for International Education, the Netherlands Fellowship Programme, the Study in Finland programme, the Hungarian Scholarship Board as well as the various EU programmes including ENP scholarships for graduates, TEMPUS, and Erasmus Mundus, EIB FEMIP Internships Programme just to name a few.

That is augmented by R&D initiatives inclusive the Research, Development and Innovation Programme (RDI), the regional MEDIBTIKAR (Euro-Med Innovation and Technology Programme), and a host of projects under the sixth and seventh framework programmes for research and technological development (FP6 & FP7).

## Tourism

Besides 739 investment projects worth a total net investment of US\$ 1,041.9 million, as well as the management of most hotels in Egypt, the EU is the number one provider of tourists to Egypt. A total of 6,324,849 EU tourists visited Egypt in 2009 constituting 50.45% of the total tourist arrivals in Egypt. The main source is UK, Germany and Italy, and the average increase for 2010 over 2009 was 9.1% except for Sweden and Poland where it exceeded 30%.

On number of Touristic nights, Germany and UK take the lead with over 14 million nights, followed by Italy 9.9 million, France 5.2 million and Poland 4.5 million.

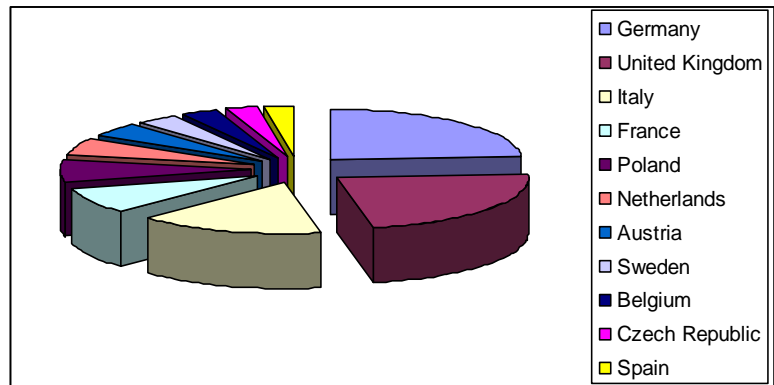


### Number of Tourist Arrivals from EU Member States

| Country        | 2002   | 2003   | 2004    | 2005   | 2006    | 2007    | 2008    | 2009    | 2010    |
|----------------|--------|--------|---------|--------|---------|---------|---------|---------|---------|
| United Kingdom | 357546 | 357248 | 546892  | 837950 | 1033761 | 1055012 | 1201859 | 1346724 | 1455906 |
| Germany        | 730323 | 693445 | 993178  | 979631 | 966386  | 1085930 | 1202509 | 1202339 | 1328960 |
| Italy          | 701210 | 795903 | 1010444 | 823144 | 786130  | 983293  | 1073159 | 1047997 | 1144384 |
| France         | 280230 | 310791 | 465174  | 495164 | 372449  | 464239  | 586861  | 551694  | 599363  |
| Netherlands    | 117282 | 131537 | 180934  | 205877 | 210585  | 232343  | 279765  | 249017  | 291154  |
| Austria        | 88024  | 105173 | 150698  | 137135 | 142875  | 179500  | 208547  | 214298  | 240516  |
| Sweden         | 35864  | 49686  | 92165   | 122401 | 91829   | 104778  | 153427  | 158699  | 209992  |
| Czech Republic | 64416  | 96840  | 198286  | 176357 | 164217  | 206729  | 268189  | 216798  | 206249  |
| Belgium        | 78293  | 94634  | 144227  | 154414 | 148624  | 175199  | 209007  | 189475  | 195919  |
| Spain          | 92052  | 102113 | 155782  | 147344 | 148002  | 171084  | 156236  | 136227  | 149402  |
| Poland         | 72468  | 120158 | 145414  | 153729 | 197469  | 335016  | 598928  | 454567  | 59359   |
| Denmark        | 43058  | 46491  | 68438   | 92132  | 43458   | 61828   | 84744   | 100349  | N/A     |
| Slovakia       | 0      | 0      | 0       | 39199  | 41413   | 65886   | 90384   | 73555   | N/A     |
| Finland        | 16165  | 27524  | 46837   | 47807  | 31150   | 37050   | 63763   | 65227   | N/A     |
| Ireland        | 18696  | 11129  | 13849   | 20893  | 28447   | 31836   | 36744   | 62458   | N/A     |
| Hungary        | 24296  | 36513  | 51775   | 49389  | 39188   | 49821   | 65598   | 58528   | N/A     |
| Greece         | 31544  | 34797  | 44822   | 43139  | 36598   | 55198   | 62291   | 45849   | N/A     |
| Romania        | 13628  | 15695  | 22761   | 24250  | 24418   | 35529   | 50459   | 38903   | N/A     |
| Slovenia       | 4209   | 8089   | 12138   | 11172  | 10795   | 17387   | 25358   | 22979   | N/A     |
| Portugal       | 7642   | 18883  | 23470   | 16337  | 10113   | 14726   | 15878   | 17182   | N/A     |
| Bulgaria       | 8943   | 9385   | 8223    | 8877   | 11890   | 16336   | 18457   | 15562   | N/A     |
| Cyprus         | 17331  | 10931  | 16658   | 10852  | 8589    | 10829   | 11215   | 9411    | N/A     |
| Luxembourg     | 2769   | 3291   | 5289    | 4993   | 4497    | 4640    | 7166    | 9056    | N/A     |
| Others         | 2438   | 2818   | 4572    | 3970   | 4421    | 18248   | 39485   | 38000   | N/A     |

### Number of Tourist Nights from Main Source EU Member States

| Country        | 2009     | 2010     | Change |
|----------------|----------|----------|--------|
| Germany        | 13578690 | 14920653 | 9.9%   |
| United Kingdom | 13793273 | 14897900 | 8.0%   |
| Italy          | 9307804  | 9972492  | 7.1%   |
| France         | 5603877  | 5253060  | -6.3%  |
| Poland         | 3721789  | 4546312  | 22.2%  |
| Netherlands    | 2930926  | 3471090  | 18.4%  |
| Austria        | 2451865  | 2778529  | 13.3%  |
| Sweden         | 1746785  | 2315656  | 32.6%  |
| Belgium        | 1951145  | 2005681  | 2.8%   |
| Czech Republic | 1843756  | 1741292  | -5.6%  |
| Spain          | 1329254  | 1546783  | 16.4%  |



## Development Cooperation

Since Barcelona, the EU has put development cooperation for the Mediterranean countries at the forefront. Such cooperation escalated every five years to reach its peak under the European Neighbourhood Policy (ENP) with its various instruments. Moreover, The regional element also increased to reach 5% through a host of regional projects as well as the new Cross Border cooperation CBC.

Such cooperation aimed at the creation of an area of peace, stability and prosperity. Hence it has focused in Egypt, through a host of projects on democracy, human rights and justice; competitiveness and productivity of the Egyptian economy; and better management of human and natural resources.

Instruments used included besides classical technical assistance, included among others, Twinning with EU institutions, Budget and sector support for speedy reforms, Investment co-financing, TAIEX, ..etc.

Business support included direct technical assistance and finance for SMEs; upgrading of various productive sectors; reform and modernization of trade, industry, energy, transport, agriculture, environment, customs, financial and banking sectors; approximation of standards and specifications; human resources development both vocational and basic education; innovation, science and technology; and information.

### European Neighbourhood Policy Instrument allocations for 2011-2013

| Country/territory              | Population         | ENPI 2011-2013<br>(indicative allocation) | % of Total   | ENPI funding per person<br>(indicative allocation)<br>in euros |
|--------------------------------|--------------------|---|--------------|--|
| <b>ENPI South</b>              |                    |   |              |  |
| Algeria                        | 33.769.669         | 172.000.000                               | 4,7%         | 5,09   |
| Egypt                          | 81.713.517         | 449.290.000                               | 12,3%        | 5,50   |
| Israel                         | 7.112.359          | 6.000.000                                 | 0,2%         | 0,84   |
| Jordan                         | 6.198.677          | 223.000.000                               | 6,1%         | 35,98  |
| Lebanon                        | 3.971.941          | 150.000.000                               | 4,1%         | 37,76  |
| Morocco                        | 34.343.210         | 580.500.000                               | 15,9%        | 16,90  |
| Occupied Palestinian Territory | 4.008.332          | 352.800.000                               | 9,7%         | 88,02  |
| Syria                          | 19.747.586         | 129.000.000                               | 3,5%         | 6,53   |
| Tunisia                        | 10.383.770         | 240.000.000                               | 6,6%         | 23,11  |
| <b>Total</b>                   | <b>201.249.061</b> | <b>2.302.590.000</b>                      | <b>63,2%</b> | <b>11,44</b>   |

### Cooperation with Mediterranean Countries (1995 – 2013)

| Programme                                    | Meda 1        | Meda 2        | ENPi  |
|--|---------------|---------------|---|
| Period                                       | 1995 – 2000   | 2000 – 2006   | 2007 – 2013   |
| <b>Number of Countries</b>                   | <b>12</b>     | <b>10</b>     | <b>9</b>  |
| ▪ <b>EC Grants</b>                           | € 4.6 billion | € 5.5 billion | € 12.0 billion                                      |
| ▪ <b>EIB Loans</b>                           | € 3.4 billion | € 6.4 billion | € 8.7 billion                                       |
| ▪ <b>EIB Risk Guarantee</b>                  |               | € 1.0 billion | € 1.0 billion                                       |
| ▪ <b>Neighbourhood Investment Fund (NIF)</b> |               |               | € 700 million<br>+ contributions from member states |
| ▪ <b>Governance Facility</b>                 |               |               | € 300 million                                       |

Around 5% of the total allocation was for regional projects. The most relevant is the Invest in Med project that is promoting trade and investment between European and Mediterranean businesses through sectorial studies, training, conferences, and B2B activities. That is besides major elements of other projects targeting innovation, energy, transport, environment, and information.

In support to the developments in the region, an extra € 1 billion shall be added to EIB loans and the mandate of the EBRD has been amended to include the Mediterranean with an allocation of € 1 billion. Moreover, around € 300 million are being allocated for SME funding.