C.E.B.C
CANADA EGYPT BUSINESS COUNCIL
CONSEIL D'AFFAIRES CANADA EGYPTE
مجلس الأعمال الكندي المصري

Issue 41
April 2014

Egyptian Council for Sustainable Development
Conseil Égyptien pour le Développement Durable
المجلس المصري للتنمية المستدامة

Egypt's Economy Facelift

Email: cebc@canadaegypt.org info@egycsd.org

تمتع بالكثير

إربح رحلة إلي دبي

مع ماستركارد

A2Z AGENCY

تمتع بفرصة للفوز برحلة الي دبي الساحرة

مع كل معاملة بمبلغ ٣٠٠ جنيه حتي آخر مايو ٢٠١٤

- فترة سماح تصل إلي ٥٥ يوم بدون فوائد علي السحب النقدي والمشتريات

Housing & Development Bank

بنك التعمير و الإسكان

bank

19995

www.hdb-egy.com

INSIDE

Chairman: Motaz Raslan
Executive Director: Rasha Kamal
Designer: Maiss Amer

CEBC & ECSD

Address: 82, Merghany Street, 6th Floor,
Heliopolis, Cairo, 11341, Egypt

Tel: 2291-3675/2291-4975 **Fax:** 2291-7075

E-mail: cebc@canadaegypt.org
info@egycsd.org
Website: www.canadaegypt.org

Chairman's Welcome Note

Dear Readers,

I welcome you to a new issue of our online newsletter.

According to HSBC's latest Global Connections Trade Forecast Report, the Egyptian economy is expected to pick up from 2014 to 2016 influenced by real export growth, expected to gradually recover in 2014 after two years of significant weakness, reflecting improved political stability, the benefit of inflows of Gulf aid, as well as a bounce-back from a low base.

This month our members had the privilege to meet with H.E. Mounir Abdel Nour, Egypt's minister of trade, industry and investment, to discuss the ministry's agenda in the coming phase.

In a move to boost Egyptian exports minister Abdel Nour issued decisions to restructure 16 export councils and establish a "non-traditional" export council. The non-traditional export council will mainly help small exporters of the pre-existing 11 export councils in the fields of agricultural crops, ready-made garments, food industries, cement and building materials, engineering and leather, a statement from the ministry showed.

I recall in last September when the minister also issued a decision to restructure the Egyptian side of the joint business councils with the US, Italy and France in order to meet the needs of the current stage and the economic plans which the government is implementing.

Abdel Nour pointed out that 1,392 new exporters have entered the market this year, achieving EGP 3.6bn worth of exports from the total value in 2013, adding that his ministry is targeting to increase exports to EGP 160bn by the end of 2014.

As much as we live bombarded with negative news and poor numbers, I still see light at the end of the tunnel and I still believe that Egyptians will move ahead and will emerge stronger, only if we keep believing in our country and stay hand in hand for Egypt.

Business Select

Design your own tariff

Now you can choose according to your needs from a mix of minutes, SMS internet, MMS and video calls

To design your own tariff, please call 333 from your Mobinil line or 01223222555 from any other line or refer to your contact person

• For more information, please visit www.mobinil.com

mobinilbusiness
more to enjoy :)

Egyptian Quarries...

A Promising Opportunity for Sustainable Development

Dr. Muhammad Zaher, Minister Adel Labib, Eng. Motaz Raslan

The Canada Egypt Business Council (CEBC) and the Egyptian Council for Sustainable Development (ECSD) hosted a special event and panel discussion featuring H.E. General Adel Labib, the Minister of Local and Administrative Development and Dr. Muhammad Zaher, President of Z-GOLD Resources and Chairman of CEBC's and ECSD's Mining Committee. The event was held to discuss the status of the mining and quarrying sector and their future prospects a sector that could be among those to lead development in the country.

"Our country is rich in resources, needing but a clear vision and an ambitious strategy to make use of it", Eng. Raslan said as he made the opening remarks. Raslan added that the challenges Egypt is facing economically, could serve as an incentive to push the country's economy towards exploring new opportunities. The mining and quarrying sector holds in its folds guaranteed success especially that research in the field indicates that there are extensive reserves nationwide.

Minister Labib assumed the floor following the Chairman, who introduced him to the audience as one among few public servants to serve in key positions underthree consecutive regimes. General Labib held the post of governor under ousted presidents' Mubarak and Morsy, in addition to his post as Minister of Local and Administrative Development in the current interim government and prior to assuming the post of governor, he was a police general. The Minister has shown special interest in the mineral industry, he embarked recently on reviewing the lease prices for quarries in the governorates.

The Minister commenced his word by assuring his audience of businessmen in the field that his Ministry insists on licensing the quarries through the local executive authorities, rather than being done centrally through the Ministry of Petroleum and Mineral Resources. The Minister also added that the fees pertaining to using quarries would be unified and that laws pertaining to mining and quarrying are expected to be amended in the near future explaining that this facilitates the

process for the beneficiaries of quarries. He said that this also conforms to decentralization of power, which the government is trying to implement.

Labib also argued that this would increase the funds available for governorates especially that recently those have decreased due to the annexation of a portion of their funds to the Ministry of Finance. General Labib said that some of the cement factories revenues would be assigned for the development of the governorate.

The Minister spoke of the hidden riches in Egypt's mineral wealth. He said that Egypt has phosphate, marble, limestone, bentonite, black sand among other valuable minerals and resources. He also cited the "Gold Square", which is a space of land spreading across the governorates of Qena, Sohag and the Red Sea, rich in some of the purest phosphate, where the largest quarry lies between Qeft and Quseir in Upper Egypt. "There is hope that this phosphate is not exported in its raw form, and that industries are established in which this raw material is used". He added "While Al Sokary's Mine is the most famous gold mine, there are several more that are not known and are yet to be benefited from".

The Minister also tackled the issue of worker safety in quarries encouraging quarry owners to pay attention to the health hazards that meet workers, considering their limited income. He encouraged them to guarantee the workers' health insurance, while the government will work on providing them with incentives to do so.

In Dr. Zaher's few remarks, he concurred with the preceding speakers regarding the importance of the field. "Mining is treated around the world as though the Ministry of Development, gigantic opportunities wait to be exploited in Egypt". He added that CEBC organized a visit for its members to the Prospectors and Developers Association of Canada (PDAC) Convention in March 2014.

The floor was opened for questions and owners of quarries voiced their grievances to the Minister. A number of them brought up shortage of fuel necessary for the drillers they use. Others expressed their approval of the Ministry's stance regarding the amendments to the law pertaining to quarries. Quarry owners also asked questions regarding the development of minerals' exportation. The Minister addressed their grievances, and confirmed them that exportation will be encouraged and facilitated.

Dr. Tamer AboBakr, head of the Mining and Petroleum Chamber and the head of the Energy Committee in the Federation of Egyptian Industries, commented on the Ministry's stance regarding the law pertaining to quarries.

He said that while allowing the local executive authority to govern the process has its pluses, it wastes the state's revenues and discourages the development of quarries. Aboubakr also questioned the ability of local authorities to oversee the process and ensure theoptimum and scientific usage of quarries.

In the midst of the heated debate that took place during the event, one thing was evident, which is that there is plenty at stake, and plenty to be reaped, from this promising sector. State institutions, however, seemed to be working towards a common ground, where the optimal usage of this important resource would be achieved.

Egyptian Council for Sustainable Development
Conseil Égyptien pour le Développement Durable
المجـــلس المصـــري للتـــنـــميـــة المســتـــدامـــة

Contact Us

82, El Merghany St., 6th floor, Heliopolis,11341, Cairo, Egypt
Tel.: 2291 3675 - 2291 4975 Fax: 2291 7075
Emails: cebc@canadaegypt.org - info@egycsd.org

Egypt's Economic Future...
Challenges and Opportunities

Eng. Motaz Raslan, H.E. Mounir Fakhry Abdel Nour,
Dr. Sherif Mostafa El-Gabaly

The Canada Egypt Business Council (CEBC) and the Egyptian Council for Sustained Development (ECSD) hosted a special event and panel discussion featuring Minister of Industry, Trade and Investment H.E. Mounir Abdel Nour.

Eng. Motaz Raslan, Chairman of CEBC and ESDC, and Dr. Sherif El Gabaly, Chairman of the Committee of Exporters, FEDCOC and the Chamber of Chemical Industries, moderated the discussion, which focused on the challenges and opportunities pertaining to industries, the investment environment, and promising sectors.

Over 300 notable attendees were present at the event. The attendees were ministers, ambassadors, CEBC and ECSD members and guests, among whom was former head of the Constitution-Amending Committee Amre Moussa, Cairo Governor Dr. Galal Saeed, former ministers Hassan Younes, Hany Helal and Osama Heikal. Also present were ambassadors of Canada and Italy, among others.

Eng. Motaz Raslan

Amb. David Drake

Dr. Sherif El-Gabaly

Ms. Rasha Kamal

Chairman Raslan delivered the opening remarks for the event expressing his optimism that following the presidential elections (slated for the end of May), the economy will witness improvement. He added that despite the recent events, the economy is still capable of growing, thanks to the diversity in its industries. He also called for increasing incomes and production to raise growth rates and meet society's needs.

In his speech, Minister Abdel Nour tackled the contentions issue of using coal for electricity generation. He confirmed to the audience that the use of coal would be a temporary solution, adding that it would only be in use until the year 2017 - 2018. He explained that around that time Egypt's production of natural gas will increase, and renewable and nuclear energy would be also be used. "We do not have the luxury of waiting and seeking other sources of energy now" the Minister said, describing the current energy crisis in Egypt. The Minister said that using coal in cement factories alone, would save Egypt around 450 million square feet of natural gas a year.

The Minister expressed his optimism regarding the Egyptian economy, saying that it is on the right path. The Minister highlighted that foreign investors' confidence in the country's economy is gradually being restored, and added that investments are flowing in from East Asian countries, China and Gulf countries, especially the

United Arab Emirates. In this regard, Abdel Nour announced the establishment of a joint Egyptian-Emirati investment company, involving the private sectors and governments of both countries. He pinpointed the government's efforts to improve the investment environment through providing investors with more facilities, and amending the Investment Law, to allow for even more facilitation and eliminating bureaucratic obstacles facing both local and foreign investors.

The most prominent among the investment-attracting sectors are the mining and petrochemical sectors, the Minister said. However, he criticized the public sector in the field for suffering from chaos, citing Helwan Iron and Steel Factory (HISF), as an example. He added that HISF needs massive funds to resume activity. The Minister also announced that cooperation with an English company is being considered for the development of companies similar to HISF. The development would also cover major textile public sectors factories.
Among other issues tackled by the Minister are the apportionment of lands and the bankruptcy of factories. He said that there is a suggestion to establish an agency concerned with the appropriation and pricing of land, as well as resolving related disputes. Abdel Nour further noted that there are ministerial meetings taking place to find ways to work on the issue of bankrupt factories.

Dr. Galal Saeed, Eng. Motaz Raslan

H.E. Amre Moussa,
Amb. David Drake

Amb. of Lithuania,
Ms. Rasha Kamal

H.E. Mr. Mounir Abdel Nour,
H.E. Amre Moussa

H.E. Dr. Hany Helal, Eng. Motaz Raslan, Mr. Saiid El Derini, Ms. Nevine Osman

Before the Minister's speech, El Gabaly said that Egypt is the world's richest region for rare minerals, which have been recently discovered in Abo Tartour. He confirmed that renewable energy is quintessential, saying that Egypt is quite late in this field.

H.E. Amre Moussa, Eng. Motaz Raslan, Amb. Salah El Din Abdel Sadek

Q&A Session

As the three-year transition period draws to an end with the up-coming presidential elections only a month away, businessmen, economists and politicians are bracing to get the economy back on track. Progressive strategies by top officials and foreign interest in the country's economy add to their enthusiasm and persistence to overcome the gigantic challenges facing Egypt at this critical stage.

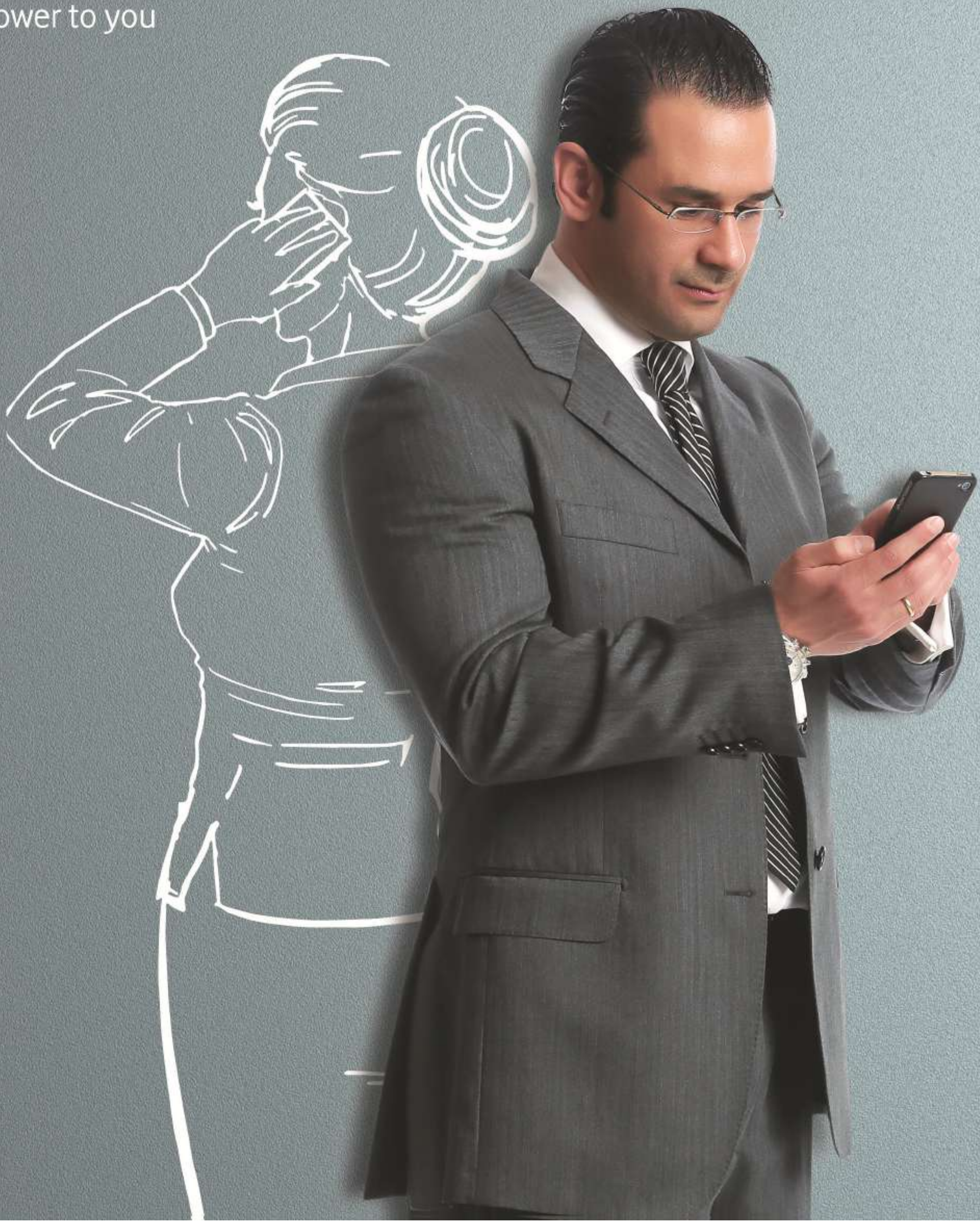
Tam Oilfield Guests

Investia Guests

Manapharma Guests

Part of the attendance


Polyserve



Savor Canada

Quebec City

It is time to discover why Québec is one of the world's most beautiful cities! Throughout Québec City and the surroundings, we've picked suggestions that we consider as must-see attractions

1. Fortifications of Québec

With close to 4.6 km of walls and imposing gates to explore, discover beautiful cityscapes and see how Québec's defenses developed under the French and English regimes. Cannons, loopholes, a star-shaped Citadel, Artillery Park, and fortresses are all part of this outstanding tour!

2. Old Québec/Dufferin Terrace

Visitors to Old Québec soon see why UNESCO designated it a **world heritage treasure**. You'll love Château Frontenac (the world's most photographed hotel), the centuries-old architecture, and the historic sites. The friendly atmosphere and affable locals add to the European charm.

Whatever the time of year, you'll find horse-drawn carriages, street entertainers, singers, and artists, particularly at Old Québec's own open-air art gallery, Rue du Trésor. High atop Cape Diamond, stroll along the **Dufferin Terrace** overlooking the St. Lawrence River and the surrounding area. Come watch the ice making its way down the river in winter.

3. Place-Royale/Petit-Champlain District

How about a trip back in time at Place Royale and some window shopping in the nearby Petit-Champlain District while you're at it!

As you wander past period buildings along cobblestone streets, enjoy the area's **boutiques, art galleries**, and **restaurants**. There's magic in the air, particularly over the Christmas holiday season. The oldest neighborhood in North America is also home to Musée de la civilisation, a bridge between the past and future with its modern design and fascinating exhibitions.

4. St. Lawrence River / Vieux-Port de Québec

The **St. Lawrence River,** a massive presence cutting clean across the Québec area, cannot be overlooked. Gateway to America, it has been a part of the city's economic landscape for over 400 years. Harbor and trade activities and the ever-growing number of cruise ships docking in the Vieux-Port de Québec testify to its

importance. A public market, park, bike path and shows also bring the Vieux Port to life and help make this river-washed place truly idyllic.

Near the bridges that span the River, the Aquarium du Québec not only provides an outstanding view of the majestic waterway, but also presents the marine mammals and species that inhabit it. Close by, the Promenade Samuel-De Champlain is also worth a gander: the River flowing at your feet is simply spectacular!

5. Sainte-Anne-de-Beaupré Shrine

For many, the Sainte-Anne-de-Beaupré Shrine has been a “place of miracles” for the past 350 years. It's well worth a visit.

The shrine, **North America's oldest pilgrimage site**, attracts some one million visitors a year. Marvel at the fabulous neo -Roman style basilica with its golden statue of Saint Anne. Admire the hundreds of stained glass windows, the nave, and the valuable works of art. Come recharge your batteries at this beautiful place of worship in the splendid countryside of the Côte-de-Beaupré region.

6. Montmorency Falls Park

This natural phenomenon is definitely not to be missed! At **83m high** (30m higher than Niagara Falls) Montmorency

Falls can be seen from all the way across the St. Lawrence River in Lévis! But the best views are from Parc de la Chute-Montmorency, where you can feel the full force and spray of the falls for yourself.

Take a gondola ride or walk the trails to the very top of the falls. In winter the spray freezes at the foot of the falls to form a huge "sugar loaf," another intriguing Québec City attraction.

7. Plains of Abraham

The scene of the 1759 battle between generals Wolfe and Montcalm, the Plains of Abraham are the heart and lungs of Québec City. Discover **one of the world's largest and finest urban parks**.

The Plains are perfect for all kinds of activities walking, cycling, picnicking, cross-country skiing, and more. It was here that Québec's national holiday is celebrated every June 24. Musée national des beaux-arts du Québec renowned for its exhibits and collection of Québec art is only a short walk away.


Coca-Cola
كأس العالم
لكل العالم
#شجع_حلمك
2014

African Agribusiness

Imagine for a moment the impact of a $1tn African agribusiness sector on the lives of Africans. Currently worth about $313bn, the sector already provides jobs for 70% of the poorest people on the continent. An increase greater than threefold will bring jobs to lift millions out of poverty; most stomachs will be filled with nutritious meals; Africa's agricultural exports will dominate global markets; and the continent's farmers, who have borne the brunt of harsh economic conditions, will get a new lease of life as they become competitive in the global marketplace.

This is not an unreachable dreamland; a World Bank report published in March 2013 argues that it could soon be a reality.

No Magic Wand

But no magic wand will cause a $313 billion agribusiness sector to grow into a $1 trillion behemoth. The World Bank cautions that everyone will have to work hard—governments, the private sector, farmers, and so on. However, the elements for a pole-vault jump are in place. For example, in addition to huge, untapped water resources, Africa

has more than 50% of the world's fertile and unused land—that's a whopping 450m hectares. The continent uses only 2% of its renewable water resources, while the global average is 5%. The steady and increasing private sector interest in African agribusiness is just the icing on the cake.

Also, while global prices of agricultural commodities are rising due to increasing demand, supply of these commodities is slowing due to factors like land degradation and water scarcity in many countries, especially in Asia. "Water scarcity has become a major constraint because of competition from rapidly growing industrial sectors and urban populations," states the Word Bank. Yet Africa has both water and land in abundance.

At first glance, the World Bank report paints a glowing—even celebratory—picture of African agribusiness prospects. But the report also rigorously highlights many stubborn and recurring obstacles in the path of development progress. It states that "to generate the jobs, incomes and food so badly needed for Africa's growing population over the next 20 years, agro-industries need to undergo a structural transformation," and it calls for more concerted investment in the sector.

Infrastructural Needs

African agribusiness desperately needs improved infrastructure. "Infrastructure is a high priority for jump-starting agribusiness throughout Africa. Best bets for infrastructure are irrigation, roads, and markets," according to the report. In 2010, for instance, Africa produced 1,300 kilograms of cereals

per hectare of arable land, which was about half of what South Asia produced per hectare, according to the World Bank. A major reason for that low production is the African countries low percentage of irrigated arable land, only 3% on average compared to a 47% average for Asian countries, states the Food and Agriculture Organization (FAO). On top of that, a lack of rural roads impedes farmers' access to markets and increases post-harvest losses.

Although increased financing is needed in the agribusiness sector, there have been improvements lately, notes the report. Even so, only 7% of Africa's agriculture comes from foreign direct investments, compared to 78% for Asia. The good news is that due to rising commodity prices, "the appetite is growing among investors, private equity, and investment and sovereign funds to tap into Africa's agriculture and agribusiness markets."

Partially because of the lack of infrastructure and investment, a continent with half of the world's fertile land spends $33bn on food imports annually, including $3.5bn on rice imports. Gone are those years, in the early 1990s, when sub-Saharan Africa was a net exporter of agricultural products. Currently, imports are as much as 30% greater than exports.

The report suggests it should be astonishing that developing countries such as Brazil, Indonesia and Thailand export more food products than all of sub-Saharan Africa combined. "The value of agricultural exports from Thailand (a country of 66 million people) now exceeds that of all sub-Saharan Africa (a region of 800 million people)." This situation is not sustainable, says Gaiv Tata, the World Bank director for financial and private sector development in Africa. "African farmers and businesses must be empowered through good policies, increased public and private investments and strong public-private partnerships."

African Leaders face the Challenge

It's not as if African leaders need any convincing about the need for more investments in agriculture, but more actions must match their words. In 2003, the New Partnership for Africa's Development (NEPAD), an African Union framework for the continent's socioeconomic development, launched the Comprehensive African Agriculture Development Programme (CAADP) "to eliminate hunger and reduce poverty through agriculture." By signing on to CAADP, most African governments agreed to invest at least 10% of their national budgets in agriculture and to raise agricultural productivity by at least 6%.

Through CAADP, Africa is slowly but steadily moving forward. Countries such as Ghana, Ethiopia, Rwanda and others have placed agriculture at thetop of their development priorities list. Martin Bwalya, the head of CAADP, says that over the past years, between 9 and 15 countries have made significant investments in agriculture, while 23 others have finalized their investment plans. However, the NEPAD 2011 annual report highlights that just eight out of Africa's 54 countries have met the target

of 10% of budget allocation, while just 10 surpassed the target of 6% productivity growth.

To commemorate 10 years of CAADP, African leaders in 2012 declared 2014 "the Year of Agriculture and Food Security in Africa." With African agriculture growing at 4%, the leaders hope to build on that momentum in the coming years.

Even these modest gains are commendable, analysts believe. They are a "strong contrast to what many acknowledge to be inadequate or even nonexistent national strategies that previously governed Africa's agricultural sector," according to the Brookings Institution, a Washington-based think tank. Hennie van der Merwe, CEO of the South Africa–based Agribusiness Development Corporation (ADC), adds that "Africa is currently experiencing a revival in terms of its focus on agribusiness, not only to increase food self-sufficiency, but also to create jobs and economic activity, specifically in rural areas."

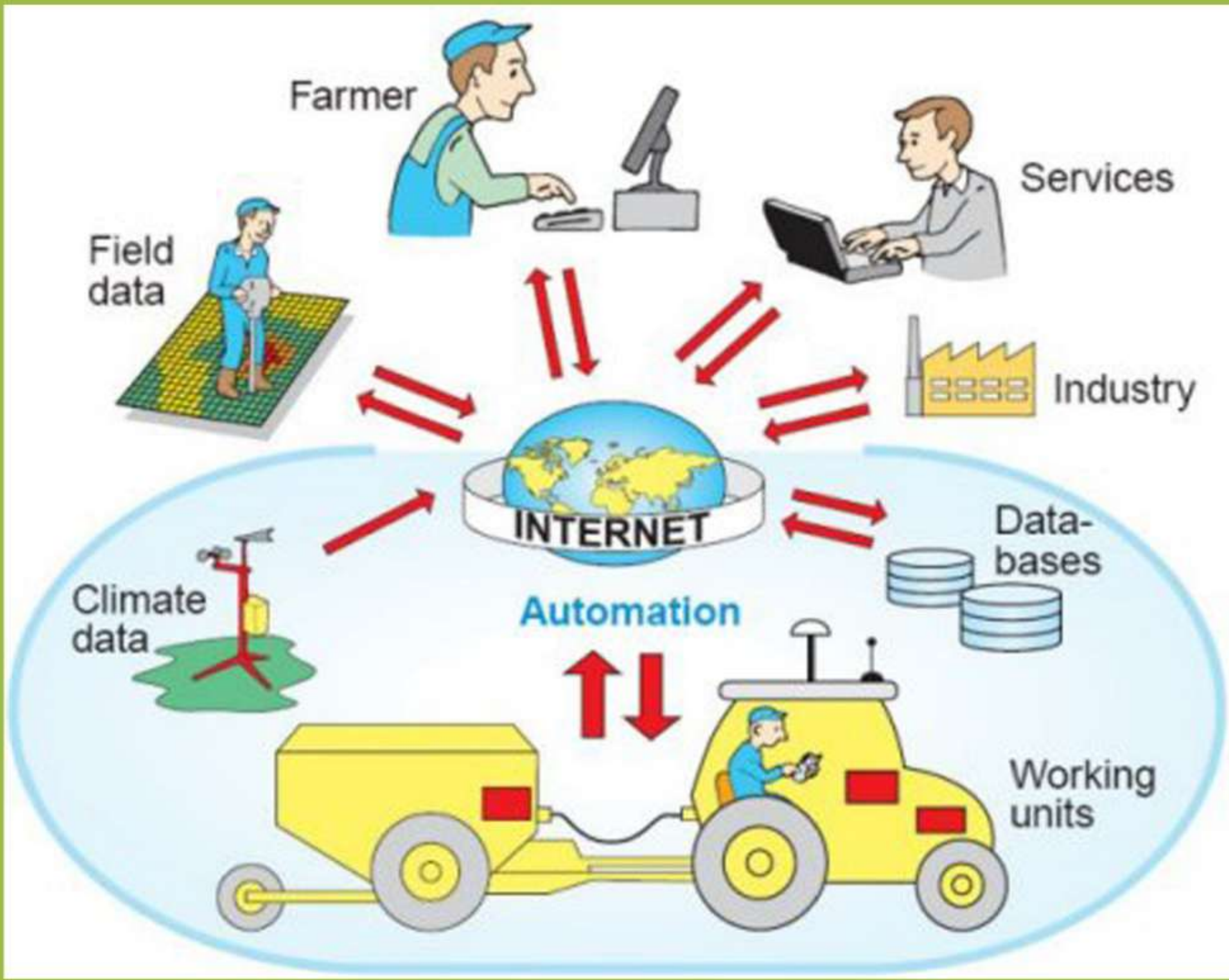
The World Bank concurs: "Côte d'Ivoire, Kenya, and Zimbabwe all have been successful exporters in terms of market share, Ethiopia, Ghana, Mozambique, and Zambia stand out as African success stories in terms of significant increases in export market shares since 1991."

Land Problems

Political commitment and investment aside, another lingering problem is land allocation and acquisition. Farmers in many countries cannot expand their farming because they have limited access to land, and discriminatory laws sometimes prevent women from gaining ownership. The World Bank report addresses the need for judicious and equitable land allocations, stressing that such allocations shouldn't threaten people's livelihoods. Land purchases also need to follow ethical standards; for example, buyers should pay fair market rates after consultation with local communities.

In 2011, the Oakland Institute, a US-based think tank, reported unfair land deals in South Sudan, under which foreign companies bought up fertile and mostly uncultivated land. Such deals did not clarify land tenure and usage, and worse, even threatened the land rights of rural communities. "Governments and investors must also put in place effective environmental and social safeguards to reduce potential risks of agribusiness investments, especially those associated with large-scale land acquisitions by investors," the institute advised.

Taking the ICT Route



Experts generally agree that technology, particularly information and communication technology (ICT), will boost agriculture. In an earlier report titled ICT for Agriculture in Africa, the World Bank listed ways in which ICT could support agriculture at every stage: pre-cultivation (crop and land selection, access to credit, etc.); crop cultivation and harvesting (land preparation, management of water, fertilizer and pest control, etc.); and post-harvest (marketing, transportation, packaging, food processing, etc.). Geographical information systems (GIS) can be used for land-use planning and climate change adaptation, for example, the Bank stated.

Already farmers in Kenya and Zimbabwe have deployed ICT in ways that have increased their income and productivity. Charles Dhewa, a Zimbabwean communication specialist, in 2012 launched eMkambo, an integrated virtual market where farmers and buyers share knowledge and transact business by means of mobile phones *(See* Africa Renewal *December 2013 edition).*

Farmers are also using ICT in other ways: to share new production processing and marketing skills in Burkina Faso; to trace mangoes via a system that connects Malian farmers to global consumers; to garner important information that improves forest governance in Liberia; to provide SMS-based services developed by Zambia's National Farmers Union. The World Bank says such ICT initiatives have been successful in part because "real economic value was added either because of savings resulting from the use of ICT or an increase in revenue or profitability."

Such is the importance of ICT to agriculture that in 2011 the International Fund for Agricultural Development (IFAD), the UN agency dedicated to poverty eradication in developing countries, called for policy innovations to make technology the main driver of African agriculture.

There is still some distance to cover to realize the dream of a $1tn agribusiness. But many hands are already on deck. Ghana and Senegal are forging ahead with rice production; Zambia's 88 million hectares of available land are said to be quite suitable for maize; and Côte d'Ivoire, Ghana and Nigeria already account for two thirds of the world's cocoa. There are abundant water and land, increasing private sector investment and political commitment, all of which provide flickers of hope for a sector under revival. The World Bank says that an African agribusiness sector is not just important for the sake of Africa but "essential for ensuring global food security."

By Kingsley Ighobor & Aissata Haidara

The Story of a Poor Man

One day, the wife, who had very long hair, asked her poor husband to buy her a comb for her hair to be well-groomed.

The man felt very sorry as he did not have enough money even to fix the strap of his watch he had just broken and so the wife did not insist on her request.

The man went to work and passed by a watch shop, sold his damaged watch at a low price and went to buy a comb for his wife.

He came home in the evening with the comb in his hand ready to give to his wife.

He was surprised when he saw his wife with a very short hair cut. She had sold her hair and was holding a new watch band.

Tears flowed simultaneously from their eyes, not for the futility of their actions, but for the reciprocity of their love.

To love is nothing, to be loved is something, to love and to be loved that is EVERYTHING. Never take love for granted.

Xerox WorkCentre 3315/3325 Multifunction System
Compact, high performance, outstanding value.

Superior desktop productivity with the latest office technology advantages. Delivering reliable, economical performance where you need it, print, copy, scan, fax and email. With standard automatic two-sided printing and speed: up to 31 / 35 ppm and Wi-Fi connectivity (WorkCentre 3325), help you stay focused on what matters most: growing your business.

Call now 19611

Join us on Facebook
www.facebook.com/XeroxEg

Follow us on twitter
@XeroxEG

xerox ®

Market Commentary
January 2014

By Matthew Strauss, CFA

Emerging Markets – Where To From Here?

Even if you do not follow market movements closely, it has been hard to miss the recent flood of articles, reports and comments about tumbling emerging market asset values.

A devaluation of the Argentinean peso, concerns about growth in China and confusing policy directions in Turkey have all been used as excuses to abandon emerging market investments.

Does this mean emerging markets are turning into a long term investment pariah?

The answer comes down to individual countries, since references to "emerging markets" as a homogenous group are becoming increasingly obsolete. To lump the Ukraine and South Korea together, or to view Mexico and Egypt as similar investment destinations are clearly stretching the imagination. In short, we view the cur-rent sell-off as an investment opportunity, rather than the beginning of a much deeper correction in emerging markets. However, plunging blindly into the wrong emerging country at this point could well be the beginning of more pain.

A Closer Look at Emerging Markets

Breaking up the emerging market group into subgroups is problematic, as many countries share characteristics. Apart from simply categorizing countries based on commodities or politics, the points below outline Signature's view on emerging markets in the current environment and where the risks and opportunities lie.

Quasi emerging markets: Argentina, Ukraine, Venezuela and Egypt. These countries are facing financial and economic ruin if no corrective measures are taken. In some respects, this group reflects the typical emerging markets of the 1980s: lacking policy visibility and stability, struggling with corporate governance issues and with political instability/radicalism as a continuous theme. This group represents a very high-risk investment destination. The potential of a full-blown crisis is never too far off.

The headaches (in order): Turkey, South Africa, Brazil, Indonesia and India. Also includes Hungary, Poland and Chile.

These countries are dependent on foreign capital in-flows, struggle with excessive domestic spending largely financed by credit rather than productivity increases, run current account deficits and have deteriorating fiscal situations. High inflation and depreciating currencies limit policy flexibility in most of these economies.

But all is not lost for these countries, which are extremely vulnerable to higher U.S. bond yields (i.e. the end of easy and cheap global money). Although they exhibit many parallels with the debt-fuelled Asian economies in the lead-up to the 1997/98 Asia crisis, today's "vulnerable five" are much less dependent on short-term foreign debt, boast healthier bank balance sheets, have stronger foreign currency reserve positions and have the insight of hindsight following the Asia crisis. Thus, al-though Turkey, South Africa, Brazil, Indonesia and India remain vulnerable to further currency depreciations, a full-blown financial crisis within this group seems much less probable than 1998. Some analysts like to add Poland, Hungary and Chile to this group to form the "edgy eight." (Analysts love coming up with catchy group names; some stick, some are sensible and some make absolutely no sense from an investment perspective – think BRICs.) The recent sell-off is opening up very interesting investing opportunities based on idiosyncratic company analysis.

Export focused: South Korea, Taiwan, Malaysia and Thailand.
These economies are benefiting from a popular theme in emerging markets during the 1990s and early part of the 2000s: exports to mostly developed countries, although China has also become a key export destination. How-ever, unlike the 1990s and 2000s, this group relies heavily on product competitiveness through innovation and efficiencies (South Korea and Taiwan) and tapping into global supply chains (Thailand, Mexico and Malaysia).

The growth fortunes of these countries are closely tied to developments in other economies, and more specifically developed markets. These markets are not immune to adverse developments elsewhere in emerging markets, but tend to be more resilient given their export focus. Political risk in Thailand, however, remains a wild card.

The stars: Mexico, Philippines and Peru. These emerging countries have relatively stable political environments that are conducive to structural reforms, healthy and/or improving fiscal balance sheets, positive current account balances and solid growth prospects. Mexico and the Philippines stand out in this regard, al-though equity valuations are more challenging given the strong macro backdrop.

China: China is indeed the proverbial elephant in the emerging market room. Not to say that there are few similarities between China and other emerging markets, but at the same time there are numerous developments that are specific to China, especially given its current political and economic structures.

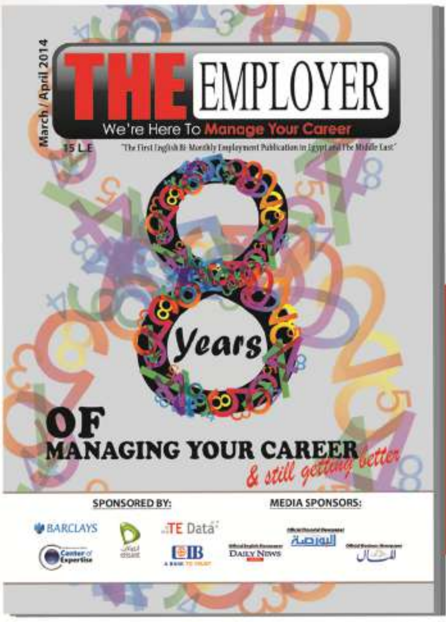
After a decade of fast growth, not least thanks to a huge investment and credit boom after the 2008 Lehman crisis, China must now address a number of imbalances in the years ahead: a highly leveraged economy, an over indebted local government sector, a loosely regulated shadow-banking system, huge excess capacity and extreme pollution.

On the positive side, the government and related authorities are very much aware of these issues and are moving (slowly) to address these problems. However, many of the factors mentioned above played a key role in driving economic growth in China in the last decade, especially during the last few years. Thus, although de-leveraging and a rebalancing of the economy are needed to ensure long-term sustainable growth, ad-dressing these issues will weigh on growth in the short to medium term. Global investors do not differ much on the topic of slower but sustainable growth; however, there is a major difference in opinion about the pace and depth of the slowdown and that is an important distinction between the China bears and bulls.

China bears predict a slowdown in growth that will happen faster than expected and eventually undermine the rebalancing/reform/deleveraging process. Given the amount of credit extended over the last few years and the difficulties countries have faced in the past in smoothly navigating a deleveraging process, this scenario should not be summarily dismissed and remains a significant risk.

THE EMPLOYER

We're Here To Manage Your Career



THE EMPLOYER IS NOT ONLY AN EMPLOYING MAGAZINE IT'S YOUR GUIDE TO A BRIGHTER FUTURE AND A DREAM JOB

LIKE US ON FACEBOOK
WWW.FACEBOOK.COM/THEEMPLOYERMAG

DOWNLOAD YOUR SOFT COPY
WWW.THE-EMPLOYER.NET

OUR MARCH / APRIL 2014 ADVISORS:

OMAR BAIG
CONSUMER BANKING DIRECTOR
BARCLAYS

HANAN ASHRY
HEAD OF HR STRATEGY & PLANNING
اتصالات
etisalat

MONA EL SAMAHY
STAFFING LEAD
Middle East & Africa Center of Expertise

TO JOIN OUR PROFESSIONAL ADVISORS CONTACT US ON:
01019447653 / 01019447645 / 01019447646

SPONSORED BY:

BARCLAYS
اتصالات etisalat
Middle East & Africa Center of Expertise

MEDIA SPONSORS:

Offcial English Newspaper — DAILY NEWS EGYPT
Offcial Financial Newspaper — البورصة
Offcial Business Newspaper — المال

Energy Subsidies Reform to take effect in July

Energy subsidy reforms will be effective starting from July, marking the beginning of 2014/2015 fiscal year, interim Prime Minister Ibrahim Mehleb said, while stressing the changes would not affect low-income citizens.

Mehleb noted, in a statement to Al-Ahram, that electricity and butane gas cylinder prices will not be increased for "middle and low-income segments of society," adding that the government had yet to decide whether it would increase fuel and diesel prices.

The announcement aligns with an early April statement by Minister of Finance Hany Dimian, who said the interim government would be able implement reforms on energy and tax systems before the elections, scheduled to take place in May.

Two weeks after taking office in February, Mehleb pointed out that the government would not suspend its commodities and services subsidies; instead it is working on "redistributing and offering it to those who deserve help".

Dimian described the energy subsidies system as "high and unreasonable", adding that it would not continue "in the current form". He stated that a total amount of EGP 1tn had been spent on the energy subsidies system since adopting it, but "living conditions haven't been improved."

Dimian explained that restructuring the system would be carried out through reducing the quantities distributed to beneficiaries, noting that the reduction rate would be determined according to the usage rate.

Egypt's spending on energy subsidies, which currently comprise EGP 128bn of the state's budget, will increase between 10% and 12%, Dimian noted.

The former cabinet headed by Hazem El-Beblawi promised in November that it would begin reducing fuel subsidies before it leaves office; however, it said that the reduction will not be implemented in a "shocking way", but instead gradually, with a plan being prepared in coordination with the Ministry of Petroleum.

Egypt, Saudi Arabia, to sign two new agreements to facilitate trade

Egypt and Saudi Arabia are currently preparing to sign a "customs cooperation agreement" to facilitate trade between the two countries as the Ministry of Finance announced in an official statement.

According to the ministry, "a second agreement will prevent double taxation and contribute to the promotion of Saudi investments in the Egyptian market." The ministry mentioned that the agreement would be signed soon but did not provide an exact date.

Mohamed Al-Salhawi, president of the Egyptian Customs Authority (ECA), said all the final provisions of the cooperation had been discussed between the two parties. Al-Salhawi added that the cooperation agreements entails that skill training will be offered to the customs officers. He mentioned that the field of customs will be developed through "exchange of information as well as the exchange of technical and managerial expertise".

The ECA president also announced the formation of a committee, comprised of himself and the Director General of the Saudi Customs (SADC), to work on overcoming obstacles facing the implementations of these agreements.

According to Al-Salhawi, a communication liaison will be appointed to arrange a meeting between specialists from both sides to seek the resolution of any obstacles that may arise. The ECA recently issued a circular exempting all Saudi Arabian means of road transportation from frees or taxes.

Following the ousting of former president Mohamed Morsi, Saudi Arabia pledged $5bn to Egypt in the form of grants, deposits and petroleum products. The Saudi aid was divided into $1bn cash, a five-year $2bn interest free deposit at the CBE and $2bn in the form of petroleum products.

A cooperation agreement between the General Federation of Egyptian Chambers of Commerce (GFECC) and the Jeddah Chamber of Commerce (JCC) was signed in January. JCC Board Director Sheikh Saleh Kamel then stated that the agreement would improve economic ties between both countries through various methods. During the same month, the Egyptian-Saudi Businessmen Association announced plans to attract 200 companies to invest a total of EGP 2bn in Egypt in 2014.

Egypt to lift natural gas prices for homes, businesses

Egypt plans to double the price of natural gas piped into some homes and businesses from next month, but the move will trim its huge fuel subsidy bill only slightly because few premises are connected to the gas network.

Energy prices in Egypt are among the lowest in the world, and the cash-strapped government spends more than a fifth of its budget on keeping them down. Although successive governments have called for reform, none have dared push through big price rises for fear of stoking public unrest.

According to a government decree issued late on Sunday, residential

and commercial users of less than 25 cubic meters of gas per month will pay EGP 0.40 ($0.06) per cubic meter from May.State newspaper Al-Ahram reported that the current price is EGP 0.10 ($0.01) per cubic meter for consumers that use less than 30 cubic meters a month. No officials from the ministry could be reached on Monday, a public holiday in Egypt, to confirm the current price.

The price hike, announced in the country's official gazette, does not apply to the electricity generation sector, which is the largest consumer of gas in Egypt. The decree also says that bakeries, which produce the staple food of most Egyptians, will not have to pay any higher price.

The price hike therefore only affects a small number of citizens whose homes have been connected to the gas network. Most poor Egyptians use cylinders of butane for cooking.

Egypt raised the price of the cylinders last year for the first time in two decades ahead of talks with the International Monetary Fund on a $4.8bn loan.

Talks later broke down, and some analysts said the price hikes were regressive, as they cut fuel subsidies for poorer Egyptians.

The government last year began a World Bank-backed plan to link 800,000 households a year to the gas grid in a bid to get consumers to use less state-subsidized butane.

Artificially low prices for electricity, for butane and for transport fuel at filling stations provide little incentive for Egyptians to curb

consumption, despite a fuel supply crisis that frequently causes blackouts.

Under the new pricing structure, those who consume 25 to 50 cubic meters per month will pay EGP 1 ($0.14) per cubic meter over 25. Those consuming over 50 cubic meters will pay a top rate of EGP 1.5 ($0.21), or around $6 per mmbtu for each cubic meter over 50.

By contrast, US householders paid an average of $0.36 per cubic metre of gas, or around $9.60/mmbtu, last year, according to US Energy Information Administration data. Government officials and industry experts says the wasteful subsidy system is at the root of a range of problems in Egypt's chaotic energy sector.

Egypt, facing the worst energy crunch in years, is scrambling to secure adequate fuel supplies for the summer to avoid popular anger over power cuts. Officials privately admit that campaigns to urge Egyptians to curb their consumption will have no effect while energy prices remain low

Sources: Al Ahram Newspaper Reuters
Daily News Egypt

PM reiterates Canada's commitment to nuclear security

Prime Minister Stephen Harper announced Canadian support to initiatives that will improve international nuclear security and address the threat posed by nuclear terrorism and weapons of mass destruction. The announcement was made on the margins of the Nuclear Security Summit (NSS) in The Hague, Netherlands, from March 24 to 25, 2014.

Support through Canada's Global Partnership Program (GPP) will facilitate projects that will enhance the physical security of nuclear facilities and radioactive sources, and combat illicit trafficking in countries in Africa, the Americas, the Middle East, and Southeast Asia. Select projects will be delivered in partnership with the IAEA and the Canadian nuclear industry.

Delivering on a commitment made at the 2012 Nuclear Security Summit in Seoul, Republic of Korea, Prime Minister Harper also announced the ratification of two conventions that will improve nuclear security and address the threat posed by nuclear terrorism: the Amendment to the Convention on the Physical Protection of Nuclear Materials, and the International Convention on the Suppression of Acts of Nuclear Terrorism.

Also announced was a joint commitment by Canada and Korea on the implementation of United Nations Security Council Resolution (UNSCR) 1540, which focuses on counter-proliferation efforts and enhancing the security of nuclear materials worldwide. To date, more than 30 countries have reaffirmed their shared commitment to concrete initiatives in support of the full and universal implementation of UNSCR 1540.

Finally, Prime Minister Harper announced that Canada will host an IAEA International Physical Protection Advisory Service (IPPAS) mission by the end of 2015. IPPAS is a peer review mechanism involving expert examination of a country's nuclear security system.

Canada's Prime Minister welcoming home members of the Canadian Forces

Prime Minister Stephen Harper issued a statement to mark the return of the Canadian Armed Forces from the NATO training mission in Afghanistan during a ceremony in Ottawa who are among the last members of the Canadian Armed Forces to return after serving Canada's mission in Afghanistan.

"I am very pleased to announce that May 9, 2014, has been declared a 'National Day of Honour' by Royal Proclamation, in recognition and commemoration of Canada's military mission in Afghanistan. Said Harper

Since October 2001, more than 40,000 Canadian Armed Forces members have been deployed to Afghanistan to work with Allies and the Afghan Government to defeat terrorism as well as promote security, development, and governance so that Afghans can build a viable, stable, secure and better governed country.

Sadly, many Canadians made the ultimate sacrifice for these goals and many others were injured carrying out their duties.

Free Trade Agreement with the Republic of Korea

Canada and the Republic of Korea have concluded negotiations for a bilateral free trade agreement that will significantly boost trade and investment ties between the two countries, creating jobs and opportunities for Canadians in every region of the country.

The Free Trade Agreement, Canada's first with an Asian market, will create thousands of new jobs in Canada and provide Canadian businesses and workers with a gateway to Asia, enhancing their global competitiveness. It will also level the playing field for Canadian companies competing with Korea's other trading partners, including the

United States and the European Union, who already have free trade agreements with Korea.

Canadian consumers will benefit from a greater variety of goods at lower prices, as the Free Trade Agreement will cover virtually all aspects of Canadian-Korean trade: goods and services, investment, government procurement, environment and labour cooperation, and other areas of economic activity.

The Agreement eliminates tariffs and reduces non-tariff measures that hinder market access for Canadian exporters and investors in Korea, bringing transparency and predictability to the business environment. Once the Agreement is fully implemented, Korea will remove duties on 98.2 per cent of its tariff lines, covering virtually all of Canada's imports.

The Canada-Korea Free Trade Agreement will benefit a wide range of sectors, including industrial goods (e.g. chemicals and plastics, information and communications technology, aerospace, metals and minerals, etc.), agricultural and agri-food products, wine and spirits, fish and seafood, and wood and forestry products. The Agreement will also benefit Canada's world-class services sector and strengthen opportunities and protection for two-way investment.

The Agreement is informed by public consultations, and reflects the views and priorities of Canadian businesses, provinces and territories, and other stakeholders. It has the support of Canadian businesses and the associations that represent them.

Members News

Mr. Ashraf Elarman
General Manager
Xerox Egypt

Ms. Zeinab Shata
Marketing Manager
Xceed

CEBC has the pleasure to share the good news of its prominent company member and corporate partner Xceed-Egypt's leading outsourcing and customer service provider- ranks among the best 100 outsourcing companies for the year 2013 recognized by the global, standard-setting organization and advocate for the outsourcing profession, IAOP™.

Xceed is the first company in Egypt and the Middle East to be recognized by IAOP for the fifth consecutive year for its commitment in applying best quality standards, improving the quality of service delivered to customers and focusing on customer's satisfaction. Xceed is the first company in Egypt to have gained ISO 22301 certification in business continuity management.

CEBC & ECSD congratulate Xceed's team on this well deserved success, the award confirms the recognition of Xceed's constant development and application of international standards for business continuity management.

CEBC Membes Benefits

Services:

Egypt Air:

CEBC members (their spouses & children) are offered discounted tickets on all classes.

Members who wish to receive the **Egypt Air Plus Mileage Card** are welcome to contact Ms. Amira Talaat from CEBC.

Alitalia:

CEBC members are offered from 6% to 10% discounted rate on their tickets to Europe on economy Classes (Y, B, M, H, K, V, T & N) and from 10% to 15% for Business Classes (C, D & I).

Members who wish to receive the **Alitalia discounted tickets** are welcome to contact Ms. Martha Youakim at 0120 41 41 430 or 22418490.

Travellers:

CEBC members are now entitled to a 20% discount offered by Travellers Egypt in the following hotels:

- Queen Beach Resort: Sharm El Sheikh
- Queen View Resort : Sharm El Sheikh
- Morgen Land Hotel : Saint Catherine

For any inquiries, kindly contact:

Ms. Hanan Abdo Mostafa
Tel: 02-27956856 / 02-27945724 (109)
Mob: 0122710002
Fax: 02-27962841 / 02-27964104
E-Mail: Travellersgroup@tedata.net.eg
Hanan_travellers@yahoo.com

Mobinil:

CEBC members are entitled to special offers from Mobinil on the following devices and buckets:

- Blackberries
- iphone
- ipad
- Samsung Galaxy Tab

Iram Jewelry:

CEBC members are entitled to a special **45% discount** on tag price amount.
The discount is neither valid in sales seasons nor on loose diamond stones.

Taki Vita:

CEBC members are entitled to **15% discount**
at "Taki Vita" showrooms and its agents all around Egypt.

Minart Furniture:

CEBC members are entitled to **15% discount** at "Minart" showroom for fine furniture.

Restaurants:

Cocoon Restaurant & Café:

Enjoy a special Promotion from
Cocoon Restaurant & Café.

Address: 49 Masr Helwan El Zera'ay St., Maadi

Rossini Restaurant:

Enjoy **15% discount** on all:
"A La Carte" menus and beverages in
"Rossini's Outlets, Restaurants".

Address: 66, Omar Ibn El-Khatab St., Heliopolis.

Casseruola, Kook's & Bigg's and Mozzarellina Restaurants:

Enjoy **10% reduction** on all the tasty
"A la carte" food & beverages and also
on total bill of Outside Catering.

Address: Sun City Shopping Mall
5th Floor – Autostrad Road – Sheraton Bldgs – Heliopolis

Hotels: CEBC is contracted for special room rates with the following hotels :

Cairo

- Fairmont Heliopolis & Towers
- Kempinski Nile Hotel
- The Gabriel
- Safir Cairo hotel

El Gouna

- Arenna Inn
- Ali Pasha
- Captain's Inn
- Dawar El Omda
- Fanadir
- Mosaique
- Turtle's Inn

Hurghada

- Kempinski Soma Bay

Nile Cruises

- Sonesta St. George Nile Cruise

Sharm El Sheikh

- Royal Savoy
- Savoy
- Sierra

Sokhna

- Movenpick Sokhna
- Jaz Little Venice

Taba

- Sonesta

C.E.B.C
CANADA EGYPT BUSINESS COUNCIL
CONSEIL D'AFFAIRES CANADA EGYPTE
مجلس الأعمال الكندي المصري

E.C.S.D
Egyptian Council for Sustainable Development
Conseil Égyptien pour le Développement Durable
المجلس المصري للتنمية المستدامة

Canada Egypt Business Council
and
Egyptian Council for Sustainable Development

Come and join us now and benefit from

May promotion

Address: 82, Merghany Street, 6th Floor, Heliopolis, Cairo

Tel: 2291-3675 / 2291-4975 **Fax:** 2291-7075

Email: noha.essam@canadaegypt.org
Amira.talaat@canadaegypt.org

Website: www.canadaegypt.org

Blending Cultures

CANADA EGYPT BUSINESS COUNCIL
CONSEIL D'AFFAIRES CANADA EGYPTE
مجلس الأعمال الكندي المصري

C.E.B.C

Members' Birthdates

Mr. Ismail Osman
Senior Advisor
Osman Group
May 03

Dr. Omar Barrada
Consultant
International Eye Hospital
May 5

Ms. Zeinabn Shata
Marketing Manager
Xceed
May 7

Ms. Soha El Deriny
Vice President, Board and Media Affairs
Egyptian Petrochemicals Holding Co. (ECHEM)
May 9

Mr. Moustafa Serry
Vice Chairman and Managing Director
IT Investments
May 14

Mr. Ahmed Mahrous
Legal Counsel & Arbitrator
Mahrous Law Office
May 17

Mr. Nadim Elias
Chairman and CEO
Sahara Printing Company
May 19

Mr. Mohamed Said
General Manager
Said Co. for Trading and Industry
May 20

Eng. Brian Twaddle
Country Manager & Director
TransGlobe Petroleum Egypt, Inc.
May 21

Eng. Hussein Khattab
Board Member
The Egyptian Methanex Methanol Co. (EMethanex)
May 22

Eng. Ahmed Tomoum
General Manager
Telecom and Technology
Company "TeleTech"
May 22

Mr. Mohamed Allam
CEO
Hassan Allam Properties
May 23

Mr. Mounir Kabbani
Chairman
New Moderna "Kabbani Bros."
May 24

Mr. Saiid El Derini
General Manager and Partner
Tam Oilfield Services
May 25

Mr. Samir Younis
Managing Director
Business Arab Consultants
May 25

Mr. Gamal Abou Ali
Attorney at Law
Hassouna & Abou Ali Law Firm
May 27

Mr. Aly El Shalakany
Partner
Shalakany Law Office
May 27

Mr. Brad Boyd
CFO, Vice President Finance
& Business Integration
The Egyptian Methanex
Methanol Co. (EMethanex)
May 29

Mr. Naguib Sawiris
Executive Chairman
Orascom Telecom Holding
May 30

Eng. Samir El-Alaily
Managing Director - Founding
Partner
Investia Venture Capital
May 31

THE EMPLOYER's 8TH

CORPORATE TEAM BUILDING FOOTBALL TOURNAMENT

MARCH 2014 WINNERS

1ST PLACE

منصور
MANSOUR

2ND PLACE

BDO

3RD PLACE

Egyptian Life Takaful Company | gig

BEST TEAM BUILDING SPIRIT
SAIBANK

BEST MANAGEMENT SUPPORT
Egyptian Life Takaful Company | gig

BEST CHEERING COMPANY
REDCON

FAIR PLAY WINNER
BDO

BEST TOURNAMENT SCORER
MOHAMED NAGDY
9 GOALS AL MANSOUR GROUP

BEST GOAL KEEPER
TE Data
MAHMOUD SAMIR
TE DATA

BEST SCORED GOALS IN THE TOURNAMENT
TITAN CEMENT EGYPT
AMR BARANY
TITAN CEMENT EGYPT

BEST COACH
MANSOUR
MASHHOUR HENDY
AL MANSOUR

BEST PLAYER
SOUQ.com
HOSSAM ABO OBAIDA
SOUQ.COM

New Members

Alphabetized by company name

Mr. Seif Eldin Mohamed Nour

Lawyer

Nour Law Office

Mr. Rami Maher Sadek

Associate

Nour Law Office