

**THE EGYPTIAN EXPORTING COMMUNITY AND
THE INSTITUTIONAL SETUP: ASSESSMENT OF
THE LAST DECADE DEVELOPMENTS AND
PERSPECTIVES FOR THE EU-MED PARTNERSHIP***

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Abstract

This study evaluates the development of the institutional environment in Egypt over the last decade from the perspective of the Egyptian exporting community. The main objective is to judge whether or not the institutional infrastructure is ready to supply Egyptian exporters with what is needed to cope with the liberal environment imposed by globalization, in general and by the proposed EU-Med agreement, in particular. Based on the results of a questionnaire distributed among a random sample of 45 Egyptian exporters, the study concluded that, in general, there has been overall progress in the institutional setup facing exporters in the last decade. However, it also identified a number of loopholes that need to be seriously tackled by the government in order to reach an efficient institutional environment. Among such loopholes are the incompetence of the Export Promotion Agencies, high prices for services, and a lack of an efficient system for enforcement of laws. The study revealed that the expected EU-Med Agreement can play a positive role in overcoming the inefficiency of laws enforcement and that the present labor market regulations do not represent a threat to export oriented development.

1. Introduction

The Egyptian government initiatives to catch up with the globalization era have been evident for the last five years. They ranged widely on policy and institutional levels on both the international and the domestic fronts. One major aspect of such initiatives was the decision to enter into a free trade area (FTA) agreement with the European Union (EU) (hereinafter called EU-Med). This is to be concluded for manufactured goods by the year 2010 along with better market access for agricultural goods and future negotiations are planned on liberalization of trade in services. The second stage of the EU-Med agreements is intended to expand the FTA to include the 12 Mediterranean non-members countries (MNCs)¹ - who initially signed individual agreements with the EU - together with the 15 members of the EU, eventually creating the largest FTA in the world².

This study evaluates the development of the institutional environment in Egypt over the last decade from the perspective of the Egyptian exporting community. The main objective is to judge - from this perspective - whether or not the institutional infrastructure is ready to supply Egyptian exporters with what is needed to cope with the liberal environment imposed by globalization in general and by the expected EU-Med agreement in particular. If the answer is no, the question is then, what needs to be done by the Egyptian government to overcome such institutional impediments.

The paper is divided into five sections Section 2 deals with the EU-Med initiative in general and emphasizes the necessity of a well established institutional infrastructure that enables Egyptian exporters to reap the benefits of the agreement and overcome its impediments. Section 3 discusses the results of a questionnaire distributed to a random sample of 45 exporters (mainly to the EU) which reveals the perception of the exporting community in Egypt regarding the institutional setup and its development over the last decade. Four main themes are dealt with, namely: the role of export promotion agencies in enhancing exports; the role of government in providing a favorable institutional infrastructure to enhance exports; exporters' anticipation of institutional dimensions of the EU-Med and its impact on Egyptian export market access and; the setup of the Egyptian labor market and its compatibility with exporters' needs. Section 4 compares the results of the study with the results of previous studies assessing the institutional environment in Egypt from the business

community's point of view (not necessarily confined to exporters). Section 5 concludes and provides some suggestions for further improvements in the institutional environment in Egypt that would enhance the environment for Egyptian exports.

2. The EU-Med Impact on the Egyptian Economy and the Role of Institutions

The analysis of the impact of the EU-Med agreement on the Egyptian economy in general, and on export promotion and market access to the EU in particular, has three main dimensions: a static dimension which deals with trade creation and trade diversion concepts, a dynamic dimension which deals with the role of foreign direct investment (FDI) and technology transfer in enhancing exports (quantity and quality wise), and finally an institutional dimension which deals with the importation of pre-examined, well developed and internationally compatible institutions (as the EU competition policy law and labor market regulations) that are adaptable to the Egyptian economy and can help improve its institutional infrastructure.

The Static Dimension

For this dimension, concerned with trade creation and trade diversion effects on the Egyptian economy, the agreement is assessed as being modest in its expected positive implications on the Egyptian economy. Among the main reasons for such modest expectations are: the relatively high most-favored-nation (MFN) tariff rates that Egypt continues to apply against the rest of the world: a lack of the type of intra-industry trade flows between Egypt and the EU which could have increased the potential of trade creation; type of and the ex-ante duty free treatment of most of the Egyptian manufactured exports to the EU (as stated in the old general Cooperation Agreement governing the Egyptian-EU trade relationship since 1977). Quantitative studies pursued to evaluate the static welfare effects of the EU-Med on Egypt revealed that the agreement alone - without pursuing multilateral liberalization and undertaking domestic trade reform measures - will result in negligible positive results (0.2 percent of GDP) after the full implementation of the agreement. However, if general trade reform is implemented - including a uniform reduction of MFN tariffs rate, improvement of customs procedures, abolishment of service bottlenecks and measures to reduce red tape - in preparation for entering the agreement - the static welfare gains could rise by 2.3-2.7 percent of GDP (Konan and Maskus, 1997: 168-173).

The Dynamic Dimension

For this dimension the EU-Med agreement is better viewed as a "challenging opportunity" rather than a panacea that guarantees increased inflows of FDI and technology into Egypt. Any positive impact of the EU-Med on promoting FDI inflows is mainly attributed to the increased trust of foreign investors in the Egyptian

¹ MNCs include Egypt, Tunisia, Morocco, Algeria, Syria, Jordan, Lebanon, Palestinian Authorities, Turkey, Israel, Cyprus and Malta.

² The FTA encompassing the EU and all the MNCs is expected to be the largest of its kind in the world when fully implemented. It will cover between 30 to 40 countries and a population of 600-800 million.

economy after signing the agreement, in addition to the utilization of competitive advantages enjoyed by the Egyptian economy, such as low labor costs and geographical proximity to the EU. The reason is that signing the agreement acts as an “anchor” for policy reforms that Egypt began to implement in 1991 under the Economic Reform and Structural Adjustment Program (ERSAP). Such an anchor effect would make backsliding on the undertaken reforms more difficult, hence sending positive signals to foreign (and local) investors regarding the credibility of such reforms. However, while such a dynamic positive effect is supported by some empirical evidence in the case of Portugal and Spain, where after joining the EU FDI inflows increased dramatically (Hoekman and Djankov, 1997: 284), it remains to be seen if the same effect will apply in the EU-Med case. As a result of the high MFN tariffs rate that Egypt would continue to apply after signing the agreement and due to the relatively small market size of the Egyptian economy when FDI is export oriented³, the “hub and spoke” effect could limit increased FDI inflows. It is argued that foreign investors might choose to locate in the EU “hub” rather than in one of the MNC “spokes”, such as Egypt, since they can enjoy cheaper access to imported inputs due to the relatively low European MFN tariffs and a larger market for their exported products.

Also, a major determinant for the impact of the EU-Med on promoting FDI and technology transfer lies in the presence of a friendly business environment, which includes favorable and stable policies as well as institutions. Thus, lowering the MFN tariff rates represents a major policy tool to overcome the hub and spoke effect. The presence of enforceable laws and regulations that promote FDI and guarantee low transaction costs and property rights protection also represents a major institutional tool that would enable the Egyptian economy to reap the dynamic benefits of the EU-Med and avoid its negative consequences. Therefore, the establishment and/or restructuring of organizations and institutions that are able to cope with an export promotion and a liberal economic environment cannot be neglected and are major determinants of the desired positive effects of the EU-Med on the Egyptian economy.

The Institutional Dimension

The effects of this dimension of the EU-Med on the Egyptian economy is difficult to evaluate. Some prominent economists have argued that the importation by the

³ Egypt, with total national income of about US\$ 60 billion, which is equivalent to a large metropolitan area in Europe. World Bank (1997), op.cit., p. 32. Moreover, Egypt has a market for imports less than half the size of that of Portugal, the poorest country in the EU. See R. Wilson (1994), “The Economic Relations of the Middle East: Towards Europe or within the Region,” *Middle East Journal*, Vol. 48, No. 2: 268-287, see especially p. 272.

developing partner from the developed regional trade agreement (RTA) partner of specific well established and pre-examined institutional models, that are compatible with the former’s institutional environment, can represent a major gain, given the country does not have to pass through the difficulties of establishing such institutions. (Lawrence, 1997: 21). In some cases financial and technical resources, as well, are provided to help the transformation process (Hoekman, 1995: 7). However, whether such institutions are adaptable to the Egyptian economic state of development remains unanswered. Evaluating the institutional dimensions embedded in the EU-Med, such as adoption of the European competition policy law, harmonization of laws and regulations, application of the European health and environmental standards, is difficult to assess in the short run due to the different developmental stages of the two partners. Nevertheless, an institutional upgrading in the Egyptian economy will be inevitable as the wide institutional gap between Egypt and the EU will have to be narrowed in order to cope with the rules of the game of the EU-Med, which to a large extent are dictated by the relatively more powerful partner in the agreement.

To sum up, the above discussion of the expected effects of the EU-Med on Egypt has no clear-cut answers. The main point is that in order to reap the benefits and avoid the negative consequences of the agreement, a compatible and an efficient institutional setup able to cope with the export oriented strategy of the Egyptian government is of the utmost importance. The experience of the past two decades has taught us that policies have remained relatively unsuccessful due to the absence of such institutional infrastructure. Piecemeal policy decisions that favored exports and investment were not able to achieve the expected goals because they have not been accompanied by a solid institutional base which lowers transaction costs and guarantees property rights for the exporting community. Section 3 considers whether, from the perception of the Egyptian exporting community, an improvement in a compatible institutional setup has been achieved that fits with the EU-Med and which aims towards overcoming service bottle necks, establishing and enforcing laws and regulations that favor exports and investment, founding of compatible export promotion agencies and providing compatible labor market regulations.

3. Survey Results

3.1. Methodology

A survey questionnaire was distributed among 45 exporters. The sample was randomly chosen regarding fields of activities, size of exporting companies and the destination of their exports, although there was a selectivity bias, present, given that the sample purposely included a majority of exporters that dealt with EU markets. Exporter contacts too, were drawn mainly from the databases of the Egyptian

Exporters Association (Expo Link) and from the German Chamber of Commerce along with personal contacts. Table 1 portrays the characteristics of the sample used.

The characteristics of the sample assert that it was randomly selected. A major exception, not intended, is that more than 50 percent of the exporters surveyed are from large companies (when measured by the number of employees) which could have a biased effect on some of the results obtained. Nevertheless, the study indicates when the size bias could have a determinant effect on the significance of the answers obtained.

The questionnaire contained two types of questions: The first was of the straight forward “yes” and “no” or “agree” or “disagree” type. Some of these questions included a “do not know” or “irrelevant” option. In analyzing these questions the simple addition of the “yes” or “no” answers informed the assessment, while the “do not know” option resulted in some of the questions not adding up to the total expected number of responses.

The second type of question - evaluating the development in performance of a certain issue - included “positive”, “moderate”, “negative” and “do not know” options. Sometimes the aforementioned options were mentioned twice in the same question (for example before 1995 and after 1995) to allow for measuring the development (whether positive or negative) of a certain aspect. The main approach used to analyze this kind of question was summing up the number of frequencies of “positive” answers, for example before and after 1995, to assess the degree of development of a certain aspect. To check for consistency, the number of frequencies of “negative” answers was examined as well. For example if the frequencies citing the quality of a certain service to be “positive” after 1995 were greater than that before 1995, their consistency was checked by the necessity of the number of frequencies citing it to be “negative” before 1995 to be greater than after 1995. The “moderate” or “do not know” answers were disregarded unless they had a significant frequency that could lead to a clear-cut interpretation.

3.2. Role of Export Promotion Agencies

The survey tried to answer three main questions, namely, to what extent do export promotion agencies help exporters in gaining information on export markets; to what extent do they assist in marketing their exports; and do they provide them with special services when needed. The investigated export promotion agencies included: (1) governmental organizations: commercial representative offices abroad, the Egyptian Export Promotion Center, Trade Point, Marketing Center of Ministry of Public Enterprise, the General Organization for International Fairs and Exhibition Fairs

(GOIEF), the Management Development Center for Business Sector; (2) non governmental organizations: business associations and the Egyptian Exporters Association (Expo Link); (3) specialized organizations: The Export Development Bank of Egypt (EDBE), The Egyptian Organization for Standardization and Quality Control (EOS), The International Executive Service Corporation (EISC), Center for Quality Assurance, The Export Credit Guarantee Company of Egypt (ECGE).

The perception of the Egyptian exporting community regarding the role of export promotion agencies was rather negative. The survey showed that gathering information on export markets was undertaken mainly through personal contacts. This was seen as the most highly dependable and frequent method used by 25 respondents while international exhibitions had 19 responses. The role of non-governmental organizations was moderately ranked, with nine respondents indicating frequent use.

The governmental organizations were ranked far below the above mentioned entities, with the highest response – five - given to the commercial representative offices. Marketing of exports was mainly pursued through international exhibitions which gained the lion’s share of responses - 28. It was followed by traditional foreign importers/personal contacts with 27 responses. The commercial representative offices were ranked far below with only 13 responses, while the Marketing Center of the Ministry of Public Enterprise had only two responses. Thus, it can be argued that the role of export promotion agencies, whether governmental or non governmental, in gaining information on export markets and marketing exports was relatively badly graded by the exporting community.

The interpretation of such results has three aspects. The first aspect deals with the selectivity bias embedded in our sample towards large incumbent exporters who have already been able to penetrate the export markets and the fact that their dependency on such promotion agencies is highly limited. The second aspect deals with the exporting activity per se. Even if small and medium size exporters are the ones investigated, they do not need such agencies except in the “start-up” phase of their exporting activity when they are completely ignorant about the process of exporting. Once they pass this phase, learning by doing complemented by international exhibitions and personal contacts, are sufficient to replace the role of such export promotion agencies in provision of information on export markets and marketing, especially since no aid is given by such agencies in lowering the costs of attending international exhibitions (revealed in personal interviews). Unless such agencies can provide exporters with additional information/facilities, other than that they can obtain by themselves, which does not seem to be the case, their role will be confined to help the “start-up” exporters. While this is important, it alone does not fulfill what is

expected from export promotion agencies as one of the major pillars of the government's export promotion⁴. Statistical measures, such as a correlation coefficient, applied to test for the correlation between the age of exporting firms and their dependency on export promotion agencies showed no definite significant correlation. The reason for the failure of statistical measures to detect any correlation lies in the average age of the companies investigated which was slightly over 17 years (the median was 14 years), with only two firms less than 10 years old⁵. The third aspect is related to the loss of credibility of such agencies. As personal interviews showed, a number of exporters in the sample reported having sought help from such agencies. However, the export promotion agencies did not follow up on these contacts with exporters, which led exporters to lose trust in all such agencies. Table 3 shows the main reasons, as perceived by the exporting community, for the low performance of such agencies.

Turning now to the specialized organizations as the entities providing loans on concessional terms for exporters and providing services related to standardization and quality assurance, the survey revealed that the degree of dependency on such agencies is very low (not exceeding five responses for all organizations). For example, exporters said that provision of loans from agencies established for that reason does not differ from obtaining loans from a normal commercial bank. Contrasting such perception with actual facts reveals that there exist loans on concessional terms for exporters both from specialized organizations (Export Development Bank of Egypt and the Export Credit Guarantee Company of Egypt) and even from normal commercial banks (SRI International, 1995: V-15, VI-37; Hatem, 1998: 22). However, the insufficiency of capital resources available for funding exporting activities and the trivial advantages of obtaining such resources (*Ibid.*) confirm the view of the exporting community on the relative absence of loans on concessional terms for exporting activities.

Regarding quality assurance and standardization organizations, exporters indicated that they rarely need them, due to the nature of the export process. Normal procedures for standardization and quality consist of being formerly specified and checked from the importer. A number of checks are maintained during the export production process by the importing agency staff, thus leaving a minor role for the domestic export promotion agencies, which face competition from international agencies performing

⁴ Interpretation mainly based on the impression of the author during the interviews.

⁵ Interestingly, the two youngest firms were one and two years old and the two-year old firm showed little dependency on such agencies in contrast to the one-year old firm, which blurred the significance of a reliable correlation coefficient able to capture the age effect.

in the Egyptian market. Moreover, the dependency on such agencies is highly limited to cases of mistrust on the part of the importer, or in the case of time constraints that prevent the importer from the normal checking system. Although the reliance on such agencies is relatively low, the quality of their services was graded as high, with relatively low prices, especially when compared with their international counterparts performing in the Egyptian domestic market. Therefore, such attributes of the quality assurance and standardization organizations should be capitalized upon in the context of the new export oriented strategy adopted by the government. Their role should be changed from re-active agencies, merely waiting to assess the standards and quality of commodities given to them, to pro-active agencies, actively collecting information on international standards and disseminating the findings to concerned exporters together with the know-how on attaining such standards.

The above analysis reveals that the export promoting agencies do not meet the needs of the exporting community. This result is partially attributed to the free market exporting system mechanism, which does not rely heavily on their services, unless the agencies are able to provide something beyond that which can be obtained by the exporters themselves. Their marginal role is further exacerbated by the loss of credibility resulting from their former weak performance.

3.3 Role of Government

In this subsection of the survey, an assessment of government efforts in creating an efficient compatible institutional setup for exporters over the last decade was undertaken from the exporting community's point of view. Three major fields of government endeavors in creating this institutional setup were investigated: the policies directly affecting the activity of exporting; laws and regulations and their enforceability and; the provision of services in the context of quality and cost.

An overall assessment of the first aspect revealed an improvement in government performance regarding policies affecting exporters in the last decade. A number of policies were assessed, including the duty drawback mechanism, customs procedures related to imports and exports, and tariff levels on imports.

A major improvement in the drawback system was graded by the exporting community as a top performer among the institutional changes the government has undertaken in the last five years. However, since the drawback system was not regarded as a major impediment before 1996, the improvements that this system has experienced while relatively high, started from a rather moderate level. It should also be mentioned that one of the government's pitfalls, not captured by the survey, is the failure to extend the duty drawback system to indirect exporters (i.e., producers who

make intermediate goods used by exporters producing final goods). The absence of such a waiver for indirect exporters put them in a relatively worse competitive position with their counterparts in other foreign markets thus reducing their incentives to be engaged in the exporting activity. Moreover, absence of such a scheme reinforces the weak backward linkages in the Egyptian economy where the exporter has no incentive to utilize domestic intermediate goods.

Other policies affecting the exporting activity have also experienced relative improvement, although not with the same degree of the drawback system. The survey revealed that customs procedures related to imports and tariff duties on imported inputs, remain relatively the most constraining impediments that experienced very low improvement. The ranking of responses shown in Table 4 assesses the severity of the constraints as perceived by the exporting community. It does not show the relative improvement over the last decade, although the exporting community agreed that all the factors mentioned in the table have experienced an improvement, with the exception of the unofficial payments to customs officials.

Regarding laws and regulations and their enforceability, the survey revealed that there is an overall agreement that such institutional aspects have experienced an improvement during the last decade (the period after 1996 as compared to the period before 1996) and had a positive influence on the business and exporting environment in Egypt (the respondents who agreed were more than sevenfold of the respondents who did not agree 31:4). The enactment of such institutional changes, especially Law 8/1997, resulted in a reduction of the transaction costs as bureaucratic procedures were diminished resulting in less time lost, while related unofficial payments were also reduced. Thus, it can be argued that the institutional changes had a positive impact by lowering the transaction costs needed to make business in Egypt. However, the majority (22 respondents as compared to 11 who disagreed and 10 who did not know) emphasized their belief that a lot of these changes as well as any forthcoming ones, only have effect if the exporters are powerful and have good connections with the executive body. Such perceptions are reflected in the opinion of the author regarding the newly enacted presidential decree No. 106/1999 (not captured by the survey). The new decree aims to consolidate all the quality and standardization activities related to exporting and importing procedures, under the auspices of the General Organization for Export and Import Control (GOEIC). The decree announced, as well, the adoption of what has been called the "White List", whereby exporters and importers that have acquired a good reputation for adhering to quality and standard rules will be exempted from the cumbersome procedures of GOEIC and other import and export inspection agencies with only random checking being applied (an exception is food imports). The intent of the decree was to reduce the transaction

costs – time- and money-wise - of trade activities in Egypt. However, the author is skeptical of any substantial positive effect from this decree for the following reasons: First, the decree opted for a 'positive list approach', the so called "White List" where only the exporters and importers that have developed good reputation are allowed to benefit from this special treatment. This means that all exporters and importers are considered "guilty", in terms of having bad reputations for conforming to standards and quality, until they prove otherwise. Had the approach been a "negative list approach" where all exporters and importers are considered "innocent" till they prove otherwise the decree might have had substantial positive effects. Second, by exempting certain exporters and importers from the cumbersome procedures of customs clearance and quality control, the government is discriminating against other traders. The reason is that those privileged traders are probably dominant figures in the exporting and importing processes where they have been accustomed to circumventing the awkward procedures and thus it does not affect their trade activity *per se*, though it might still reduce their profits. Other non-dominant and/or potential traders have to face these clumsy procedures, which in turn reduces their initiative to trade (export and import) (Ghoneim, 2000; forthcoming).

There was wide agreement on the existence of "good" laws for exporting and investment, but that they suffer from weak enforceability. There was also wide agreement shared by large and small exporters as well as old and new ones, that the existing laws and decrees are vague and/or contradictory. This implies that the positive assessment of institutional changes refers to the fact that such laws were finally enacted, but does not refer to their implementation. Consequently, there is still much effort needed by the government to create sustainable institutional reform, which goes beyond the announcement of laws. This must include timely and correct enforceability of laws by specialized organizations with well-trained personnel. There were two highly cited examples from the interviews undertaken with exporters that underpinned such issues of institutional change. The first example cited was with regard to the executive decrees that follow the announcement of laws. The issuance of decrees suffer from a long time lag making the announced laws, in practice, useless until the executive decree is circulated. The second example cited was with regard to the absence of executive power and well-trained personnel needed to implement laws and decrees. Moreover, the existence of contradictory and vague laws and regulations implies that the institutional change needed is not merely the announcement of new laws and regulations, but must include transparency, credibility and deregulation. Such views were shared by the exporting community interviewed, regardless of their size (measured by the number of employees). The correlation coefficient applied to

test the correlation between the size of the firm and its views concerning the aforementioned issues was in the neighborhood of nil.

Issues regarding start-ups of new companies or the addition of new activities to existing companies, whether in terms of time, number of procedures, or level of corruption; have experienced a positive change in the last five years in the view of the exporting community. Whereas the number of responses, which regarded such institutional issues before 1996 to be positive, were nil or very low and have increased tremendously after 1996, the number of responses which regarded it to have had a negative impact on their business, recorded high numbers before 1996 and decreased dramatically after 1996. Only corruption recorded the least positive responses in comparison to the time dimension and the number of procedures to start a new company.

Concerning the third aspect of the role of government, which deals with the provision of an efficient complementary service network for the exporting process, six services were assessed. They included: telecommunications, electricity, postal services, banking, insurance, air transport and maritime services.

The perceptions of the cost of services provided by the government, which exporters make heavy use of, were to a large extent inconsistent. More than 80 percent of the sample perceived the costs to range from moderate to high, whereas less than 20 percent perceived them as low, especially for the last five years. The cost of maritime services was perceived to have experienced a general reduction starting in 1996, as the frequency of the exporters who ranked the cost to be high decreased and the frequency of those who ranked it to be low increased. On the other hand, exporters seemed to perceive the cost of telecommunications to have experienced an increase. The frequency of responses which regarded it to be high after 1996, increased while the frequency of responses regarding it to be low, decreased. The perceptions for air transport, electricity, postal services, banking and insurance services were ambiguous. On the one hand, the frequency of responses perceiving an increase in cost after 1996, as compared to before 1996, increased - 60-80 percent regarded the costs to be high. On the other hand, the frequency of responses that perceived a lowering in the cost of these services after 1996, also.

Based on the impression obtained by the author from personal interviews, ambiguity regarding services is probably due to the respondents' mixing of the provision of such services, by both private and governmental organizations. Thus, the respondent was most likely expressing his view regarding the cost of the service per se, rather than on the provider of the service. However, the concrete conclusion that can be derived, is that the costs of such services remain high when the exporters calculate the costs of

production and/or exporting. A comparison of the costs of services in Egypt with other developing countries confirms such perceptions. For example, in the case of port services, a study found that the comparative cost of shipment and loading of a container in Egypt in 1994 was higher than that of Jordan, Syria and Turkey by approximately 27 percent, 22 percent and 19 percent, respectively (Mohieldin, 1997: 244-245). Port service fees are also some 30 percent higher than in other ports in the region (World Bank, 1995: 23). Thus, while freight costs to Europe, for example, are lower than other countries, the costs of loading and stevedoring are higher, which make the total cost in Egypt the highest as compared to other countries in the Mediterranean region. Consequently, Egypt's proximity to Europe does not count for much, given these export inefficiencies, especially when transport costs account for 11 percent of the CIF cost of imports and 10 percent of the cost of imported inputs, and hence reduce the ability of Egyptian exporting industries to compete internationally (see for example Benham, 1997: 14). Similar examples of inefficient services (high price/low quality) can be found in other sectors such as telecommunications, where for example the cost of obtaining a telephone line in Egypt is 16 times the cost of obtaining a telephone line in Malaysia (*Ibid.*: 4). In addition to this, the waiting time for a normal telephone line can extend to between two to three years, while the installation of an priority line requires approximately one year (in comparison to the waiting time of one day in Germany!).

The perception of the exporting community regarding the quality of the aforementioned services was relatively easier to interpret. The respondents all regarded the services to have experienced an unprecedented improvement in quality, with telecommunications as a top performer. The frequency of responses stating the higher quality of this sector after 1996 as compared to before 1996, was more than four-fold. Whereas the frequency of responses stating that it was of low quality after 1996 was one as compared to eight for before 1996). Other service sectors were also seen as having experienced an improvement. The number of response frequencies which regarded them to have high quality after 1996, increased three-to-four-fold when compared to before 1996. However, the performance of the banking and insurance sectors was seen as an exception having relatively worse performance of. Here also, the misconception regarding the mixing of the provider of services cannot be disregarded either. Overall, there is general agreement that whether the government or the private sector is providing the service, such services experienced an improvement in quality after 1996. Thus, it can be argued that the government efforts, begun in 1997, to reform many of the services are steps in the right direction.

Nevertheless, an important aspect that could undermine all the reforms undertaken, is the absence of a compatible institutional infrastructure represented by a competition

law, which is extremely important for the service sectors. For instance, for the government privatization strategy alone, the absence of such a law could lead to transfer of rents from the government to a private monopoly while keeping prices high and quality low.) This is a fatal loophole in the reforms recently implemented by the government.

The response as to whether or not the exporting community agrees with the involvement of another actor in the provision of such services was “yes”. However, there is a division among exporters on whether this second party should be the national private sector or the national and foreign private sectors. A small bias was shown for the national private sector alone (22 to 17). The exporters preferring only this sector (i.e. privatization) perceived that the entrance of foreigners into these sectors could have negative consequences from a national security point of view. Moreover, some argued that they feel more comfortable when dealing with Egyptians rather than foreigners providing the service. This does not reflect a socialist attitude as even those who preferred only national private involvement, also stated that foreign expertise could still be needed in order to upgrade the quality of the service. They merely were against the idea of foreigners controlling (through capital) such key sectors in the economy. Another interpretation could be that the exporters are still used to a certain institutional setting (social norms: traditions, connections, etc.) which implicitly make them more relaxed dealing with Egyptians.

3.4. The Labor Market

The aim of this survey subsection was to assess the perception of the exporting community regarding four major issues: the availability of different kinds of labor; the importance of training; labor market laws and regulations; and the priorities related to the role of government in restructuring labor-related needs for the exporting community.

Availability of different kinds of labor

The survey results revealed that in the last five years, the labor market has significantly improved in terms of availability of low-skilled labor, medium-skilled labor, medium-level management and high-level management. The abundance of low and medium skilled labor represents no constraint for the time being, however, medium and high level management are still not sufficiently abundant despite the improvement in their availability. This latter condition continues to have a negative impact on the working environment of the exporting community (Table 5). In spite of the perceived improvement in the availability of the aforementioned types of labor, there is still scarcity of high-skilled labor. In fact, the survey reveals that the availability of high-skilled labor has decreased over the last five years. This has very

important implications for the future of exports in Egypt as the availability of well-trained skilled labor is a cornerstone for attaining a competitive export position in foreign markets, where quality plays a paramount role. Moreover, the decrease in tariffs and the end of the import substitution phase, suggests that the historically maintained shares of export markets - due to preferential treatment - are not likely to continue in the future. High quality Egyptian exports cannot be achieved if the availability of high-skilled labor is a major bottle neck - perceived or in fact.

Training labor and its impact on export activity

The survey results showed ‘moderate’ as the most frequent option chosen by the respondents concerning the cost of training labor. The survey also revealed an increasing perception - in the exporting community - of the significance of training cost in the last five years. The loss due to trained workers leaving, has been assessed to have a negative impact on the exporting business and has increased relatively in the last five years. The absence of government and private labor training centers was again regarded to have a moderate influence on the business of exporters, although moving towards a more negative effect in the last five years. This implies that the need for such centers is becoming vital and is in line with the relative absence of high-skilled labor and the urgent need for this kind of labor for the future of exporting. The slightly higher number of frequencies that perceived the absence of private training centers as a greater impediment than the absence of governmental training centers, implies that the perception of the exporting community towards the role of government is not necessarily for the provision of such centers, but rather as encouraging private sector participation in the establishment of training centers. There were 15 responses viewing the absence of private training centers as a negative impact for the time period after 1996 versus 10 for the period before 1996. This is in comparison to 11 responses seeing the absence of government training centers as having a negative impact for the period after 1996 versus nine responses for the period before 1996. These results seem to reveal a better understanding by the exporting community of the role of government and the market economy. On the other hand, they could be manifesting low trust and absence of credibility of services provided by government.

Labor market rules and regulations

The survey respondents did not perceive this issue to have a major negative effect on exporters. The existing labor conditions do not represent a dominant impediment from the point of view of the exporting community, although there was no overall agreement on the terms of a labor law amendment. For example, 20 of the respondents did not agree with a law that facilitates the laying-off of workers, while

12 respondents agreed with such a law. This reflects that laying-off workers does not represent a major obstacle for exporters. They can get around the problem of unutilized labor or strict labor regulations by hiring temporary labor, thus escaping the social security requirements. Furthermore, 13 respondents agreed with the requirement for profit sharing with labor as decreed by law, while 18 did not agree. Although this is not a strong enough result to be able to confirm any particular trend, it does show that exporters do not have a major problem with the laws and regulations concerning labor.

Regarding the compliance with the laws and regulations concerning social security requirements, 18 respondents did not agree with the prevailing laws while 14 responses agreed. However, personal interviews revealed that the main problem facing producing exporters is not the amount of social security contributions, but rather that they believe that labor does not benefit from the existing social security system. Some showed no objection to an increase in social security contributions, if they were assured that the amount of money would reach workers.

The role of government in restructuring labor needs

Table 6 shows the perceptions of the exporting community towards prioritizing the role of the government in the labor market. The exporting community views the reorientation of the educational system to serve market needs as a top government priority. They perceived the provision of training centers to have a high priority as well, although lower than the reorientation of the educational system. They assessed the changing of rules and regulations concerning the labor market to be of moderate priority. But they assessed the provision of unemployment compensation to be of low priority. Such assessments reveal that in the perception of the exporter community, the need for government involvement is critical in those areas where the private sector alone cannot help.

The main conclusions that can be derived from the survey's labor market sub-section are: The most urgent institutional impediment facing the exporting community regarding the labor markets does not lie in the way the labor market is regulated. The exporting community seems to be rather satisfied with the prevailing system, only demanding improvements in the way profits are distributed among labor and in the way social security benefits are channeled. The most urgent institutional impediment is largely embodied in the lack of both high-skilled labor and middle management. Thus, the provision of training centers is vital as a short-term solution and reorientation of the educational system to meet market needs is the solution for the long-term.

3.5. EU-Med Institutional Dimensions

The aim of this sub-section of the survey is to investigate the perception of the exporting community towards the implications of some of the institutional aspects of the EU-Med agreement.

According to the survey results, the exporting community had an ambiguous attitude toward the impact of the EU-Med on their exports. While surveyed exporters were quick to note that they expected export opportunities and access to the EU market after signing the agreement, as compared to the status quo; their responses were, in general, rather neutral. 'Moderate' or 'do not know' were the most frequent choices regarding the institutional effect of signing an agreement.

The application of the rules of origin on Egyptian exporters' market access to the EU is a case in point. Exporters' 'moderate' responses were frequent. This could imply ignorance of the centrality of the issue of rules of origin when exporting to Europe. This lack of knowledge is perpetuated by lack of media coverage, since negotiations on the issue are still confidential. An exception to this uninformed condition is found among exporters of textiles and ready-made garments, who showed during the interviews, that they are well aware of the rule of origin issue. This is to be expected since the EU's most restrictive rules of origin are concentrated in that sector, and exporters have been suffering from a restrictive effect and do not expect any significant improvement when the agreement is signed.

Similarly, the frequency of 'moderate' answers regarding the impact of the application of the EU competition policy law in Egypt, indicates that the Egyptian exporting community does not yet perceive the urgency of such a law, which is mainly enacted to prevent the abuse of dominant positions by monopolistic and oligopolistic actors, a phenomenon not yet pervasive in the Egyptian commodity markets, excluding the public sector. It seems imperative that more research is done in that area.

The survey revealed that the surveyed exporters are optimistic regarding the impact of the elimination of tariffs on imported inputs, as this will strengthen the competitive position of the producing exporters. They were also optimistic about the impact of the relaxation of customs procedures on the EU side, although the status quo was not perceived as a highly impeding the access of Egyptian exports to the EU.

Application of antidumping measures was regarded as having the worst impact on Egyptian exports. This is in line with reality, as the frequency of antidumping measures has been rather high since 1995: three cases between 1996-1998, as compared to four cases between 1977-1995. Four out of seven cases were in the

textiles and ready made garments sectors (WTO, 1999). Moreover, it seems that the perception of the exporting community in the sample, most of whom are not textiles and garment exporters, is reflecting a media effect which shaped public opinion against the abuse of EU antidumping measures against Egyptian textiles and ready made garments.

Thirty out of forty respondents agreed that the EU requires specific standards that are not necessarily compatible with the standards of exports to other markets. Those who disagreed with that claim (10) are exporters who mainly export to the US and thus they believe that their products are already up to standards. On the other hand, those who agreed (30) are mainly exporters to African and Arab markets and thus feel that their product line would require some adjustment to EU standards. The same ratio of the perceptions of specific EU standards embedded in exports (three to one) was revealed in the responses to the question concerning the inclusion of the mutual recognition provision in the agreement, where the “yes” responses were always followed by either hopes that it can ease the standards impediment or that that this should be its actual role. The ‘nos’ were followed by statements of fears that the EU will find a way to apply still higher standards.

No concrete conclusion can be deduced from the survey regarding the perceptions of the exporting community of a number of trade policy issues specific to the EU before and after the starting of the negotiations of the EU-Med agreement in 1995, with only one exception which is the application of antidumping measures. The sample expected no changes as a result of the agreement with regards to rules of origin, customs procedures in the EU, competition from Eastern and Central European countries and competition from North African countries.

Regarding government’s awareness of the challenges facing the Egyptian exporting community in the EU market, the number of “yes” responses was far higher than the ‘no’ responses (26 to 15), showing a tendency towards a positive assessment. The survey showed that the exporting community is asking for more interaction between government officials and exporters, better dissemination of information, and engagement of exporters in the team of negotiators to be able to better reflect the needs of the exporting community.

Finally, there was an overall agreement on the need for specific export promotion agencies tailored for the EU market. While this might seem to be a contradiction with the above derived conclusion on the marginality of the role of export promotion agencies, rather it asserts the need for highly specialized export promotion agencies. As the author’s interviews revealed, the marketing of the same commodity differs from one market to the other. Thus, export promotion agencies need to focus on

distinct commodities, the various sizes of exporters and tailor their services to specific markets.

4. Comparing the Results of the Study with Previous Studies

This section has two main aims: Firstly, to provide a comparative static vision of the institutional impediments facing the business community over the last decade and; secondly, to compare the results of our study to results obtained in previous surveys.

Three studies (World Bank, 1994; Galal, 1996; Fawzy, 1998) were conducted between 1994 and 1998 to investigate the institutional impediments that hinder the private sector from flourishing and thus taking the lead role in the process of economic growth. The three studies were pursued after the implementation of the first phase of the ERSAP. Thus, taken together, they reflect a comparative static view of the institutional developments in Egypt over the last ten years. The results of the three studies are listed in Table 7.

Comparing the results of the studies is, however, difficult due to the different questions used in each study, different sample size, and different degree of disaggregation of the constraints studied. Nevertheless, some general comparisons can still be made to represent the main themes in institutional change development from 1994 onwards.

The problem of tax administration seems to be an urgent one that has not been fully tackled by the government. This problem is mainly perceived as one of institutional impediments related to the enforceability of laws and regulations rather than the proclamation of new laws.

The severity of non-efficient services became highly evident in the last few years. However, since 1997, a number of the aforementioned obstacles were dealt with through the implementation of ERSAP. The Fawzy study might not have detected the impact of Law No. 8/1997, which allowed FDI in many producer services (e.g., transportation, maritime, insurance) with the aim of making those service sectors more competitive and efficient. Our survey has been partially able to assess such changes as enough time has elapsed since the enactment of law No. 8 and some major changes in the services sectors (through privatization) have started to be realized.

The degree of severity of problems related to the labor market seems to have increased through time. While rated as relatively low in the World Bank and Galal studies, it appears to have gained relative importance in the Fawzy study.

How does our survey compare to the previous ones on export-related issues? The intention of the three aforementioned studies was not confined to export activity,

nevertheless the World Bank and Fawzy studies touched on that issue. The former study identified the constraints without ranking them, while the latter included problems of exporting as a constraint in its overall evaluation of constraints, while also ranking those perceived as most urgent.

The World Bank study identified three sets of constraints facing the export sector. The three sets were classified into those related to penetrating the foreign markets, those related to the regulatory framework and finally those dealing with supporting services. Regarding the first set of constraints, dealing with the penetration of foreign markets, they included difficulties in accessing markets, keeping track of consumer trends, achieving the needed high standards for products and packaging and identifying business opportunities abroad. The second set of constraints, related to the regulatory framework, identified problems related to administration of the duty drawback system, sales tax refund system, costs of freight insurance and insurance services in general, customs procedures investigating the sanitary and phytosanitary measures of exports and finally the non tariff barriers affecting the importing of inputs. The third set of constraints dealt mainly with services that exporters heavily depend on as transportation, port and maritime services (World Bank, 1994: 20)

Fawzy's study integrated difficulties in exporting as a constraint in its overall evaluation of constraints affecting the business community in Egypt. This was not shown in Table 7 as the other two studies did not incorporate this variable in their overall investigation. The study ranked the difficulties in exporting as the fourth urgent constraint in its investigation of a total of nine main constraints (Fawzy, 1998: 18). Thus when reviewing Table 7, difficulties in exporting will fit as the fourth constraint after labor regulations constraint and before policy uncertainty constraint. Moreover the Fawzy study disaggregated and ranked the problems facing exporters. Table 8 identifies the ranking of such constraints. One should be cautious in interpreting such constraints, however, as the impact of inefficient supporting services that was cited by the World Bank study as a major constraint for exporters, was not ranked in the set of export problems of Fawzy's study. It included services as a constraint in the overall evaluation of constraints facing the business environment.

Comparing the export specific impediments of the World Bank and Fawzy studies, one can safely conclude that the same set of problems were perceived in both, as affecting the export sector. The developments in the urgency of impediments cannot be compared, since as noted, the World Bank study did not provide any ranking. The minor differences in including/excluding some constraints in both studies (non-tariff barriers and absence of export credit) can be explained by the difference of the

surveys undertaken in both studies which could have raised some questions that the other did not.

When comparing the results of the export specific constraints of the World Bank and Fawzy studies, to our survey results, a number of insights are revealed:

First: They both identified marketing and penetrating new markets as major urgent problems. Our study, to the contrary, showed that marketing and penetrating markets is not a major impediment facing the exporting community. Explaining this paradox can be due to a number of reasons: a) the samples that the two studies used included the business community in general (exporters and non-exporters) whereas our sample was restricted to exporters. Thus, it is expected that non-exporters or potential exporters will cite marketing and penetrating new markets as a major impediment since they did not even reach the "start-up" phase of exporting (see Section 2.) whereas our sample consisting of incumbent exporters (more than 50percent are large exporters with an average of 17 years export experience) will not face such problems. b) The World Bank study when citing the problems related to foreign markets provided useful insights on the expected role of export promotion agencies. Our survey showed that their role was highly restricted to traditional services such as identifying business opportunities abroad and the announcement of international exhibitions. This shows that export promotion agencies must be more focused in the services they provide as discussed in Section 2. c) A possible explanation for not citing marketing and penetrating of markets in our survey, contrary to the former studies, could be due to the unenthusiastic attitude of exporters regarding the expansion of their export activities. Since the prevailing institutional setup allows them to gain high profit margins in the domestic market (due to high tariff levels, overvaluation of the Egyptian pound, customs procedures related to imports, etc.), exporting activity will remain of secondary importance for Egyptian exporters and they will remain rather satisfied with what they export as long as they maintain high profit margins from their sales in the domestic market.

Second: The problem of inefficient delivery of the services that exporters heavily depend upon (such as transportation, telecommunications, banking) was cited by the two studies as major impediments. Our survey revealed that progress has been made in this area. There was an overall agreement that the quality of such services have improved dramatically, while at the same time their costs also increased. Thus, the development could be regarded as moving from a phase of medium-high cost, low quality services to a high cost, better quality services. By making the services' markets more competitive and contestable (Law 8, privatization, BOT systems, commitments under the General Agreement on Trade in Services [GATS]), it is

expected that the high cost of such services will follow a decreasing trend and better quality will be provided. Nevertheless, it should be noted that the probability of backsliding on such reforms will remain high as long as the government does not provide the compatible institutional infrastructure. The absence of competition policy is a major pitfall as argued before. Moreover, the failure of the government to anchor its new reforms in the area of services in the GATS agreement is another major pitfall. Egypt's GATS commitments have been described as a matter of binding the protectionist status quo and do not imply any effective liberalization (Hoekman and Primo Braga, 1996). Nevertheless, the government embarked on tremendous liberalization and reform measures in the services sector beginning in 1997. It might be argued that this explains the inability of Egypt to bind its commitments as the GATS round ended in 1994. However, this is not true as the telecommunications sector reveal. The GATS negotiations on telecommunications ended in 1997 where 69 governments, among which 40 developing countries, made commitments to reform and liberalize their telecommunications sector. Moreover, the commitments undertaken did not require that reforms should be implemented immediately, for example, Morocco and Tunisia were scheduled to begin implementing their commitments in 2001 and 2003, respectively (for a review of the countries commitments in telecommunications see Mattoo, 1999). This example shows that not anchoring the reforms was a choice of the Egyptian government with no clear explanation. But how does this affect exports performance? The link between not anchoring reforms and exports performance is indirect and is mainly related to the ability of the country to attract investment (domestic and foreign). By not anchoring reforms through an international or a regional agreement, the government signals to investors that reforms undertaken might not be serious and there is a possibility for backsliding. In other words, the reforms of the government are not "credible" as the room for retreating and/or discretionary decisions becomes wide. Investors in services will avoid such countries whereas investors in non-services activities (manufactures and agriculture) will suffer from the absence of an efficient service infrastructure (due to the lack of investment in services), especially if they are export oriented and care about a low cost structure, and thus will look for another alternative. At the end, the country loses potential investors in services as well as in agriculture and manufactures. Loss of investment is translated to less output and hence less exports.

Third: The duty drawback system was cited as a major impediment in the World Bank study and as a moderate one in the Fawzy study. This trend of improvement has continued as our survey revealed, where it has been graded as one of the major top performers in terms of improvement after 1996. The customs procedures related to exports were ranked in the Fawzy study and in our survey to be least impeding,

implying that the needed improvements in such areas are minimal. Two major impediments remain significant for exporters regarding exporting procedures. The first is the unofficial payments that have to be paid for customs officials which increase the transaction costs of the exporting process and hence reduce the competitiveness of Egyptian exports. The second is the method adopted in reporting the weight of commodities exported. An erroneous reporting⁶, even if insignificant, which can result in imprisonment for the exporter⁷.

5. Conclusion and Suggestions for the Institutional Environment

The study revealed that there has been an overall progress in the institutional setup facing exporters in the last decade. However, it identified a number of loopholes that need to be seriously tackled by the government to reach an efficient institutional environment.

There seems to be a consensus among the exporting community regarding the changing role of the government in its help with exporting activity. Whether this arises from a better understanding of the market economy or from lost credibility in governmental-related actions or from a combination of both, it serves to benefit the future of the exporting activity. The survey revealed that the exporting community is asking for more involvement from the government in the provision of the needed infrastructure for development (such as reorienting the educational system, overcoming the contradictions and vagueness of laws). The survey showed as well that the exporting community welcomes the break-up of the government monopoly in the provision of services (telecommunications, transportation, etc.) and its stepping back from the establishment of export promotion agencies.

Institutional progress in terms of announcement of laws and regulations favoring exporting and investment activities has been achieved and well received by exporters. This is mainly attributed to the enactment of Law No. 8, speeding up the privatization process and other efforts aimed towards lessening the impediments facing the business community in general and the exporting community in particular (as the improvement in producer services). However, the implementation of an efficient institutional setup lacks transparency, credibility and enforceability. Moreover, there are a number of loopholes that can result in backsliding due to the absence of a competition law.

⁶ This can be due to the use of different balances of the exporter and/or the customs authority, or can be affected by exogenous factors such as climate in the case of agricultural products.

⁷ Based author's on interview with exporters of ready-made garments.

The institutional role of the EU-Med in complementing the establishing of an efficient institutional setup for exporting activity cannot be denied. Although, importing of some European institutions (e.g., the competition policy law and labor market regulations) in the short term may be inappropriate, due to the status of the Egyptian commodity and factor markets, the EU-Med still will have a potential role to play in enhancing the institutional setup in Egypt. Anchoring the regulatory and market reforms by binding the Egyptian government to the terms of the agreement and preventing any backlash can help in retrieving some of the lost credibility of the exporting community in governmental actions. Transparency and enforceability of laws, regulations and procedures related to exports are likely to be derivatives of signing the agreement. This can have an important spillover effect on exporting activity in general, since some of the expected improvements (customs procedures related to imports and exports) will have positive externalities on customs procedure processes in general. Harmonization of standards and mutual recognition agreements are likely to upgrade the quality of Egyptian exports which will make it easier to penetrate other markets as well. However, it has to be asserted that Egypt should impose its own version of the imported institutions. In other words, tailoring the European pre-tested institutions to Egyptian development needs, should be done prudently in a way that takes into consideration the differing developmental levels⁸.

The most urgent effort needed by the government on the institutional front is the enforceability of laws and regulations. Achieving this aim requires the avoidance of over-regulation and narrowing the lag between announcement of laws and their implementation. Discretionary decisions should be kept at a minimum to avoid losing transparency, credibility and consistency. Discrimination between exporters when considering their size and financial abilities should be avoided when invoking laws and regulations. As the perceptions of the exporting community revealed and the anticipation of the new presidential decree indicated, such aspects have to be emphasized in order to stimulate motivation among potential and small exporters.

⁸ Citing D. North, the Economic Nobel Laureate, "What happens when a common set of rules is imposed on two different societies? The U.S. constitution was adopted (with modifications) by many Latin American countries in the nineteenth century, and many of the property rights laws of successful Western countries have been adopted by the Third World countries. The results, however, are not similar to those in either the United States or the successful Western countries. Although the rules are the same, the enforcement mechanisms, the way enforcement occurs, the norms of behavior, and the subjective models of actors are not. Hence, both the real incentive structures and the perceived consequences of policies will differ as well. Thus, a common set of fundamental changes in relative prices or the common imposition of a set of rules will lead to widely divergent outcomes in societies with different institutional arrangements" See. North (1990), p. 101.

To keep pace with the accelerating globalization process and to achieve the intended objectives of export promotion agencies, their role should become more specialized, taking in consideration the differences among their beneficiaries, such as size, commodity sectors and targeted markets. Furthermore, a new task should be added to the agenda of export promotion agencies, namely, acting as business brokers. In addition to their main role of marketing and gathering of foreign market information, they should perhaps gather information on subcontracting activities and disseminating such knowledge among direct and indirect exporters. In other words, their matchmaking role should be pursued in the local market as a means to enhance the forward and backward linkages of the economy. Despite the low dependency on export promotion agencies by the exporting community, the survey respondents agreed on the need for specialized export promotion agencies that promote exports to the EU (32 responses out of 36 said 'yes').

Moreover, most of the respondents agreed on the need for better representation of their needs in negotiations with the EU. They mainly asked for transparency through their engagement in the negotiations and through more interactions with government officials. This underpins another important role for the non-governmental export promotion agencies that need to be enhanced. Finally, it should be emphasized that governmental efforts aimed at establishing new export promotion agencies aggregated on the basis exporter size, commodity sector and export market orientation (e.g., the idea of establishing Exporters Federation) are likely to be fruitless; given that the varying interests of exporters brought under one umbrella are likely to be controlled by the most powerful figures in the exporting community.

Labor market regulations do not seem to act as a major impediment for the exporting community, but rather the availability of certain categories of labor (especially high skilled labor and medium level management) seem to be the major problem. This indicates that the role of the government should be focused on the provision of qualified training in the short-to-medium term. This would meet the needs of exporters and producers and reorient the educational system towards market needs in the long run. The EU-Med can play a positive role in this regard. Technical assistance provided by the EU should be appropriately allocated to meet such aims. The government, on its behalf, should increase its efforts concerning vocational training by establishing the needed technical schools. The business associations should have a role by channeling and revealing the needs of the business community in this area. The EU should increase its decentralized technical training programs that target exporters only, to those which target producers (e.g., the new project of Modernizing the Egyptian Industry).

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Table 1: Characteristics of the Exporters Sample

Total Size of Sample	45
Of Which: Producing and exporting	40
Of Which: Exporting only	5
Food Processing and Beverage	13
Textiles and Ready Made Garments	8
Agricultural Produce	5
Leather Products	8
Chemicals	4
Other	7
Small exporters (total employees less than 100)	8
Medium exporters (100-200 total employees)	9
Large exporters (over 200 total employees)	25

Table 2: Destination of Exports in the Sample

Destination of exports	Number
EU only	6
EU/US only	3
EU/Arab countries only	6
EU/African countries only	1
EU/Asia only	0
EU with a combination of other destinations (i.e. US and/or African and/or Arab countries)	22
Not to the EU	4

Table 3: Ranking of Frequency of Responses of Impediments Facing Export Promotion Agencies

Impediment	Rank of frequency of responses as an impediment with negative impact on the performance of such agencies
Bureaucracy	1
Absence of technical staff	2
Ability to reflect business needs	3
Coordination with other agencies in the same field	4
Funding	5
Definition of their role	6

Source: Survey results

Table 4: Assessment of Government Policies Concerning Exports

Institution	Rank of Frequency of Responses as Most Impeding
Unofficial payments to customs officials	1
Customs procedures related to imported inputs	2
Tariff levels on the imported inputs	3
Laws and regulations concerning imports	4
Drawback mechanism	5
Laws and regulations concerning exports	6
Customs procedures related to exports	7

Source: Survey results