ECONOMIC RESEARCH FORUM

منتدى البحوث الاقتصادية

2017

working paper series

THE POLITICAL ECONOMY OF A SECTOR IN CRISIS: INDUSTRIAL POLICY AND POLITICAL CONNECTIONS IN THE EGYPTIAN AUTOMOTIVE INDUSTRY

Amirah El-Haddad, Jeremy Hodge and Nizar Manek

Working Paper No. 1112

THE POLITICAL ECONOMY OF A SECTOR IN CRISIS: INDUSTRIAL POLICY AND POLITICAL CONNECTIONS IN THE EGYPTIAN AUTOMOTIVE INDUSTRY

Amirah El-Haddad, Jeremy Hodge and Nizar Manek

Working Paper 1112

June 2017

Send correspondence to:
Amirah El-Haddad
Senior Economist, German Development Institute and ERF
Amirah.El-Haddad@die-gdi.de

First published in 2017 by
The Economic Research Forum (ERF)
21 Al-Sad Al-Aaly Street
Dokki, Giza
Egypt
www.erf.org.eg

Copyright © The Economic Research Forum, 2017

All rights reserved. No part of this publication may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without permission in writing from the publisher.

The findings, interpretations and conclusions expressed in this publication are entirely those of the author(s) and should not be attributed to the Economic Research Forum, members of its Board of Trustees, or its donors.

Abstract

The Egyptian automotive industry developed under the country's policy of import substitution industrialization (ISI). It mainly catered to Egypt's small domestic market. The Open-Door Policy of the seventies opened up the sector to joint ventures and imports with further liberalization with the Economic Reform and Structural Adjustment Program (ERSAP) in the nineties. Despite some liberalization, the main features of the seventies' import substitution policies remained in place. Both assembly and feeder industries were protected through relatively high effective rates of tariff protection and local content requirements. The sector has faced a series of setbacks since the January 2011 revolution and then again in 2015, the latter including maximum caps on dollar withdrawals and deposits imposed by the Central Bank of Egypt (CBE). The sector's influential businessmen have developed a draft law for a series of non-tariff trade barriers to protect their assembly and manufacturing roles in the industry. Unable to compete in the global environment, if not protected these firms would turn into importers and distributors. This study documents the evolution of the sector since the Nasser era. It also discusses the interconnected network of politically connected firms and its influence over the policy making process in Egypt. The first part of the paper examines the protective environment within which the automotive sector has grown and the way it has shaped industry structure and market players. The second analyzes state-business relations and the interlinked network of power within the industry.

JEL Classification: L6

Keywords: Industrial policy; automotive industry; Egypt

ملخص

تطورت صناعة السيارات المصرية في إطار سياسة البلاد لاستبدال الواردات والتي تهدف أساسا إلى السوق المحلية الصغيرة في مصر. وقد فتحت سياسة الباب المفتوح في السبعينيات هذا القطاع أمام المشاريع المشتركة والواردات مع مزيد من التحرير مع برنامج الإصلاح الاقتصادي والتكيف الهيكلي في التسعينات. وعلى الرغم من بعض التحرير، ظلت السمات الرئيسية لسياسات الاستعاضة عن الواردات في السبعينات قائمة. وتمت حماية صناعات التجميع والصناعات المغذية من خلال معدلات فعالة نسبيا لحماية التعريفات ومتطلبات المحتوى المحلي. وقد واجه القطاع سلسلة من الانتكاسات منذ ثورة يناير 2011 ثم مرة أخرى في عام 2015، وشمل ذلك الحد الأقصى للقبض على سحب الدولار والودائع التي فرضها البنك المركزي المصري. وقد وضع رجال الأعمال المؤثرون في القطاع مشروع قانون لسلسلة من الحواجز التجارية غير الجمركية لحماية دورهم في التجميع والتصنيع في هذه الصناعة. وبسبب عدم القدرة على المنافسة في البيئة العالمية، فإن لم تكن محمية، ستتحول هذه الشركات إلى مستوردين وموزعين. توثق هذه الدراسة تطور القطاع منذ عهد جمال عبد الناصر. وتناقش أيضا موقف الشركات ذات الصلة سياسيا وتأثيرها على عملية صنع السياسات في مصر. ويتناول الجزء الأول من الورقة البيئة الوقائية التي نما فيها قطاع السيارات والطريقة التي شكل بها هيكل الصناعة والجهات الفاعلة في السوق. وتحلل الثانية العلاقات بين الدولة والعلاقات التجارية.

1. Introduction

The automotive sector has become increasingly globalized as Original Equipment Manufacturers (OEMs) have outsourced much of the manufacturing of their vehicles to regional 'Tier 1'[1] and 'Tier 2'[2] companies in developing countries. This trend has been driven by both the search for cheap labor and access to new markets. Countries such as India, China, Thailand, Turkey, Iran, South Africa, Brazil and a number of former Eastern Bloc countries such as Poland, Romania and others have emerged as major players in the international automotive sector as cheap locations to assemble 'Completely Knocked Down' (CKD) and 'Semi-Knocked Down' (SKD)[3] vehicle kits, and as producers of specific components and spare parts that are shipped internationally to assembly sites in other countries. OEMs have become increasingly vertically integrated across multiple countries and continents demanding their Tier 1 and Tier 2 affiliates be able to accommodate 'Just-in-Time' (JIT) manufacturing practices.

Unfortunately, for Egypt, decades of protectionism has left the country's automotive sector small, under-developed, largely incapable of competing internationally and unable to successfully integrate itself into global supply chains. Underutilization of existing factory capacity means the country's feeder industries[4] have failed to develop economies of scale that would enable them to cheaply produce large amounts of components and spare parts for export, while the operations of local companies assembling foreign brand vehicles remain modest and limited to catering to Egypt's small, if growing, domestic market.

The sector insulated itself from successive waves of liberalization in both the 1970s and 1990s with tariffs on imports of fully assembled Completely Built Up (CBU) vehicles, spare parts and raw materials for component production remaining as high as 135% of the Free On Board (FOB) price. Protection largely worked to serve the interests of a small group of privileged politically-connected family-run firms (PCFs) of assemblers and components producers who have carved the sector up amongst themselves. Presently these firms are working hard to erect new non-tariff trade barriers to obstruct the implementation of Egypt's Euro Mediterranean Free Trade ('Euro-Med') Agreement with the European Union (EU), which obligates Egypt to remove its tariffs completely on imports of CBUs, components and raw materials from Europe by 2019 through an annual phasing out process.

This study documents the evolution of the sector since the Nasser era. It also discusses the interconnected network of politically connected firms and its influence over the policy making process in Egypt. The first part of the paper examines the protective environment within which the automotive sector has grown and the way it has shaped industry structure and market players. The second analyzes state-business relations and the interlinked network of power within the industry.

[1] 'Tier 1 companies' refers to sub-system suppliers that that often manage the design and development of new vehicles on behalf of OEMs. Tier 1 companies are active globally, usually in countries where their OEM clients operate.

[2] Tier 2 companies tend to be large regional firms that provide small sub-systems and large parts to Tier 1 companies to be assembled into larger systems. Tier 1 players increasingly outsource much of their development of sub-systems and components to Tier 2 companies who remain competitive by providing increased value added in their parts.

[3] Knocked Down (KD) kits are disassembled packages of manufactured parts and components that are sent abroad to be assembled into completed products in foreign countries. Completely Knocked Down (CKD) refers to kits that include all necessary parts needed to manufacture a product, while Semi-Knocked Down (SKD) refers to incomplete kits that require additional parts and components to be added to them in order to produce a finished product. Companies that assemble SKD kits have higher value added than those that assemble CKD.

[4] Feeder industries are sub system, spare parts and components suppliers whose products are sold to assemblers and manufacturers.

2. History and Background: A Tight Protective Environment

Beginning in 1961, all production in the automotive sector was monopolized by the state run El Nasr Automotive Manufacturing Company (‘NASCO’) as part of the import substitution policy adopted following the 1952 revolution. The policy sought self-sufficiency, producing enough vehicles to serve Egypt’s small domestic market but did not extend to developing exports. NASCO continued its operation during early years of the Sadat era, remaining the sole vehicle assembler in Egypt between 1973 and 1977, exporting vehicles to Iraq, Kuwait, Libya, and Syria (American Chamber of Commerce in Egypt (AmCham) 2011). The following section outlines the developments of the sector since liberalization.

2.1 Partial Liberalization of the economy: the open door policy

Sadat reversed the nationalist-socialist development strategy, spearheading the country’s first move towards economic liberalization under the ‘Open Door’ policy which was part of a broader campaign to mend relations and increase cooperation between Egypt and western nations. With the liberalization of the economy, bans on the direct import of foreign vehicles, raw materials and spare parts were lifted[5] in 1974. Liberalization was however constrained. Protectionism and import substitution remained the driving force within the country’s manufacturing sector (cf. Waterbury 1983; African Development Bank (AfDB) 2000; Loewe 2013; El-Haddad 2014), with relatively high customs and tariffs on foreign CBUs imposed as a means of protecting Egypt’s local feeder industries, most of which were consolidated in the hands of a small number of influential businesses and politically-connected stakeholders.

2.1.1 Local Content (LC)

The implementation of *LC* requirements was another policy initiated by Sadat to boost feeder industries and automotive assemblers. The fabricated metal industry in particular has expanded primarily because of the local content requirements specified in Presidential Decree No. 351/1986 and later in Ministerial Decree 304 for 1989. The decrees stipulated that all automotive vehicles assembled in Egypt maintain not less than 45% local content levels of parts and components. Once assemblers satisfy the local content requirement they enjoy customs exemptions for imported components, which encouraged several foreign companies to enter the Egyptian market. This was also known as a *dual tariff protection scheme* (AmCham 2011). But LC policy was a double-edged sword, whilst it created the assembly and spare parts sectors it effectively also protected them, shielded the industry from foreign competition and so yielding rents to the company owners.

2.1.2 Creation of dominant market players during the open door policy era

In his first years Sadat imprisoned senior pro-Soviet leftist figures loyal to former President Gamal Abd al-Nasser, forcing them from government and the security forces.[6] In their place, a new class of private sector merchants with connections to foreign corporations were cultivated by Sadat, serving as the President’s new power base. Many of these individuals were members of Egypt’s pre-1952 elite who enjoyed privilege under the monarchy but were marginalized under Nasser’s policies of centralized planning and state-led economic growth (Springborg 1989). Among them were Lotfy Mansour, founder of the Mansour and Sons Cotton Company, established in 1952 and later nationalized by Nasser in 1965 (Al-Ahram May 10, 2015). In 1975 the company was revived as the Mansour Group operating in automotive, becoming the sole importer and distributor of Chevrolet vehicles in Egypt via its partnership with the American car company General Motors (GM).[7] In later years, the

[5] Along with the liberalization of the foreign exchange market and consumer imports.

[6] Among them former Vice President Ali Sabri.

[7] These operations were through its subsidiary, the Mansour Automotive Company (Mansour Group 2015).

Mansour family would go on to be one of the richest and most influential families in Egypt, with the Mansour Group operating in a number of sectors.

During this initial phase of liberalization, foreign brands began to enter the market, however their scope was mostly limited to direct imports rather than assembly. The few foreign brands that did manage to establish assembly operations after 1977 did so by cooperating with politically-connected firms (PCFs). These included the state run NASCO corporation, companies affiliated with Egypt's military, the Mansour Automotive Company, and to a lesser extent, GB Auto, founded by Sadek Ghabbour in 1948.

GB Auto has been the Mansour's Company's primary competitor in the automotive sector, particularly beginning in the 1990s. By 2014, GB Auto and the Mansour Automotive Company would dominate the automotive sector, controlling 29.8% and 13.9% of both the assembled and imported passenger vehicle market, respectively (Figure 1), and owning large stakes in both commercial trucks (66% Mansour; 1.0% GB), and buses (19.0% Mansour; 5.5% GB), and with GB being a monopolist of Egypt's 5,040 commercial taxis (calculated, AMIC 2015). For the purposes of this paper, both the Mansour Group and GB Auto are considered PCFs.

Egypt's first automotive assembly joint venture 'Arab American Vehicles' (AAV) was established in 1977 between the Chrysler Group LCC, which held a 49% share in the company, and the military owned Arab Organization for Industrialization (AOI) with the remaining 51% (AAV 2015).[89] However much of AAV's factory capacity went underutilized. This excess capacity presented an opportunity for foreign brands seeking to establish assembly operations in the country. Throughout the 1980s, AAV's factory was used by Suzuki, Vespa and other companies to produce passenger vehicles, trucks and scooters (AAV 2015). Beginning in 1988, manufacture and assembly of Suzuki vehicles was taken over by Modern Motors, another potentially smaller PCF owned by the Seoudi Investment Group, run by Dr. Abd al-Moneim Seoudi (Seoudi Investment Group 2015). By 2013, AAV was utilizing 30% of its total factory capacity, leasing its excess capacity to KIA Motors and Peugeot (Yehya 2013). By 2014, vehicles manufactured by AAV made up less than 1% of Egypt's automotive market (AMIC 2015).

The Mansour Group thrived under Sadat's liberalization policy. In 1977, the company established Mantrac, which became the sole distributor of American Caterpillar construction and agricultural products in Egypt, including trucks, engines and forklifts. In 1983, the Mansour Automotive Company went from being a distributor to sole assembler of GM Chevrolet passenger vehicles in Egypt, a position it still maintains (Mansour Group 2015). Over the next 30 years the Mansour Group evolved into an international conglomerate based in London with business interest in 82 countries in a number of sectors.[10] In Egypt, it is the sole distributor of McDonalds, Compaq and IBM brand products (Mansour Group 2015).

[8] The Arab Organization for Industrialization (AOI) was established in 1975 as a joint military venture between Egypt, Saudi Arabia, Qatar, and the United Arab Emirates to counter the perceived threat posed by Israel in the aftermath of the 1973 war, and came to form the backbone of Egypt's military-industrial complex and defense industry, eventually establishing 12 factories that produced both military and civilian goods. The latter three Gulf countries withdrew their membership in the organization in 1979 following Egypt's peace treaty with Israel, although the AOI continues to exist as an exclusively Egyptian entity.

[9] The company has produced both passenger and commercial vehicles in both the military and civilian sectors, beginning in 1978 with the manufacture of both military and civilian passenger versions of the four-wheel drive Jeep C-series vehicles (AAV 2015).

[10] Banking, real estate, IT, transport and logistics, education, telecommunications, oil and gas, consumer goods, machinery and equipment, and media and advertising sectors.

Following liberalization under Sadat GB Auto refocused its business primarily towards automotives.[11] In 1985 it started assembly of bus bodies (GB Auto October, 2015).[12] However, it would not be until 1992, while Egypt was at the onset of implementing an Economic Reform and Structural Adjustment Program (ERSAP), that GB Auto would become truly influential within the sector.

Turning to the current situation, Modern Motors established a firm market leader position in 2014, with markets shares of 14.2% for passenger vehicles (second place behind GB), 12.5% in commercial trucks (second place behind Mansour with 65.8%) and 19.2% in commercial buses (second to El-Kasrawy Group who dominate the commercial bus market with 31.2%) (see Figure 1; calculated, AMIC 2015). So in 2014 Modern Motors outperformed Mansour in both passenger vehicles and commercial buses for the first time.

These dominant market players were sustained by low customs and tariffs on imports of raw materials and spare parts that allowed them to cheaply produce components used during assembly by either foreign or domestic brands.

2.2 The Economic Reform and Structural Adjustment Program (ERSAP)

With the help of high and stable oil prices, the government maintained tight control over state enterprises allowing the public sector to remain a large political and economic power (cf. El-Haddad 2010; Kenawy 2009). In the 1980s however, declining oil prices[13] coupled with the consumption phase that dominated the seventies and much of the eighties led to severe negative trade balance, placing increasing pressure on foreign exchange resources. By the end of the 1980s per capita GDP was falling. In addition, the country faced a severe budgetary deficit and large accumulated debt. Budget deficits averaged 18% of GDP with inflation rising to more than 20%. External debt grew by more than ten-fold from less than US$2 billion in 1970 to about US$21 billion in 1980, and to roughly US$50 billion in early 1990 (AfDB 2000).

In response to growing severity of the economic situation, in 1991 the government initiated an IMF and World Bank-supported Economic Reform and Structural Adjustment Program (ERSAP) to achieve macroeconomic stability and stronger market orientation, decentralization, liberalization and privatization of the economy. Starting in 1991, price, interest-rate and capital-transfer controls were eased or removed. After 2004, tax and customs tariffs were simplified and reduced, the financial sector was deregulated and bureaucratic procedures were streamlined. However, both Sadat and Mubarak retained some of the main features of Nasser's import substitution (IS) policies. Whilst relatively significant trade policy shifts occurred, there were only minor modifications to pricing and subsidy policies including in the automotive sector, government continuing to apply many of the IS tools to achieve industrial development of which the energy subsidy is at the forefront (cf. Abdellatif 2000; El-Haddad 2010; Loewe 2013).

2.2.1 Opening up of operating licenses

During this period, large numbers of public sector companies, including NASCO, were partially or entirely privatized.[14] Following the implementation of ERSAP Egypt's government also began granting operating licenses to a larger number of foreign OEM's investing in domestic assembly operations through joint ventures with local assemblers and

[11] In 1956 it began trading in automotive parts along with home appliances and construction materials.

[12] For the Swedish Scania AB bus company, a partnership that no longer exists. Information about which automotive brands GB Auto worked with prior to 1985 is not readily available and could not be secured from interviews with company experts.

[13] following the two oil price shocks in 1973 and 1979

[14] Law 203 of 1991 reorganized 314 public sector companies, which made up 26% of the public sector, into 27 and then 16 holding companies. These companies were either then sold on Egypt's stock exchange, had their assets liquidated, sold to 'anchor investors' or to Employee Shareholder Associations (ESA)

distributors, in addition to a small number of fully foreign owned operations. The joint venture arrangement was formalized through the passing in May 1997 of the country's Investment Guarantees and Incentives Law 8[15] (WTO 1999). The joint venture arrangement provided foreign brands a way to gain direct access to Egypt's domestic market without having to pay costly high tariffs and customs fees on imported vehicles, which often ranged from 5%-135% of vehicle price, with a 10% sales tax (WTO 1999), with higher capacity engines fetching higher tariff percentages. Four companies that expanded their assembly operations during this period and later became major market players are GB Auto, Modern Motors, and Manufacturing Commercial Vehicles (MCV). In 1997, the year law 8 was passed, Modern Motors would become the official assembler and distributor of both Nissan and BMW vehicles, the former being the second highest selling passenger vehicle in Egypt by 2014 (Interview material[16] August 2, 2015, Figure 1). Modern Motors' partnership with Nissan changed in 2004 with the death of the former's Chairman, Dr. Abd al-Moneim Seoudi, after which Nissan purchased the factory used to manufacture its vehicles and took over full control of its operations in Egypt as a fully foreign owned venture, the only company in Egypt to do so to date (Interview material[17] August 2, 2015). Modern Motors status as an assembler of BMW passenger vehicles also came to an end in 1999 when the latter began assembling instead through the Alternative Company for Vehicle Assembling (ACVA), and then later the Bavarian Auto Group beginning in 2003 (Seoudi Investment Group 2015).

GB Auto chaired by Rauf Ghabbour became the official importer and distributor of Hyundai brand passenger vehicles in 1992 and local assembler by 1995, and the Indian brand Bajaj motorcycles in 1996 (GB Auto 2015). By 2014, Hyundai accounted for 21.6% of all passenger vehicle automotive sales in Egypt, followed by Nissan (12.2%), and Chevrolet (11.9%), the latter assembled by GM through the Mansour Automotive Company (calculated based on AMIC 2015).

Another top brand established following the implementation of ERSAP was the Manufacturing Commercial Vehicles (MCV) bus company, founded in 1994 by Karim Ghabbour, brother of Rauf Ghabbour. It is the official agent of Daimler and assembler of its Mercedes brand buses in Egypt, and is one of the few companies in the domestic automotive sector to become a successful exporter and expand its operations to foreign countries. MCV has since gone on to establish joint venture assembly operations in Brazil, Cuba, Algeria, the United Arab Emirates (UAE), the United Kingdom (UK), Algeria, South Africa and Uzbekistan (MCV 2015).

Despite Karim Ghabour's relation to his brother Rauf, industry insiders and experts who have worked with both brothers have described their current relationship as strained, and at times hostile (Interview Material July 11, 2015[18]). GB Auto actively competes with MCV in the international bus sector, having entered into a number of joint ventures with other bus manufacturer's including Mitsubishi Fuso Truck and Bus Corporation (1997), Brazilian Marco Polo (2008), Iveco Irisbus (2012), and General Motors East Africa (2013), producing bus chassis, CBUs and other components and spare parts for both the Egyptian and international markets (GB Auto 2015).

[15] Law 8 regulates FDI in joint ventures, limited liability companies, partnerships and free zones

[16] Tarek Hussein: Dealer Network Development Director Nissan Motor Egypt, former Network Development Manager at GB Auto

[17] Tarek Hussein: Dealer Network Development Director Nissan Motor Egypt, former Network Development Manager at GB Auto

[18] Tarek Hussein: Dealer Network Development Director Nissan Motor Egypt, former Network Development Manager at GB Auto

By 2004, the number of assembly operations of foreign brands in Egypt rose to 29, with 12 for passenger vehicles, 9 for light and medium commercial vehicles and heavy trucks and 8 for buses (KPMG 2005).

2.2.2 Continued protection for the industry: customs protection

ERSAP's most significant and influential policy was the rationalization of the country's tariff structure, with successive reforms throughout the 1990s, reducing tariff dispersion and bands. Liberalization - particularly trade - has been increased by Egypt joining the World Trade Organization (WTO) in 1995. These bands stood between 5%-100% in 1991, reduced to 5%-70% by 1993, with a 40% maximum rate set during the 1997/1998 fiscal year (WTO 1999).

The automotive sector however was one of the few sectors that were largely exempt from these requirements. It was allowed to maintain effective rates of protection exceeding 100% (see year 1998 of Table 1), though still lower than some of the other industries such as tires and tubes. Furthermore, an additional tax of 25% was imposed on all vehicles above 1,600cc engine capacity (WTO 1999). As a result, despite rapid liberalization, local automotive companies were still able to preserve the protections they enjoyed previously. These protections allowed them to *temporarily* survive and not be overrun by cheaper yet higher quality imports, demonstrating the influence that the country's domestic industry had on the policy-making process.

2.3 Post ERSAP (2000-2004): Continued Protection through Local Content

A continued layer of protection was afforded during this period to the domestic components and spare parts sector through the provision of amendments to the local content (LC) laws, particularly Presidential Decree 429 of 2000.[19] Customs were also imposed on CKD and SKD kits imported into the country by foreign brands engaging in domestic assembly either through fully owned or joint venture projects. According to decree 429, these tariffs on imported components are reduced for brands that use a certain percentage of locally produced components and spare parts. The percentage of the reduction is inversely linked to the percentage of locally produced spare parts and components used in assembly. Domestic assembly operations that use between 30%-40% LC see their tariffs on components reduced by 110% of the total LC percentage. For companies using between 40%-60% LC the reduction rises to 115% of total LC, with more than 60% LC enjoying 120% reduction (KPMG 2005). Local content could be viewed as insulating the sector at a time when some of Egypt's economy was experiencing liberalization.

3. A Changing Global Environment: A Real Threat to the Industry (2004-2015)

Two major events have shaped the current status and structure of the Egyptian Automotive industry: Egypt's accession to the World Trade Organization (WTO) in 1995 and the Euro Mediterranean Agreement of 2004. These two events together with other trade regulations and currency changes altered the industry's operating environment, posing a serious threat to the existence of the assembly and feeder industry.

3.1 Egypt's Accession to WTO

Egypt's accession to the WTO initiated further liberalization of the sector. In compliance with its WTO General Agreement on Tariffs and Trade (GATT), Egypt began phasing out tariffs in 2004. In line with these commitments former President Mubarak issued a Presidential Decree reducing tariffs by an average of 40%, as of September 9, 2004. The agreement included the complete elimination of duty and administrative fees (which were not consistent with GATT). These changes were applied on a number of industries including the vehicle industry, except for cars with engines greater than 2000cc (Middle East North Africa

[19] Which amended and supersedes previous presidential decrees 351/1986 and 304/1989.

Business Information Center 2005). For imported cars with engine sizes between 1,000 and 1,500 cubic centimetres, tariffs were cut to 40% from 55%. For cars between 1,500cc and 1,600cc, rates were slashed from 100% to just 40%. Additionally, depending on size, tariffs on trucks were set between 12 and 32% compared to 40%. Feeder industries also saw changes. The new tariff structure sets duties on automotive inputs and spare parts at between 5 and 12%, down from 23 and 33% (Maraie 2004).

These schedules are reflected in the sharp decline in 2004 in all automotive market sectors' tariffs, with the lowest for parts and accessories (6.3%) during 2004-2009 and the highest for motor vehicles (23.6%) and their bodies (27%) for the same period (Figure 2). The logic behind the varying rates is to allow for cheap imported inputs for assemblers while discouraging the import of ready-made CBUs. Nevertheless, despite consecutive tariff reductions Egypt's average most favored tariff (MFN) motor vehicles rates during 2010-2014, for example, remained more than double (27.4%) that of the rest of the world (11.9, Table 2). Similar trends apply to the rest of the sectors.[20]

3.2 Euro Mediterranean Agreement

In 2004, Egypt entered into a free trade agreement with the EU entitled the Euro Mediterranean Agreement, commonly known as the 'Euromed'. The agreement secured pledges from both parties to commit to gradual year on year reductions in customs duties on products across a number of sectors until they would eventually reach zero.[21,22,23] Customs duties on commercial vehicles coming from the EU would be reduced 5% on January 1, 2009 and January 1, 2010 and then 15% each year thereafter until January 1, 2019.[24] Lastly, customs duties on CBU passenger vehicles and buses imported from the EU would be reduced 10% each year from January 1, 2010 until January 1, 2019 (KPMG 2005).

The agreement would affect the price of a select number of European brands that make up around a fifth (18.5%) of Egypt's passenger and commercial market shares– primarily BMW, Mercedes, Peugeot, Audi and Renault. Since 2003 these brands had lost one third of their market share to American, Japanese and Korean brands already. But if the tariff reductions are implemented as planned European brands will become significantly cheaper than their competitors. This would not only threaten to undercut the sales of assemblers of non-European brand vehicles, including GB Auto, the Mansour Automotive Company and others, but would also render the domestic Egyptian assemblers of those brands obsolete, forcing many of them to reorient themselves as distributors in order to continue operating. Already, the agreement has begun to have a visible effect on the viability of domestic assemblers.[25] In May 2015 the German Daimler Motor Company, which produces Mercedes brand passenger vehicles, announced the withdrawal of its 26% stake in its local assembler, the Egyptian German Automotive Company (EGAC), thereafter ceasing all local assembly operations in Egypt (Egypt Independent April 25, 2015). Industry experts expect a similar fate to await other local European assemblers in Egypt, in particular the Bavarian Auto Group, the official agent, assembler, importer and distributor of BMW vehicles.

---

[20] Tables available from authors upon request

[21] The agreement committed Egypt to reduce customs duties on raw materials and industrial equipment imported from the EU to 25% per year from January 1, 2004 until January 1, 2007. Customs duties on EU exported industrial supplies, semi-manufactured goods and construction materials would be reduced 10% beginning January 1, 2007 and then 15% each year after until January 1, 2013.

[22] The agreement committed Egypt to reduce customs duties on raw materials and industrial equipment imported from the EU to 25% per year from January 1, 2004 until January 1, 2007

[23] Customs duties on EU exported industrial supplies, semi-manufactured goods and construction materials would be reduced 10% beginning January 1, 2007 and then 15% each year after until January 1, 2013.

[24] As will those of clothes, electrical domestic appliances, cosmetics and furniture.

Many claim that the Euro-Med agreement, although beneficial for Egyptian export sectors seeking to cheaply access the European market, such as foodstuffs and textiles, could signal the end of the country's domestic automotive manufacture and assembly industry. With the removal of tariffs and customs on imports, foreign brands could cheaply sell CBU vehicles in Egypt without having to rely on domestic assembly, or local spare parts and components whose quality still remains lower than those produced abroad.

3.3 Extra Layers of Protection

Foreseeing the threat of imported vehicles from drastic liberalization the government took on the provision of further protection and support to the industry through specific targeting of the automotive sector for financial and non-financial support.

3.3.1 Automotive sector support: export support

Financial support is provided through two avenues. The first is by providing service expenses discounts and reimbursements for companies' worker training[26] and joining international exhibitions.[27,28]

The second avenue is the financial support given by the Export Promotion Fund to various manufacturers through the form of subsidies implemented by the Engineering Export Council of Egypt (EEC-EG). For vehicles with local content greater than 70%, the subsidy stands at around 10% of a company's total export value, somewhat less than that for local content between 40 and 70%,[29] and 0% for local content less than 40%.

This implies that local production is encouraged twice over through direct local content laws and the export subsidy. Local content requirements erect a barrier to the country's integration into global supply chains as it guarantees national demand for feeder industries rather than having to compete with other competitors on the international market. The export subsidy system was implemented from July 2010-July 2014. In 2014 the total export subsidy for car components was just under US$20 million, only being overtaken by the subsidy to the household appliances sector, another one of the registered engineering sectors propped up by the EEC-EG (Figure 3). It accounts for about a third (29%) of total engineering export subsidies. The components sector – which is protected by local contents requirements - had the lowest export to subsidy ratio (7.27% compared to pouches and cooling rooms with 9.78% which in absolute terms received a very small subsidy of US$13,889). The export subsidy programme has been controversial for its perceived arbitrary selection of the automotive sector, along with a few other sectors, which has not been made based on sound analysis of current and future comparative advantages on world markets (Loewe 2013).

The export subsidy program is considered a violation of the Uruguay Round of the (GATT) multilateral trade agreement. Parties to the Uruguay Round pledged to adhere to the GATT agreement on Trade-Related Investment Measures (TRIMs), specifically articles III and XI, which bans the implementation of local content and trade balancing requirements (WTO 1994,). However, the agreement allows developing countries a five-year transitional period

---

[26] Support provided through the Industrial Modernization Center within the Ministry of Industry and Trade which is the core of Egypt's Industrial Development Strategy (Loewe 2013).

[27] So they will cover a large part of the cost of advertisement, space rental, decorations, and freight for their exhibition products.

[28] This program is implemented by the Engineering Export Council of Egypt (EEC-EG 2015a).

[29] The program subsidizes exports according to the following formula local content and exporting area ((EEC-EG 2015b)

	Free Trade Zones	Other Areas
Local Content > 70%	9%	10%
Local Content between 40 and 70%	(rate of local production accredited by Industrial Development Authority for the product / 70) * rate of subsidy (10% or 9%)	

before implementing the legislation (a period that expired for Egypt in 2000),[30] with further extensions able to be granted by the WTO's Council for Trade in Goods. It is not clear whether Egypt has requested or been granted such extensions from this body (WTO 1994, USAID 2004). The government thus calls the subsidy Expenses-Drawback to avoid being in violation of the agreement.

3.3.2 Automotive sector support: the national supplier development programme

Beginning in 2005, the Industrial Modernization Center (IMC), a body within the Ministry of Trade and Industry, also began to run and administer another support program that affects the automotive industry, known as the National Supplier Development Programme (NSDP) one of the IMC's three 'specialized' programs. The NSDP takes a value-chain approach to upgrading local suppliers of the top 100 Egyptian manufacturing firms, focusing on those with high export potential. Each of these 'mother company' may choose five to 20 of their local suppliers to join the programme if they prove to be seriously committed to the programme's goals of technical upgrading of the company's facilities, a desire to grow by increasing exports. The program contributed financially to the cost of these technical upgrades. According to the memorandum of understanding signed by the Ministry of Trade in 2005 ushering in the program, automotive supplier companies selected to take part in the program would be provided with EGP1m grants to upgrade their facilities, 85% of which would be provided by the IMC, with the remaining 15% matched by the companies themselves. (AmCham 2011, pg. 48-49). The NSDP operates on the logic that many larger firms might be interested in closely cooperating with specific local suppliers, however are averse to taking the risks associated with helping these suppliers to grow and develop. Hence, under this program, mother companies select suppliers to be supported financially by the IMC in exchange for a guarantee that they will purchase a minimum amount of products from these suppliers in the years that follow (Loewe 2013).

3.4 Consequent Trends: Production, Consumption, Exports and Imports

Local content requirements, export support, IMC's Supplier Development Program, along with the growing interest of Original Equipment Manufacturers (OEMs) to access the Egyptian market, has enabled the sector to grow and expand considerably, a fact reflected in the production trends of the industry. Production has followed an upward trend since 1989 most likely due to local content requirements, though it is not possible to disentangle the effect of any one trigger (Figure 4). This increasing trend slowed at the beginning of the decade.

Export growth accelerated during 2001-2007, mainly driven by the continuous devaluations of the Egyptian pound throughout 2001-2004, with a devaluation of 30% against the dollar in just one year in 2003 (Table 3, Figure 5). Trends of the real exchange rate amplify the nominal one. However, increased investment, export promotion efforts and the improved business environment cannot be dismissed as contributing factors as well, especially during 2005-08 when the pound appreciated. Figure 5 clearly shows that production is mainly geared to the domestic market.

Sales trends largely mimicked domestic production trends (Figure 6, Figure 7). After the second large reduction in tariffs in 2007-2009 a mass influx of imports followed into the country. This suggests that before 2008, demand for locally produced vehicles was high, if for no other reason than they were barely any affordable CBU imports available on the market, and most people had few options other than to buy domestic.

Exports continued to rise until they were hit by the appreciation of the pound between 2005-2008 (Figure4 exports; Table 3 exchange rate; Figure 5 exchange rate), which was

[30] Article 5 of the TRIMS agreement

compounded by the global financial crisis of September 2008. With reduced international and domestic demand for production that followed as a result of the crisis,[31] domestic sales plunged, with production stagnating at around US$1,774million. Neither sales nor production have since been able to pick up momentum thereafter. The growing gap between sales and production since 2004, with the former reaching triple the latter at US$5,353 million, were being filled by imports.

As a result imports have considerabley increased following the opening up of the sector and the massive reduction in tariffs beginning in 2004. In 2004, 62% of the US$1,750 million worth of vehicles, trailers and semi-trailers sold on the domestic market were imported whilst in 2002 only 52% were (Figure 7). Later in 2013 imports reached around 70% of all domestic sales.

Two more factors supported the hike in imports. First, the appreciation of the Egyptian pound starting in 2004, providing Egyptian consumers with increased purchasing power (Table 3; Figure 5). Second, in 2005 Egypt repealed a law requiring that foreign CBU vehicles be imported exclusively from their country of origin (AmCham 2011). This move allowed for the creation of a large grey market of CBU vehicles imported cheaply from rich Gulf nations whose exports to Egypt were duty free according to the GAFTA agreement (Interview material July 1, 2015[32]). After the financial crisis, imports stabilized around their level in 2008, the year of the crisis.

Clearly domestic industry can't compete with higher quality imported vehicles offered at affordable rates. Liberalization has fueled import growth at a greater rate compared to exports resulting in a sharp drop of vehicles' already negative trade balance[33]since 2004. The same applies for manufacture of trailers and parts (Figure 8).

If imports continue to increase, and there is no recovery in domestic production, then the domestic feeder industry will also shrink, unless it can re-orient itself as an export-based industry. Despite attempts to increase the quality and capacity of the industry through programs such as the NSDP, many doubt that the majority of Egyptian components would be of high enough quality to export to developed markets such as Europe and East Asia (Interview material March 2015). However, attempts have been made to open markets in the Middle East and Africa to Egyptian parts and components, particularly in the latter through the Common Market for Eastern and Southern Africa (COMESA).[34] Thus far there has been little success.

Whilst the environment since 2004 may have become detrimental for assemblers and feeder industries, distributors meanwhile are thriving. As imports become more competitive, some companies have ceased assembly operations and instead begun to work exclusively as distributors. Indeed, the largest three market players thrived after 2003 and even after 2009[35] claiming a growing market share (Figure 9). However, it is not possible though to disentangle which market share comes from own assembled as opposed to distributed as CBU imported vehicles. Mansour and Egyptian International Motors' share has been only slightly affected after the revolution.

[31] And the reduced tariffs which decreased domestic sales of locally produced vehicles.

[32] Hossam Hafez: General Sales Manager at Abou Ghali Automotive

[33] Trade balance is calculated as exports minus imports.

[34] COMESA is a free trade agreement between 20 African countries which Egypt joined in 1998.

[35] the year that marked the onset of Euro-Med tariff reductions

4. Closer State Business Relations: Cronyism and Influence

4.1 Mubarak links, cronyism and licensing

The opening up of the Egyptian economy to imports beginning in the early 2000's coincided with a large shift in Egypt's political-economy landscape during the same period in which private sector businessmen began to exert increased influence on the country's political system. By the early 2000's, informal relationships between holders of political and economic power initially established in the 1970's under Sadat's policy of economic liberalization began to evolve and take the form of a more rules based system as a number of the country's elite businessmen began to infiltrate Egypt's political institutions. Increases in import rates of foreign vehicles during this period was matched by huge increases in domestic, Egyptian investment in the sector, likely to finance the expansion of existing distributors and creation of new ones to sell the new wave of imported vehicles. The formalization of embedded[36] relationships between businessmen and politicians in the automotive sector during this period helped create a friendly business environment that facilitated these investments. However despite the fact that increased liberalization was supported in the early 2000's by those seeking to profit off the sale of new imports, in the years following Egypt's 2011 revolution, Egypt's assemblers and components suppliers in particular would exploit their political connections and seek to create protections for themselves against *additional* liberalization policies that would further privilege cheap, foreign imports over vehicles assembled domestically using local content.

This transition into a system based on formalized relationships between business and politicians, was led primarily by Gamal Mubarak, former President Hosni Mubarak's son and apparent heir, who previously worked with Bank of America and ran a private equity fund in London, and took place over a number of years through a series of phases. First, in 2000, the number of businessmen elected as members of parliament increased to 77 from 37 in 1995 (Abu Reda 2000l). In 2002, a new body within the ruling National Democratic Party (NDP) known as the Policies Committee (PC) was established, chaired by Gamal, whose purpose was to manage and direct a new wave of fiscal and economic liberalization reforms that many in the country's business class sought to implement, with the vision of making Egypt a modern international hub for businesses that was capable of attracting large amounts of FDI (Kandil 2012).

Most members of the PC were themselves business moguls of international financial institutions who rhetorically favored economic liberalization reforms. By 2004, five PC members of the NDP were selected as ministers to serve in a new government formed under Ahmed Nazif, with many being appointed to lead ministries overseeing industries they had previous experience working in through the private sector, among them was Mohammad Mansour, Chairman of the Mansour Group, who was appointed Minister of Transportation, serving until 2009. Mansour's cousin, Ahmed Maghrabi, Chairman of the hotel conglomerate Accor Hotels, was appointed Tourism Minister in 2004 and then Minister of Housing and Construction in 2005 (Kandil 2012). Maghrebi was replaced as Tourist Minister that year by another one of Mansour's cousins, Zuhair Garana (Al-Ahram May 10, 2015).

Other members of the NDP's PC serving in the cabinet included Rashid Ahmed Rashid, Chairman of the multinational British-Dutch consumer goods company Unilever's MENA region branch, who was appointed Minister of Trade and Industry, former IMF executive Youssef Boutrous Ghali, appointed Minister of Finance, and Cairo University Economics professor Mohmoud Muhi Al-Din, appointed Minister of Investment. During this time, both

[36] Business relationships between entities or firms built on trust, privilege and personal connections, where parties will often share insider information with each other in the interest of strengthening mutually beneficial long-term relationships (Uzzi 1997).

Mansour and Maghrebi were also partners in the El-Gamal Group, a contracting firm chaired by Gamal Mubarak's father in law, Maged el-Gamal, active in the advertising, construction, education, housing and tourism sectors. Mansour had also previously served as Secretary General of the Future Generation Foundation (FGF) an NGO chaired by Gamal whose mission was to 'train' a new generation of youth entrepreneurs and business leaders (Shatz 2010). Following the outbreak of Egypt's January 2011 revolution, Mohammad Mansour along with his brothers fled the country for fear of prosecution under a new order, and settled in London (Forbes February 1, 2011).

In 2004 during the first year of the Nazif administration, USAID announced it would be allocating aid money earmarked for Egypt to the country's private sector as opposed to government. Between 2004 and 2007, foreign investment into Egypt tripled. Much of this shift towards Egypt's private sector by the international community has been attributed to influence exerted on donors by businessmen and members of the NDP PC who often traveled to Washington D.C. alongside former President Hosni Mubarak as a sort of 'mobile business lobby' (Amin 2009, pg. 93).

Previous literature suggests that this upsurge in investment beginning in 2004 had less to do with improvements in government policy or regulation but rather improved perceptions and attitudes on behalf of members of the business class regarding the general business environment and potential returns on investments (Centre for the Future State 2010). In situations in which firms operate in regional networks they will often enter into commercial relationships with other firms or entities that do not promise any immediate short term rewards, as long as there exists a prospect of developing long term informal ties that will facilitate lucrative transactions in the long term (Uzzi 1997).

The automotive industry was unique compared to other sectors in that a majority of investment into the sector during this period came from within the country, not abroad. From 2007 to 2010, LE1.1 billion in new investments was pumped into the industry, 74% of which was Egyptian, not foreign (AmCham 2010, pg. 26). This suggests that despite the perceived improvement of the general investment environment after 2004 following the injection of a new class of businessmen into Egypt's government, in the automotive sector this perceived improvement was concentrated more closely amongst local businessmen than foreigners, the latter of whom who due to customs and tariff reforms, preferred to increase their involvement in the Egyptian market through imports as opposed to establishing long term operations inside the country due to customs and tariffs reforms.

One such instance of domestic investment is the NSDP program, introduced earlier. While successful in helping to better integrate a select number of local supplier companies into the global supply chain, the program was specifically engineered and tailored to benefit one of Egypt's largest automotive company, the Mansour Automotive Group. The NSDP was launched in July 2005, when Mohammad Mansour was Chairman of Transportation, and its benefits were exclusively limited to Egyptian suppliers selected by General Motors, the international manufacturer of Chevrolet vehicles, of which the Mansour Automotive Company is the sole assembler and distributor throughout Egypt. The body sponsoring the NSDP, the IMC, is a government agency within the Ministry of Trade, which was led at the time by Minister of Trade Rashid Ahmed Rashid, a former member of the NDP PC along with Mohammad Mansour. Twenty components producing companies were selected to take part in the program, all of which were companies that provided spare parts to GM assembly operations in Egypt, managed by the Mansour Automotive Company (AmCham 2011, pg.

48-49).[37] Those companies receiving assistance from the NSDP are listed in Table A1 in the Annex. Marian perform as requested below.

Mansour's primary competitor in the automotive market, GB Auto, chaired by Rauf Ghabbour, although enjoying closeness to members of the current regime, perhaps best demonstrated through the marriage of Ghabbour's daughter Dina to the son of former Minister of Trade Munir Fakrhy Abd al-Nour, appears to not have had direct connections to the Mubarak family. Some insiders have described the relationship between Ghabbour and Al-Nur as a "marriage between money and power" (Interview Material August 5, 2015[38]). According to Ghabbour's own claims given during a conference of GB executives just weeks after the ousting of former President Hosni Mubarak, neither he nor any of GB's senior staff were registered members of the NDP (Dogru 2013). This came just weeks after it was alleged in Egyptian media, days after the initial uprising against Mubarak began, that shares of GB Auto were owned by Gamal Mubarak, claims Ghabbour vehemently denied (Al-Ahram February 8, 2011).

An analyst privately described the Ghabbour family as being, "close enough to the regime to maintain certain levels of privilege, however still managed to keep its distance. For this reason no one from GB Auto was targeted by the courts as having squandered state funds in the days after Egypt's revolution, and no one from the Ghabbour family was forced to flee the country or was incarcerated. They were an 'acceptable' company" (Dogru 2013). Perhaps one small signifier however of the closeness members of the Ghabbour family enjoyed to insider business networks is the case of Mounir Ghabbour, a distant cousin of Rauf, who following the outbreak of the 2011 revolution was charged with corruption alongside five of Egypt's most prominent businessmen, including Ahmed Ezz, and former Chairman of the Committee on Housing, Public Utilities and Construction within Egypt's People's Assembly and investment mogul Mohammad Abou el-Enein. Mounir Ghabbour was charged with obtaining land at undervalued rates in Cairo's Madintay suburb and forced to pay compensation amounting to EGP75m (Al-Ahram March 20, 2011).

In addition to low levels of FDI within the automotive sector during this period, almost no well-known foreign OEMs penetrated the Egyptian market for the first time, beginning from the early 2000's onward. Most of those that did enter were small companies that posed no significant threat to the established players in the industry (selling fewer than 1,000 units per year), but were nonetheless distributed by large domestic brands, in particular GB Auto and the Bavarian Auto Group. Between 2003 and 2014, these companies totaled twenty-one, sixteen of which were Chinese. Those with the largest sales (Speranza brand vehicles 13,048 in 2010, and Geely 16,265 in 2014), were distributed by Abou al-Fotouh distributors and GB Auto respectively, the former a moderate sized dealership which exclusively distributes Speranza brand vehicles. Non-Chinese brands, including the Indian Mahindra and United Kingdom MINI vehicles, both with sales numbering in the low hundreds, are distributed by the Bavarian Auto Group, while Turkish Tofas vehicles (which left the market in 2009) were assembled by the state run NASCO corporation (AMIC 2014). Data for all new entrants into the market beginning in 2003 can be found below in Table 4.

The fact that most foreign brands that entered the market during this period were small Chinese brands that did not threaten the market shares of Egypt's established assemblers and

[37] Through the NSDP, LE1 million would be paid out to each company for the purpose of upgrading their networks and increasing their competitiveness worldwide, 85% of which would be paid for through the (IMC), with the remaining 15% being covered by the companies themselves who pledged to contribute a certain percentage of their revenues in exchange for state sponsored support. GM meanwhile, would work to better integrate these twenty firms onto the international supply chain and help boost their exports

[38] Khalid Shedid: Deputy General Manager and Wholesales Director at the Bavarian Auto Group, former General Export Manager MCV

distributors could suggest that the increased political influence wielded by members of the country's business class beginning in the early 2000's may have also influenced Egypt's licensing regime. A review of the country's laws suggests that legal entry into the market is largely straightforward as there do not exist intense restrictions on capital requirements or domestic ownership quotas that would be difficult for foreign or domestic brands to meet in order to obtain licenses.[39]

However at the same time, vague and simple requirements in Egypt's various laws regulating licenses in some instances may also allow for government agencies to refuse licenses for reasons that are unclear. In such an environment, state officials with ties to business interests can easily influence decisions about which brands are granted licenses or not. The prevalence of such practices was reaffirmed by Ahmed al-Sayid al-Nagar, Chairman of the state-owned Al-Ahram news agency and policy think-tank, in an article penned for the Al-Ahram news agency saying, "Furthermore, giving state officials credentials to grant or deny licenses, or official documents…as has been the case in Egypt, leads to an escalation of corruption, particularly absent laws to deter corruption." (Al-Ahram Dec. 20, 2014).

While holders of capital in developing countries often use their economic power to extract concessions and benefits through monopolies and restrictions on competition, as has been the case in Egypt's automotive sector (Centre for the Future State 2010), in some instances inter-connected embedded networks of businessmen and politicians can help facilitate the implementation of laws and policies that can quickly work to save certain industries in times of crises, quicker than networks made up of 'arm's length'[40] relationships (Uzzi 1997).

This has also been the case more recently in Egypt's automotive sector, where links between businesses and politicians have been critical in helping to push through legislation to safeguard the industry from a new wave of tariff reductions stipulated in the Euromed agreement that threaten to lower the cost of imported vehicles even further, to the extent that local assemblers will no longer be able to compete domestically within Egypt. This includes recent draft legislation presented by leading figures within the automotive industry (to be presented next section), including Rauf Ghabour, that has been approved by former Trade Minister Mounir Fakhry Abdul Nour, who is related through marriage to Rauf Ghabour, as mentioned previously.

4.2 Discussion: The Economic Viability of the Sector

4.2.1 Little R&D despite the Protection

The protections afforded to Egypt's automotive sector up until 2004, primarily in the form of high customs and tariffs, are both the result and cause of many the factors that have prevented it from becoming more developed and competitive internationally. Low levels of government and private R&D made the domestic sector unable to compete internationally in its own right, particularly with regards to exports, creating the need for protections in order to guarantee its

[39] Law 8 of 1997 on Investment Guarantees and Incentives designates the country's General Authority for Investment (GAFI) as a one-stop shop tasked with liasing between investors and the relevant government agencies needed to obtain licenses from, simultaneously facilitating the investment process whilst also granting GAFI officials a large amount of power and discretion over applicants. (Articles 52-57, Law 8 year 1997 Investment Guarantees and Incentives) Furthermore, Article 8 of Law 34 of Egypt's 1976 Commercial Registry Law could grant the Commercial Registry the right to arbitrarily deny licenses for reasons that are not always clear. "The registry can ask individuals and companies applying for registration to provide whatever the former deems necessary to verify the authenticity of information provided by the Latter. The Commercial Registry furthermore possesses the power to refuse registration of the latter – within two months of its application – if the information provided does not meet the conditions set forth in this law and all decrees passed in implementation of this law." (Article 8 of Law 34 year 1976 Commercial Registry) The clause 'whatever the former deems necessary' is not specified clearly in the law itself or further in executive regulations passed afterwards.

[40] The opposite of 'embedded' relationships, arms lengths relationships between firms and companies are a reference to impersonal relationships centered around calculated short term gain and profit margins, that often have short life spans (Uzzi 1997).

continued survival. As a result of the weaknesses within the sector, the reduction of tariffs in 2004 led to a massive increase in the number of high quality imported vehicles entering the country, which quickly came to form a majority of the passenger vehicle sales market. Meanwhile the effectiveness of government R&D that has been injected into the sector has at times been questioned.

Protections applied onto the sector in the form of high customs and tariffs have increased both the cost of manufacturing and assembling vehicles locally and their domestic retail price, measures that further discouraged FDI and drove down local demand. With the exception of Nissan[41], the purpose of FDI that has been injected into the market has been to access and meet the small level of demand that does exist among Egypt's small, privileged class of elite customers, rather than make up for a lack of R&D and use the country as a regional hub of operations from which it could manufacture vehicles for export to other Middle East or African markets. This is despite the fact that Egypt is party to two other regional free-trade agreements in addition to the Euro-Med agreement, including the Greater Arab Free Trade Agreement (GAFTA) joined in 1997, and the Common Market for Eastern and Southern Africa (COMESA) joined in 2000. The Egyptian company MCV is one example of a firm that has managed to buck this trend, become a successful exporter, and benefited from small amounts of government R&D in the form of export subsidies provided through the Engineering Export Council. MCV is known to use high levels of local content in its buses, most of which it produces itself, cutting back the need to import expensive raw materials and other spare parts with high customs duties from Tier 3 and 4[42] companies abroad (KPMG 2005). Components for buses are more labor than capital intensive, on account of customer-specific design requirements such as stitching on chairs, and specific forms of glass and tires, compared to passenger vehicles, which often use the same structure for spare parts across brands. This has enabled MCV to become more self-sufficient and enjoy reduced costs that make their buses better able to compete abroad (Interview Material July 23, 2015[43]).

At the heart of this example are two questions. First, would MCV have succeeded without protection or support? If the answer is yes, then why did MCV receive the support in the first place?[44] Interview material within the Engineering Export Council suggests that the organization's Board of Directors now believe that there are two distinct types of firms who receive aid: those that would have exported regardless, of the subsidy; and those that use the subsidy as their profit margin rather than investing it into further development and innovation (Interview Material, Export Engineering Council of Egypt October 21, 2015). Second, in the absence of such support, and come the year 2019, will MCV still be sufficiently competitive as to continue exporting its buses? If the answer is no, then the program failed to attain its objectives. However the answers are not clear. None of these programs had a built in independent evaluation function to ensure public funds are well spent. It has been argued that the export subsidy had adverse effects in some instances because it has provided very generous financial support to some companies, thereby reducing those companies' incentive to innovate (Loewe 2013) - as indeed stated by the interviewee mentioned above. This

[41] Since 2004, Nissan has been the only fully foreign owned automotive venture in Egypt, exercising direct ownership and control over the factories in which its vehicles are produced, without going through local agents. Nissan also uses its factory in Egypt as a base from which it manufactures vehicles for sale in other MENA region countries.

[42] Tier 3 companies tend to operate locally in one country producing individual spare parts and components to be incorporated into larger subsystems. Products manufactured by Tier 3 suppliers tend to require little in the way of innovation in design and development, although are often customer specified, with products being tailored to meet the specific design needs of their clients. Tier 4 companies are in a vast majority of cases suppliers of raw materials that can be used to produce products and components in a number of sectors. As a result Tier 4 companies usually enjoy large economies of scale.

[43] Ashraf Ahmed: General Manager MCV Africa Division

[44] especially the export subsidy (or expenses drawback)

conclusion is more likely as subsidies are available to all exporters within the sector, without dynamic conditionality to encourage improvements of export volume, sophistication or quality.

4.2.2 How attractive is Market Size? Are we really able to judge?

When deciding to establish export based operations abroad, most foreign OEMs tend to do so while also looking to gain access to a new and large domestic market. The small size of Egypt's domestic market for automotives – 296,000 sales in 2014 (Figure 10) – relative to its population means that it is not an attractive location in this sense, especially compared to other regional countries, such as Iran and Turkey (with domestic vehicle sales of 768,681 and 1.1 million respectively). Cars per thousand people are just 34 in Egypt compared to 83 in Turkey, and even 58 and 75 in Algeria and Tunisia respectively, much below the world average of 130 (Table 5). Egypt's modest and stagnant per capita income, poor infrastructure, dense urban areas and highly centralized population further makes large scale passenger vehicle ownership unlikely, a fact reflected in the large number of microbuses and small commercial vehicles present in Egypt's urban areas (KPMG Strategic Study to Upgrade Egypt's Automotive Sector, 2005).

But like other sectors in Egypt the lack of reliable information available about the sector, including contradicting and at times misleading figures provided by the Automotive Marketing and Information Council (AMIC), other industry associations, and public officials, perhaps reflects the fact that industry insiders are aware that Egypt's market has little to offer foreign investors, and so have exerted little effort in putting together the kinds of efficient, statistical databases that would help attract higher levels of FDI. The fact that no representatives from Egypt's automotive sector secured any FDI or proposed any projects at the country's Economic Development Conference held in Sharm el-Sheikh in March 2015 – which secured nearly $36 billion in FDI pledges in total from a number of foreign companies and multi-lateral institutions according to then Prime Minister Ibrahim Mehleb – is perhaps telling evidence of this fact (African Business Magazine May 17, 2015).

Another example of this came when then former Minister of Trade and Industry Fakhry Abd al-Nur claimed during a press conference in 2015 that Egypt was set to sell 300,000 vehicles domestically – including those imported and assembled domestically – in 2015.[45] This is despite the fact that AMIC statistics for the first six months of 2015 show that only 100,000 vehicles were sold during this period and that month on month sales had dropped compared to the same periods in 2014 (Youm7 June 1, 2015; Youm7 May 29, 2015; Daily News Egypt August 18, 2015). Even some claims made by the Automotive Marketing and Information Council (AMIC) itself however have been disputed and debated by industry experts, not all of whom agree on the size of the industry, in particular with regards to statistics claiming that that total car sales in Egypt during 2014 reached 296,000 (Figure 10). Some insiders claim that this figure was derived from the number of cars that have been assembled, imported and are being held in dealership inventories, as opposed to the amount actually being sold to buyers (Interview Material August 3, 2015[46] and August 7, 2015[47]). Others say it's a reasonable figure, that is set to increase to one million within seven or eight years, making Egypt an attractive destination for OEM's (Interview Material October 31, 2015[48]).

[45] This was on June 1 of this year, at a meeting of the Egyptian-South Korean Strategic Partnership Conference

[46] Tarek Hussein: Dealer Network Development Director Nissan Motor Egypt, former Network Development Manager at GB Auto

[47] Ashraf Ahmed: General Manager MCV Africa Division

[48] Ahmed Fekry Abdel Wahab, chairman and managing director of the FAW Industrial Group; board of directors, Engineering Export Council of Egypt

Following interviews with members of the Board of Directors of the Engineering Export Promotion Council of Egypt we were also given official data claiming Egypt's total vehicle sales in 2013 reached 541,000, which contradict statistics presented by AMIC. 2013 also happens to be the year that GM, the producer of Chevrolet, Egypt's third most popular passenger vehicle, temporarily suspended operations in the country due to the political turmoil that followed Egypt's July 3 2013 military putsch (Economist Intelligence Unit 2015; AMIC 2015). The data furthermore claimed that Egypt's annual growth rate from 2011-2013, years characterized by economic decline and turmoil following the outbreak of the January 25 2011 revolution, were 6.1%, 7.1% and 7.7% respectively. In reality, these figures were 1.77%, 2.21% and 2.1% respectively (International Monetary Fund 2005). These examples, combined with conflicting data provided by CEOs of local brands in Egypt's media makes it difficult for outsiders to obtain a truly authenticated, official estimate of the size of Egypt's automotive market. It is equally difficult to verify the total number of spare parts and component suppliers operating in Egypt. A list obtained from the Egyptian Auto Feeders Association (EAFA) is short and only provides information on 60 suppliers. Previous literature and interviews with industry experts and insiders however suggest that the total number of component suppliers may by some estimates be closer to 100, or even 375 (Thai Trade Center; KPMG 2005).

One effective driver of growth in Egypt's domestic car industry that has potentially helped increase market size is the increased availability and improvement of vehicle financing options through loans and leasing. Following a World Bank, EU and USAID sponsored Financial Sector Reform Project (FSRP) undertaken by the Egyptian government in 2004 that privatized large swaths of the country's banking sector, a large percentage of the public banking sectors Non-Performing Loans (NPLs) – estimated at $5.14bn – were consolidated, with increased loan and credit options becoming available to consumers seeking to purchase vehicles. By 2008, 60% of cars purchased were financed through consumer credit options. By 2009, Egypt's Commercial International Bank (CIB), which is the exclusive financier and loan provider for Al-Mansour vehicles, led the vehicle loans market, making up a 19% share. (AmCham 2010, pg. 61) GB Auto created its own leasing division in 2008 entitled GB Lease. Two years later in 2010 GB Auto launched its Mashroey micro-finance division to provide micro-loans for individuals and businesses seeking to purchase motorcycles and three wheel tuk-tuks. In 2012, GB established its Drive finance division that provides loans for commercial and passenger vehicles including for brands not distributed by Ghabbour Auto. (GB Auto 2015) Most other foreign brands operating in the country have established their own in house consumer credit options. Increased availability of car loan options have also been supplemented by the increasing availability of vehicle insurance, which in 2010 made up 60% of Egypt's insurance market. (AmCham 2011, pg. 63)

4.2.3 Most recent setbacks

Protecting the interests of the industry is especially important for the sector's stakeholders now as Egypt's automotive sector suffered a series of setbacks in 2015. Recent developments in Egypt's fiscal policy have put considerable strain on automotive companies, in particular the devaluation of the Egyptian pound beginning last January, which, after three weeks of depreciation, reached a 22 month low on February 3 against the dollar, a 12% depreciation from EGP7.15 to EGP7.982 (Bloomberg February 10, 2015; Aswat Masria Thomas Reuters Foundation September 7, 2015). The following day, on February 4th, Central Bank Governor Hisham Ramez and executives of Egypt's public banks implemented a policy to place maximum caps on dollar deposits not to exceed $10,000 per day or $50,000 a month (Reuters February 5, 2015).

The purposeful devaluation of the Egyptian pound by the Central Bank of Egypt (CBE) was done primarily to promote foreign investment into Egypt in the leadup to the country's March

2015 Economic Development Conference, and to make Egyptian exports more competitive in the EU, Egypt's top trading partner[49] – whose currency the Euro had depreciated from $1.392 on May 6 2014 to $1.119 and January 23 2015 – appreciating in turn against the Egyptian pound. By reducing the price of the pound the CBE has sought to reduce foreign currency sold at dollar auctions in order to preserve the dwindling amounts held within the bank's own vaults (Bloomberg February 10, 2015; European Central Bank Euro System). The policy to place deposit caps on dollars was taken to eliminate the country's black-market currency exchange that thrived in the years and months following Egypt's 2011 revolution. Imposing caps on such deposits would in principle deny companies and individuals who purchased dollars on the black market a place in which to keep their funds, forcing them to retreat to official exchange channels (Reuters February 5, 2015) or would raise the transaction cost involved in withdrawing large sums of dollars to change on the black market with the same result of resorting to the official channel.

However as a result of both these policies, distributors, assemblers and components suppliers have been forced to spend more for foreign currency at CBE dollar auctions, while finding they are unable to effectively use much of the foreign currency they purchase. This has made it incredibly difficult for many domestic industries, including automotive companies, to continue importing inputs and CBU vehicles, while what they do import is now more expensive. This has driven up the purchase price of finished vehicles for consumers (Hamdy Abd al-Aziz; Boursa February 26, 2015; Mada Masr September 11, 2015). Last May, GB Auto announced it would be increasing its vehicle prices between EGP1,500 and EGP4,500. Other companies have since followed suit. Furthermore, the $50,000 per month cap on dollar deposits has created a foreign currency shortage that has made it difficult for banks to extend lines of credit, further exacerbating the difficulties faced by importers. As a result, vehicle supply on the market along with sales have decreased, according to insiders, with many companies waiting upwards of three to four months to import vehicles, meanwhile demand remains high, further driving up prices. According to AMIC, 100,000 passenger cars were sold in Egypt in the first half of 2015, while monthly sales figures decreased compared to the same period in 2014. (Daily News Egypt, May 19, 2015; August 18, 2015; September 11, 2015). Egypt in 2015 is likely to fall short of the 296,000 vehicle sales figure reached in 2014, according to AMIC figures, which we believe to be an overestimate themselves. Acknowledging the severity of these problems, Hisham Ramez recently met with a delegation of FEI representatives to discuss the issue (Mada Masr September 22, 2015). Later in October he was replaced by Tarek Amer under speculations he had been dismissed.

However despite these challenges, Egypt's PCFs and other large companies that have operations overseas have been able to use their foreign branches to acquire, transfer and spend foreign currency much easier than companies operating exclusively in Egypt, making them less affected by these regulations, with a number claiming they are preparing to expand and invest even more in the country's automotive sector.

4.3 Moguls' Plan to Protect their Interests: New Non-Tariff Trade Barriers

Unlike in other countries such as South Africa where the interests of components suppliers, assemblers and manufacturers are often at odds (Black 2015), in Egypt, both of these groups face the same threat from the prospect of increased reductions in customs and tariffs, and so have begun to work together to protect their interests. Both local assemblers that operate joint ventures with foreign brands and component suppliers would likely see their business decrease, be undercut or disappear in the event that Egypt's customs and tariff rates were

[49] In the period between 2004 and 2012, bilateral EU-Egypt trade increased from €11.8bn to €23.9bn. By 2013, the EU ranked as Egypt's number one import and export partner, covering 22.9% of the country's trade volume. (European Commission 2014)

reduced, as foreign brands would then be able to import higher quality vehicles through distributors cheaply without needing local assemblers or local content from Egyptian component suppliers. While many assemblers could reconstitute themselves as distributors in such a scenario, doing so would potentially make them less profitable. The extreme lengths that many assemblers are going through to preserve their position in the market – in cooperation with local component suppliers, who stand to lose their position entirely in the event that protections are further removed – is evidence of the fact that assemblers prefer not to be forced into the position of distributor. On May 23rd 2015, a new industry advocacy group known as the Egyptian Automotive Council, chaired by Chairman of the Bavarian Auto Group Farid Al-Tobgi, was created to this end, to address the threat of reduced protections (Al-Boursa May 23, 2015). Membership in the organization includes many prominent assemblers and component suppliers, making it unique to other industry advocacy groups, such as the Automotive Assembler's Association, or the Automotive Feeder Industry's Division, which are limited to representing specific sub-sectors of the industry.

The Euro-Med agreement will reduce tariffs to zero by 2019, making the fears held by these groups a reality. As discussed above, Egypt has already witnessed an influx of imported CBU vehicles, trailers and semi-trailers. In 2004, 66% of the 72,700 vehicles sold in Egypt were manufactured and assembled locally compared to just 59% by 2014 (Figure ??). In reaction, automotive associations representing component suppliers and assemblers, foremost among them the newly created Egyptian Automotive Council, are working together to develop strategies to restructure the sector in a way that would allow their businesses to remain protected.

The most recent of these strategies which underscores the efforts being made by both component suppliers and assemblers alike, is a set of proposals submitted to Egypt's Ministry of Industry and Foreign Trade on July 7th by the Chamber of Engineering Industries (CEI) within the Federation of Egyptian Industries (FEI), a body within Egypt's Ministry of Trade and Industry. The proposal was submitted by CEI Chairman Hamdy Abd al-Aziz, also Chairman of AUTOCOOL, a large parts supplier that produces automotive air conditioners, cooling modules and heat exchangers who largely benefited from the Suppliers Development Program, and Deputy Chairman Rauf Ghabbour, Chairman of GB Auto. (Al-Boursa July 6, 2015). Earlier in the year Rauf Ghabbour had announced that his company would be expanding, and was set to spend $1.5bn to construct two new factories to produce Bajaj motorcycles and three wheel tuk-tuks (Reuters January 7, 2015) and more recently this September he pledged to invest an additional $1.5bn into his company's operations, transforming GB Auto from "an assembler into a manufacturer" of vehicles (Al-Boursa September 9, 2015). Now it became clear that this pledge was on the condition that Egypt's government approve these new set of suggested industry regulations. In the same vein also in September, Farid Al-Tobgi Toby had also claimed the company would be establishing two new sales, service and manufacturing centers in the cities of Alexandria and Katameya Heights district of Greater Cairo (Daily News Egypt September 9, 2015).

4.3.1 Businessmen's proposals for a new set of protective measures

The proposal suggested imposing a new 30% tax on all imported vehicles in addition to increasing lower-bound local content requirements for vehicles assembled domestically from 40% to 58% (Al-Ahram June 29, 2015). The proposal was approved by former Minister of Investment Munir Fakhry Abd al-Nur and finalized in the form of a new draft law submitted to the Ministry of Finance in September, a testament perhaps to the strength of the Ghabbour-Abd al-Nur family ties (Daily News Egypt September 17, 2015). Abd al-Nur himself has been vocal – even in the days before the CEI officially submitted the proposal, about his desire to protect domestic component suppliers through LC requirements, in addition to expressing concern about the possible ramifications of fully implementing the EuroMed agreement. In June 2015 Al-Nur, while describing his vision for the future of the automotive sector in Egypt, stated that, "we don't expect to produce an all Egyptian car [in the near future], rather we hope to produce cars in Egypt, whose local content exceeds 60%, 65% and even 70%." He further stated, "we are obligated, due to our being party to the European-Egyptian Partnership Agreement, to remove customs on cars imported from the European Union…This will cause the price difference between imported cars manufactured in the European Union and those manufactured in South Korea…to be very large…I don't think this was the intended purpose of this agreement (Youm7 June 1, 2015; Youm7 May 29, 2015). The desire to continue protect Egyptian assemblers, as expressed by Al-Nur, is perhaps better put on display by the fact that in 2014 Egypt did not implement the mandated 10% reduction in tariffs on vehicles imported from the European Union, following negotiations between the ministry and the European side (Interview Material October 31, 2015[50]).

In addition to the non-tariff trade barriers on imported vehicles, and LC laws that would act as a guarantee of survival for component suppliers, the draft law also includes stipulations that would grant new protections to domestic assemblers not enjoyed even in the period before the signing of Egypt's EuroMed agreement in 2004. This includes primarily a significant reduction in custom rates on those spare parts and components that are imported from abroad by domestic Egyptian assemblers, from a maximum of 135% to 10% (Daily News Egypt September 14, 2015). If implemented, the draft law would guarantee that local content makes up a majority of the inputs and components used in domestically assembled vehicles, thereby satisfying local component suppliers, while ensuring that the small percentage of components that assemblers do import from abroad are accessible at cheap, reduced rates. This latter policy would significantly reduce the cost of inputs for Egyptian assemblers and manufacturers, giving them a huge advantage over foreign brands seeking to establish fully owned assembly operations in the country, who would in principle need to pay the full, maximum rates on imported spare parts and components and in turn pay higher cost in inputs. It may also benefit component suppliers who need to purchase raw materials and basic inputs from abroad to make their own parts. This draft law and its stipulations supporting strong LC requirements to promote local industry may have already found tacit support with President Abd al-Fatah al-Sisi, who publicly stated this October that the country should, "rationalize imports from abroad," as there exist, "many non-essential products that have local alternatives that offer higher quality and competitive prices." (Mada Masr October 17, 2015).

If the draft law is approved it would create a series of new non-tariff trade barriers that would protect domestic Egyptian stakeholders against imports – undoing the effects of the custom and tariff reductions passed after 2004 – that would violate or at the very least undermine further measures to liberalize the sector that Egypt is obligated to implement according to the Euro-Med agreement, and due to it being a signatory to GATT and the WTO.

The new draft law when combined with new incentives afforded to foreign companies who maintain operations inside the country, via the latest amendments to Egypt's investment law, mean that in the automotive sector, the current regime of foreign brands engaging in local assembly through either joint or fully-owned ventures is likely to remain in place in the future. Such a scenario would be especially beneficial_for the country's spare parts and components industry if new 58% local content requirements are adopted.

The new investment legislation in question amends several previous Egyptian laws, most notably the Investment Incentive Law 8 year 1997, to afford businesses operating inside

[50] Ahmed Fekry Abdel Wahab, chairman and managing director of the FAW Industrial Group; board of directors, Engineering Export Council of Egypt

Egypt even more incentives to keep their money in the country rather than import. These include reduced tax incentives, cheap customs duties for imported equipment, reduced fuel prices, and government funded worker training programs (Kluwer April 14, 2015, Al-Jazeera March 3, 2015, Ahram Online May 21, 2015).[51]

So whereas these non-tariff trade barriers protect Egyptian companies against imports, the investment law encourages foreign brands to avoid importing, by offering them incentives to keep their money inside the country through the establishment of manufacturing enterprises within Egypt. In summary, imports are discouraged and local manufacture is incentivized, twice over. In addition, requiring those assemblers - both local and foreign – who do remain in the country to avoid the high cost of imports, to use a higher percentage of LC, will coalesce to form an extremely beneficial environment for local assemblers and component suppliers.[52]

Another powerful non-tariff trade barrier introduced recently to protect the industry has been a policy of 'indicative pricing' – or in simpler terms, arbitrary pricing – adopted by the Egyptian Customs Authority (ECA) in September 2014, and imposed on CBU vehicles imported specifically by German brands operating in Egypt. In the case of Egypt's automotive sector, 'indicative pricing' has come to refer to instances in which the ECA has forced vehicle importers to pay additional fines on vehicles being imported through customs. These fines are designed to close the gap – or make up the difference – between the price at which these vehicles are sold internationally, and the price at which they are sold domestically in Egypt, the latter almost always being significantly cheaper than the former in the case of German vehicles. One example is an instance in which a German car company imported a shipment of vehicles at a FOB price of €33,000, despite the fact that the going rate internationally was €64,000 (Daily News Egypt June 22, 2015). In these situations, the ECA's position has been to claim that these instances of reduced import prices are attempts by local distributors to under invoice and in turn pay lower customs duties. Domestic distributors meanwhile respond saying that these price differences reflect the official policies of mother companies in Germany, who have decided to sell vehicles at lower rates in Egypt as part of a business model to offset high tariff rates, make vehicles more affordable for buyers, and increase sales.

ECA Chairman Magdy Abd al-Aziz has claimed that under-invoicing in the automotive import sector has occurred in as many as 90% of all cases of vehicles being imported. In some cases the ECA has halted the shipment and distribution of vehicles thought to have been imported using falsified invoices (Daily News Egypt June 1, 2015). However despite these claims, the ECA's policy of indicative pricing has been directed almost exclusively at German car manufacturers, which also happen to be the only brands that have and would continue to positively benefit from the successful implementation of the Euro-Med agreement (Daily News Egypt February 9, 2015; June 1, 2015; Interview Material July 6, 2015[53]). This is as opposed to the East Asian and American brands distributed by GB Auto and the Mansour Automotive Company, that have not seen their customs reduced as a result of the

[51] Furthermore, the draft does not obligate foreign brands in Egypt to re-invest a percentage of their profits into the expansion of current projects or establishment of new ones, as was specifically stipulated in the 1997 law. (WTO (1999); Kluwer April 14, 2015; Al-Jazeera March 3, 2015; Ahram Online May 21, 2015).

[52] In addition, the amendments establish three new domestic dispute settlement courts, none of which however can produce decisions that are legally binding on foreign companies, who still have recourse to seek arbitration in other institutions, such as the World Bank's International Centre for Settlement of Investment Disputes (ICSID). Lastly, under the new amendments, CEOs of companies operating in Egypt will no longer be held responsible or liable for crimes or violations of the law committed by their staff members or employees (Kluwer April 14, 2015; Al-Jazeera March 3, 2015; Ahram Online May 21, 2015).

[53] Khalid Shedid: Deputy General Manager and Wholesales Director at the Bavarian Auto Group, former General Export Manager MCV

Euro-Med's implementation, and whose sales would be undercut by a new wave of cheap, foreign assembled German cars.

The new indicative pricing method has made it significantly more expensive and logistically difficult for German brands to operate in the country. Some representatives from these companies have claimed their cost as a result of this new tariffs regime have gone up as much as 50% (Interview Material July 6, 2015[54]). Analysis of the public record in addition to interviews with industry insiders and experts suggest that no other automotive companies or brands originating from non-EU countries have been subjected to the new regime.

Although not put into effect until September 2014,[55] Magdy Abd al-Aziz, appointed ECA Chairman in August 2014, implemented these measures on Egypt's automotive sector imposing it first on Daimler. (Daily News Egypt February 9, 2015; June 1, 2015, Youm7 September 4, 2012). Interviews with sector insiders confirmed claims that a large amount of invoice manipulation occurs at Egypt's customs, although figures such as 90% were disputed and said to be an exaggeration (Interview Material July 6, 2015[56]). However, among Egypt's various government institutions, the ECA is known for being one of the country's most unscrupulous. In 2013, former Prime Minister Ali Lotfy described the ECA as one of the three most corrupt institutions in the country, alongside the Ministry of Interior and the Egyptian General Petroleum Corporation (EGPC) (Daily News Egypt April 20, 2015).

Khalid Shedid, Deputy General Manager and Wholesales Director at the Bavarian Auto Group – BMW's official assembly and distribution agent in Egypt – claimed that as a result of the new measures the Bavarian Auto Group's cost of importing cars had increased since January 1, 2015 by 30%. According to Shedid, since the new indicative pricing regime has been imposed, the method adopted by customs officials to determine the proper custom rate for imported German vehicles has been to take the retail price of basic cars in the country of origin (Germany), deduct Value Added Taxes (VAT) rates imposed on vehicles sold in Germany by the German government, in addition to 16%-18% of the vehicle's net value or 'merchant profit', i.e., the profit margin afforded to local domestic distributors by mother companies in Germany. He added that this policy of selling vehicles at reduced rates in Egypt was adopted by BMW's German Board of Directors – rather than the Bavarian Auto Group - when the company first began importing vehicles into Egypt, as a way to offset the high customs, tariffs and taxes that would be imposed on these vehicles once they reached Egyptian shores, which in turn raise the end cost of vehicles for consumers.

As a result of this policy, a number of affected companies have threatened unspecified legal action against the ECA and the ministries of Finance and Trade and Industry who have helped implement the policy. One such dispute was heard in front of the World Customs Authority (WCO) an international dispute settlement court that ruled in favor of the ECA in June (Daily News Egypt June 22, 2015). Despite this, Shedid and other representatives from the affected companies claim that the WCO's decisions are not binding and that negotiations with the ECA, and ministries of Finance and Trade and Industry are still ongoing. Although no information exists that can directly link the new, more costly customs regime imposed on German vehicles to any influence exerted on the ECA by local Egyptian assemblers and component suppliers seeking to protect themselves from the implementation of the Euro-Med agreement, it is the latter two who stand to gain from the policy of indicative pricing.

[54] Khalid Shedid: Deputy General Manager and Wholesales Director at the Bavarian Auto Group, former General Export Manager MCV

[55] These stringent measures are a result of a series of amendments to Egypt's Customs Law passed in September 2012 during former President Mohammad Morsi's administration, which however were never implemented. They aimed reign in under-invoicing of imports at Egyptian ports.

[56] Khalid Shedid: Deputy General Manager and Wholesales Director at the Bavarian Auto Group, former General Export Manager MCV.

Increasing tariffs on imported German vehicles has caused their retail price on the market to increase, enabling American and East Asian brands – distributed and assembled by the dominant players in Egypt - to remain competitive.

5. Conclusion

The automotive industry has been a part of Egypt's manufacturing sector since the early 1960's, originally intended to be a core component of the country's state-led industrialization and import substitution policy, particularly following the creation of the state owned El Nasr Automotive Manufacturing Company (NASCO). In the 1970's under President Anwar Sadat, and continuing throughout the 1980's, Egypt underwent the first of several phases of economic liberalization which would see the introduction of foreign brands into the country for the first time, mostly through direct imports and local assembly through factories owned by NASCO and the Arab Organization for Industrialization (AOI), another state owned entity. Exceptions were made during this period for Chevrolet brand vehicles assembled and manufactured by the Mansour Automotive Company, which would go on to be one of the largest companies to dominate the sector in later years.

Foreign brands entering the market to engage in local assembly increased in the 1990's following the implementation of the country's World Bank sponsored Economic Reform and Structural Adjustment Program (ERSAP), and the passing of Law 8 of 1997, which opened the doors to Egypt's government granting large numbers of operating licenses to foreign companies seeking to establish assembly operations inside the country in order to access the Egyptian market. This policy of allowing large numbers of foreign brands to engage in local assembly of vehicles was supplemented by the maintenance of high customs tariffs on imports of CBU vehicles and components. This was done as a two-prong policy to encourage local manufacturing, spearheaded by the private sector, by dis-incentivizing imports of CBU vehicles, which would be too costly for consumers, who would now bear the cost of these high customs and tariffs.

However this system began to be reversed in 2004 when former President Mubarak passed a presidential decree slashing customs and tariffs rates across sectors in line with the country's membership obligations to the World Trade Organization (WTO). This led to a surge in CBU imports that began to take over a larger share of the passenger vehicles sales market. During this period distributors of CBU vehicles expanded their presence in the economy, at the expense of domestic assemblers and component suppliers. This same year, Egypt signed onto the Euro Mediterranean free trade agreement that would obligate Egypt to begin a gradual year on year final phasing out of tariffs on all imports coming from the European Union (EU) across sectors, including automotives, beginning in 2010, to be completely removed by 2019. The sector experienced a series of shocks in 2008 with the onset of the global financial crisis and in 2011 following the outbreak of the country's revolution, which saw sales decrease and increased stress put on the sector's various stakeholders. Those most affected have been assemblers and component suppliers who risk being eliminated from the market if tariffs on EU brand automotives are done away with, as they would become significantly cheaper then East Asian or American brands, and be of higher quality than those assembled and manufactured domestically within Egypt using local content.

Currently, and as a result, assemblers and component and spare part suppliers are seeking protections for themselves in the form of more stringent LC requirements and additional import taxes on CBU vehicles as a way to protect against the negative effects of further liberalization. agreement. These protections are very much an attempt by well-connected industry stakeholders to reverse the liberalization trends that began in 2004. Such protections currently seem to enjoy support within the upper echelons of Egypt's government, which seeks to reduce the country's trade deficit by cutting back on imports and as a way to preserve the Central Bank's foreign currency reserves, which have plummeted in the four tumultuous years following the country's revolution. The government as a result is seeking ways to support local manufacturers and encourage assemblers to purchase inputs domestically rather than importing them from abroad. But it has become evident that the sector as it stands now cannot withstand international competition.

Such protection might buy the domestic sector time and give a final, much needed opportunity for local components suppliers and assemblers to upgrade the quality of their products so that they may be competitive abroad in international markets in the long term. Combined with the increased investment incentives provided in the latest amendments to Egypt's investment law to encourage international brands to maintain their assembly operations inside the country, the coming period in Egypt could provide a perfect opportunity in which the mix of protection and access to international expertise is available to Egyptian companies in a way that will allow them to develop and grow the sector into a strong, vibrant national industry capable of competing internationally in the long term.

However, depressed purchasing power throughout the country means that demand for vehicles domestically in the short term will likely remain low, particularly as strict monetary policies and caps on dollar withdrawals and deposits in banks have acted as further obstacles driving up the price of vehicles, further narrowing the pool of potential customers to an ever smaller group of wealthy elite. Low demand for vehicles locally means that foreign OEMs will likely look to other regional countries when seeking to establish MENA headquarters operations such as Turkey and even Iran,[57] in particular the latter if the country's economy is opened up to international trade through the lifting of economic sanctions.

The domination of the industry by a few powerful individual firms who themselves wield extensive political connections, has meant that few efforts have been made to take advantage of decades of protection to transform the domestic sector into a strong, competitive industry. Such elites have managed to influence policy towards the sector, supporting liberalization when it is beneficial but encouraging protection and maintaining trade privileges for themselves once it becomes too costly, even if doing so means violating the terms of WTO and Euromed agreements.

After several years of instability and turmoil following the outbreak of Egypt's January 25th revolution, a relatively stable government exists now that is largely made up of many of the same, friendly forces that existed prior to 2011. In order to not fall into the same trap as in previous decades, these forces are going to have to attract FDI centered around research and development and *conditional* government support, with companies working to take advantage of other markets that Egyptian exports have tariff free access to, particularly in the Middle East and North and East Africa, through the GAFTA and COMESA trade agreements it is party to. But one important question remains: can and should the sector be helped to weather the current crisis, or is it an opportunity to accelerate its demise?

[57] Despite its low motorization index.

References

Abdelmeguid, Mohammed (editor), Kendall, Matthew (consulting editor), The Economist Intelligence Unit, Industry Report: Automotive - Egypt 2015, February 24 2015. Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCAQFjAAahUKEwiLnoWgj-bIAhVE1xQKHcexB_o&url=https%3A%2F%2Fwww.kpmg.com%2FEG%2Fen%2FIndustries%2FDocuments%2FEIU%2520Automotive%2520Industry%2520Report%2520-%2520February%25202015.pdf&usg=AFQjCNEawoJaFwIRhCs4wUjhWdGX_DNxvg&sig2=v7kFx8hGRN4j98wrLzWuNg&bvm=bv.106130839,d.d24. [Accessed June 2015]

Abu Reda, Mohamed. "Al-Beniya al-siyasiya wa al-egtema'iya le-magles 2000 (The Political and Social Composition of the 2000 Council). Al-Democratiya. (Cited in: Kandil, Hazem. Soldiers, Spies and Statesmen: Egypt's Road to Revolt. New York: Verso Press, 2012)

ACT Conferencing, Ghabbour Auto - GB Auto Full Year Results Presentation Conference Call, March 7 2011. Available at: http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9ODQ4NTl8Q2hpbGRJRD0tMXxUeXBlPTM=&t=1. [Accessed June 2015].

African Development Bank, Egypt: Economic Reform and Structural Adjustment Programme, Project Performance Evaluation Report (PPER), Operations Evaluation Department (OPEV), 15 May 2000. Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCAQFjAAahUKEwjBpP-gkebIAhVCPxQKHQNqA2c&url=http%3A%2F%2Fwww.afdb.org%2Ffileadmin%2Fuploads%2Fafdb%2FDocuments%2FEvaluation-Reports-_Shared-With-OPEV_%2F05092259-EN-EGYPT-ECONOMIC-REFORM-AND-SAP.PDF&usg=AFQjCNGO4ImNmlP3t8QNoonHaz7oHR_Yzw&sig2=nyGQHLtHQyaY1UafzfDH7Q&bvm=bv.106130839,d.bGQ [Accessed June 2015]

al-Nizam al-Qowi, Suleiman, 192-96, 218. (Cited in: Kandil, Hazem. Soldiers, Spies and Statesmen: Egypt's Road to Revolt. New York: Verso Press, 2012)

American Chamber of Commerce in Egypt, Business Studies & Analysis Center, The Automotive Industry in Egypt, 2011. Available at: http://www.amcham.org.eg. [Accessed June 2015].

Amin, Galal, Misr wa al-misrieenfei 'ahd, Mubarak, 1981–2008 (Egypt and the Egyptians during Mubarak's Reign, 1981–2008), Cairo: Dar Merit, 2009, 93. (Cited in: Kandil, Hazem. Soldiers, Spies and Statesmen: Egypt's Road to Revolt. New York: Verso Press, 2012)

Article 8 of Law 34, Egypt's 1976 Commercial Registry Law. [Accessed June 2015].

Black, Anthony, Draft proposal: South Africa automotive industry, ESID paper, 2015, School of Economics, University of Cape Town. [Accessed March 2015].

Common Market for Eastern and Southern Africa (COMESA) Treaty. Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCAQFjAAahUKEwjc3IPimebIAhWCRxoKHRI5Boo&url=http%3A%2F%2Fwww.comesa.int%2Fattachments%2Farticle%2F28%2FCOMESA_Treaty.pdf&usg=AFQjCNEvajV5Pz8PElAHV5A2Vl2RsZWwQg&sig2=xydHI9OoihaCRiWjZ_7usQ&bvm=bv.106130839,d.bGQ. [Accessed June 2015].

Dorge, E., 2013. Wikileaks Global Intelligence Files- Raouf Ghabbour. . Wikileaks internal emails, Stratfor. Available at: https://wikileaks.org/gifiles/docs/15/1517690_raouf-ghabbour-.html. [Accessed June 2015].

Euro Mediterranean Agreement Establishing An Associating Between the European Communities and Their Member States, Of The One Part, And The Arab Republic of Egypt, Of the Other Part. Available at: https://cdn.fbsbx.com/hphotos-xtp1/v/t59.2708-21/11252936_843785952381032_697297480_n.pdf/EU-Mediteranean-Agreement.pdf?oh=e1643d266f673a02437a4d30abc83258&oe=563380FF&dl=1 [Accessed June 2015].

General Motors, 'Opportunities for Auto Parts Suppliers in Egypt,' Presentation, 2008. Available at: American Chamber of Commerce in Egypt, Business Studies & Analysis Center, The Automotive Industry in Egypt, 2011

Greater Arab Free Trade Agreement (GAFTA). [Accessed June 2015].

Hamdy, Ahmed, independently published, Scribd, Egypt Investment Law, Article 3. Available at: http://www.scribd.com/doc/258515794/%D9%86%D8%B5-%D9%82%D8%A7%D9%86%D9%88%D9%86-%D8%A7%D9%84%D8%A7%D8%B3%D8%AA%D8%AB%D9%85%D8%A7%D8%B1. [Accessed June 2015].

Hamza, Randa, and Zaher, Shadwa, Cambridge Business & Economics Conference, Competitiveness Targeting: Automotive Industry in Egypt, 2012. Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCIQFjAAahUKEwjS0ei5s8zIAhVCvxQKHdXECP8&url=http%3A%2F%2Fwww.gcbe.us%2F2012_CBEC%2Fdata%2FHamza%2C%2520Randa%2C%2520Shadwa%2520Zaher.doc&usg=AFQjCNEMTGFTz3ZSlQG0ewm3b_DoD44zLg&sig2=kv3Vj8FXrV-PjrnsoBByYg&bvm=bv.105454873,d.d24. [Accessed June 2015].

Integrated Management Consultancy, Rami Y. Camel-Toueg & Associates, Automotive Marketing Information Council, 2014 report. [Accessed June 2015]

Integrated Management Consultancy, Rami Y. Camel-Toueg & Associates, Automotive Marketing Information Council, 2015 report. [Accessed June 2015]

International Monetary Fund, World Economic Outlook Database, April 2015. Available at: https://www.imf.org/external/pubs/ft/weo/2015/01/weodata/weorept.aspx?sy=2011&ey=2014&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=57&pr1.y=9&c=469&s=NGDP_RPCH&grp=0&a=. [Accessed June 2015].

Kandil, Hazem. Soldiers, Spies and Statesmen: Egypt's Road to Revolt. New York: Verso Press, 2012

KPMG Deutsche Treuhand-Gesellschaft AG (commissioned by the Industrial Modernisation Centre Egypt), Strategic Study to Upgrade Egypt's Automotive Sector, January 2005. Available at: http://www.imc-egypt.org/index.php/en/studies/finish/56-executive-summery/5-automotive-sector-development-strategy. [Accessed June 2015]

Springborg, Robert. Mubarak's Egypt: Fragmentation of the Political Order. Boulder, Colo.: Westview Press, 1989.

Thai Trade Center, Automotive Industry in Egypt, 2013. Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCAQFjAAahUKEwi05d2bmubIAhVGbxQKHXvjASY&url=http%3A%2F%2Fwww.ditp.go.th%2Fcontents_attach%2F79012%2F79012.pdf&usg=AFQjCNE2XdlgIySTgWZ_S-

FCW8scH30Vpg&sig2=91fdO9OX_qhHCgoFQ2L6Bg&bvm=bv.106130839,d.bGQ&cad=rja [Accessed June 2015].

The General Authority for Investment, Egypt, Articles 52-57, Law 8 year 1997 Investment Guarantees and Incentives and its Executive Regulations. Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCAQFjAAahUKEwjB-oPamubIAhVG0xoKHeeKBl0&url=http%3A%2F%2Fwww.egypt-law.com%2FInvestments_law.pdf&usg=AFQjCNFJoetUC9FLBj9nY-L1bgk0XCmd7Q&sig2=OzKvlwwZf0HgpJUHpkJztg&bvm=bv.106130839,d.bGQ. [Accessed June 2015].

USAID, Trade Policy Options for the Egyptian Automotive Sector: The Zero-for-Zero Option, June 2004. Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCAQFjAAahUKEwjoja70mebIAhWLVhoKHfZDDwk&url=http%3A%2F%2Fpdf.usaid.gov%2Fpdf_docs%2FPnadc933.pdf&usg=AFQjCNHlc8HVswEJ4vd8qhwENZtd7VAmeQ&sig2=SGBrfRfi39e8V9E8bD-xvQ&bvm=bv.106130839,d.bGQ. [Accessed June 2015].

Wolters Kluwer Law and Business Arbitration Blog, Egypt: New Investment Law – ADR for Investor-State Disputes, April 14, 2015. Available at: http://kluwerarbitrationblog.com/blog/2015/04/14/egypt-new-investment-law-adr-for-investor-state-disputes/. [Accessed June 2015].

World Trade Organization (WTO), WT/TPR/S/55, Trade Policy Review Body - Trade Policy Review - Egypt - Report by the Secretariat, 18/05/1999, Doc #: 99-1938. Available at: https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=((%20@Title=%20egypt)%20or%20(@CountryConcerned=%20egypt))%20and%20(%20(%20@Symbol=%20wt/tpr/s/*%20))&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true#. [Accessed June 2015].

World Trade Organization, Legal Texts: Uruguay Round Summary. Available at: https://www.wto.org/english/docs_e/legal_e/ursum_e.htm#eAgreement. [Accessed June 2015]. Full text available at: https://www.wto.org/english/docs_e/legal_e/legal_e.htm. [Accessed June 2015].

World Trade Organization, Uruguay Round Agreement Annex 1A Trade-Related Investment Measures. Available at: https://www.wto.org/english/docs_e/legal_e/18-trims.pdf. [Accessed June 2015].

'Egypt: Main Suppliers' list, International Organization of Motor Vehicle Manufacturers. Available at: http://tinyurl.com/okuu3kq. [Accessed November 2015]

Press reports

African Business Magazine, Qalaa bets on Egyptian reform and recovery, 17 May 2015. Available at: africanbusinessmagazine.com/uncategorised/qalaa-bets-on-egyptian-reform-and-recovery/. [Accessed June 2015]

Ahram Online, Nominating a businessman as minister stirs Egyptian bad memories, 20 July 2011. Available at: http://english.ahram.org.eg/WriterArticles/NewsContentP/3/16758/Business/Nominating-a-businessman-as-minister-stirs-Egyptia.aspx. [Accessed November 2015]

Ahram Online, Catastrophes Mubarak should be held accountable for, December 20, 2014. Available at:

http://english.ahram.org.eg/NewsContentP/4/118321/Opinion/Catastrophes-Mubarak-should-be-held-accountable-fo.aspx. [Accessed June 2015].

Ahram Online, Egypt: The investment law predicament, May 21, 2015, english.ahram.org.eg/NewsContentP/4/130844/Opinion/Egypt-The-investment-law-predicament.aspx. [Accessed June 2015].

Ahram Online, Indicted Egyptian businessmen offer financial reparations for land grabs, March 20, 2011 http://english.ahram.org.eg/NewsContent/3/12/8156/Business/Economy/Indicted-Egyptian-businessmen-offer-financial-repa.aspx [Accessed June 2015]

Ahram Online, Mohamed Mansour: A tarnished captain of industry, May 10, 2015. Available at: http://english.ahram.org.eg/NewsContent/3/0/6724/Business/Mohamed-Mansour-A-tarnished-captain-of-industry.aspx. [Accessed June 2015].

Al-Ahram, "غبور" تنفى ملكية جمال مبارك لأسهم فى شركتها, 8 February 2011. Available at: http://gate.ahram.org.eg/UI/Front/inner.aspx?NewsContentID=37861&Title=%D8%BA%D8%A8%D9%88%D8%B1-%D8%AA%D9%86%D9%81%D9%89-%D9%85%D9%84%D9%83%D9%8A%D8%A9-%D8%AC%D9%85%D8%A7%D9%84-%D9%85%D8%A8%D8%A7%D8%B1%D9%83-%D9%84%D8%A3%D8%B3%D9%87%D9%85-%D9%81%D9%89-%D8%B4%D8%B1%D9%83%D8%AA%D9%87%D8%A7-&SearchText=%D9%86%D9%81%D9%89. [Accessed June 2015]

Al-Ahram, رئيس غرفة الصناعات الهندسية: لا مساس بسعر السيارات للمستهلكين في مصر , June 29, 2015. Available at: http://gate.ahram.org.eg/News/688188.aspx. [Accessed June 2015]

Al-Boursa (Arabic), رؤوف غبور : 3 مليارات دولار جاهزة للاستثمار فى تصنيع السيارات بمصر حال تغيير التشريعات المنظمة للصناعة , September 9 2015. Available at: http://www.alborsanews.com/2015/09/09/%D8%B1%D8%A4%D9%88%D9%81-%D8%BA%D8%A8%D9%88%D8%B1-3-%D9%85%D9%84%D9%8A%D8%A7%D8%B1%D8%A7%D8%AA-%D8%AF%D9%88%D9%84%D8%A7%D8%B1-%D8%AC%D8%A7%D9%87%D8%B2%D8%A9-%D9%84%D9%84%D8%A7%D8%B3%D8%AA%D8%AB/. [Accessed June 2015]

Al-Boursa (Arabic), قيادات السوق تدشن "المجلس المصري للسيارات" .. و الطوبجي : "محاولة للم الشمل" , May 23, 2015. Available at: http://www.alborsanews.com/2015/05/23/%D9%82%D9%8A%D8%A7%D8%AF%D8%A7%D8%AA-%D8%A7%D9%84%D8%B3%D9%88%D9%82-%D8%AA%D8%AF%D8%B4%D9%86-%D8%A7%D9%84%D9%85%D8%AC%D9%84%D8%B3-%D8%A7%D9%84%D9%85%D8%B5%D8%B1%D9%8A-%D9%84%D9%84%D8%B3%D9%8A%D8%A7/. [Accessed June 2015]

Al-Boursa (Arabic), "الهندسية" تتقدم لوزارة الصناعة بمبادئ استراتيجية صناعة السيارات, July 6, 2015. Available at: http://www.alborsanews.com/2015/07/06/%D8%A7%D9%84%D9%87%D9%86%D8%AF%D8%B3%D9%8A%D8%A9-%D8%AA%D8%AA%D9%82%D8%AF%D9%85-%D9%84%D9%88%D8%B2%D8%A7%D8%B1%D8%A9-%D8%A7%D9%84%D8%B5%D9%86%D8%A7%D8%B9%D8%A9-%D8%A8%D9%85%D8%A8%D8%A7%D8%AF%D8%A6/. [Accessed June 2015]

Al-Jazeera (Arabic), الموحد الاستثمار قانون مشروع تقر المصرية الحكومة, March 3, 2015. Available at: http://www.aljazeera.net/news/ebusiness/2015/3/4/%D8%A7%D9%84%D8%AD%D9%83%D9%88%D9%85%D8%A9-%D8%A7%D9%84%D9%85%D8%B5%D8%B1%D9%8A%D8%A9-%D8%AA%D9%82%D8%B1-%D9%85%D8%B4%D8%B1%D9%88%D8%B9-%D9%82%D8%A7%D9%86%D9%88%D9%86-%D8%A7%D9%84%D8%A7%D8%B3%D8%AA%D8%AB%D9%85%D8%A7%D8%B1-%D8%A7%D9%84%D9%85%D9%88%D8%AD%D8%AF. [Accessed June 2015]

Aswat Masria Thomas Reuters Foundation, Pound depreciation no longer a matter of choice - Investment Minister, September 7 2015 en.aswatmasriya.com/news/view.aspx?id=3917ee20-4c33-4fd8-a96c-af4e5f2bf0f3 [Accessed June 2015]

Automotive News Europe, Turkey's auto sales fall 10% in 2014, January 8, 2015. Available at: http://europe.autonews.com/article/20150108/ANE/150109922/turkeys-auto-sales-fall-10-in-2014. [Accessed June 2015].

Bloomberg, Egypt's Currency War: The Devaluation Eclipsed by Russia, Brazil, February 10, 2015. Available at: http://www.bloomberg.com/news/articles/2015-02-10/egypt-s-currency-war-the-devaluation-you-may-have-missed. [Accessed June 2015]

Daily News Egypt, Abdel Nour finalizes draft law to develop vehicles manufacturing, September 17, 2015. Available at: http://www.dailynewsegypt.com/2015/09/17/abdel-nour-finalises-draft-law-to-develop-vehicles-manufacturing/. [Accessed June 2015].

Daily News Egypt, Automotive sales paralysed: Distributors, August 18, 2015. Available at: https://www.dailynewsegypt.com/2015/08/18/automotive-sales-paralysed-distributors/. [Accessed June 2015].

Daily News Egypt, Bavarian auto group plans to expand during Q1 of 2016: chairman, September 9, 2015. Available at: http://www.dailynewsegypt.com/2015/09/09/bavarian-auto-group-plans-to-expand-during-q1-of-2016-chairman/. [Accessed June 2015]

Daily News Egypt, Cabinet resignation threatens issuance of new automotive industry law, September 14, 2015. Available at: https://www.dailynewsegypt.com/2015/09/14/cabinet-resignation-threatens-issuance-of-new-automotive-industry-law-abdel-aziz/. [Accessed June 2015]

Daily News Egypt, CBE governor, FEI representatives discuss industry problems, September 22 2015. Available at: www.dailynewsegypt.com/2015/09/22/cbe-governor-fei-representatives-discuss-industry-problems/. [Accessed June 2015]

Daily News Egypt, CBE's policies limiting hard currency cash deposits leads to disaster: Exporters, importers, September 11 2015. Available at: www.dailynewsegypt.com/2015/09/11/cbes-policies-limiting-hard-currency-cash-deposits-leads-to-disaster-exporters-importers/. [Accessed June 2015]

Daily News Egypt, Dollar exchange rate forces increased automotive prices, May 19, 2015. Available at: http://www.dailynewsegypt.com/2015/05/19/dollar-exchange-rate-forces-increased-automotive-prices/. [Accessed June 2015]

Daily News Egypt, German auto companies, ECA conflict ongoing, June 1, 2015 www.dailynewsegypt.com/2015/06/01/german-auto-companies-eca-conflict-ongoing/ [Accessed June 2015]

Daily News Egypt, Lotfy: Corruption in Egypt has increased since the revolution,' Daily News Egypt, April 20, 2015. Available at:

http://www.dailynewsegypt.com/2013/04/20/lotfy-corruption-in-egypt-has-increased-since-the-revolution/. [Accessed June 2015]

Daily News Egypt, Review of indicative car prices law, February 9 2015. Available at: www.dailynewsegypt.com/2015/02/09/review-indicative-car-prices-law/. [Accessed June 2015]

Daily News Egypt, WCO settles dispute between ECA, German agents in Egypt, June 22 2015. Available at: www.dailynewsegypt.com/2015/06/22/wco-settles-dispute-between-eca-german-agents-in-egypt/. [Accessed June 2015]

Egypt Independent, German Daimler Motor Company withdraws from Egyptian market, April 25 2015. Available at: www.egyptindependent.com/news/german-daimler-motor-company-withdraws-egyptian-market. [Accessed June 2015].

Forbes, Egyptian Billionaire Family Caught in the Crosshairs of Egypt's History, 2011. Available at: http://www.forbes.com/sites/zinamoukheiber/2011/02/01/egyptian-billionaire-family-caught-in-the-crosshairs-of-egypts-history/. [Accessed June 2015]

Hamdy Abd al-Aziz (Arabic), صناعة السيارات خارج خريطة القمة الاقتصادية, Boursa February 26, 2015. Available at: http://www.alborsanews.com/2015/02/26/%D8%B5%D9%86%D8%A7%D8%B9%D8%A9-%D8%A7%D9%84%D8%B3%D9%8A%D8%A7%D8%B1%D8%A7%D8%AA-%D8%AE%D8%A7%D8%B1%D8%AC-%D8%AE%D8%B1%D9%8A%D8%B7%D8%A9-%D8%A7%D9%84%D9%82%D9%85%D8%A9-%D8%A7%D9%84%D8%A7%D9%82%D8%AA/. [Accessed June 2015]

London Review of Books, Mubarak's Last Breath, Adam Shatz, LRB Vol. 32 No. 10 · 27 May 2010, p. 6-10. Available at: www.lrb.co.uk/v32/n10/adam-shatz/mubaraks-last-breath. [Accessed June 2015].

Mada Masr, Sisi: Egypt should reduce imports to ease currency shortage, October 4 2015. Available at: www.madamasr.com/news/economy/sisi-egypt-should-reduce-imports-ease-currency-shortage. [Accessed June 2015]

Middle East News Agency, Mansour and Maghreby Family Member resign from Credit Agricole, April 3, 2012. Available at: http://english.ahram.org.eg/News/38412.aspx. [Accessed June 2015].

Press TV, Iran's car sales up 32%, February 12, 2015. Available at: http://www.presstv.ir/Detail/2015/02/12/397341/Irans-car-sales-rose-32-percent-this-year-as-the-industry-started-emerging-from-years-of-sanctions-an-official-has-said. [Accessed June 2015].

Reuters, Egypt's GB Auto says plans $134 mln rights issue, January 12, 2015. Available at: http://www.reuters.com/article/2015/01/12/egypt-gbauto-issue-idUSL6N0UR28020150112. [Accessed June 2015].

Reuters, Egypt central bank imposes cap on dollar deposits, February 5, 2015. Available at: www.reuters.com/article/2015/02/05/egypt-forex-dollar-cap-idUSL6N0VF56320150205. [Accessed June 2015].

Reuters, GB Auto aims to invest $1.5 bln in vote of confidence for Egypt, January 7, 2015. Available at: http://af.reuters.com/article/investingNews/idAFKBN0KG0H520150107. [Accessed June 2015].

Youm7 (Arabic), الاثنين.. انطلاق مؤتمر شراكة استراتيجية مصرية كورية جنوبية بالأهرام, May 29, 2015. Available at: http://www.youm7.com/story/2015/5/29/%D8%A7%D9%84%D8%A7%D8%AB%D9%86%D9%8A%D9%86-%D8%A7%D9%86%D8%B7%D9%84%D8%A7%D9%82-%D9%85%D8%A4%D8%AA%D9%85%D8%B1-%D8%B4%D8%B1%D8%A7%D9%83%D8%A9-%D8%A7%D8%B3%D8%AA%D8%B1%D8%A7%D8%AA%D9%8A%D8%AC%D9%8A%D8%A9-%D9%85%D8%B5%D8%B1%D9%8A%D8%A9-%D9%83%D9%88%D8%B1%D9%8A%D8%A9-%D8%AC%D9%86%D9%88%D8%A8%D9%8A%D8%A9-%D8%A8%D8%A7%D9%84/2202798#.VgmROtxp0z0 [Accessed June 2015].

Youm7 (Arabic), الاثنين.. انطلاق مؤتمر شراكة استراتيجية مصرية كورية جنوبية بالأهرام, May 29, 2015. Available at: http://www.youm7.com/story/2015/5/29/%D8%A7%D9%84%D8%A7%D8%AB%D9%86%D9%8A%D9%86-%D8%A7%D9%86%D8%B7%D9%84%D8%A7%D9%82-%D9%85%D8%A4%D8%AA%D9%85%D8%B1-%D8%B4%D8%B1%D8%A7%D9%83%D8%A9-%D8%A7%D8%B3%D8%AA%D8%B1%D8%A7%D8%AA%D9%8A%D8%AC%D9%8A%D8%A9-%D9%85%D8%B5%D8%B1%D9%8A%D8%A9-%D9%83%D9%88%D8%B1%D9%8A%D8%A9-%D8%AC%D9%86%D9%88%D8%A8%D9%8A%D8%A9-%D8%A8%D8%A7%D9%84/2202798#.VgmROtxp0z0. [Accessed June 2015]

Youm7Video (Arabic), فخرى عبد النور: إعلان حوافز لجذب منتجى السيارات إلى السوق المصرى , June 1 2015. Available at: https://www.youtube.com/watch?v=ELfrp09pcHg. [Accessed June 2015]

Youm7Video (Arabic), فخرى عبد النور: إعلان حوافز لجذب منتجى السيارات إلى السوق المصرى , June 1 2015. Available at: https://www.youtube.com/watch?v=ELfrp09pcHg. [Accessed June 2015].

Yowm7 (Arabic), September 4, 2012. Available at: http://www.youm7.com/story/2012/9/4/%D8%B1%D8%A6%D9%8A%D8%B3_%D9%85%D8%B5%D9%84%D8%AD%D8%A9_%D8%A7%D9%84%D8%AC%D9%85%D8%A7%D8%B1%D9%83_%D8%A7%D9%84%D8%AC%D8%AF%D9%8A%D8%AF_%D8%AA%D8%B9%D8%AF%D9%8A%D9%84%D8%A7%D8%AA_%D8%AA%D8%B4%D8%B1%D9%8A%D8%B9%D9%8A%D8%A9_%D8%B9%D8%A7%D8%AC%D9%84%D8%A9_%D9%84%D9%85%D9%88%D8%A7%D8%AC%D9%87%D8%A9_%D8%A7%D9%84%D8%AA/775320#.Vf2f7dxp0z2 [Accessed June 2015]

Company websites

Abo el Ela website. Available at: http://www.aboelela.com/files/ea.php. [Accessed November 2015].

Abou el Yazeed website. Available at: http://www.abou-elyazeed.com/companies.html. [Accessed November 2015].

Abou el Yazeed website. Available at: http://www.abou-elyazeed.com/companies.html. [Accessed November 2015].

Afico Filters website. Available at: http://www.aficofilters.com.eg/. [Accessed November 2015].

Ahmed Omar – Export Import. Available at: https://www.facebook.com/Ahmed-Omar-export-Import-875904549115251/timeline. [Accessed November 2015].

Aircraft Factory, Arab Organization for Industrialization website. Available at: http://www.aoi.com.eg/index.php?option=com_content&view=article&id=26&Itemid=126&lang=en. [Accessed November 2015].

AKL website. Available at: http://www.akl-ma.net/. [Accessed November 2015].

Alumisr website. Available at: http://www.alumisr.com/alumisr_e/about.htm. [Accessed November 2015].

Arab American Vehicles (AAV) website. Available at: http://www.aav.com.eg/Pathtosuccess.html. [Accessed June 2015]

Arab Engineering website. Available at: http://www.arabengineeringindustries.org/view/members/viewMember.php?id=91. [Accessed November 2015].

Autocool website. Available at: http://www.autocool.com.eg/. [Accessed November 2015].

Automotive Marketing Information Council website. Available at: http://www.amicegypt.com/about.aspx. [Accessed November 2015].

Board of Directors, Engineering Export Council – Egypt website. Available at: http://eec-eg.org/index.php/pages/board_of_directors. [Accessed November 2015].

Cablex website. Available at: http://www.cablex.org/. [Accessed November 2015].

Egypt for Engineering Industries website. Available at: https://www.facebook.com/pages/Eei-Egypt-for-Engineering-Industries/862042523835421. [Accessed November 2015].

Egyptian Auto Feeders Association website. Available at: http://www.eafa-egypt.com/en/CompanyHome.aspx?Id=30. [Accessed November 2015].

Egyptian Axles Company, Members Database, American Chamber of Commerce in Egypt. Available at: http://www.amcham.org.eg/member_center/membersdatabase/View_Member_Details.asp?MI=4477. [Accessed November 2015]

Egyptian Co. for Light Industries – Misriat website. Available at: http://africa-eg.bizlibdir.com/egyptian-co-for-light-industries-misriat-24df0.html. [Accessed November 2015].

Electronic Devices Group website. Available at: http://www.edegypt.com/aboutus/iced.htm. [Accessed November 2015].

El Kady for Hoses website. Available at: http://elkadyhoses.com/home.php. [Accessed November 2015].

El Teriak website. Available at: http://www.elteriak.com/. [Accessed November 2015].

El Thawra website. Available at: http://www.elthawra-sis.com . [Accessed November 2015].

Engineering for Industries Co website. Available at: http://www.egypt-business.com/Company/details/Engineering-for-Industries-Co. [Accessed November 2015].

Fac Filter website. Available at: http://www.facfilter.net/. [Accessed November 2015].

Faik Manufacturing Company website. Available at: http://www.faik.com/. [Accessed November 2015].

FIMCO Egypt website. Available at: http://www.fimcoegypt.com. [Accessed November 2015].

Franek Group, media release, ‘Frank acquires market leader in Egypt,’ 7 December 2005. Available at: http://www.franke.com/content/dam/frankegroup/pdf/media_releases/franke_media_release_2005_12_07_en.pdf. [Accessed November 2015].

Ghabbour Auto Group website. Available at: http://www.ghabbourauto.com/About.aspx. [Accessed June 2015]

Greische website. Available at: http://drgreiche.net/. [Accessed November 2015].

GTI Tuning website. Available at: http://www.gtituning.net/. [Accessed November 2015].

Hamenz website. Available at: http://www.hamenz.com. [Accessed November 2015].

IDACO - Egypt website. Available at: http://www.idaco-egypt.com/. [Accessed November 2015].

INDE - Egypt website. Available at: http://inde-egypt.com/. [Accessed November 2015].

ISI Egypt website. Available at: http://www.isi-egypt.com/. [Accessed November 2015].

Management Board, Egyptian Auto Feeders Association website. Available at: http://www.eafa-egypt.com/en/ShowPage.aspx?PageID=7. [Accessed November 2015].

Mansour Group website. Available at: http://www.mansourgroup.com/About/History. [Accessed June 2015]

MCV Group website. Available at: http://www.mcv-eg.com/MCV/Aboutus.html. [Accessed June 2015]

Misr Engineering website. Available at: http://www.misreng.net/. [Accessed November 2015].

Mobica website. Available at: http://www.mobicaplus.de/impressum/. [Accessed November 2015].

Nasr, Hammam, Military Factories, Egypt, International Market Insight (IMI), US & Foreign Commercial Service and US Department of State, 1998. Available at: fas.org/nuke/guide/egypt/facility/mark0033.htm. [Accessed November 2015]

Nour El Hoda website. Available at: http://nourelhoda.com/index-en.php. [Accessed November 2015].

Off Road Egypt website. Available at: http://www.offroadegypt.com/. [Accessed November 2015].

Seoudi Investment Group website. Available at: http://www.seoudi.com/. [Accessed June 2015]

Sons of Farid Hassanen Co website. Available at: http://www.sonfarid.com/about.htm. [Accessed November 2015].

Star Rubber website. Available at: http://www.starrubberproducts.com/. [Accessed November 2015].

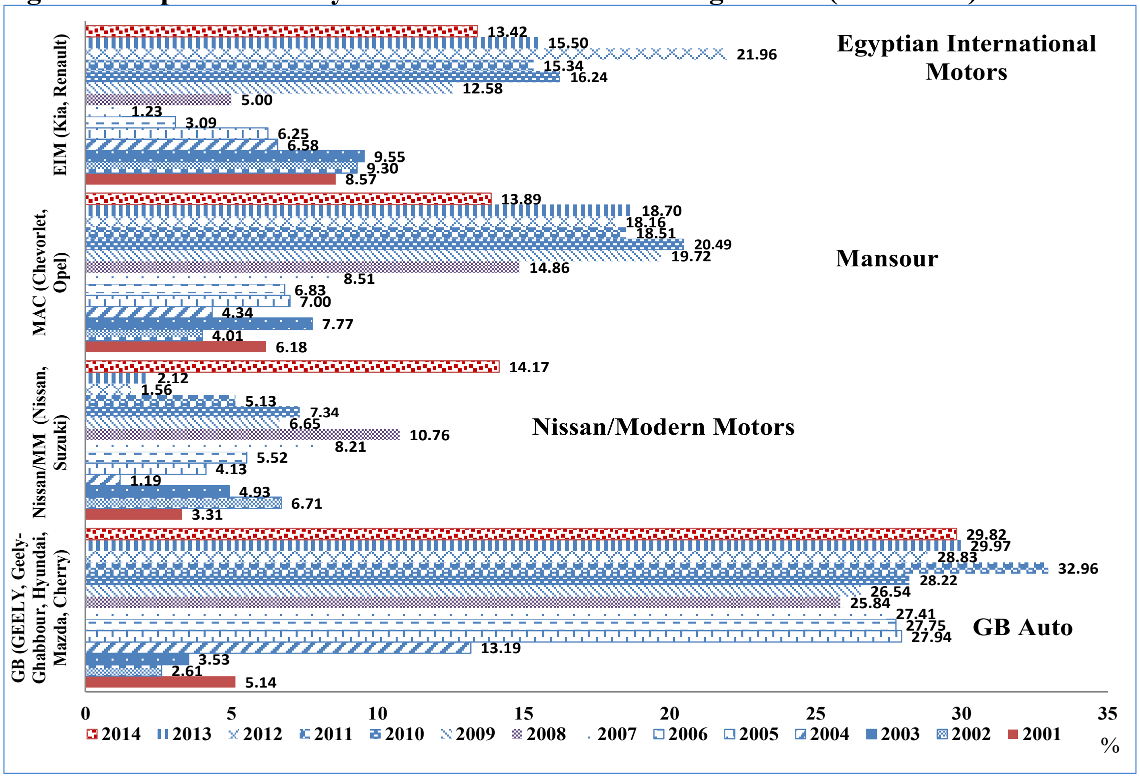
Tarek Mansour, LinkedIn. Available at: https://eg.linkedin.com/pub/tarek-mansour/a9/917/44b. [Accessed November 2015]

Techno Steel Co. for Feeding Automotive Industries - Ehab Saad Hassan Faraag and Partners. Available at: www.hoovers.com/company-information/cs/company-profile.TECHNO_STEEL_FOR_FEEDING_AUTOMOTIVE_INDUSTRIES.045a2e60a0f3bf23.html. [Accessed November 2015].

Trust Seats website. Available at: http://www.trust-seats.com/. [Accessed November 2015].

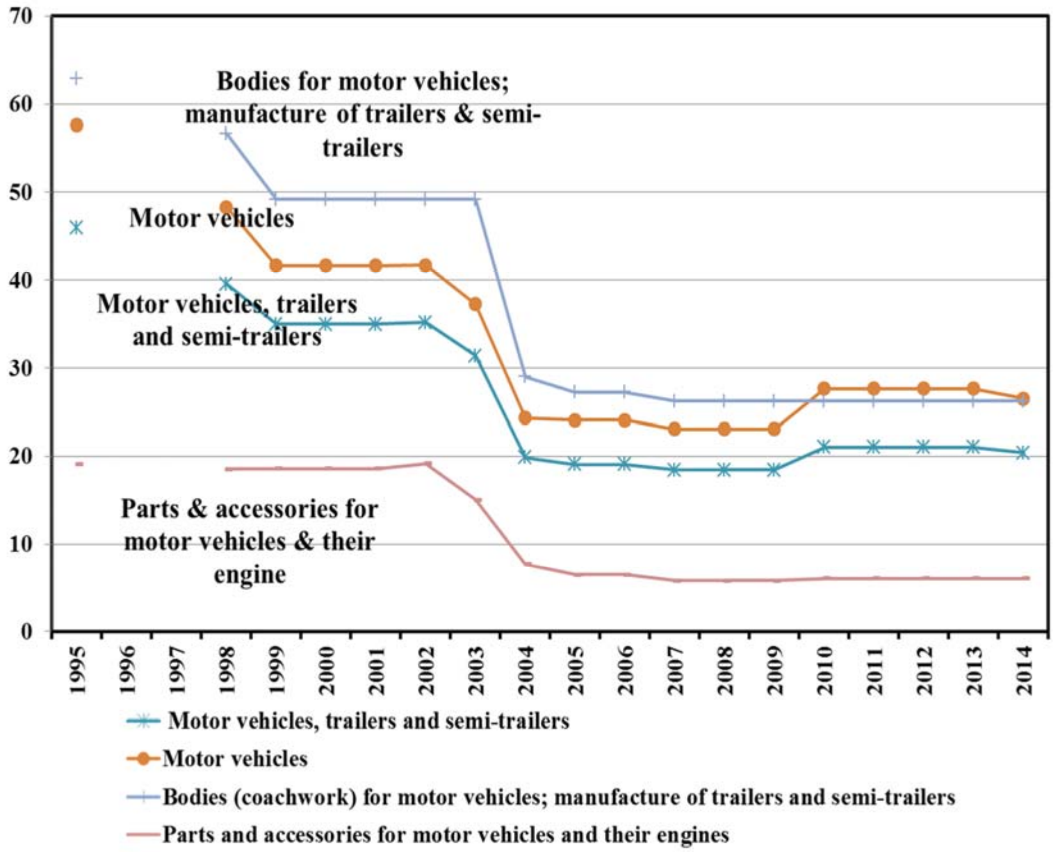
'List of interested Egyptian companies Visit to Czech (7-8 February 2011),' Ministry of Trade and Industry, Egypt. Available at: http://tinyurl.com/nzy3n3z

Figure 1: Top Market Players' Market Share in Passenger Cars (2001-2014)



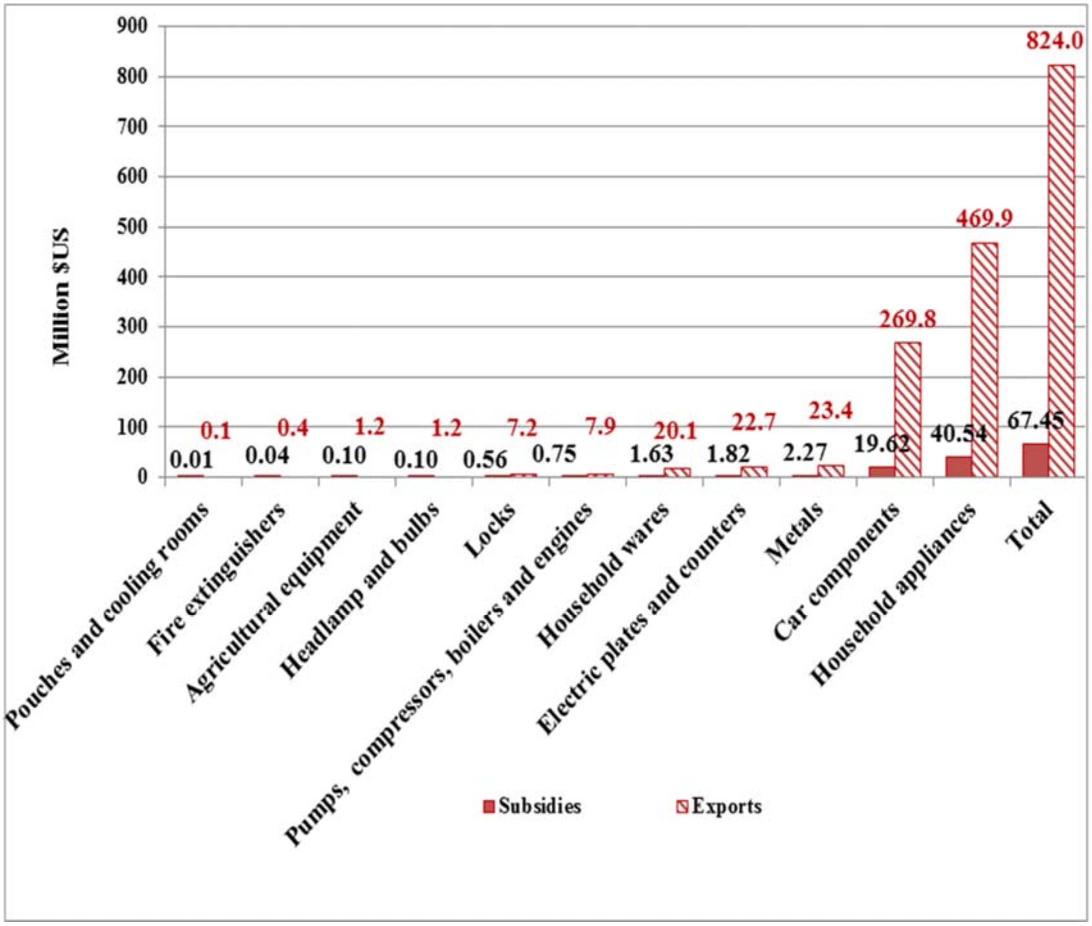
Note: Data are given in numbers of cars by brands. We convert these to their corresponding dealer/assembler/distributor.
Source: Authors' calculations based on Automotive Marketing and Information Council (AMIC) (2015) database.

Figure 2: Simple Average Most-Favored Nation Tariffs (MFN) Tariff (1995-2014)



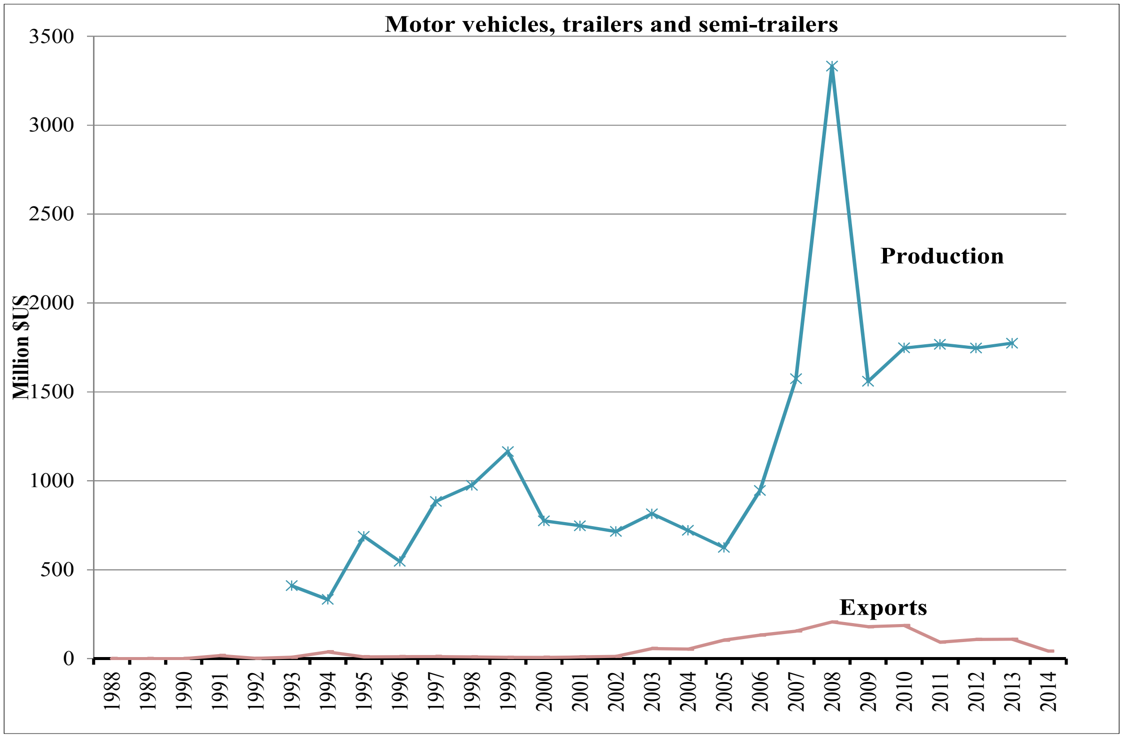
Source: World Integrated Trade Solution (WITS) (2015) database

Figure 3: Exports and Expenses- Drawback by "Engineering" Sector (2014)



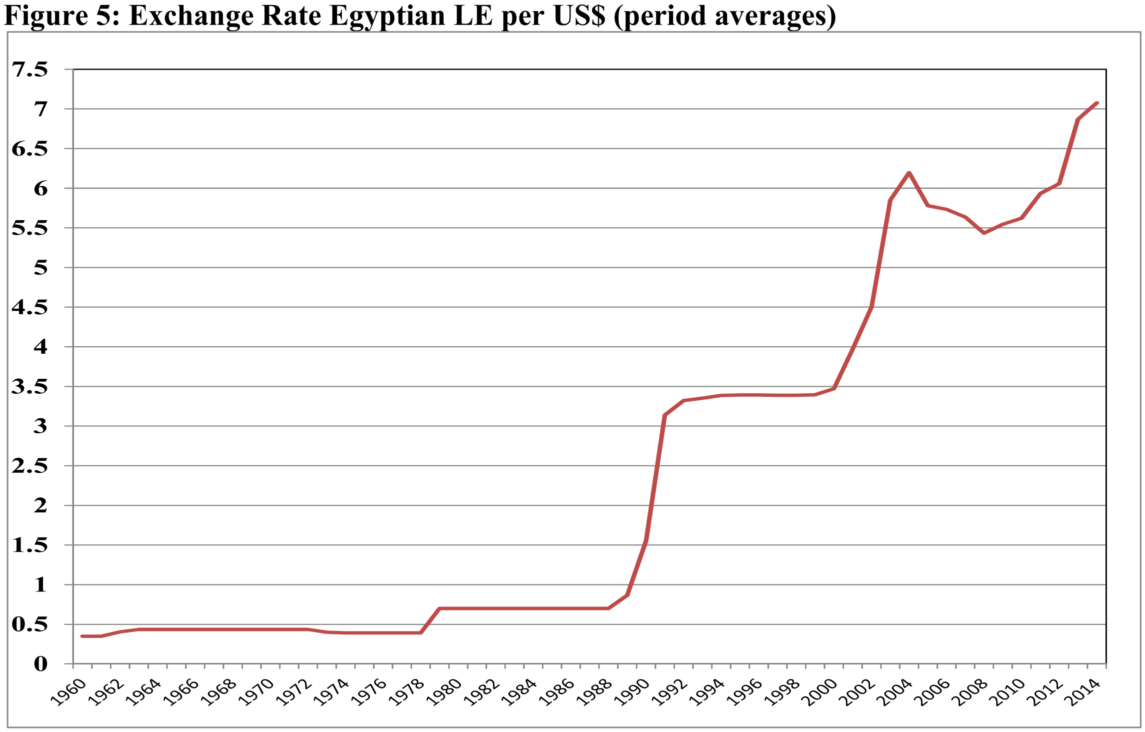
Source: Authors' calculations based on Engineering Export Council of Egypt (EEC-EG) data, unpublished

Figure 4: Production and Exports: Motor Vehicles, Trailers and Semi-Trailers (1988-2014)



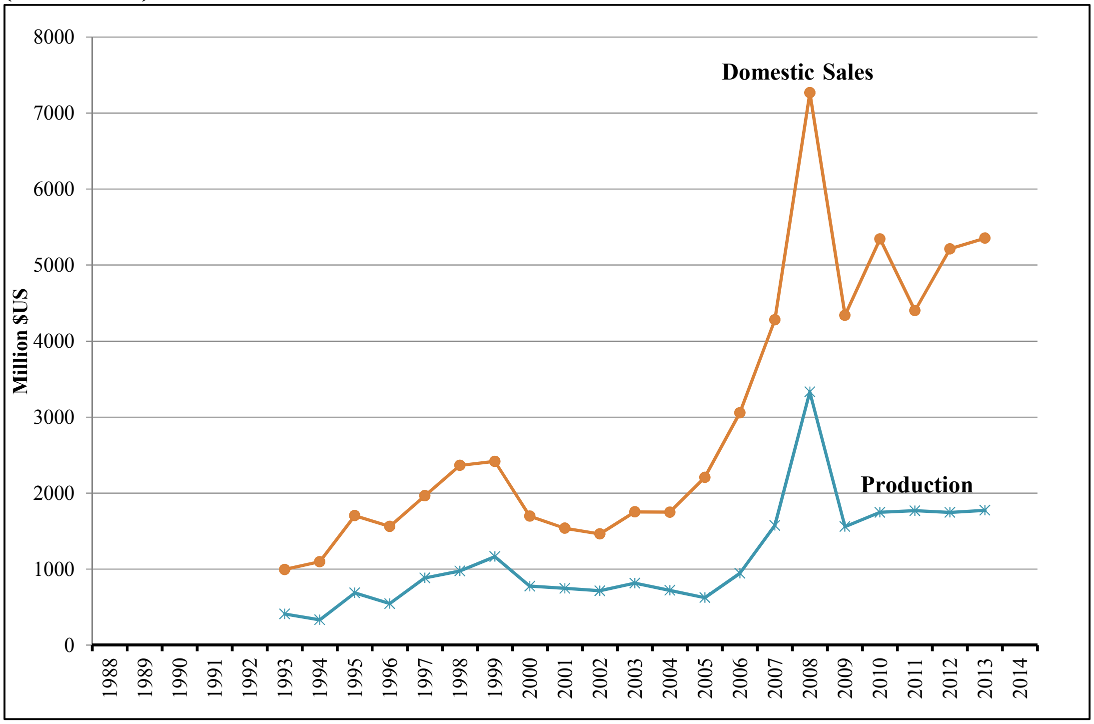
Source: Production: CAPMAS, Annual Statistical Book, Various issues; Exports: WITS (2015).

Figure 5: Exchange Rate Egyptian LE per US$ (period averages)



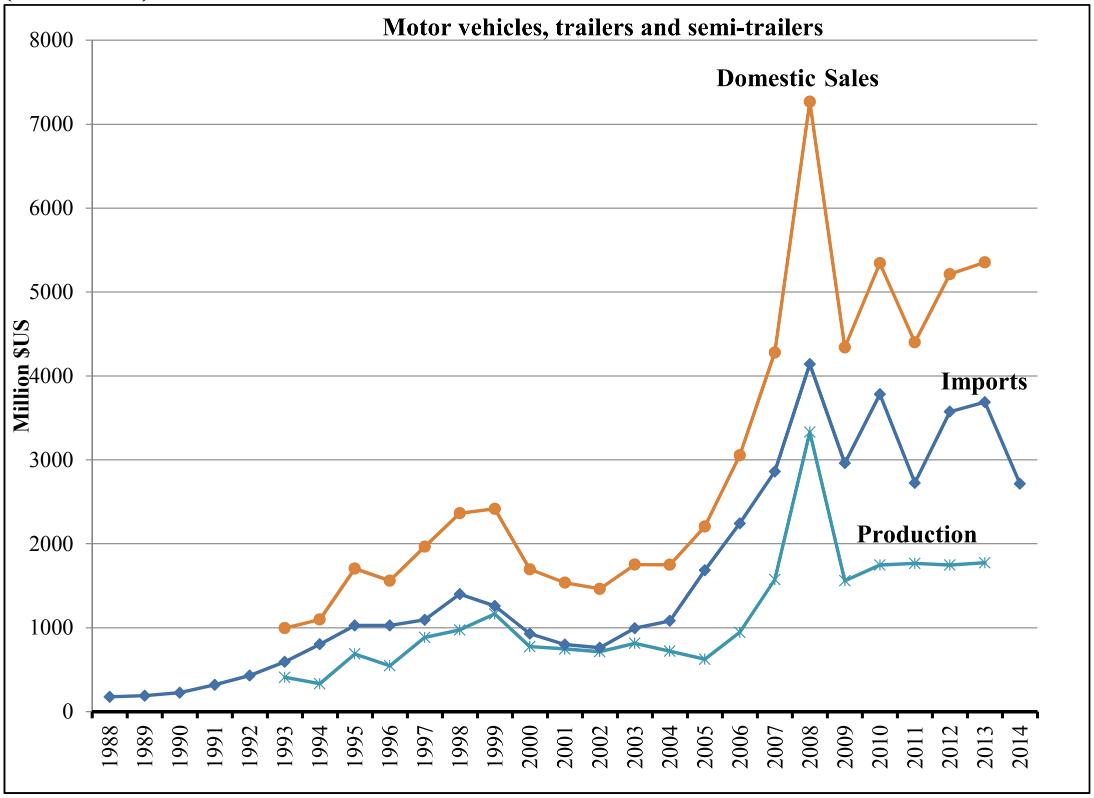
Source: WDI, WB (2015).

Figure 6: Production and Domestic Sales: Motor Vehicles, Trailers and Semi-Trailers (1988-2014)



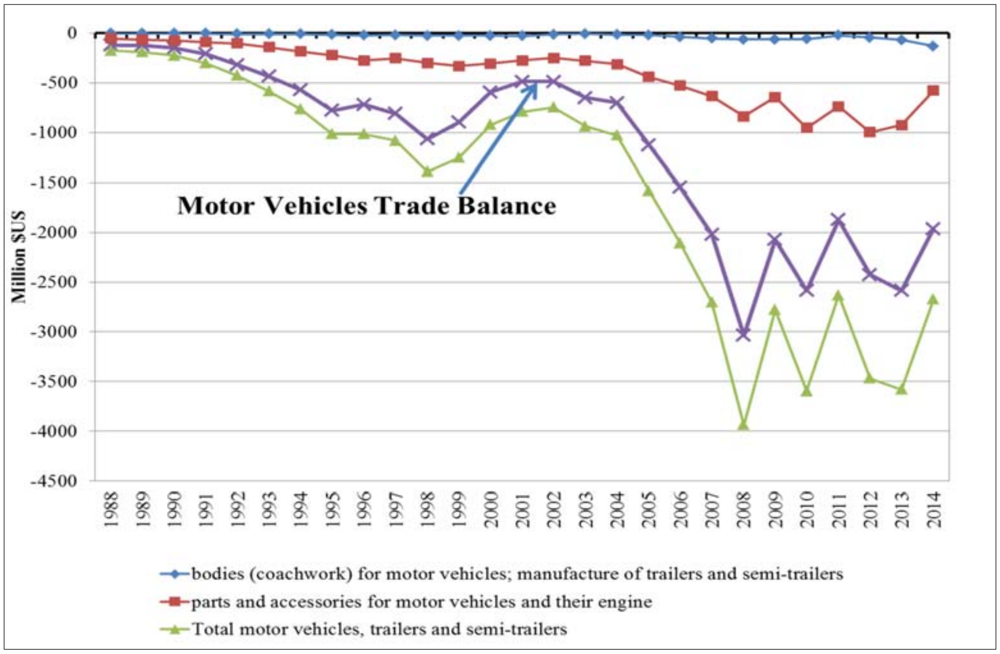
Notes: Sales calculated based on WITS exports and imports and CAPMAS production data.
Source: Production: CAPMAS, Annual Statistical Book, Various issues; Domestic Sales: CAPMAS, Annual Statistical Book, Various issues and WITS (2015).

Figure 7: Production, Exports and Imports: Motor Vehicles, Trailers and Semi-trailers (1988-2014)



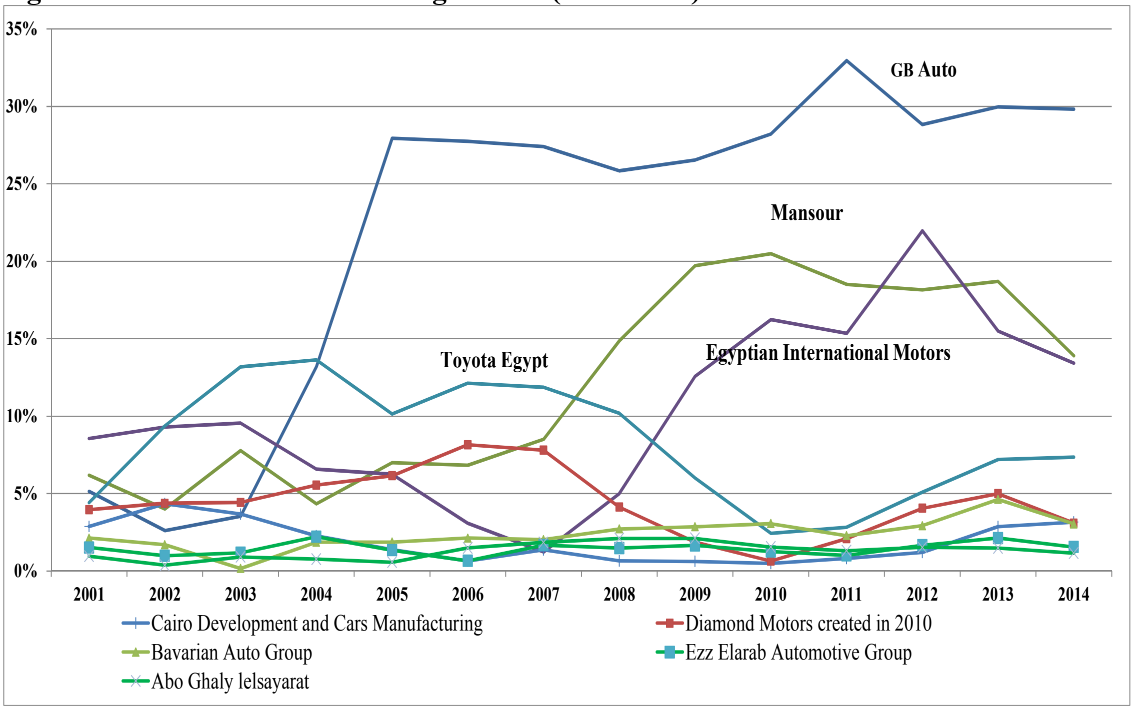
Notes: Sales calculated based on WITS exports and imports and CAPMAS production data
Source: Production: CAPMAS, Annual Statistical Book, Various issues; Domestic Sales: CAPMAS, Annual Statistical Book, Various issues and WITS (2015) database; Imports: WITS (2015) database.

Figure 8: Trade Balance (1988-2014)



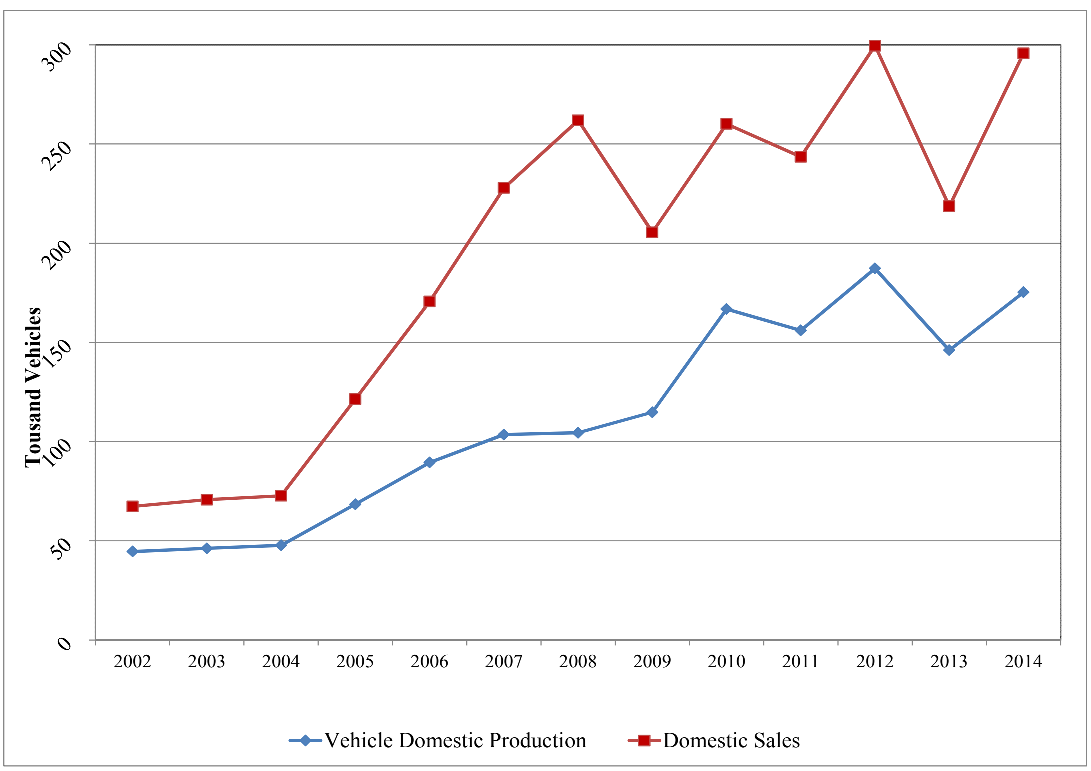
Source: Author's calculations based on WITS (2015) mirror data.

Figure 9: Market Share in Passenger Cars (2001-2014)



Note: Data are given in numbers of cars by brands. We convert these to their corresponding dealer/assembler/distributor
Source: Authors' calculations based on AMIC (2015) database

Figure 10: Domestic Vehicles Production and Total Sales in Numbers of Vehicles



Source: Information Decision Support Center (2015) based on Automotive Marketing and Information Council (AMIC)

Table 1: Estimates of Effective Rates of Protection (selected industries, excludes NTBs and subsidies)

ISIC Code	Sector	Private Industries		Public Industries	
		1998	2009	1998	2009
1711	Manufacture of containers, boxes of paper & paper board	-11083	242	529	na
1721	Textile products except garments	84	229	na	na
1722	Tire & tube industries	849	98	111	38
2102	Manufacture of carpets and rugs	64	92	176	na
2101	Manufacture of electrical appliances &housewares	83	79	193	na
2412	Manufacture of soap, perfume & cosmetics	58	77	385	-1225
2423	Manufacture of jewelry & related articles	33	66	na	na
2424	Manufacture of glass & glass products	38	58	72	212
2511	Iron & steel basic industries	31	23	29	21
2610	Manufacture of pulp, paper & paper board articles	40	21	60	29
2694	Non-Ferrous metal basic industries	28	18	24	16
2710	Spinning & Weaving and finishing textiles	46	16	47	16
2720	Manufacture of motor vehicles	58	16	219	36
2893	Manufacture of drugs & medicines	6	6	6	6
2921	Manufacture of agricultural machinery & equipment	11	5	16	na
3110	Manufacture of cutlery, hand tools, & general hardware	34	5	34	na
2930	Manufacture of electrical industrial machinery & apparatus	26	5	na	na
3410	Manufacture of fertilizers and pesticides	21	0	31	-2
3811	Manufacture of cement, lime & plaster	32	-2	30	-1
	Average	**85.6**	**45**	**122.5**	**37**

Notes: Calculation is based on WTO integrated database of HS6 tariffs (2009) & Information in Al- Iskandarani for costs of importables in total output and tariffs 1998. na. corresponds to industries not appearing as public sector in Central Agency for Public Mobilization and Statistics (CAPMAS) sources. Average calculations does not include group 2102 for private sector, and 2424 for public sector
Source: Valdes and Foster (2011).

Table 2: Average Motor Vehicles Most-Favored Nation Tariffs (MFN) Egypt versus the World

	Prior 1999	1999-2003	2004-2009	2010-2014
Egypt	53	40.8	23.6	27.4
World	21.8	16.9	13.8	11.9

Source: Authors' calculations based on WITS (2015) database

Table 3: Exchange Rate (LCU per US$, period average, 2001-2011)

	Official exchange rate	rate of change	Real exchange rate	rate of change
2000	3.47	2.26%	6.08	2.95%
2001	3.97	14%	7.00	15.05%
2002	4.50	13%	7.84	11.99%
2003	5.85	**30%**	**9.97**	**27.24**
2004	6.20	6%	9.75	-2.28%
2005	5.78	**-6.74%**	**8.96**	**-8.05%**
2006	5.73	**-0.79%**	**8.53**	**-4.86%**
2007	5.64	**-1.70%**	**7.88**	**-7.52%**
2008	5.43	**-3.60%**	**6.67**	**-15.40%**
2009	5.54	2.06%	6.07	-9.00%
2010	5.62	1.40%	5.62	-7.38%
2011	5.93	5.53%	5.56	-1.08%

Notes: real exchange rate is calculates as nominal exchange rate * (US CPI / Egypt CPI)
Source: Authors' calculations based on World Development Indicators (WDI), World Bank (WB) (2015).

Table 4: New Entrants into the Automotive Sector Since 2003

Distributer/ assembly/ manufacture	Year	China	South Korea	Britain	Turkey	India
Bavarian Auto Group	2004			MINI		
	2006	Brilliance Auto				
	2008					Mahindra
Abou El-Fotouh	2004	Chery				
	2006	Speranza				
GB Auto	2004	Geely				
	2011	Englon				
		Maple				
Abou Ghali Automotive	2004	Hafei Lobo				
	2011	Landwind				
	2013	Haima				
Horse Motors/A&A Group	2010	JAC				
Bavarian Ezz Group	2007	GWM				
GM Korea	2005		Chevrolet			
MM Sons Group	2006			Land Rover		
NASCO	2003				Tofas	
Others	2004	Jiangnan				
	2006		Ssangyong			
	2007	Zotye				
	2008	Komodo				
	2012	Jonway				

Source: Prepared by Authors based on AMIC (2015) database

Table 5: Motorization Index for Select Countries

Country	Passenger car ownership per 1,000 persons
India	10
Iran	15
Syria	18
Egypt	**33.6**
Morocco	50
Algeria	58
Tunisia	75
Turkey	83
Jordan	98
China	147
Libya	230
World Average	**130**

Source: American Chamber (2011)

Annex: Table A1: Suppliers

	Supplier	Management (if publicly available)	Affiliations	Clients (if publicly available)	Included in National Suppliers' Development Program (NSDP)?[58]
1	Automotive Filters Industrial Co. (AFICO Filters) 59	Chairman and Managing Director Talaat Ghabbour; Milad Ghabbour; Vice President, Marianne Ghabbour		Include GM, Hyundai, Cherokee, Citroen, MCV, Lada	Yes (Seats)
2	El Kady for Hoses and Pipes60	Chairman, Abd El Moneim el Kady	Board Member, Chamber of Engineering Industries	Cairo Transport Authority, Daewoo Motors Egypt, Spranza, GM Egypt, NASCO, Hyundai	Yes (HVAC module)
3	10th of Ramadan Co. for Glass Products61	Magdy and Mona Greische		General Motors Egypt, Scania-Ghabbour Brothers, Nissan Motor Egypt S.A.E, Prima Hyundai, Manufacturing Commercial Vehicles (M.C.V) – Egypt (Mercedes), Arab American Vehicles (AVV), Suzuki Egypt, Gorica Egypt Group-Kastour Bus (MAN), Egypt Railways, El Handasseya Car Manufacturing, Geely, BYD, Hashim Bus, Khalaf Bus, EgyTECH, Toyota Egypt	Yes (Painted planting parts)
4	Feeding Industries Manufacturing Co. (FIMCO). Part of the Maamoun Brothers Group, family-based group of companies62	Chief executive, Khalid Khalil	General Secretary, Egyptian Auto Feeders Association	GM Motors Egypt, Daewoo Egypt, Nissan, Suzuki, Sangyoung Musso, Alfa Auto, EGA (Mercedes Passenger Cars), ACVA (BMW Passenger Cars), MCV, Speranza-chery, FAW, Safety, EMAK, ABB, Olympic Group, Electro Star	Yes (Wiring harnesses)
5	Egyptian Co. for light industries (Misriat)63	Part of the Maamoun Brothers Group			Yes (unstated)
6	Autocool64	Hamdy Abdel Aziz, Chairman, AutoCool	Chairman, Federation of Egyptian Industries, Chamber of Engineering	BMW, Citroen, Daewoo, Jeep Cherokee, Kia Pride, Mercedes, Opel, Peugeot, Suzuki	Yes (Stamping)
7	AKL for Auto Feeding Industries65	Chief executive, Ali Akl		General Motors, Nissan, International Automotive Manufacturing Co, Metal Industries Salhheya, MCV,	Yes (Glass)

[58] NSDP was selected July 2005 by General Motors Egypt (distribution rights owned by politically-connected Al-Mansour Automotive Co.) and Ministry of Trade and Investment under Hosni Mubarak Investment Minister Rachid Mohamed Rachid. Source: General Motors, 'Opportunities for Auto Parts Suppliers in Egypt,' Presentation, 2008. Cited in American Chamber of Commerce in Egypt, Business Studies & Analysis Center, *The Automotive Industry in Egypt*, 2011. Companies in this table sourced from 'Egypt: Main Suppliers' list, International Organization of Motor Vehicle Manufacturers (http://tinyurl.com/okuu3kq) and automotive suppliers list in *AmCham* report, checked against 2008 GM presentation.

[59] http://www.aficofilters.com.eg/

[60] http://elkadyhoses.com/home.php, http://www.decypha.com/en/people-list/Abdel%20Moneim%20El%20Kady-128916

[61] http://drgreiche.net/

[62] http://www.fimcoegypt.com/, http://www.maamoungrp.com/

[63] http://africa-eg.bizlibdir.com/egyptian-co-for-light-industries-misriat-24df0.html

[64] http://www.autocool.com.eg/

[65] http://www.akl-ma.net/

				Ghabbour, Peugeot	
8	Commercial66				Yes (Structures and components)
9	EEI (Egypt for Engineering Industries)67				Yes (Carpets)
10	Egyptian Axles Company68	Chief executive, Raafat Elkhanagry			Yes (Audio Systems)
11	INDE - Industrial Engineering Group69	Chief executive, Arafat Rashed	Board Member, Egyptian Auto Feeders Association	Automotive feeding industry, motorbikes & bicycles, other sectors General Motors, Jeep, Peugeot, Mercedes, Temsa, FIAT, Chrysler, Olympic Group	Yes (unstated)
12	Engineering for Industries Co. (ENGIN)70			Division of INDE - Industrial Engineering Group in Sheet metal Plant in 6th of October City. Automotive feeding industry, motorbikes & bicycles, other sectors General Motors, Jeep, Peugeot, Mercedes, Temsa, FIAT, Chrysler, Olympic Group	Yes (Hoses and Pipes)
13	GTI Service and Tuning71				Yes (Chassis)
14	Hamenz72	George Tarek Eid, Chairman			Yes (Fuel tank)
15	ICDI - International For Developmental Industrial73				Yes (Seat belts)
16	IDACO Egypt74			VW, FIAT, UK-based wiring harness company (confidential agreement), Ghabbour, Toyota, JAC Motors, Nissan, GM, Temsa, Mitsubishi, Lada, Zahav, Bavarian, AAV, Speranza	Yes (unstated)
17	Industrial Control75			General Motors, Mitsubishi, Nissan, MCV, Peugeot	Yes (unstated)
18	Mobica76	Mohamed Farouk Abdel Moneim	Chairman, Member, Board of Directors 2014/2016, German-Arab Chamber of Industry and Commerce		Yes (unstated)
19	Traxx77			Aftermarket	Yes (unstated)

Source: Authors' compilation based on (AmCham) 2011

[66] No website located
[67] https://www.facebook.com/pages/Eei-Egypt-for-Engineering-Industries/862042523835421
[68] http://www.amcham.org.eg/member_center/membersdatabase/View_Member_Details.asp?MI=4477
[69] http://inde-egypt.com/
[70] http://www.egypt-business.com/Company/details/Engineering-for-Industries-Co
[71] http://www.gtituning.net/
[72] http://www.hamenz.com/
[73] http://www.140online.com/Company/En/C2940/ICDI%20-%20International%20For%20Developmental%20Industrial/
[74] http://www.idaco-egypt.com/
[75] http://www.industrialcontrolgr.com/
[76] http://www.mobicaplus.de/impressum/
[77] http://www.offroadegypt.com/